

Condensed Interim Consolidated Financial Statements (Unaudited)

**Avesoro Resources Inc.**

**For the Three and Six Months Ended June 30, 2019 and 2018**  
(stated in thousands of US dollars)

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

Company registration number: 776831-1

Company incorporated on: 1 February 2011

**Avesoro Resources Inc.****Interim Consolidated Statements of Income/(loss) and Comprehensive Income/(loss)**

(stated in thousands of US dollars)

Unaudited

	<b>Three months ended June 30, 2019 \$'000</b>	Three months ended June 30, 2018 \$'000	<b>Six months ended June 30, 2019 \$'000</b>	Six months ended June 30, 2018 \$'000
<b>Revenues (Note 2)</b>	<b>48,008</b>	74,530	<b>107,884</b>	165,900
<b>Cost of sales</b>				
- Production costs (Note 2)	<b>(43,240)</b>	(43,195)	<b>(87,413)</b>	(92,181)
- Depreciation (Note 2)	<b>(16,928)</b>	(20,390)	<b>(35,218)</b>	(37,000)
<b>Gross (loss)/profit</b>	<b>(12,160)</b>	10,945	<b>(14,747)</b>	36,719
<b>Expenses</b>				
Administrative and other expenses (Note 3)	<b>(2,111)</b>	(2,405)	<b>(5,071)</b>	(4,009)
Exploration and evaluation costs (Note 8)	<b>(927)</b>	(4,513)	<b>(4,014)</b>	(6,524)
Loss on lease termination	-	-	-	(566)
<b>(Loss)/Profit from operations</b>	<b>(15,198)</b>	4,027	<b>(23,832)</b>	25,620
Derivative liability gain	-	-	-	105
Foreign exchange (loss)/gain	<b>(122)</b>	(817)	<b>666</b>	(1,912)
Finance costs	<b>(3,468)</b>	(2,832)	<b>(7,096)</b>	(7,173)
Finance income	<b>118</b>	-	<b>170</b>	174
<b>(Loss)/Profit before tax</b>	<b>(18,670)</b>	378	<b>(30,092)</b>	16,814
Tax for the period (Note 4)	<b>(130)</b>	(3,267)	<b>(544)</b>	(9,856)
<b>Net (loss)/profit after tax</b>	<b>(18,800)</b>	(2,889)	<b>(30,636)</b>	6,958
Attributable to:				
- Owners of the Company	<b>(18,511)</b>	(4,172)	<b>(30,449)</b>	3,847
- Non-controlling interest (Note 13)	<b>(289)</b>	1,283	<b>(187)</b>	3,111
<b>Other comprehensive income/(loss)</b>				
Items that may be reclassified subsequently to profit or loss:				
Fair value gains/(losses) on investments	-	(9)	-	22
Currency translation differences	<b>(23)</b>	(3)	<b>(118)</b>	(40)
<b>Total comprehensive (loss)/income</b>	<b>(18,823)</b>	(2,901)	<b>(30,754)</b>	6,940
Attributable to:				
- Owners of the Company	<b>(18,534)</b>	(4,184)	<b>(30,567)</b>	3,829
- Non-controlling interest	<b>(289)</b>	1,283	<b>(187)</b>	3,111
<b>(Loss)/Earnings per share, basic and diluted (US\$) (Note 5)</b>	<b>(0.227)</b>	(0.051)	<b>(0.373)</b>	0.047

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

**Avesoro Resources Inc.****Interim Consolidated Statements of Financial Position**

(stated in thousands of US dollars)

