Avesoro Resources Inc.

Consolidated Financial Statements

Years ended December 31, 2018 and 2017

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.

Opinion

We have audited the consolidated financial statements of Avesoro Resources Inc and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018 and 2017, and the consolidated statement of income and comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by IASB.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it

exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Matt Crane.

"BDO LLP" (signed)

BDO LLP
Chartered Accountants

London, UK
March 13, 2019

Avesoro Resources Inc.
Consolidated Statement of Income and Comprehensive Income
For the years ended December 31, 2018 and 2017
(stated in US dollars)

	Year ended December 31, 2018 $'000	Year ended December 31, 2017 $'000
Revenues (Note 5)	**282,798**	97,786
Cost of sales		
- Production costs (Note 5)	**(185,261)**	(73,494)
- Depreciation (Note 5)	**(74,567)**	(32,248)
Gross profit/(loss)	**22,970**	(7,956)
Expenses		
Administrative and other expenses (Note 6)	**(8,868)**	(5,588)
Exploration and evaluation costs (Note 12)	**(12,958)**	(2,958)
(Loss)/gain on lease termination (Note11)	**(566)**	3,988
Impairment of property, plant and equipment (Note 11)	**-**	(2,876)
Profit/(Loss) from operations	**578**	(15,390)
Derivative liability gain	**105**	-
Foreign exchange loss	**(2,108)**	(78)
Finance costs	**(15,504)**	(11,812)
Finance income	**500**	16
Loss before tax	**(16,429)**	(27,264)
Tax for the year (Note 7)	**(10,433)**	(143)
Net loss for the year	**(26,862)**	(27,407)
Attributable to:		
- Owners of the Company	**(29,860)**	(27,474)
- Non-controlling interest (Note 20)	**2,998**	67
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
- Currency translation differences	**10**	(66)
Items that will not be reclassified to profit or loss:		
- Change in fair value through other comprehensive income (Note 13)	**22**	(34)
Total comprehensive loss for the year	**(26,830)**	(27,507)
Attributable to:		
- Owners of the Company	**(29,828)**	(27,574)
- Non-controlling interest	**2,998**	67
Loss per share, basic and diluted (US$) (Note 19)	**(0.37)**	(0.51)

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

Avesoro Resources Inc.

Consolidated Statement of Financial Position

As at December 31, 2018 and 2017

(stated in US dollars)

	December 31, 2018 $'000	December 31, 2017 $'000
Assets		
Current assets		
Cash and cash equivalents	**3,522**	17,787
Trade and other receivables (Note 8)	**23,759**	25,286
Inventories (Note 9)	**45,850**	36,932
Other assets (Note 10)	**1,731**	1,710
	74,862	81,715
Non-current assets		
Property, plant and equipment (Note 11)	**224,953**	249,552
Intangible assets – exploration and evaluation (Note 12)	**6,452**	-
Fair value through other comprehensive income investments (Note 13)	**-**	21
Deferred tax asset (Note 7)	**2,585**	4,554
Other assets (Note 10)	**1,236**	1,196
	235,226	255,323
Total assets	**310,088**	337,038
Liabilities		
Current liabilities		
Borrowings (Note 14)	**17,663**	37,964
Trade and other payables (Note 15)	**65,909**	41,003
Income tax payable (Note 7)	**4,333**	12,358
Finance lease liability (Note 16)	**975**	1,913
Derivative liability	**-**	105
Provision (Note 17)	**3,276**	523
	92,156	93,866
Non-current liabilities		
Borrowings (Note 14)	**106,137**	101,335
Trade and other payables (Note 15)	**-**	463
Finance lease liability (Note 16)	**2,259**	5,875
Provision (Note 17)	**10,939**	10,439
	119,335	118,112
	211,491	211,978
Equity		
Share capital (Note 18b)	**353,686**	353,653
Capital contribution	**55,434**	54,022
Share based payment reserve (Note 18c)	**8,987**	7,840
Acquisition reserve (Note 4)	**(33,060)**	(33,060)
Equity investment reserve (Note 13)	**-**	(487)
Cumulative translation reserve	**(456)**	(466)
Deficit	**(289,631)**	(260,156)
Equity attributable to owners	**94,960**	121,346
Non-controlling interest	**3,637**	3,714
Total equity	**98,597**	125,060
Total liabilities and equity	**310,088**	337,038

The accompanying notes are an integral part of these consolidated financial statements.
Approved by the board of directors on March 13, 2019
"Geoffrey Eyre" (signed)
Director

Avesoro Resources Inc.
Consolidated Statement of Cash Flows
For the years ended December 31, 2018 and 2017
(stated in US dollars)

	Year ended December 31, 2018 $'000	Year ended December 31, 2017 $'000
Operating activities		
Loss for the year	**(26,862)**	(27,407)
Income tax	**10,433**	143
Loss before tax	**(16,429)**	(27,264)
Items not affecting cash:		
Share-based payments (Note 6)	**1,147**	1,070
Depreciation (Note 11)	**74,813**	32,765
Unrealized foreign exchange loss/(gain)	**642**	(31)
Derivative liability gain	**(105)**	-
Finance cost	**15,504**	11,812
Loss/(gain) on lease termination (Note 11)	**566**	(3,988)
Increase in legal and provisions (Note 17)	**2,753**	-
Provision for inventory obsolescence (Note 9)	**714**	-
(Reversal of) write-down of inventories (Note 9)	**(1,286)**	2,900
Impairment of property, plant and equipment (Note 11)	**-**	2,876
Decrease in trade and other receivables	**1,527**	655
Increase/(decrease) in trade and other payables	**18,645**	(2,036)
Increase in inventories	**(8,346)**	(7,791)
Income tax paid	**(16,995)**	-
Cash flows from operating activities	**73,150**	10,968
Investing activities		
Payments to acquire property, plant and equipment	**(38,238)**	(30,061)
Payments for intangible - exploration and evaluation assets	**(6,452)**	-
Payments in respect of other assets	**(60)**	(546)
Proceeds from sale of investment	**44**	-
Acquisition of Youga Gold Mine and Balogo satellite deposit (Note 4)	**-**	(4,336)
Cash flows used in investing activities	**(44,706)**	(34,943)
Financing activities		
Proceeds from shareholder loan (Note 14b)	**21,850**	18,800
Repayments of shareholder loan (Note 14b)	**(17,815)**	-
Net repayment of bank borrowings (Note 14a)	**(26,000)**	(168)
Repayment of related party loans	**(4,790)**	-
Repayment of finance leases	**(942)**	-
Finance costs paid	**(11,693)**	(8,987)
Dividend payments to non-controlling interest (Note 20)	**(3,075)**	-
Exercise of stock options (Note 18b)	**33**	8
Net proceeds from issue of common shares (Note 18b)	**-**	18,680
Cash flows from financing activities	**(42,432)**	28,333
Impact of foreign exchange on cash balance	**(277)**	-
Net increase in cash and cash equivalents	**(14,265)**	4,358
Cash and cash equivalents at beginning of year	**17,787**	13,429
Cash and cash equivalents at end of year	**3,522**	17,787

The significant non-cash transactions during the year ended December 31, 2018 and 2017 are disclosed in Note 25.
The accompanying notes are an integral part of these consolidated financial statements.

