

Condensed Interim Consolidated Financial Statements (Unaudited)

**Avesoro Resources Inc.**

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

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

Company registration number: 776831-1

Company incorporated on: 1 February 2011

## Avesoro Resources Inc.

### Interim Consolidated Statements of Income and Comprehensive Income

(stated in thousands of US dollars)

Unaudited

	Three months ended September 30, 2018 \$'000	Three months ended September 30, 2017 \$'000	Nine months ended September 30, 2018 \$'000	Nine months ended September 30, 2017 \$'000
<b>Gold sales (Note 2)</b>	<b>59,247</b>	25,452	<b>225,147</b>	64,464
<b>Cost of sales</b>				
- Production costs (Note 2)	<b>(45,646)</b>	(18,187)	<b>(137,827)</b>	(52,250)
- Depreciation (Note 2)	<b>(21,930)</b>	(6,924)	<b>(58,931)</b>	(21,103)
<b>Gross (loss)/profit</b>	<b>(8,329)</b>	341	<b>28,389</b>	(8,889)
<b>Expenses</b>				
Administrative and other expenses (Note 3)	<b>(2,988)</b>	(1,796)	<b>(6,999)</b>	(4,776)
Exploration and evaluation costs	<b>(2,494)</b>	(466)	<b>(9,018)</b>	(1,333)
Loss on lease termination	-	-	<b>(566)</b>	-
<b>(Loss)/Profit from operations</b>	<b>(13,811)</b>	(1,921)	<b>11,806</b>	(14,998)
Derivative liability gain/(loss)	-	3	<b>105</b>	(173)
Foreign exchange gain/(loss)	<b>644</b>	(16)	<b>(1,267)</b>	(179)
Finance costs	<b>(3,177)</b>	(2,726)	<b>(10,350)</b>	(8,349)
Finance income	<b>6</b>	9	<b>181</b>	15
<b>(Loss)/Profit before tax</b>	<b>(16,338)</b>	(4,651)	<b>475</b>	(23,684)
Tax credit/(charge) for the period (Note 4)	<b>219</b>	-	<b>(9,636)</b>	-
<b>Net loss after tax</b>	<b>(16,119)</b>	(4,651)	<b>(9,161)</b>	(23,684)
Attributable to:				
- Owners of the Company	<b>(15,807)</b>	(4,651)	<b>(11,960)</b>	(23,684)
- Non-controlling interest	<b>(312)</b>	-	<b>2,799</b>	-
<b>Other comprehensive income</b>				
Items that may be reclassified subsequently to profit or loss:				
Fair value gains/(losses) on investments	-	(24)	<b>22</b>	(28)
Currency translation differences	<b>(36)</b>	109	<b>(76)</b>	(83)
<b>Total comprehensive loss</b>	<b>(16,155)</b>	(4,566)	<b>(9,215)</b>	(23,795)
Attributable to:				
- Owners of the Company	<b>(15,843)</b>	(4,566)	<b>(12,014)</b>	(23,795)
- Non-controlling interest	<b>(312)</b>	-	<b>2,799</b>	-
Basic loss per share, (US\$) (Note 5)	<b>(0.194)</b>	(0.087)	<b>(0.147)</b>	(0.445)

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

**Avesoro Resources Inc.**  
**Interim Consolidated Statements of Financial Position**  
(stated in thousands of US dollars)  
Unaudited