Unaudited

	June 30, 2019 \$'000	December 31, 2018 \$'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,403	3,522
Trade and other receivables (Note 6)	22,368	23,759
Inventories (Note 7)	42,083	45,850
Other assets	1,780	1,731
	<b>70,634</b>	<b>74,862</b>
<b>Non-current assets</b>		
Intangible assets - Exploration and evaluation assets (Note 8)	8,317	6,452
Property, plant and equipment (Note 9)	202,541	224,953
Deferred tax asset	2,821	2,585
Other assets	1,437	1,236
	<b>215,116</b>	<b>235,226</b>
<b>Total assets</b>	<b>285,750</b>	<b>310,088</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Borrowings (Note 10)	34,554	17,663
Trade and other payables	63,797	65,909
Income tax payable	1,147	4,333
Lease liability (Note 11)	874	975
Provisions	3,123	3,276
	<b>103,495</b>	<b>92,156</b>
<b>Non-current liabilities</b>		
Borrowings (Note 10)	101,337	106,137
Lease liability (Note 11)	1,582	2,259
Provisions	10,682	10,939
	<b>113,601</b>	<b>119,335</b>
<b>Total liabilities</b>	<b>217,096</b>	<b>211,491</b>
<b>Equity</b>		
Share capital (Note 12)	353,686	353,686
Capital contribution	55,597	55,434
Share based payment reserve	9,635	8,987
Acquisition reserve	(33,060)	(33,060)
Cumulative translation reserve	(574)	(456)
Deficit	(320,080)	(289,631)
Equity attributable to owners	65,204	94,960
Non-controlling interest (Note 13)	3,450	3,637
<b>Total equity</b>	<b>68,654</b>	<b>98,597</b>
<b>Total liabilities and equity</b>	<b>285,750</b>	<b>310,088</b>

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

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

	<b>Six months ended June 30, 2019 \$'000</b>	Six months ended June 30, 2018 \$'000
<b>Operating activities</b>		
Net (loss)/profit after tax	(30,636)	6,958
Tax for the period	544	9,856
(Loss)/Profit before tax	(30,092)	16,814
Items not affecting cash:		
Share-based payments (Note 3)	648	567
Depreciation (Note 9)	35,273	37,171
Unrealized foreign exchange (gain)/loss	(185)	1,125
Interest expense	7,096	7,173
Derivative liability gain	-	(105)
Loss on lease termination	-	566
Changes in non-cash working capital		
Decrease/(Increase) in trade and other receivables	981	(7,246)
Increase/(Decrease) in trade and other payables	(3,357)	6,008
Increase in inventories	3,767	(3,098)
Income taxes paid	(3,984)	(11,066)
<b>Cash flows from operating activities</b>	<b>10,147</b>	<b>47,909</b>
<b>Investing activities</b>		
Payments to acquire property, plant and equipment	(11,616)	(23,447)
Payments to acquire intangible assets	(1,865)	(3,359)
(Increase)/Decrease in other assets	(250)	119
Proceeds from sale of available for sale investment	-	44
<b>Cash flows used in investing activities</b>	<b>(13,731)</b>	<b>(26,643)</b>
<b>Financing activities</b>		
Proceeds from borrowings (Note 10b)	10,250	6,150
Payments to borrowings (Note 10)	-	(24,045)
Finance charges	(4,937)	(5,540)
Dividend payment to non-controlling interest	-	(1,424)
Payment of finance leases	(837)	(1,254)
Proceeds from exercise of stock options (Note 12)	-	33
<b>Cash flows from/(used in) financing activities</b>	<b>4,476</b>	<b>(26,080)</b>
Impact of foreign exchange on cash balance	(11)	(287)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>881</b>	<b>(5,101)</b>
Cash and cash equivalents at beginning of period	3,522	17,787
<b>Cash and cash equivalents at end of period</b>	<b>4,403</b>	<b>12,686</b>

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

## Avesoro Resources Inc.

### Interim Consolidated Statements of Changes in Equity

(stated in thousands of US dollars)