Avesoro Resources Inc.

Consolidated Statement of Changes in Equity

As at December 31, 2018 and 2017

(stated in US dollars)

	Total Equity Attributable to Owners									
	Share capital	Capital contribution	Share-based payment reserve	Acquisition reserve	Equity investment 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 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 14b,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
Change in accounting policy (Note 3.2)	-	-	-	-	-	-	850	850	-	850
Balance at January 1, 2018	353,653	54,022	7,840	(33,060)	(487)	(466)	(259,306)	122,196	3,714	125,910
Loss for the year	-	-	-	-	-	-	(29,860)	(29,860)	2,998	(26,862)
Other comprehensive loss for year	-	-	-	-	22	10	-	32	-	32
Total comprehensive loss for year	-	-	-	-	22	10	(29,860)	(29,828)	2,998	(26,830)
Share-based payments (Note 6)	-	-	1,147	-	-	-	-	1,147	-	1,147
Exercise of stock options	33	-	-	-	-	-	-	33	-	33
Related party loans (Note 14b,c)	-	4,276	-	-	-	-	-	4,276	-	4,276
Repayment of related party loans (Note 14b,c)	-	(2,864)	-	-	-	-	-	(2,864)	-	(2,864)
Reserve transfer on sale of investment (Note 13)	-	-	-	-	465	-	(465)	-	-	-
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(3,075)	(3,075)
Balance at December 31, 2018	**353,686**	**55,434**	**8,987**	**(33,060)**	**-**	**(456)**	**(289,631)**	**94,960**	**3,637**	**98,597**

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

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 Gold Mine in Burkina Faso.

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

2. Going concern

As at December 31, 2018, the Company had cash and cash equivalents of $3.5 million, net current liabilities of $17.2 million and debt and interest repayments of $24.6 million during 2019.

The free cash flow generation of the Company significantly improved following the acquisition of the Youga Gold Mine and the Balogo satellite deposit in December 2017 (Note 4) and the continuing improvement of mining operations at New Liberty. Accordingly, the Company expects to meet its current liabilities through its cash generation capacity.

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 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.

3.1 Basis of preparation

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

3. Summary of significant accounting policies (continued)

3.2 New accounting standards adopted

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 introduced new requirements for the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 replaced the multiple classification and measurement models for financial assets that existed 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.

The Company's principal financial assets comprise long and short-term loans, cash, restricted cash as well as trade and other receivables. All of these financial assets continue to be classified and measured at amortised cost. The Company's principal financial liabilities comprise trade and other payables, loans and borrowings and finance leases. All of these financial liabilities continue to be classified and measured at amortised cost.

As discussed in Note 14(a), the Company renegotiated some of the terms and conditions of its bank loans which did not result in derecognition of the loans as the revised terms were neither qualitatively nor quantitatively different from the original terms. The Company accounted for this under IAS 39 by calculating a new effective interest rate so as to spread the revised cash flows of the modified loans over its revised term such that no gain or loss was recognised as part of the modification.

In accordance with the requirements of IFRS 9, it is not appropriate to revise the original effective interest rate and instead the modified cash flows must be discounted at the original effective interest rate of the pre-modified loans. This would have resulted in the recognition of an immediate gain in the profit or loss at the date of the modification of $0.9 million. As the Company has chosen not to restate comparatives in adopting IFRS 9, it has recognised an adjustment of $0.9 million to reduce non-current borrowings and a corresponding credit to the deficit account in equity of $0.9 million as at January 1, 2018.

The Company's equity investment in Stellar Diamonds plc classified as available-for-sale was reclassified as an investment held at fair value with gains or losses recognised in other comprehensive income. Upon disposal the cumulative change in fair value on disposal of the investment is to be reclassified to retained earnings and not recycled to the income statement.

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach. IFRS 9 requires the Company to measure and recognise expected credit losses on all applicable financial assets. The level of credit risk that the Company is exposed to has not given rise to material allowances within the expected credit loss model. The adoption of the new standard has not had a material impact on the modification of the loans in the prior period.

The adoption of IFRS 9 has no other material impact on the consolidated financial statements.

3. Summary of significant accounting policies (continued)

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. Specifically, IFRS 15 introduces a five-step approach to revenue recognition with an entity recognising revenues when a performance obligation is satisfied, which is when “control” of the goods has transferred to the customer. Upon evaluating the transfer of control, the Company concluded there is no material change in the timing of revenue recognised under the new standard. The point of transfer of risks and rewards for goods and services under IAS 18 compared to the transfer of control under IFRS 15 occur at the same time based on contractual terms, the delivery of gold doré. For the purposes of evaluating variable consideration, the Company reviewed historical assay results and adjustments.

These factors were considered in concluding that the adoption of this standard has not had a material effect on the Company’s existing revenue recognition policy.

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 Company’s accounting periods beginning on or after January 1, 2019 or later periods have not been adopted early:

Standard	*Detail*	*Effective date*
IFRS 16	Leases	January 1, 2019

The new standard was issued in January 2016 replacing the previous leases standard, IAS 17 Leases, and related Interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for the customer (‘lessee’) and the supplier (‘lessor’). IFRS 16 eliminates the classification of leases as either operating or finance as is required by IAS 17 and, instead, introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. This new standard applies to annual reporting periods beginning on or after 1 January 2019. The Company has reviewed its arrangements in place and has concluded that the adoption of this standard is not expected to have a material impact in the future periods.

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.

The 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.

3. Summary of significant accounting policies (continued)

These financial statements include the accounts of Avesoro and its subsidiaries. The significant subsidiaries at December 31, 2018 are set out below:

Company	Place of incorporation	% of equity ownership
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 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 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 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 profit/loss from operations.

3. Summary of significant accounting policies (continued)

3.6 Equity

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

Reserve	*Description and purpose*
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
Equity investment reserve	Cumulative changes in fair value through other comprehensive income 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 consolidated statement of income
Non-controlling interest	Represents the 10% share in BMC and NMC owned by the Government of Burkina Faso

3.7 Exploration costs

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

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

Capitalised exploration and evaluation costs are transferred to mining and development costs on completion of the property's feasibility study.