	<b>September 30, 2018 \$'000</b>	December 31, 2017 \$'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	8,596	17,787
Trade and other receivables (Note 6)	28,400	25,286
Inventories (Note 7)	52,409	36,932
Other assets	1,737	1,710
	<b>91,142</b>	<b>81,715</b>
<b>Non-current assets</b>		
Property, plant and equipment (Note 8)	231,302	249,552
Intangible assets - Exploration and evaluation assets (Note 9)	3,755	-
Investments	-	21
Deferred tax asset	2,643	4,554
Other assets	1,103	1,196
	<b>238,803</b>	<b>255,323</b>
<b>Total assets</b>	<b>329,945</b>	<b>337,038</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Borrowings (Note 10)	23,211	37,964
Trade and other payables	69,068	41,003
Income tax payable	6,108	12,358
Finance lease liability (Note 11)	248	1,913
Derivative liability	-	105
Provisions	3,282	523
	<b>101,917</b>	<b>93,866</b>
<b>Non-current liabilities</b>		
Borrowings (Note 10)	104,634	101,335
Trade and other payables	-	463
Finance lease liability (Note 11)	697	5,875
Provisions	10,320	10,439
	<b>115,651</b>	<b>118,112</b>
<b>Total liabilities</b>	<b>217,568</b>	<b>211,978</b>
<b>Equity</b>		
Share capital (Note 12)	353,686	353,653
Capital contribution	52,742	54,022
Share based payment reserve	8,694	7,840
Acquisition reserve	(33,060)	(33,060)
Fair value reserve	-	(487)
Cumulative translation reserve	(542)	(466)
Deficit	(272,581)	(260,156)
Equity attributable to owners	108,939	121,346
Non-controlling interest (Note 13)	3,438	3,714
<b>Total equity</b>	<b>112,377</b>	<b>125,060</b>
<b>Total liabilities and equity</b>	<b>329,945</b>	<b>337,038</b>

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

**Avesoro Resources Inc.**  
**Interim Consolidated Statements of Cash Flows**  
(stated in thousands of US dollars)  
Unaudited

	<b>Nine months ended September 30, 2018 \$'000</b>	Nine months ended September 30, 2017 \$'000
<b>Operating activities</b>		
Net loss after tax	(9,161)	(23,684)
Tax for the period	9,636	-
Profit/(Loss) before tax	475	(23,684)
Items not affecting cash:		
Share-based payments (Note 3)	854	890
Depreciation (Note 8)	59,146	21,372
Unrealized foreign exchange loss/(gain)	390	(127)
Derivative liability (gain)/loss	(105)	173
Interest expense	10,350	8,229
Loss on lease termination	566	-
Impairment of inventories	-	3,319
Changes in non-cash working capital		
Increase in trade and other receivables	(3,114)	(9,889)
Increase/(decrease) in trade and other payables	22,909	(3,628)
(Increase)/decrease in inventories	(15,477)	92
Income taxes paid	(13,597)	-
<b>Cash flows from/(used in) operating activities</b>	<b>62,397</b>	<b>(3,253)</b>
<b>Investing activities</b>		
Payments to acquire property, plant and equipment	(29,280)	(19,473)
Payments to acquire intangible assets	(5,659)	-
Decrease/(increase) in other assets	66	(545)
Proceeds from sale of available for sale investment	44	-
<b>Cash flows used in investing activities</b>	<b>(34,829)</b>	<b>(20,018)</b>
<b>Financing activities</b>		
Proceeds from borrowings (Note 10b)	6,150	18,800
Repayments of borrowings (Note 10)	(31,717)	-
Finance charges	(8,149)	(6,996)
Dividend payment to non-controlling interest	(1,480)	-
Payment of finance leases	(1,317)	-
Proceeds from exercise of stock options (Note 12)	33	-
<b>Cash flows (used in)/from financing activities</b>	<b>(36,480)</b>	<b>11,804</b>
Impact of foreign exchange on cash balance	(279)	35
<b>Net decrease in cash and cash equivalents</b>	<b>(9,191)</b>	<b>(11,432)</b>
Cash and cash equivalents at beginning of period	17,787	13,429
<b>Cash and cash equivalents at end of period</b>	<b>8,596</b>	<b>1,997</b>

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

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

## Avesoro Resources Inc.

### Interim Consolidated Statements of Changes in Equity

(stated in thousands of US dollars)