Unaudited

	Total Equity Attributable to Owners									Total Equity
	Share capital	Capital contribution	Share-based payment reserve	Acquisition reserve	Equity investment reserve	Cumulative translation reserve	Deficit	Total	Non-controlling Interest	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at January 1, 2018	353,653	54,022	7,840	(33,060)	(487)	(466)	(260,156)	121,346	3,714	125,060
Profit for the period	-	-	-	-	-	-	3,847	3,847	3,111	6,958
Other comprehensive income/(loss) for period	-	-	-	-	22	(40)	-	(18)	-	(18)
Total comprehensive income/(loss) for period	-	-	-	-	22	(40)	3,847	3,829	3,111	6,940
Exercise of stock options (Note 12b)	33	-	-	-	-	-	-	33	-	33
Share-based payments (Note 3)	-	-	567	-	-	-	-	567	-	567
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(1,424)	(1,424)
Related party loans (Note 10)	-	1,698	-	-	-	-	-	1,698	-	1,698
Payment of related party loans	-	(2,171)	-	-	-	-	-	(2,171)	-	(2,171)
Reserve transfer on sale of investment	-	-	-	-	465	-	(465)	-	-	-
<b>Balance at June 30, 2018</b>	<b>353,686</b>	<b>53,549</b>	<b>8,407</b>	<b>(33,060)</b>	<b>-</b>	<b>(506)</b>	<b>(256,774)</b>	<b>125,302</b>	<b>5,401</b>	<b>130,703</b>
Balance at January 1, 2019	353,686	55,434	8,987	(33,060)	-	(456)	(289,631)	94,960	3,637	98,597
Loss for the period	-	-	-	-	-	-	(30,449)	(30,449)	(187)	(30,636)
Other comprehensive loss for period	-	-	-	-	-	(118)	-	(118)	-	(118)
Total comprehensive loss for period	-	-	-	-	-	(118)	(30,449)	(30,567)	(187)	(30,754)
Share-based payments (Note 3)	-	-	648	-	-	-	-	648	-	648
Drawdown on Working Capital Facility (Note 10b)	-	163	-	-	-	-	-	163	-	163
<b>Balance at June 30, 2019</b>	<b>353,686</b>	<b>55,597</b>	<b>9,635</b>	<b>(33,060)</b>	<b>-</b>	<b>(574)</b>	<b>(320,080)</b>	<b>65,204</b>	<b>3,450</b>	<b>68,654</b>

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

# **Avesoro Resources Inc.**

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

### **For the three and six months ended June 30, 2019 and 2018**

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(in thousands of US dollars unless otherwise stated)

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

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

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

These condensed interim consolidated financial statements ("interim financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". They do not include all disclosures that would otherwise be required in a complete set of financial statements. They follow accounting policies and methods of their application consistent with the audited consolidated financial statements for the year ended December 31, 2018 except for the adoption of new accounting policies as discussed below. Accordingly, they should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018.

These interim financial statements were authorised by the Board of Directors on August 7, 2019.

#### **New accounting policies**

The Company has initially adopted IFRS 16 from January 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains the same. Accordingly, the comparative information presented for 2018 has not been restated. On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously assessed as leases. Contracts that were not identified as lease under IAS 17 and IFRC 4 were not reassessed. Therefore, the definition of lease under IFRS 16 has been applied to contracts entered into or changed on or after January 1, 2019 and no new leases were identified.

The Company leases drill rigs and the fuel storage facility at New Liberty, which were previously classified as finance leases under IAS 17. For the finance leases, the carrying amount of the right-of-use asset and lease liability at January 1, 2019 were determined as the carrying amount of the lease asset and lease liability under IAS 17 immediately before date of use. Management is currently looking at the transition to contractor mining and impact of IFRS 16 and this will come into effect in Q3 2019.

A number of other new standards are effective from January 1, 2019 but these do not have a material effect on the Company's financial statements.

#### **Going concern**

Following a cost review, the Company implemented an initiative to transition both Youga and New Liberty Gold mines to contractor mining with the objective of further reducing the mining cost and increasing mining volumes. This transition resulted in disruption to mining activities and gold production at New Liberty in April and May 2019 and at Youga the open pit mining fleet operators refusing to work leading to a temporary suspension of mining and process plant operations in June 2019.

## **Avesoro Resources Inc.**

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

#### **For the three and six months ended June 30, 2019 and 2018**

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(in thousands of US dollars unless otherwise stated)

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

As a result of the aforementioned issues and ongoing mill feed grade being lower than planned at Youga the group production guidance for 2019 was reduced from 210,000 – 230,000 ounces to 180,000 – 200,000 ounces on June 10, 2019 and the revised cash forecast currently shows a funding shortfall of \$10-\$15 million later in 2019. The funding gap includes US\$12.9 million of debt provided by Mapa İnşaat ve Ticaret A.Ş. (“Mapa”), a related party and a company controlled by Mr. Mehmet Nazif Günal, Non-Executive Chairman of the Company, falling due for repayment in 2019. The Company is holding constructive discussions Mapa about deferral of these debt repayments.