3.8 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:

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

3. Summary of significant accounting policies (continued)

Only proven and probable reserves are used in the units-of-production depreciation calculation. The unit of production can be on a tonne or an ounce depleted basis.

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.

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.

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.

3. Summary of significant accounting policies (continued)

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.

All recognised financial assets are measured subsequently in their entirety at either amortised cost, fair value through other comprehensive income and fair value through profit and loss, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost using effective interest rate method:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company held financial assets that meet conditions for subsequent recognition at fair value through other comprehensive income ("FVTOCI").

Financial assets at fair value through other comprehensive income

Financial assets at FVTOCI include equity securities which are not held for trading, and which the Company has irrevocably elected at initial recognition to recognise in this category.

On disposal of these equity investments, any related balance within the FVTOCI or equity investment reserve is reclassified to retained earnings. In the prior financial year, the Company had designated equity investments as available-for-sale where management intended to hold them for the medium to long-term. Note 3.2 explains the change of accounting policy and the reclassification of equity investments from available-for-sale investments to FVTOCI investments.

3. Summary of significant accounting policies (continued)

Impairment of financial assets at amortised cost

The Company recognises a loss allowance for expected credit losses ("ECL") on financial assets that are measured at amortised cost which comprise mainly trade receivables, related party and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company always recognises lifetime ECL on financial assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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.

Restricted cash are those amounts held by third parties on behalf of the Company and are not available for the Company's use; these are accounted for separately from cash and cash equivalents.

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

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

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. All purchases of financial liabilities are recorded on trade date, being the date on which the Company becomes party to the contractual requirements of the financial liability.

The Company's financial liabilities consist of financial liabilities measured at amortised cost and financial liabilities at fair value through profit or loss.

Financial liabilities measured at amortised cost

The Company's financial liabilities measured at amortised cost comprise of borrowings, finance leases, trade and other payables and accruals. 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.

3. Summary of significant accounting policies (continued)

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.

Derecognition of financial liabilities

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

When the Company determines a non-substantial modification of a financial liability, a gain or loss is recognised in the profit or loss equal to the difference between the present value of the cash flows under the original and modified terms discounted at the original effective interest rate ("OEIR"). At the point of modification, the carrying amount of the financial liability is revised to reflect the new cash flows discounted by the OEIR as well as directly attributable transaction costs and any cash paid or received from the counterparty. The effective interest rate is then adjusted to amortise the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

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.

3.11 Non-financial assets

The Company recognises certain assets which do not result from contractual arrangement, but by statute, such as value added tax ("VAT"). The Company derecognises its asset where the rights under statute expire, or the Company transfers substantially all the risks and rewards of ownership of the asset. Any interests in transferred financial assets that are created or continuously retained by the Company are recognised as a separate asset or liability.

3.12 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 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.

3. Summary of significant accounting policies (continued)

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.

3.13 Revenues

Gold sales

Revenue from sales of gold is recognised when the Company has transferred control to the customer at an amount that reflects the consideration to which the Company expects to receive in exchange for the product. Control is transferred when gold doré leaves the gold room with the appropriate required documentation, unless a return of physical metal is requested in advance. When the performance obligation is satisfied, gold sales is recognised based on the gold spot price at the time of sale and the most recently determined estimate of product specifications. There are no significant judgments applied to the determination of gold sales.

Other revenues

The Company provides technical and support services to MNG Gold Liberia Inc., a subsidiary of AJL, with revenue billed on a cost-plus basis and recognized typically on an over time basis.

The Company acts as an agent to MNG Gold Liberia Inc. and Faso Drilling Company, subsidiaries of AJL, for the procurement, shipping and handling of plant and mining consumables. Revenues are presented as amounts billed, net of the relevant costs.

3.14 Cost of sales

Cost of sales consists of production costs and depreciation of mining assets.

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

3.15 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.

3. Summary of significant accounting policies (continued)

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.

3.16 Inventories

Consumables are stated at the lower of cost or net realisable value. The cost of consumables includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition.

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.

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

3.17 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. Summary of significant accounting policies (continued)

3.18 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 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.

3.19 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.

3.20 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, the charge is recognised in profit or loss 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.

3.21 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. Summary of significant accounting policies (continued)

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.

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.

3. Summary of significant accounting policies (continued)

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

Carrying value of New Liberty and Youga 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.

Capitalisation of waste stripping

Capitalisation of waste stripping requires the Company to make judgments and rely on estimates in determining the amounts to be capitalised, which include the expected stripping ratio during the life of an ore body, the determination of the lowest level of components of an ore body and the expected number of ounces to be extracted from an ore body.

During the year ended December 31, 2018, Management considered the commencement of the pre-feasibility studies on the underground mine at New Liberty and the viability of transporting ore from the Ndablama satellite deposit to New Liberty processing plant as a trigger to change the level at which to capitalise waste stripping. The change in estimate was accounted for prospectively from October 1, 2018. Previously, the Company allocated waste stripping between production costs and capital based on the various pits at New Liberty only.

The impact of the change in estimate on the three months ended December 31, 2018 was to reduce the stripping asset by $3.6 million and reduce depreciation charge by $5.0 million, resulting in a net credit to the profit and loss of $1.4 million. It is expected that the overall capitalisation of waste stripping will reduce in the future, assuming all other things remain constant, but this cannot be reliably estimated as it is dependent on actual ore and waste mined.

Reserve estimates

The Company 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 capitalised stripping costs, 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.

3. Summary of significant accounting policies (continued)

Fair value measurement

A number of assets and liabilities included in the consolidated financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The fair value measurement of equity investments, certain borrowings and derivative liability are disclosed in Notes 13, 14 and 17, respectively.

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 recoverable, 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.

Capitalised exploration and evaluation costs are transferred to mining and development costs on completion of the property's feasibility study.

Inventories

Valuations of ore stockpile and gold in circuit require estimations of the amount of gold contained in, and recovery rates from, the various work in progress. These estimations are based on analysis of samples and prior experience. Judgement is also required regarding the timing of utilisation of stockpiles and the gold price to be applied in calculating net realisable value.

Share-based payments and warrants

The amounts used to estimate fair values of stock options and warrants issued are based on estimates of future volatility of the Company's share price, expected lives of the options, expected dividends to be paid by the Company and other relevant assumptions.

By their nature, these estimates are subject to measurement uncertainty and the effect of changes in such estimates on the consolidated financial statements of future periods could be significant.