Unaudited

	Total Equity Attributable to Owners									
	Share capital	Capital contribution	Share-based payment reserve	Acquisition reserve	Fair value reserve	Cumulative translation reserve	Deficit	Total	Non-controlling Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2017	283,506	48,235	6,770	-	(453)	(400)	(232,682)	104,976	-	104,976
Loss for the period	-	-	-	-	-	-	(23,684)	(23,684)	-	(23,684)
Other comprehensive loss for period	-	-	-	-	(28)	(83)	-	(111)	-	(111)
Total comprehensive loss for period	-	-	-	-	(28)	(83)	(23,684)	(23,795)	-	(23,795)
Related party loan (Note 10)	-	4,524	-	-	-	-	-	4,524	-	4,524
Share-based payments	-	-	890	-	-	-	-	890	-	890
Balance at September 30, 2017	283,506	52,759	7,660	-	(481)	(483)	(256,366)	86,595	-	86,595
Balance at January 1, 2018	353,653	54,022	7,840	(33,060)	(487)	(466)	(260,156)	121,346	3,714	125,060
(Loss)/Profit for the period	-	-	-	-	-	-	(11,960)	(11,960)	2,799	(9,161)
Other comprehensive income/(loss) for period	-	-	-	-	22	(76)	-	(54)	-	(54)
Total comprehensive income/(loss) for period	-	-	-	-	22	(76)	(11,960)	(12,014)	2,799	(9,215)
Exercise of stock options (Note 12)	33	-	-	-	-	-	-	33	-	33
Share-based payments (Note 3)	-	-	854	-	-	-	-	854	-	854
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(3,075)	(3,075)
Related party loans (Note 10)	-	1,698	-	-	-	-	-	1,698	-	1,698
Payment of related party loans (Note 10b)	-	(2,978)	-	-	-	-	-	(2,978)	-	(2,978)
Reserve transfer on sale of investment	-	-	-	-	465	-	(465)	-	-	-
<b>Balance at September 30, 2018</b>	<b>353,686</b>	<b>52,742</b>	<b>8,694</b>	<b>(33,060)</b>	<b>-</b>	<b>(542)</b>	<b>(272,581)</b>	<b>108,939</b>	<b>3,438</b>	<b>112,377</b>

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

# **Avesoro Resources Inc.**

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

**For the three and nine months ended September 30, 2018 and 2017**

(in thousands of US dollars unless otherwise stated)

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### **1 Nature of operations and basis of preparation**

Avesoro Resources Inc. ("Avesoro" or the "Company"), was incorporated under the Canada Business Corporations Act on February 1, 2011. The focus of Avesoro's business is the exploration, development and operation of gold assets in West Africa, specifically the New Liberty Gold Mine in Liberia and the Youga gold mine in Burkina Faso.

On December 18, 2017 the Company completed the acquisition of the Youga gold mine and the Balogo satellite deposit in Burkina Faso through the acquisition of the entire issued share capital of MNG Gold Burkina SARL, Cayman Burkina Mines Ltd., MNG Gold Exploration Ltd., AAA Exploration Burkina Ltd. and Jersey Netiana Mining Ltd. and their subsidiaries from Avesoro Jersey Limited ("AJL"), the Company's majority shareholder, for a total consideration of US\$70.2 million comprised of the issuance of US\$51.5 million of new common shares in the Company (see Note 12) and a cash component of US\$18.7 million.

These condensed interim consolidated financial statements ("interim financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". They do not include all disclosures that would otherwise be required in a complete set of financial statements. They follow accounting policies and methods of their application consistent with the audited consolidated financial statements for the year ended December 31, 2017. Accordingly, they should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

These interim financial statements were authorised by the Board of Directors on November 12, 2018.

#### **New accounting policies**

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

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

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

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

*IFRS 16 Leases* 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. The Company is in the process of assessing the impact of IFRS 16 and do not believe there to be a material impact to the consolidated financial statements.

## Avesoro Resources Inc.

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

For the three and nine months ended September 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

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

##### Going concern

The condensed interim consolidated financial statements have been prepared on a going concern basis. As at September 30, 2018, the Company has net current liabilities of \$10.8 million and has approximately \$24.3 million of debt repayments due in the next twelve months.

The cash generation of the Company significantly improved following the acquisition of the Youga gold mine and the Balogo satellite deposit in December 2017 and the continuing improvement of mining operations at New Liberty. Accordingly, the Company expects to meet its current liabilities through its cash generation capacity. In addition, the Company has an undrawn facility of \$23.7 million with AJL as at September 30, 2018 which it can call upon for general working capital purposes.

The Company's forecasts and projections show that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, it continues to adopt the going concern basis of accounting in preparing the consolidated financial statements.