In July 2019, Avesoro Holdings Limited (“AHL”) which is the Company’s ultimate parent company and controlled by Mr. Murathan Doruk Günal (“MDG”), the eldest son of the Company’s Chairman, reported that it had breached two undertakings contained in the parent company guarantee that AHL has provided to the Company’s Lenders Nedbank Limited and FirstRand Bank Limited (collectively the “Lenders”) in respect of the Company’s bank borrowings as follows:

- 1) Late submission of the audited accounts of AHL to the Lenders; and
- 2) AHL’s total equity financial covenant at December 31, 2018 was lower than the required level following an impairment in the carrying value of an asset held by a privately held subsidiary of AHL that is not within the Avesoro Resources Inc. group and accounting losses as a result of non-cash depreciation charges.

The two technical breaches represent events of default by the Company under the cross default provisions of the loan documents and allow the Lenders to accelerate repayment of the bank borrowings before their final maturity date.

AHL and the Company have requested a waiver of the events of default from the Lenders and are currently in discussions with them. The Company is confident that a waiver or suitable alternative remedy can be agreed with the Lenders. However, in the event that these efforts were unsuccessful, the AHL parent company guarantee and personal guarantee provided by the Company’s Chairman remain in force.

The Company has received confirmation that Mr. Murathan Doruk Günal intends to support the Group for at least one year from the date of this interim financial statements. On this basis, the Directors and Management continue to adopt the going concern basis of accounting in preparing the interim financial statements.

#### **2 Segment information**

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

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

**Avesoro Resources Inc.**

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

For the three and six months ended June 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

**2 Segment information (continued)**

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the three months ended June 30, 2019:

	<b>New Liberty operations</b>	<b>Burkina operations</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
(Loss)/Profit for the period	(14,658)	8	(1,281)	(2,869)	<b>(18,800)</b>
Revenues	25,933	21,954	-	121	<b>48,008</b>
Production costs					
- Operating costs	(21,574)	(19,289)	-	227	<b>(40,636)</b>
- Change in inventories	(1,222)	(1,382)	-	-	<b>(2,604)</b>
	(22,796)	(20,671)		227	<b>(43,240)</b>
Depreciation	(15,389)	(1,539)	-	(27)	<b>(16,955)</b>
Segment assets	197,298	71,285	10,587	6,580	<b>285,750</b>
Segment liabilities	(135,752)	(38,119)	(6,155)	(37,070)	<b>(217,096)</b>
Capital additions					
- property, plant and equipment	7,460	159	-	-	<b>7,619</b>
- intangible assets	-	-	904	-	<b>904</b>

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the six months ended June 30, 2019:

	<b>New Liberty operations</b>	<b>Burkina operations</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
(Loss)/Profit for the period	(22,840)	2,205	(4,091)	(5,910)	<b>(30,636)</b>
Revenues	60,233	47,380	-	271	<b>107,884</b>
Production costs					
- Operating costs	(44,307)	(40,243)	-	172	<b>(84,378)</b>
- Change in inventories	(1,527)	(1,508)	-	-	<b>(3,035)</b>
	(45,834)	(41,751)	-	172	<b>(87,413)</b>
Depreciation	(31,540)	(3,678)	-	(55)	<b>(35,273)</b>
Capital additions					
- property, plant and equipment	11,164	1,697	-	-	<b>12,861</b>
- intangible assets	-	-	1,865	-	<b>1,865</b>



**Avesoro Resources Inc.**

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

For the three and six months ended June 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

**2 Segment information (continued)**

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

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

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

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

**Avesoro Resources Inc.**

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

For the three and six months ended June 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