4. Acquisition of Youga Gold Mine and Balogo satellite deposit

On December 18, 2017 the Company completed the acquisition of the Youga Gold Mine and the Balogo satellite deposit in Burkina Faso through the acquisition of the entire issued share capital of MNG Gold Burkina SARL, Cayman Burkina Mines Ltd., MNG Gold Exploration Ltd., AAA Exploration Burkina Ltd. and Jersey Netiana Mining Ltd. and their subsidiaries from AJL for a total consideration of $70.2 million comprised of the issuance of $51.5 million of new common shares in the Company and a cash component of $18.7 million.

The acquisition of the Youga Gold Mine and the Balogo satellite deposit provided 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 14(b))	(8,106)
Income tax payable (Note 7)	(12,215)
Provisions (Note 18)	(8,000)
Total identifiable net assets	40,776
Non-controlling interest (Note 20)	(3,647)
Acquisition reserve	33,060
	70,189
Fair value of consideration	
Cash paid	**18,730**
Shares issued (Note 19b)	**51,459**
	70,189

4. Acquisition of Youga Gold Mine and Balogo satellite deposit (continued)

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 consolidated statement of comprehensive income for the year ended December 31, 2017.

The results of Youga Gold Mine and Balogo satellite deposit are included within the consolidated statement of comprehensive income from the date of acquisition. Youga and Balogo Gold Mines contributed revenues of $2.5 million and a net income after tax of 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.

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 Gold Mine and Balogo satellite deposit;
- Exploration; and
- Corporate.

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Following is an analysis of the Company's results, assets and liabilities by reportable segment for the year ended December 31, 2018:

	New Liberty operations $'000	Burkina operations $'000	Exploration $'000	Corporate $'000	Total $'000
Net income/(loss) for the year	(40,279)	33,352	(12,596)	(7,339)	**(26,862)**
Revenues	140,279	141,436	-	1,083	**282,798**
Production costs					
- Mine operating costs	98,315	82,523	-	300	**181,138**
- Change in inventories	1,680	2,443	-	-	**4,123**
	99,995	84,966	-	300	**185,261**
Depreciation	64,700	9,867	-	246	**74,813**
Segment assets	215,535	79,010	9,707	5,836	**310,088**
Segment liabilities	(160,181)	(42,103)	(5,759)	(3,450)	**(211,493)**
Capital additions and acquisitions					
– property, plant and equipment	41,447	12,457	-	-	**53,904**
– intangible assets	-	-	8,234	-	**8,234**

5. Segment information (continued)

The Group derived revenues at a point in time in the following revenue streams and geographical markets for the year ended December 31, 2018:

	New Liberty operations $'000	Burkina operations $'000	Exploration $'000	Corporate $'000	Total $'000
Gold sales (Switzerland)	140,279	141,436	-	-	**281,715**
Agency sales (Turkey)	-	-	-	627	**627**
Services fee (Liberia)	-	-	-	456	**456**
	140,279	141,436	-	1,083	**282,798**

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)**
Revenues	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	(152,409)	(49,388)	(4,196)	(777)	**(206,770)**
Capital additions and acquisitions					
– property, plant and equipment	55,868	38,191	-	-	**94,059**

The Group derived revenues at a point in time in the following revenue streams and geographical markets for the year ended December 31, 2017:

	New Liberty operations $'000	Burkina operations $'000	Exploration $'000	Corporate $'000	Total $'000
Gold sales (Switzerland)	95,246	2,540	-	-	**97,786**

6. Administrative and other expenses

	Year ended December 31, 2018	Year ended December 31, 2017
	$'000	$'000
Wages and salaries	**2,557**	1,693
Legal and professional	**1,788**	1,548
Depreciation of non-mining assets	**246**	17
Share based payments	**1,147**	1,070
Withholding taxes on dividends received	**1,758**	-
Other expenses	**1,372**	1,260
	8,868	5,588

7. Income taxes

	Year ended December 31, 2018	Year ended December 31, 2017
	$'000	$'000
Current tax	**8,448**	143
Deferred tax	**1,985**	-
	10,433	143

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

	Year ended December 31, 2018	Year ended December 31, 2017
	$'000	$'000
Loss before tax	**(16,429)**	(27,264)
Tax recovery at the Canadian corporation tax rate of 26.5%	**(4,354)**	(7,225)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(922)**	345
Non-deductible expenses	**2,187**	1,048
Non-taxable gains	**-**	(997)
Tax losses not utilised and carried forward	**11,454**	7,219
Adjustment to prior year taxes	**218**	-
Other	**(135)**	(247)
	8,448	143

7. Income taxes (continued)

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, 2018 $'000	December 31, 2017 $'000
Deferred tax assets arising from:		
Capital allowances	**1,061**	3,203
Other temporary differences	**1,524**	1,351
	2,585	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. 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 tax asset at December 31, 2018 is $137.5 million (2017: $107.9 million) based on a carried forward tax losses asset of $82.2 million (2017: $51.1 million) which expires between 2022 and 2038 and capital allowances of $55.3 million (2017: $56.8 million) which have no expiry date.

The movement in income tax payable during the year comprises of:

	December 31, 2018 $'000	December 31, 2017 $'000
Opening balance	**12,358**	-
Current tax charge for the year	**8,448**	143
Payments	**(16,995)**	-
Assumed during the year (Note 4)	**-**	12,215
Foreign exchange	**522**	-
Closing balance	**4,333**	12,358

8. Trade and other receivables

	December 31, 2018 $'000	December 31, 2017 $'000
Trade receivable	**165**	416
Other receivables	**11,557**	10,690
Due from related parties (Note 21)	**3,350**	1,015
Pre-payments	**8,687**	13,165
	23,759	25,286

In December 2018, the Company entered into a factoring agreement with a regional bank in Burkina Faso ("Regional Bank") whereby the Regional Bank advances to the Company 93% of the face value of a portion of the Company's VAT receivable from the Burkina Faso Government. The face value of the factored VAT receivable was $6.9 million.

Other receivables include the financial asset as described above of $6.4 million (2017: $nil) and VAT receivable from the Burkina Faso Government of $3.1 million as at December 31, 2018 (2017: $8.9 million).

9. Inventories

	December 31, 2018 $'000	December 31, 2017 $'000
Gold dore	**2,299**	3,986
Gold in circuit	**3,969**	2,561
Ore stockpiles	**3,849**	6,688
Consumables	**35,733**	23,697
	45,850	36,932

Ore stockpiles as at December 31, 2018 are stated at their net realisable values after cumulative write-down at New Liberty of $1.6 million (2017: $2.9 million) and a provision for obsolescence of consumables at Youga of $0.7 million (2017: $nil).