#### 2 Segment information

The Company is engaged in the exploration, development and operation of gold projects in the West African countries of Liberia, Burkina Faso and Cameroon. Information presented to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the geographical location of mining operations. The reportable segments under IFRS 8 are as follows:

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

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

	<b>New Liberty operations</b>	<b>Burkina operations</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit/(Loss) for the period	(13,768)	3,047	(2,552)	(2,846)	(16,119)
Gold sales	33,925	25,322	-	-	59,247
Production costs					
- Mine operating costs	(26,532)	(20,433)	-	904	(46,061)
- Change in inventories	1,589	(1,174)	-	-	415
	(24,943)	(21,607)	-	904	(45,646)
Depreciation	(19,942)	(1,907)	(110)	(17)	(21,976)
Segment assets	230,441	84,630	7,803	7,071	329,945
Segment liabilities	(163,997)	(41,017)	(5,679)	(6,875)	(217,568)
Capital additions					
- property, plant and equipment	5,181	2,788	-	-	7,969
- intangible assets	-	-	2,300	-	2,300

## Avesoro Resources Inc.

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

For the three and nine months ended September 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

#### 2 Segment information (continued)

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

	<b>New Liberty operations</b>	<b>Burkina operations</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit/(Loss) for the period	(27,505)	33,803	(8,903)	(6,556)	<b>(9,161)</b>
Gold sales	108,442	116,705	-	-	<b>225,147</b>
Production costs					
- Mine operating costs	(73,228)	(62,342)	-	904	<b>(134,666)</b>
- Change in inventories	(298)	(2,863)	-	-	<b>(3,161)</b>
	<b>(73,526)</b>	<b>(65,205)</b>	<b>-</b>	<b>904</b>	<b>(137,827)</b>
Depreciation	(51,142)	(7,706)	(227)	(71)	<b>(59,146)</b>
Capital additions					
- property, plant and equipment	28,902	15,522	40	-	<b>44,464</b>
- intangible assets	-	-	5,659	-	<b>5,659</b>

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

	<b>New Liberty operations</b>	<b>Burkina operations</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Loss for the period	(2,536)	-	(553)	(1,562)	<b>(4,651)</b>
Gold sales	25,452	-	-	-	<b>25,452</b>
Production costs					
- Mine operating costs	(15,292)	-	-	-	<b>(15,292)</b>
- Impairment of ore stockpile	(3,319)	-	-	-	<b>(3,319)</b>
- Change in inventories	424	-	-	-	<b>424</b>
	<b>(18,187)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18,187)</b>
Depreciation	(6,924)	-	(104)	(5)	<b>(7,033)</b>
Segment assets	208,093	-	13,314	1,581	<b>222,988</b>
Segment liabilities	(135,480)	-	(89)	(824)	<b>(136,393)</b>
Capital additions					
- property, plant and equipment	8,975	-	-	-	<b>8,975</b>



## Avesoro Resources Inc.

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

For the three and nine months ended September 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

#### 2 Segment information (continued)

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

	New Liberty operations	Burkina operations	Exploration	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Loss for the period	(17,911)	-	(1,554)	(4,219)	<b>(23,684)</b>
Gold sales	64,464	-	-	-	<b>64,464</b>
Production costs					
- Mine operating costs	(48,126)	-	-	-	<b>(48,126)</b>
- Impairment of ore stockpile	(3,319)	-	-	-	<b>(3,319)</b>
- Change in inventories	(805)	-	-	-	<b>(805)</b>
	<b>(52,250)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(52,250)</b>
Depreciation	(21,104)	-	(253)	(15)	<b>(21,372)</b>
Capital additions – property, plant and equipment	21,545	-	-	-	<b>21,545</b>

#### 3 Administrative and other expenses

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	599	445	1,726	1,197
Legal and professional	563	606	1,522	1,282
Depreciation	46	109	215	269
Share based payments	288	301	854	890
Tax on subsidiary dividends	957	-	1,758	-
Other expenses	535	335	924	1,138
	<b>2,988</b>	<b>1,796</b>	<b>6,999</b>	<b>4,776</b>