**3 Administrative and other expenses**

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	793	591	1,364	1,127
Legal and professional	397	657	869	959
Royalty payable to AJL (Note 14)	351	-	1,386	-
Depreciation	27	117	55	171
Share based payments	224	270	648	567
Other expenses	319	770	749	1,185
	<b>2,111</b>	<b>2,405</b>	<b>5,071</b>	<b>4,009</b>

**4 Income taxes**

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$'000	\$'000	\$'000	\$'000
Current taxes	(367)	(3,554)	(781)	(7,884)
Deferred taxes	237	287	237	(1,972)
	<b>(130)</b>	<b>(3,267)</b>	<b>(544)</b>	<b>(9,856)</b>

**5 (Loss)/Earnings per share ("EPS")**

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$'000	\$'000	\$'000	\$'000
Net (loss)/profit after tax attributable to Owners of the Company	<b>(18,511)</b>	<b>(4,172)</b>	<b>(30,449)</b>	<b>3,847</b>
Weighted average number of outstanding shares for basic EPS	<b>81,575,260</b>	81,575,260	<b>81,575,260</b>	81,567,802
Dilutive share options	-	-	-	583,456
Weighted average number of outstanding shares for diluted EPS	<b>81,575,260</b>	81,575,260	<b>81,575,260</b>	82,151,258
Basic EPS (US\$)	<b>(0.227)</b>	(0.051)	<b>(0.373)</b>	0.047
Diluted EPS (US\$)	<b>(0.227)</b>	(0.051)	<b>(0.373)</b>	0.047

## Avesoro Resources Inc.

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

For the three and six months ended June 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

#### 6 Trade and other receivables

	<b>June 30, 2019</b>	December 31, 2018
	<b>\$'000</b>	\$'000
Trade receivable	<b>1,946</b>	165
Other receivable	<b>9,187</b>	11,557
Due from related parties (Note 14)	<b>3,572</b>	3,350
Pre-payments	<b>7,663</b>	8,687
	<b>22,368</b>	23,759

Other receivables as at June 30, 2019 include VAT receivable from the Burkina Faso Government of \$6.0 million (December 31, 2018: \$3.1 million) and a financial asset with respect to factored VAT receivable from the Burkina Faso Government of \$nil (December 31, 2018: \$6.4 million).

#### 7 Inventories

	<b>June 30, 2019</b>	December 31, 2018
	<b>\$'000</b>	\$'000
Gold doré	<b>829</b>	2,299
Gold in circuit	<b>2,767</b>	3,969
Ore stockpiles	<b>3,448</b>	3,849
Consumables	<b>35,039</b>	35,733
	<b>42,083</b>	45,850

Ore stockpiles as at June 30, 2019 are stated at their net realisable values after cumulative write-down at New Liberty of \$1.8 million (December 31, 2018: \$1.6 million) and a provision for obsolescence of consumables at Youga of \$0.6 million (December 31, 2018: \$0.7 million).

#### 8 Intangible assets - Exploration and evaluation assets

	<b>Six months ended June 30, 2019</b>	Year ended December 31, 2018
	<b>\$'000</b>	\$'000
Beginning of the period	<b>6,452</b>	-
Additions in the period	<b>1,865</b>	8,234
Transfer to property, plant and equipment (Note 9)	-	(1,782)
End of the period	<b>8,317</b>	6,452

Intangible assets as at June 30, 2019 are in respect of capitalised exploration and evaluation assets at Ndablama and Ouaré, located 44 kilometres east of the Youga processing plant. Ouaré 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.

**Avesoro Resources Inc.**

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

For the three and six months ended June 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

**8 Intangible assets - Exploration and evaluation assets (continued)**

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

	Three months ended		Six months ended	
	June 30, 2019 \$'000	June 30, 2018 \$'000	June 30, 2019 \$'000	June 30, 2018 \$'000
New Liberty MDA licence	51	1,809	1,091	2,159
Youga exploitation permit	167	1,338	1,381	1,968
Balogo exploitation permit	583	944	1,126	1,653
Zerbogo/Songo	33	363	284	609
Others	93	59	132	135
	<b>927</b>	<b>4,513</b>	<b>4,014</b>	<b>6,524</b>