10. Other assets

	December 31, 2018 $'000	December 31, 2017 $'000
Current		
Deposit to supplier	**1,255**	662
Surety deposit	**-**	400
Other deposits	**476**	648
	1,731	1,710
Non-current		
Asset retirement obligation deposit (Note 17)	**560**	517
Other deposits	**676**	679
	1,236	1,196

11. Property, plant and equipment

	Mining assets $'000	Stripping asset $'000	Mine closure and rehabilitation $'000	Assets held under finance lease $'000	Machinery and equipment $'000	Vehicles $'000	Leasehold improvement $'000	Total $'000
Cost								
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 (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
Additions	6,736	14,957	756	1,232	29,707	516	-	53,904
Transfer from intangible assets (Note 12)	1,782	-	-	-	-	-	-	1,782
Disposals	-	-	-	(7,000)	(1,034)	(335)	-	(8,369)
At December 31, 2018	**217,025**	**31,186**	**6,968**	**5,990**	**103,466**	**3,273**	**86**	**367,994**
Accumulated depreciation								
At January 1, 2017	14,909	-	116	651	1,622	1,020	66	18,384
Charge for the year	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
Charge for the year	37,618	17,017	1,026	1,265	17,343	544	-	74,813
Disposals	-	-	-	(1,528)	(1,034)	(335)	-	(2,897)
At December 31, 2018	**89,723**	**18,855**	**3,316**	**2,301**	**27,189**	**1,571**	**86**	**143,041**
Net book value								
At December 31, 2017	156,402	14,391	3,922	9,194	63,913	1,730	-	249,552
At December 31, 2018	**127,302**	**12,331**	**3,652**	**3,689**	**76,277**	**1,702**	**-**	**224,953**

11. Property, plant and equipment (continued)

Stripping asset

During the year ended December 31, 2018, Management considered the commencement of the pre-feasibility studies on the underground mine at New Liberty and the viability of transporting ore from the Ndablama satellite deposit to New Liberty processing plant as a trigger to change the level at which to capitalise waste stripping. The change in estimate was accounted for prospectively from October 1, 2018. Previously, the Company allocated waste stripping between production costs and capital based on the various pits at New Liberty only.

The impact of the change in estimate on the three months ended December 31, 2018 was to reduce the stripping asset by $3.6 million and reduce the depreciation charge by $5.0 million, resulting in a net credit to the profit and loss of $1.4 million. It is expected that the overall capitalisation of waste stripping will reduce in the future, assuming all other things remain constant, but this cannot be reliably estimated as it is dependent on actual ore and waste mined.

Impairment of non-current assets

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.

Mining operations at New Liberty falling below plan 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. Management determined that the recoverable amount of New Liberty exceeds the carrying value.

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, 2018 which showed an estimated life of eleven years (2017: four years) and was based on management's current best estimates, 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 (2017: $1,300 per ounce) based on observable market data including spot price and industry consensus; and
- a pre-tax discount rate of 8.5% (2017: 8.5%) was applied to present value the net future cash flows. This rate reflects the current market rate assessment of the time value of money and the risks specific to CGU.

11. Property, plant and equipment (continued)

Management did not identify any indicator of impairment on the Burkina Faso CGU.

Termination of finance leases

During the year ended December 31, 2018, the Company terminated the lease arrangement on the supply and maintenance of generators at New Liberty for no consideration. The derecognition of the finance lease liability resulted in a loss of $0.6 million.

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.

12. Intangible assets - Exploration and evaluation assets

	December 31, 2018 $'000	December 31, 2017 $'000
Beginning of the year	**-**	-
Additions in the year	**8,234**	-
Transfer to property, plant and equipment (Note 11)	**(1,782)**	-
End of the year	**6,452**	-

Intangible assets as at December 31, 2018 are in respect of capitalised exploration and evaluation assets of Ouaré, located 36 kilometres north east of the Youga processing plant. It 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 shows that this satellite deposit will add further mine life to Youga.

The amounts transferred during the year ended December 31, 2018 relate to the exploration and evaluation costs on the Gassore East prospect following commencement of mining operations.

Exploration and evaluation costs charged to profit and loss arose from the following licence areas:

	December 31, 2018 $'000	December 31, 2017 $'000
New Liberty Mineral Development Agreement licence	**5,489**	1,435
Youga exploitation permit	**2,809**	645
Balogo exploitation permit	**2,606**	97
Zerbogo/Songo	**1,226**	-
Others	**828**	781
	12,958	2,958

13. Fair value through other comprehensive income investments

	December 31, 2018 $'000	December 31, 2017 $'000
Beginning of the year	**21**	55
Gain/(Loss) recognised in other comprehensive income	**22**	(34)
Sale of investment	**(43)**	
End of the year	**-**	21

During the year ended December 31, 2018, the Company fully sold its investment in shares of Stellar Diamonds plc for a consideration of $43,000. The cumulative change in fair value held as an equity investment reserve of $465,000 was transferred to the deficit account following the sale.

14. Borrowings

	December 31, 2018 $'000	December 31, 2017 $'000
Current		
Bank loan - Senior Facility Tranche A	**6,676**	14,741
Bank loan - Senior Facility Tranche B	**-**	9,737
Shareholder loan	**-**	8,106
Related party loans	**10,987**	5,380
	17,663	37,964
Non-current		
Bank loan - Senior Facility Tranche A	**51,801**	58,668
Bank loan - Subordinated Facility	**10,528**	10,846
Working Capital Facility	**23,142**	14,938
Shareholder loan	**3,985**	-
Related party loans	**16,681**	16,883
	106,137	101,335

(a) Bank loans

On December 17, 2013 the Company entered into an agreement for an $88 million project finance loan facility (the "Senior Facility Tranche A") 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 ("Senior Facility Tranche B", together with Senior Facility Tranche A and the Subordinated Facility the "Loan Facilities") provided by the Lenders.

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 Gűnal, 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.

14. Borrowings (continued)

The rescheduled repayment structure extends the tenor of the Senior Facility Tranche A loan until January 31, 2022. Senior Facility Tranche A is charged an interest rate of LIBOR plus 1.8% until 2020, following which it will increase to LIBOR plus 4.3% and the Subordinated Facility is charged an interest rate of LIBOR plus 7.5%.

As discussed in Note 3.2, the Company adopted the requirements of IFRS 9 effective January 1, 2018 which would have resulted in the recognition of an immediate gain in the profit or loss at the date of the modification of $0.9 million. As the Company has chosen not to restate comparatives in adopting IFRS 9, it has recognised an adjustment of $0.9 million to reduce non-current borrowings and a corresponding credit to the deficit account in equity of $0.9 million as at January 1, 2018.

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

These Loan Facilities, which have been fully drawn, financed the development of the Company's New Liberty Gold Mine. $38.4 million of the Senior Facility has been repaid to date including $16 million of Senior Facility Tranche A and $10 million of Senior Facility Tranche B during the year ended December 31, 2018.