#### 4 Income taxes

Tax for the period comprises of:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	\$'000	\$'000	\$'000	\$'000
Current tax	219	-	(7,664)	-
Deferred tax	-	-	(1,972)	-
	<b>219</b>	<b>-</b>	<b>(9,636)</b>	<b>-</b>

## Avesoro Resources Inc.

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

For the three and nine months ended September 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

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

	Three months ended		Nine months ended	
	September 30, 2018 \$'000	September 30, 2017 \$'000	September 30, 2018 \$'000	September 30, 2017 \$'000
Net loss after tax attributable to Owners of the Company	(15,807)	(4,651)	(11,960)	(23,684)
Weighted average number of outstanding shares for basic EPS	81,575,260	53,247,590	81,565,260	53,247,590
Basic EPS (US\$)	(0.194)	(0.087)	(0.147)	(0.445)

#### 6 Trade and other receivables

	September 30, 2018 \$'000	December 31, 2017 \$'000
Trade receivable	156	416
Other receivable	14,095	10,690
Due from related parties (Note 14)	2,793	1,015
Pre-payments	11,356	13,165
	<b>28,400</b>	<b>25,286</b>

Other receivables include a VAT receivable from the Burkina Faso Government amounting to \$10.8 million as at September 30, 2018 (December 31, 2017: \$8.9 million).

#### 7 Inventories

	September 30, 2018 \$'000	December 31, 2017 \$'000
Gold doré	2,577	3,986
Gold in circuit	3,122	2,561
Ore stockpiles	4,518	6,688
Consumables	42,192	23,697
	<b>52,409</b>	<b>36,932</b>

Ore stockpiles as at September 30, 2018 are stated at their net realisable values after cumulative write-down at New Liberty of \$2.3 million (December 31, 2017: US\$2.9 million).

## Avesoro Resources Inc.

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

For the three and nine months ended September 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

#### 8 Property, plant and equipment

	Mining assets \$'000	Capitalised stripping costs \$'000	Mine closure and rehabilitation \$'000	Assets held under finance lease \$'000	Machinery and equipment \$'000	Vehicles \$'000	Leasehold improvement \$'000	Total \$'000
<b>Cost</b>								
At January 1, 2017	175,290	-	2,223	13,629	16,392	1,884	83	209,501
Additions	8,322	16,229	544	2,025	27,752	996	-	55,868
Acquisitions	24,895	-	3,445	-	30,639	204	-	59,183
Impairment	-	-	-	(3,896)	-	-	-	(3,896)
Foreign exchange	-	-	-	-	10	8	3	21
At December 31, 2017	208,507	16,229	6,212	11,758	74,793	3,092	86	320,677
Additions	11,413	10,414	81	-	22,556	-	-	44,464
Transfer from intangible assets (Note 9)	1,904	-	-	-	-	-	-	1,904
Termination of finance leases	-	-	-	(7,000)	-	-	-	(7,000)
At September 30, 2018	221,824	26,643	6,293	4,758	97,349	3,092	86	360,045
<b>Accumulated depreciation</b>								
At January 1, 2017	14,909	-	116	651	1,622	1,020	66	18,384
Charge for the period	23,754	1,838	296	2,933	3,622	303	19	32,765
Acquisitions	13,442	-	1,878	-	5,633	39	-	20,992
Impairment	-	-	-	(1,020)	-	-	-	(1,020)
Foreign exchange	-	-	-	-	3	-	1	4
At December 31, 2017	52,105	1,838	2,290	2,564	10,880	1,362	86	71,125
Charge for the period	31,468	15,611	908	1,786	8,934	439	-	59,146
Termination of finance leases	-	-	-	(1,528)	-	-	-	(1,528)
At September 30, 2018	83,573	17,449	3,198	2,822	19,814	1,801	86	128,743
<b>Net book value</b>								
At December 31, 2017	156,402	14,391	3,922	9,194	63,913	1,730	-	249,552
At September 30, 2018	138,251	9,194	3,095	1,936	77,535	1,291	-	231,302

## Avesoro Resources Inc.

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

For the three and nine months ended September 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

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

	September 30, 2018	December 31, 2017
	\$'000	\$'000
Ouaré	3,755	-
	<u>3,755</u>	<u>-</u>

Ouaré, located 36 kilometres north east of the Youga processing plant, is the subject of an infill drilling campaign to upgrade the confidence level and classification of the existing mineral resources. Resource modelling and pit design from the National Instrument 43-101 – Standards of Disclosure of Mineral Projects published on June 19, 2018 shows that this satellite deposit will add further mine life to the Youga Gold Mine.