## Avesoro Resources Inc.

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

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#### 9 Property, plant and equipment

	Mining assets \$'000	Stripping asset \$'000	Mine closure and rehabilitation \$'000	Right-of-use assets \$'000	Machinery and equipment \$'000	Vehicles \$'000	Leasehold improvement \$'000	Total \$'000
<b>Cost</b>								
At January 1, 2018	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	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
Additions	2,332	10,131	-	-	398	-	-	12,861
<b>At June 30, 2019</b>	<b>219,357</b>	<b>41,317</b>	<b>6,968</b>	<b>5,990</b>	<b>103,864</b>	<b>3,273</b>	<b>86</b>	<b>380,855</b>
<b>Accumulated depreciation</b>								
At January 1, 2018	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
Charge for the year	25,595	1,607	475	1,042	6,169	385	-	35,273
<b>At June 30, 2019</b>	<b>115,318</b>	<b>20,462</b>	<b>3,791</b>	<b>3,343</b>	<b>33,358</b>	<b>1,956</b>	<b>86</b>	<b>178,314</b>
<b>Net book value</b>								
At December 31, 2018	127,302	12,331	3,652	3,689	76,277	1,702	-	224,953
<b>At June 30, 2019</b>	<b>104,039</b>	<b>20,855</b>	<b>3,177</b>	<b>2,647</b>	<b>70,506</b>	<b>1,317</b>	<b>-</b>	<b>202,541</b>

**Avesoro Resources Inc.**

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

## For the three and six months ended June 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

**10 Borrowings**

	<b>June 30, 2019 \$'000</b>	December 31, 2018 \$'000
<b>Current</b>		
Bank loan - Senior Facility	<b>9,361</b>	6,676
Related party loan	<b>14,919</b>	10,987
Working Capital Facility	<b>10,274</b>	-
	<b>34,554</b>	17,663
<b>Non-current</b>		
Bank loan - Senior Facility	<b>48,934</b>	51,801
Bank loan - Subordinated Facility	<b>10,738</b>	10,528
Working Capital Facility	<b>24,259</b>	23,142
Shareholder loan	<b>3,985</b>	3,985
Related party loan	<b>13,421</b>	16,681
	<b>101,337</b>	106,137

**(a) Bank loans**

On December 17, 2013 the Company entered into an agreement for an \$88 million project finance loan facility with Nedbank Limited and FirstRand Bank Limited (collectively the "Lenders"), (the "Senior Facility"), and also entered into a subordinated loan facility agreement for \$12 million with RMB Resources (the "Subordinated Facility"). On December 9, 2015 the Company entered into an agreement for an additional \$10 million Tranche B Senior Facility (together with the Senior Facility and the Subordinated Facility the "Loan Facilities") provided by the Lenders. These Loan Facilities, which have been fully drawn, financed the development of the Company's New Liberty Gold Mine. \$38.4 million of the Senior Facility principal has been repaid to date.

**(b) Working Capital Facility with AJL**

	<b>Six months ended June 30, 2019 \$'000</b>	Year ended December 31, 2018 \$'000
Beginning of the period	<b>23,142</b>	14,938
Fair value of new tranches of loans	<b>10,087</b>	17,947
Repayments	-	(10,801)
Interest charged	<b>1,304</b>	1,058
End of the period	<b>34,533</b>	23,142

Gross proceeds of new tranches during the period ended June 30, 2019 was \$10.3 million (year ended December 31, 2018: \$21.9 million) of which \$0.2 million (year ended December 31, 2018: \$3.9 million) has been credited to capital contribution. Gross repayments during the period ended June 30, 2019 amounted to \$nil (year ended December 31, 2018: \$13.7 million) of which \$nil (year ended December 31, 2018: \$2.9 million) has been charged to capital contribution.