(b) Shareholder loan

Working Capital Facility

	December 31, 2018 $'000	December 31, 2017 $'000
Beginning of the year	**14,938**	-
Fair value of new loans	**17,947**	14,277
Repayments	**(10,801)**	-
Interest charged	**1,058**	661
End of the year	**23,142**	14,938

During the year ended December 31, 2017, AJL provided a $35 million Working Capital Facility to the Group 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 increased the 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 Group may draw down in multiple tranches at the Company's discretion before December 31, 2020, with funds available for general working capital purposes. The Working Capital Facility is due to be repaid in full no later than December 31, 2022 and has no early repayment penalty.

14. Borrowings (continued)

The loan payable to AJL arising from the Working Capital Facility is recognised at fair value calculated as its present value at a market rate of interest of 8.95% and subsequently measured at amortised cost. The difference between fair value on initial recognition and loan amount is credited to equity as a capital contribution as the loan is from the Company's majority shareholder.

Gross proceeds of new tranches during the year ended December 31, 2018 was $21.9 million (2017: $18.8 million) of which $3.9 million (2017: $4.5 million) has been credited to capital contribution. Gross repayments during the year ended December 31, 2018 amounted to $13.7 million (2017: $nil) of which $2.9 million (2017: $nil) has been charged to capital contribution.

Shareholder loan

A loan payable to AJL of $8.1 million was assumed on acquisition of Youga Gold Mine and Balogo satellite deposit (see Note 4) of which $4.2 million was repaid during the year ended December 31, 2018.

(c) Related party loans

	December 31, 2018 $'000	December 31, 2017 $'000
Beginning of the year	**22,263**	-
Fair value of new loans	**9,916**	21,981
Repayments	**(6,466)**	(168)
Interest charged	**2,439**	397
Unrealised foreign exchange	**(484)**	53
End of the year	**27,668**	22,263

Related party loans are in relation to finance facility agreements with Mapa İnşaat ve Ticaret A.Ş. ("Mapa"), a company controlled by Mehmet Nazif Gűnal, Non-Executive Chairman of the Company, to facilitate the purchase of heavy mining equipment at New Liberty.

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 loans and 5.5% per annum on the Euro denominated loans. The loans are repayable in cash in eight equal semi-annual instalments, the first of which was due six months after utilisation of the loan.

Loans payable to Mapa are 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 on initial recognition and loan amount is credited to equity as a capital contribution from a related party.

Gross proceeds of new loans during the year ended December 31, 2018 was $10.3 million (2017: $23.3 million) of which $0.4 million (2017: $1.3 million) has been credited to capital contribution. Principal repayments during the year ended December 31, 2018 amounted to $4.8 million (2017: $nil).

15. Trade and other payables

	December 31, 2018 $'000	December 31, 2017 $'000
Current		
Trade payables	**48,662**	27,649
Due to related parties (Note 21)	**3,255**	464
Accruals and other payables	**13,992**	12,890
	65,909	41,003
Non-current		
Trade payables	**-**	463

16. Finance lease liability

Finance lease liability as at December 31, 2018 relates to heavy mining equipment and the fuel storage facility at New Liberty. These 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, 2018 $'000	December 31, 2017 $'000
Gross finance lease liability		
- Within one year	**1,266**	2,820
- Between two and five years	**2,539**	7,191
- After five years	**-**	-
	3,805	10,011
Future finance cost	**(571)**	(2,223)
Present value of lease liability	**3,234**	7,788
Current portion	**975**	1,913
Non-current portion	**2,259**	5,875

As discussed in Note 11, the Company terminated the lease arrangement on the supply and maintenance of power generators at New Liberty during the year ended December 31, 2018. The derecognition of this finance lease resulted in a loss of $0.6 million recognised in the consolidated statement of comprehensive income. The Company also cancelled certain finance leases of heavy mining equipment during the year ended December 31, 2017. The derecognition of those finance leases resulted in a gain of $4 million recognised in the consolidated statement of comprehensive income.

17. Provision

	December 31, 2018 $'000	December 31, 2017 $'000
Current		
Legal provisions	**1,931**	395
Others	**1,345**	128
	3,276	523
Non-current		
Mine closure and rehabilitation provision	**9,287**	8,529
Provision for employee benefits	**1,652**	1,910
	10,939	10,439

	December 31, 2018 $'000	December 31, 2017 $'000
Current		
Beginning of the year	**523**	-
Additions during the year	**2,753**	-
Assumed during the year (Note 4)	**-**	523
End of the year	**3,276**	523

	December 31, 2018 $'000	December 31, 2017 $'000
Non-current		
Beginning of the year	**10,439**	2,304
Change in estimates	**435**	543
Assumed during the year (Note 4)	**-**	7,477
Accretion	**65**	115
End of the year	**10,939**	10,439

The estimated mine closure and rehabilitation costs are expected to be incurred at the end of the life of each mine. 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.

As at December 31, 2018, a deposit of $0.6 million (2017: $0.5 million) is held in escrow and accounted for other non-current assets to fund the rehabilitation costs of the Youga Gold Mine (see Note 10).

18. Equity

(a) Authorised

Unlimited number of common shares without par value.

(b) Issued

	Shares	$'000
Balance at January 1, 2017	5,324,759,001	283,506
Issued to AJL on acquisition of Youga and Balogo (i)	2,033,492,822	51,459
Equity financing (i)	797,449,000	20,248
Share issuance costs (i)	-	(1,568)
Exercise of stock options (ii)	375,000	8
Balance at December 31, 2017	8,156,075,823	353,653
Effect of 100:1 share consolidation	(8,074,515,563)	-
Exercise of stock options (ii)	15,000	33
Balance at December 31, 2018	**81,575,260**	**353,686**

In December 2017, the shareholders of the Company approved the 100:1 consolidation of the Company's issued and outstanding common shares which became effective on January 24, 2018.

(i) As discussed in Note 4, the Company acquired Youga Gold Mine and Balogo satellite deposit on December 18, 2017 for a total consideration of $70.2 million which comprises of the issuance of 2,033,492,822 new common shares in the Company at a price of GBP£1.90 per share and a cash component of $18.7 million. The cash component was funded through the issuance of 797,449,000 at a price of GBP£1.90 per share through a private placing. The directly attributable costs of issuance of these new shares amounted to $1.6 million.

(ii) During the year ended December 31, 2018 the Company issued 15,000 new common shares (2017: 3,750) on exercise of 15,000 stock options (2017: 375,000) at a price of GBP£1.575 per stock option (2017: GBP£0.01575).