Intangible assets related to exploration and evaluation costs on Gassore East prospect of \$1.9 million were transferred to mining assets under property, plant and equipment following commencement of mining operations within the prospect during the quarter ended September 30, 2018.

#### 10 Borrowings

	September 30, 2018	December 31, 2017
	\$'000	\$'000
<b>Current</b>		
Bank loan - Senior Facility Tranche A	15,003	14,741
Bank loan - Senior Facility Tranche B	-	9,737
Shareholder loan - Other	-	8,106
Related party loan	8,208	5,380
	<u>23,211</u>	<u>37,964</u>
<b>Non-current</b>		
Bank loan - Senior Facility Tranche A	59,806	58,668
Bank loan - Subordinated Facility	10,656	10,846
Shareholder loan - Working Capital Facility	9,907	14,938
Shareholder loan - Other	3,956	-
Related party loan	20,309	16,883
	<u>104,634</u>	<u>101,335</u>

##### (a) Bank loans

On December 17, 2013 the Company entered into an agreement for an \$88 million project finance loan facility with Nedbank Limited and FirstRand Bank Limited (collectively the "Lenders"), (the "Senior Facility"), and also entered into a subordinated loan facility agreement for \$12 million with RMB Resources (the "Subordinated Facility"). On December 9, 2015 the Company entered into an agreement for an additional \$10 million Tranche B Senior Facility ("Tranche B Facility", together with the Senior Facility and the Subordinated Facility the "Loan Facilities") provided by the Lenders. These Loan Facilities, which have been fully drawn, financed the development of the Company's New Liberty Gold Mine. \$22.4 million of the Senior Facility principal has been repaid to date including \$10 million during the nine months ended September 30, 2018.

## **Avesoro Resources Inc.**

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

**For the three and nine months ended September 30, 2018 and 2017**

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(in thousands of US dollars unless otherwise stated)

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

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

###### Working Capital Facility

In 2017, the Group borrowed \$18.8 million from AJL through a working capital facility to meet liabilities arising on the termination of legacy procurement contracts, make advanced payments to suppliers to secure lower unit cost pricing and to accelerate the acquisition of capital items that will increase process plant throughput at New Liberty.

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

New loans of \$6.2 million during the nine months ended September 30, 2018 were allocated to an increase in loan payable of \$4.9 million and additional capital contribution of \$1.2 million. Principal repayments totalling \$13.7 million were made during the nine months ended September 30, 2018 of which \$10.8 million was allocated as a reduction to the loan payable and \$2.9 million as a reduction to capital contribution.

Interest expense on the non-current loan payable to AJL for the nine months ended September 30, 2018 was \$0.8 million (nine months ended September 30, 2017: \$nil).

###### Other

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

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

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

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

Interest expense on the related party loan to Mapa for the nine months ended September 30, 2018 was \$1.4 million (nine months ended September 30, 2017: \$nil). Interest repayment was \$1.0 million during the nine months ended September 30, 2018 (nine months ended September 30, 2017: \$nil).

## Avesoro Resources Inc.

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

For the three and nine months ended September 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

#### 11 Finance lease liability

The finance lease liability as at September 30, 2018 relates to the fuel storage facility at New Liberty Gold Mine following termination of the lease arrangement on the generators at nil consideration. Such assets have been classified as finance leases as the rental period amounts to a major portion of the estimated useful economic life of the lease assets and the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased assets.

	September 30, 2018 \$'000	December 31, 2017 \$'000
Gross finance lease liability		
- Within one year	354	2,820
- Between two and five years	817	7,191
	1,171	10,011
Future finance cost	(226)	(2,223)
Present value of lease liability	945	7,788
Current portion	248	1,913
Non-current portion	697	5,875

#### 12 Equity

##### (a) Authorised

Unlimited number of common shares without par value.