**Avesoro Resources Inc.**

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

For the three and six months ended June 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

**10 Borrowings (continued)****(c) Related party loans payable to Mapa İnşaat ve Ticaret A.Ş. (“Mapa”)**

	<b>Six months ended June 30, 2019 \$'000</b>	Year ended December 31, 2018 \$'000
Beginning of the period	<b>27,668</b>	22,263
Fair value of new loans	-	9,916
Repayments (including interest)	<b>(448)</b>	(6,466)
Interest charged	<b>1,225</b>	2,439
Unrealised foreign exchange	<b>(105)</b>	(484)
End of the period	<b>28,340</b>	27,668

Gross proceeds of new loans during the period ended June 30, 2019 was \$nil (year ended December 31, 2018: \$10.3 million) of which \$nil (year ended December 31, 2018: \$0.4 million) has been credited to capital contribution. Principal repayments during the period ended June 30, 2019 amounted to \$nil (year ended December 31, 2018: \$4.8 million) and interest repayments during the period ended June 30, 2019 amounted to \$0.4 million (year ended December 31, 2018: \$1.7 million).

**11 Lease liability**

Lease liability as at June 30, 2019 relates to drill rigs and the fuel storage facility at New Liberty. Lease liability is measured at the present value of the leased payments. Lease payments are apportioned between the finance charges and reduction of lease liability using the incremental borrowing rate implicit in the lease to achieve a constant rate of interest on the remaining balance of the liability.

	<b>June 30, 2019 \$'000</b>	December 31, 2018 \$'000
Gross finance lease liability		
- Within one year	<b>1,091</b>	1,266
- Between two and five years	<b>1,744</b>	2,539
	<b>2,835</b>	3,805
Future finance cost	<b>(379)</b>	(571)
Present value of lease liability	<b>2,456</b>	3,234
Current portion	<b>874</b>	975
Non-current portion	<b>1,582</b>	2,259

## Avesoro Resources Inc.

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

For the three and six months ended June 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

#### 12 Equity

##### (a) Authorised

Unlimited number of common shares without par value.

##### (b) Issued

	<b>Shares</b>	<b>\$'000</b>
Balance at January 1, 2018	8,156,075,823	353,653
Effect of 100:1 share consolidation	(8,074,515,563)	-
Exercise of stock options	15,000	33
<b>Balance at December 31, 2018 and June 30, 2019</b>	<b>81,575,260</b>	<b>353,686</b>

##### (c) Stock options

Information relating to stock options outstanding at June 30, 2019 is as follows:

	<b>Six months ended June 30, 2019</b>		<b>Year ended December 31, 2018</b>	
	<b>Number of options</b>	<b>Weighted average exercise price per share Cdn\$</b>	<b>Number of options</b>	<b>Weighted average exercise price per share Cdn\$</b>
Beginning of the period	<b>4,209,233</b>	<b>3.94</b>	2,829,428	4.96
Options granted	-	-	1,681,000	2.68
Options exercised	-	-	(15,000)	2.66
Options expired	<b>(22,062)</b>	<b>50.73</b>	(13,362)	70.32
Options forfeited	<b>(105,000)</b>	<b>2.79</b>	(272,828)	3.55
Share consolidation adjustment	-	-	(5)	4.96
End of the period	<b>4,082,171</b>	<b>3.72</b>	4,209,233	3.94



## Avesoro Resources Inc.

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

For the three and six months ended June 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

#### 13 Non-controlling interest

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

	<b>Netiana Mining Company \$'000</b>	<b>Burkina Mining Company \$'000</b>	<b>Total \$'000</b>
At January 1, 2018	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
Share in net loss	(123)	(64)	(187)
<b>At June 30, 2019</b>	<b>1,546</b>	<b>1,904</b>	<b>3,450</b>

#### 14 Related party transactions

##### (a) Borrowings

The Company's related party loans payable to Mapa, Working Capital Facility with AJL and loan payable to AJL are disclosed in Note 10.

##### (b) Royalty payable to AJL

Pursuant to the share purchase agreement between the Company and AJL on the acquisition of the Youga Gold Mine in December 2017, the Company accrued a royalty payable to AJL of \$1.4 million for the six months ended June 30, 2019 in respect of a net smelter return on the Youga Gold Mine.