18. Equity (continued)

(c) Stock options

Information relating to stock options outstanding at December 31, 2018 is as follows:

	December 31, 2018		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 year	**2,829,428**	**4.96**	1,242,695	9.12
Options granted	**1,681,000**	**2.68**	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	**(272,828)**	**3.55**	(148,947)	17.86
Share consolidation adjustment	**(5)**	**4.96**	-	-
End of the year	**4,209,233**	**3.94**	2,829,428	4.96

The number of stock options and their respective exercise prices has been adjusted to reflect the 100:1 share consolidation as discussed in Note 18(b).

There were 1,183,660 stock options that have vested as at December 31, 2018 (2017: 512,025) with a weighted average exercise price of Cdn$3.31 (2017: Cdn$4.00). The stock options have an expected life of five years with no performance obligations.

The weighted average fair value of the 1,681,000 stock options granted in year ended December 31, 2018 (2017: 1,745,000 options) was estimated at US$0.45 per option (2017: US$0.95) at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	Year ended December 31, 2018	Year ended December 31, 2017
Share price at grant date	**GBP1.53-2.83**	GBP1.95-2.53
Exercise price	**GBP1.53-2.83**	GBP1.95-2.53
Dividend yield	**0%**	0%
Risk free interest rate	**0.90-1.10%**	0.40-0.72%
Expected life	**5 years**	5 years
Expected volatility (based on historical volatility)	**29-42%**	34-90%

19. Loss per share

	Year ended December 31, 2018	Year ended December 31, 2017
Loss for the year attributable to owners of equity ($'000)	**(29,860)**	(27,474)
Weighted average number of common shares for the purposes of basic and diluted loss per share	**81,564,000**	54,256,004
Basic and diluted loss per share ($)	**(0.37)**	(0.51)

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. Non-controlling interest

The composition of the non-controlling interests held by the Government of Burkina Faso is as follows:

	Burkina Mining Company $'000	**Netiana Mining Company $'000**	**Total $'000**
At January 1, 2017	-	-	-
Acquisition of Youga and Balogo (Note 4)	2,354	1,293	3,647
Share in net income/(loss)	(152)	219	67
At December 31, 2017	2,202	1,512	3,714
Share in net income	1,140	1,858	2,998
Dividend distribution	(1,673)	(1,402)	(3,075)
At December 31, 2018	**1,669**	**1,968**	**3,637**

The summarised information related to these subsidiaries before intra-group eliminations is as follows:

	December 31, 2018		**December 31, 2017**	
	Burkina Mining Company $'000	**Netiana Mining Company $'000**	**Burkina Mining Company $'000**	**Netiana Mining Company $'000**
Statement of Financial Position				
Current assets	**40,318**	**26,672**	40,522	30,958
Non-current assets	**42,093**	**2,506**	33,794	7,482
Total assets	**82,411**	**29,178**	74,316	38,440
Current liabilities	**(56,467)**	**(11,275)**	(40,488)	(17,758)
Non-current liabilities	**(6,137)**	**(1,166)**	(6,745)	(1,235)
Total liabilities	**(62,604)**	**(12,441)**	(47,233)	(18,993)
Statement of Comprehensive Income				
Revenues	**90,597**	**50,838**	-	2,540
Net income/(loss) and total comprehensive income/(loss)	**11,400**	**18,580**	(1,520)	2,190

21. Related party transactions

The following are the Company's related party transactions:

(a) Acquisition of Youga Gold Mine and Balogo satellite deposit (Note 4).

(b) Guarantee on the Loan Facilities (Note 14(a))

In exchange for the revised and improved conditions and rescheduled repayment terms of the Loan Facilities a personal guarantee was provided by Mehmet Nazif Gűnal, 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.

(c) Working Capital Facility with AJL (Note 14(b))

(d) Loans payable to Mapa (Note 14(c))

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

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, 2018 is $1 million (2017: $1 million).

21. Related party transactions (continued)

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

	Year ended December 31, 2018 $'000	Year ended December 31, 2017 $'000
Sale of consumables by the Company to:* MNG Gold Liberia Inc., a subsidiary of Company's parent company	**2,731**	-
Technical and support staff services provided to: MNG Gold Liberia Inc., a subsidiary of Company's parent company	**454**	-
Sale of consumables by the Company to:* Faso Drilling Company SA., a subsidiary of Company's parent company	**433**	-
Drilling services provided to the Company by: Faso Drilling Company SA., a subsidiary of Company's parent company	**(6,822)**	(742)
Drilling services provided to the Company by: Zwedru Mining Inc., a subsidiary of Company's parent company	**(3,302)**	(899)
Charter plane services provided to the Company by: MNG Gold Liberia Inc., a subsidiary of Company's parent company	**(360)**	(180)
Travel services provided to the Company by: MNG Turizm ve Ticaret A.S., an entity controlled by the Company's Chairman	**(20)**	(38)
Technical and managerial services provided to: Avesoro Services (Jersey) Limited, a subsidiary of Company's parent company	**-**	486
Administration services provided to the Company by: Avesoro Services (Jersey) Limited, a subsidiary of Company's parent company	**-**	(120)
Technical and procurement services provided to the Company by: MNG Orko Madencilik A.S., an entity controlled by the Company's Chairman	**-**	(350)

** Company's gross billings as agents in the procurement, shipping and handling of consumables*

Included in trade and other receivables is a receivable from a related party of $3.4 million as at December 31, 2018 (2017: $1 million) which represents mainly management, procurement, operational, technical and support services.

Included in trade and other payables is $3.3 million payable to related parties as at December 31, 2018 (2017: $0.5 million) which represents mainly drilling services.

21. Related party transactions (continued)

(g) 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, 2018			Year ended December 31, 2017		
	Salaries and other short-term benefits	**Share-based payments**	**Total**	Salaries and other short-term benefits	Share-based payments	Total
	$	**$**	**$**	$	$	$
Geoffrey Eyre	**381,875**	**228,353**	**610,228**	413,488	177,614	591,102
Jean-Guy Martin	**55,000**	**30,702**	**85,702**	90,226	61,379	151,605
David Netherway	**55,000**	**30,702**	**85,702**	90,226	61,379	151,605
Loudon Owen	**55,000**	**30,702**	**85,702**	90,226	61,379	151,605
Serhan Umurhan	**567,370**	**269,576**	**836,946**	579,032	214,778	793,810
	1,114,245	**590,035**	**1,704,280**	1,263,198	576,529	1,839,727

22. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, 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:

	Fair value through other comprehensive income $'000	**Amortised cost $'000**	**Total $'000**
December 31, 2018			
Assets as per statement of financial position			
Cash and cash equivalents	-	3,522	3,522
Trade and other receivables	-	11,722	11,722
Due from related parties	-	3,350	3,350
Total	-	18,594	18,594

22. Financial instruments by category (continued)

	Fair value through other comprehensive income $'000	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
Investment	21	-	21
Total	21	29,908	29,929

	Fair value through the profit and loss $'000	Amortised cost $'000	Total $'000
December 31, 2018			
Liabilities as per statement of financial position			
Trade payables and accruals	-	62,654	62,654
Due to related parties	-	3,255	3,255
Finance lease liability	-	3,234	3,234
Borrowings	-	123,800	123,800
Total	**-**	**192,943**	**192,943**

	Fair value through the profit and loss $'000	Amortised cost $'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**

23. 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 and EUR LIBOR, which are the variable components of the bank borrowings increased by 1% during the year ended December 31, 2018, interest payable would have increased by $0.8 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.