##### (b) Issued

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

## Avesoro Resources Inc.

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

For the three and nine months ended September 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

#### 12 Equity (continued)

- (i) The Company acquired the Youga gold mine and the Balogo satellite deposit on December 18, 2017 for a total consideration of US\$70.2 million which comprises of the issuance of 20,334,928 new common shares in the Company at a price of GBP£1.90 per share and a cash component of US\$18.7 million. The cash component was funded through the issuance of 7,974,490 new common shares at a price of GBP£1.90 per share through a private placement. The directly attributable costs of issuance of these new common shares amounted to \$1.6 million.
- (ii) During the period ended September 30, 2018, the Company issued 15,000 new common shares on exercise of 15,000 stock options at a price of GBP£1.575 per stock option. In 2017, the Company issued 3,750 new common shares on exercise of 3,750 stock options at a price of GBP£1.575 per stock option.

#### (c) Stock options

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

	Nine months ended September 30, 2018		Year ended December 31, 2017	
	Number of options	Weighted average exercise price per share Cdn\$	Number of options	Weighted average exercise price per share Cdn\$
Beginning of the period	2,829,428	4.96	1,242,695	9.12
Options granted	61,000	4.58	1,745,000	3.41
Options exercised	(15,000)	2.66	(3,750)	2.66
Options expired	(13,362)	70.32	(5,570)	105.00
Options forfeited	(222,828)	3.61	(148,947)	17.86
Share consolidation adjustment	(5)	-	-	-
End of the period	2,639,233	4.75	2,829,428	4.96

#### 13 Non-controlling interest

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

#### 14 Related party transactions

##### a) Borrowings

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

## Avesoro Resources Inc.

### Notes to Condensed Interim Consolidated Financial Statements (Unaudited) For the three and nine months ended September 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

#### 14 Related party transactions (continued)

(b) Provision/(purchases) of goods and services

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>	September 30,	<b>September 30,</b>	September 30,
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<i>Technical and managerial services provided by the Company to:</i>				
Avesoro Services (Jersey) Limited, a subsidiary of Company's parent company	-	137	-	351
<i>Technical and support staff services provided by the Company to:</i>				
MNG Gold Liberia Inc., a subsidiary of Company's parent company	170	-	316	-
<i>Sale of consumables by the Company to:</i>				
MNG Gold Liberia Inc., a subsidiary of Company's parent company	1,068	-	1,606	-
<i>Sale of consumables and catering services by the Company to:</i>				
Faso Drilling Inc., a subsidiary of Company's parent company	336	-	336	-
<i>Drilling services provided to the Company by:</i>				
Zwedru Mining Inc., a subsidiary of Company's parent company	(357)	-	(2,211)	(377)
<i>Drilling services provided to the Company by:</i>				
Faso Drilling Company SA., a subsidiary of Company's parent company	(1,761)	-	(5,608)	-
<i>Charter plane services provided to the Company by:</i>				
MNG Gold Liberia Inc., a subsidiary of Company's parent company	(90)	(55)	(270)	(55)
<i>Travel services provided to the Company by:</i>				
MNG Turizm ve Ticaret A.S., an entity controlled by the Company's Chairman	(14)	(19)	(20)	(34)
<i>Management services provided by the Company to:</i>				
Atmaca Services Liberia Inc., a subsidiary of Company's parent company	-	2,000	-	2,000
<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)	-	(350)
<i>Administration services provided to the Company by:</i>				
Avesoro Services (Jersey) Limited, a subsidiary of Company's parent company	-	(45)	-	(90)



**Avesoro Resources Inc.**

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)  
For the three and nine months ended September 30, 2018 and 2017

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(in thousands of US dollars unless otherwise stated)

**14 Related party transactions (continued)**

Included in trade and other receivables is a receivable from related parties of \$2.8 million as at September 30, 2018 (December 31, 2017: \$1.0 million). Included in trade and other payables is \$2.8 million payable to related parties as at September 30, 2018 (December 31, 2017: \$0.5 million).

(c) Acquisition of heavy mining equipment

In addition to the equipment financed by Mapa (Note 10c), the Company also acquired during the nine months ended September 30, 2018 trucks from Mapa for US\$0.4 million to supplement the hauling capacity at Balogo.