## Avesoro Resources Inc.

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

For the three and six months ended June 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

#### 14 Related party transactions (continued)

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

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

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$'000	\$'000	\$'000	\$'000
<i>Technical and support staff services provided by the Company to:</i>				
MNG Gold Liberia Inc., a subsidiary of Company's parent company	137	146	304	146
<i>Sale of consumables* by the Company to:</i>				
MNG Gold Liberia Inc., a subsidiary of Company's parent company	73	538	163	538
<i>Drilling services provided to the Company by:</i>				
Zwedru Mining Inc., a subsidiary of Company's parent company	(286)	(967)	(700)	(1,854)
<i>Drilling services provided to the Company by:</i>				
Faso Drilling Company SA., a subsidiary of Company's parent company	(390)	(2,397)	(955)	(3,847)
<i>Charter plane services provided to the Company by:</i>				
MNG Gold Liberia Inc., a subsidiary of Company's parent company	(90)	(90)	(180)	(180)
<i>Travel services provided to the Company by:</i>				
MNG Turizm ve Ticaret A.S., an entity controlled by the Company's Chairman	-	(6)	-	(6)

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

Included in trade and other receivables is a receivable from related parties of \$3.6 million as at June 30, 2019 (December 31, 2018: \$3.4 million).

Included in trade and other payables is \$4.5 million payable to related parties as at June 30, 2019 (December 31, 2018: \$3.3 million).

## **Avesoro Resources Inc.**

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

**For the three and six months ended June 30, 2019 and 2018**

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(in thousands of US dollars unless otherwise stated)

#### **15 Subsequent events**

On July 15, 2019, the Company's subsidiaries, Burkina Mining Company SA ("BMC") and Netiana Mining Company SA ("NMC"), entered into an open pit mining contract (the "Contract") with Orkun Group Sarl ("Orkun") at the Youga Gold Mine ("Youga") in Burkina Faso.

The mining programme under the Contract is based on the excavation of between 800,000 to 900,000 bank cubic metres ("BCM") of material per month, including a minimum of 120,000 tonnes of ore delivered to the ROM pad per month. Over the life of mine, the Contract is based on the excavation of a minimum of 42 million BCM ("Minimum TMM") of material over the life of mine which can be increased, at the Company's option, to 60 million BCM on the same terms.

The Contract price of excavation during the Minimum TMM period is US\$4.26 per BCM (approximately US\$1.60 per tonne) reducing to US\$3.75 per BCM thereafter (approximately US\$1.41 per tonne) for the remainder of the Contract.

Orkun will pay an earn-in fee of US\$0.51 per BCM to acquire BMC's existing heavy mining equipment ("HME") fleet. The earn-in fee will be offset against the amounts invoiced by Orkun. Upon completion of the Minimum TMM, ownership of BMC's HME fleet will transfer to Orkun. However, Orkun assumes full responsibility for the on-going upkeep and maintenance of the HME from commencement of the Contract.

Orkun has also committed to supplement the existing HME fleet with US\$5 million of additional equipment at its own cost. The first batch of this additional HME is due to arrive at Youga in Q3 2019.

BMC and NMC retain responsibility for mining geology, planning and certain other costs which are included in the total cost of mining reported by the Company.

In July 2019, AHL reported that it had breached two undertakings contained in the parent company guarantee that AHL has provided to the Company's Lenders in respect of the Company's bank borrowings as follows:

- 1) Late submission of the audited accounts of AHL to the Lenders; and
- 2) AHL's total equity financial covenant at December 31, 2018 was lower than the required level following an impairment in the carrying value of an asset held by a privately held subsidiary of AHL that is not within the Avesoro Resources Inc. group and accounting losses as a result of non-cash depreciation charges.

The two technical breaches represent events of default by the Company under the cross default provisions of the loan documents and allow the Lenders to accelerate repayment of the bank borrowings before their final maturity date.

AHL and the Company have requested a waiver of the events of default from the Lenders and are currently in discussions with them. The Company is confident that a waiver or suitable alternative remedy can be agreed with the Lenders. However, in the event that these efforts were unsuccessful, the AHL parent company guarantee and personal guarantee provided by the Company's Chairman remain in force.