The Company's liabilities as at December 31, 2018, stated at their gross, contractual and undiscounted amounts, fall due as indicated in the following table:

	Less than one year $'000	Between one and five years $'000	Over five years $'000	Total $'000
Trade and other payables	65,909	-	-	65,909
Income tax payable	4,333	-	-	4,333
Finance lease liabilities	1,266	2,539	-	3,805
Principal borrowings	15,981	112,707	-	128,688
Operating and capital commitments	101	311	-	412
	87,590	115,557	-	203,147

23. Financial and capital risk management (continued)

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, West African Franc 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.

Carrying value of foreign currency balances	**December 31, 2018 $'000**	December 31, 2017 $'000
Cash and cash equivalents, include balances denominated in:		
Pound Sterling (GBP)	86	133
West African Franc (XOF)	2,836	13,999
Turkish Lira (TRY)	38	-
Others	4	5
Investments, include balances denominated in:		
Pounds Sterling (GBP)	-	21
Receivables and other assets, include balances denominated in:		
Canadian Dollar (CAD)	175	259
Pounds Sterling (GBP)	78	136
West African Franc (XOF)	9,821	20,334
Turkish Lira (TRY)	877	-
Borrowings, include balances denominated in:		
Euro (EUR)	9,735	11,513
Trade and other payables, include balances denominated in:		
Canadian Dollar (CAD)	29	175
Euro (EUR)	6,232	2,985
Pound Sterling (GBP)	305	517
South African Rand (ZAR)	42	972
West African Franc (XOF)	24,980	36,510
Turkish Lira (TRY)	1,453	-
Others	-	36

23. Financial and capital risk management (continued)

The sensitivities below are based on financial assets and liabilities held at December 31, 2018 and 2017 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, 2018 $'000	December 31, 2017 $'000
Canadian Dollar (CAD)	**(15)**	(8)
Pound Sterling (GBP)	**14**	23
South African Rand (ZAR)	**4**	97
Euro (EUR)	**1,597**	1,450
West African Franc (XOF)	**1,232**	218
Turkish Lira (TRY)	**54**	-

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, trade and other receivables.

Where allowed, the Company has an investment policy requiring that cash and cash equivalents only are deposited in permitted investments with certain minimum credit ratings. The operating subsidiaries in Burkina Faso are restricted from holding their cash balances outside of Burkina Faso.

	December 31, 2018 $'000	December 31, 2017 $'000
Financial institutions with Standards & Poor's A rating	**539**	2,784
Financial institutions regulated by the Central Bank of the West African States	**2,833**	13,999
Financial institutions un-rated	**150**	1,004

23. Financial and capital risk management (continued)

Impairment of financial assets

The Company's financial assets that are subject to the expected credit loss model are the trade and other receivables.

The Company's credit risk on the trade receivables is concentrated on the refiners of the Company's gold dore which are large international organizations with strong credit ratings and the historical level of customer defaults is nil. As a result, the credit risk associated with trade receivable at December 31, 2018 is considered to be negligible.

The other receivables subject to impairment assessment include amounts under the factoring agreement with a regional bank, owned by a leading pan-African bank and one of the largest operating in Burkina Faso, as described in Note 7. The factoring agreement, which was settled in January 2019, reduced the risk of default of the other receivables.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(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'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, 2018.

24. Commitments

Operating expenditure contracted for at December 31, 2018 but not yet incurred is as follows:

	Less than one year $'000	Between one and five years $'000	Over five years $'000
Operating lease expenditure	264	316	-

Operating expenditure commitments comprises of operating leases as at December 31, 2018.

Commitments in respect of finance leases are disclosed in Note 16.

25. Notes to the statement of cash flows

The table below reconciles the changes in the Company's financial liabilities to the Company's cash flows from financing activities.

	Borrowings $'000	Finance lease liabilities $'000	Share capital $'000	Capital contribution $'000	Non-controlling interest $'000	Total $'000
As at January 1, 2018	139,299	7,788	353,653	54,022	3,714	558,476
Cash flows from/(used in) financing activities	(39,182)	(1,246)	33	1,039	(3,075)	(42,431)
Non-cash flows:						
Change in accounting policy	(850)	-	-	-	-	(850)
New finance leases	-	1,233	-	-	-	1,233
Finance costs	15,138	366	-	-	-	15,504
Related party loans	9,916	-	-	373	-	10,289
Unrealised foreign exchange	(521)	-	-	-	-	(521)
Lease termination	-	(4,907)	-	-	-	(4,907)
Share in net income of subsidiaries	-	-	-	-	2,998	2,998
As at December 31, 2018	123,800	3,234	353,686	55,434	3,637	539,791

	Borrowings $'000	Finance lease liabilities $'000	Share capital $'000	Capital contribution $'000	Non-controlling interest $'000	Total $'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	8,106	-	51,459	-	3,647	63,212
Non-cash acquisition of assets held under finance leases	-	2,002	-	-	-	2,002
Related party loans	21,980	-	-	1,264	-	23,244
Unrealised foreign exchange	54	-	-	-	-	54
Gain on lease settlement	-	(3,988)	-	-	-	(3,988)
Share in net income of subsidiaries	-	-	-	-	67	67
Changes in non-cash working capital	-	(2,338)	-	-	-	(2,338)
As at December 31, 2017	139,299	7,788	353,653	54,022	3,714	558,476

26. Events after the balance sheet date

In March 2019, the Company entered into and had fully drawn down on an additional working capital facility of $10 million with AJL (the "New Facility"). The New Facility is unsecured, and ranks subordinated to the Company's existing facilities. Interest is charged on drawn amounts at a fixed rate of 8.0 per cent. per annum. The New Facility is due to repaid in full no later than twelve months following the drawdown and has no early repayment penalty. Following full draw down of the New Facility, the balance of working capital loans provided by AJL was $37.2 million.