

**AVESORO RESOURCES INC.**

**Management's Discussion and Analysis  
For the quarter ended June 30, 2019**

Dated August 7, 2019

**AVESORO RESOURCES INC.**  
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**(stated in US dollars)**

The following discussion is management's assessment and analysis of the operating results, financial condition and future prospects of Avesoro Resources Inc. (the "Company" or "Avesoro") prepared in accordance with the requirements of Canadian National Instrument 51-102. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes for the quarters ended June 30, 2019 and 2018 which have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". This MD&A has been prepared based on information available to the Company as at August 7, 2019. The information provided herein supplements and discusses, but does not form part of, the unaudited consolidated financial statements for the quarters ended June 30, 2019 and 2018. Unless otherwise indicated all amounts are in US dollars.

Additional information relating to the Company is available, including a copy of the Company's annual information form, on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.avesoro.com](http://www.avesoro.com).

## **1. OVERVIEW**

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

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

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

### **(B) VISION**

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

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

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

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**(C) KEY STRENGTHS**

Avesoro's key strengths are detailed as follows:

***A Strong Portfolio of Assets***

Avesoro produces gold from two mines, the New Liberty Gold Mine in Liberia and Youga Gold Mine in Burkina Faso, producing 220,458 ounces in 2018.

The completion of the acquisition of Youga and the Balogo satellite deposit in Burkina Faso on December 18, 2017 provided the Company with geographic diversity within West Africa and the assets are highly complementary to the New Liberty Gold Mine in Liberia. The Youga Gold Mine and the Balogo satellite deposit significantly increased Avesoro's gold production, in addition to adding high quality exploration upside that will provide the opportunity for further future organic growth.

A promising portfolio of exploration stage gold projects in Liberia and Burkina Faso includes the Ndablama and Weaju Projects situated within close proximity to New Liberty on the same mining licence and the Ouaré Project located 44 kilometres to the east of Youga in Burkina Faso.

***Technically Strong***

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

***Majority Shareholder***

Avesoro Jersey Limited ("AJL") invested a total of \$90 million in 2016 to become the Company's major shareholder. AJL has strong financial backing, operational experience and is an existing mine operator in Liberia. As at June 30, 2019, AJL held 72.9% of the outstanding shares in the Company.

**2. OPERATIONS REVIEW**

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

In March 2019, the Company announced positive results from the Pre-Feasibility Study ("PFS") for New Liberty, including an updated Mineral Resource and Mineral Reserve Estimate, maiden Mineral Reserves at the Ndablama satellite deposit and an updated Life of Mine ("LOM") plan, incorporating the transition to underground mining operations. A Technical Report summarising the PFS, effective as of January 31, 2019 and prepared in accordance with the requirements of National Instrument 43-101 ("NI 43-101") is available at [www.sedar.com](http://www.sedar.com) and on the Company's website.

On May 8, 2019, the Company announced the results of an upgraded Mineral Resource and Mineral Reserve Estimate, and an updated LOM plan, for its Youga Gold Mine. A Technical Report summarising the Mineral Resource and Mineral Reserve estimate, effective as of January 1, 2019 and prepared in accordance with the requirements of National Instrument 43-101 ("NI 43-101") is available at [www.sedar.com](http://www.sedar.com) and on the Company's website.

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The following table discloses the Mineral Resources and Mineral Reserves on the Company's projects using the standards prescribed by the CIM and disclosed in accordance with NI 43-101:

**Total Reserves by Deposit**

Deposit	COG (g/t Au)	Category	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (Koz Au)	Effective Date
New Liberty Open Pit	0.80	Proven & Probable	4.9	3.12	494	31 December 2018
New Liberty Underground	2.00	Proven & Probable	4.7	3.08	461	31 December 2018
Ndablama	1.00	Proven & Probable	7.3	1.71	400	31 December 2018
Youga	0.70	Proven & Probable	7.8	1.48	372	31 December 2018
Ouare	0.82	Proven & Probable	6.7	1.86	403	31 December 2018
Balogo	1.20	Proven & Probable	0.2	5.66	40	31 December 2018
<b>Total</b>		<b>Proven &amp; Probable</b>	<b>31.6</b>	<b>2.14</b>	<b>2,169</b>	

**Total Resources by Deposit**

Deposit	COG (g/t Au)	Category	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (Koz Au)	Effective Date
New Liberty Open Pit	0.80	Measured & Indicated	4.7	3.42	514	31 December 2018
New Liberty Underground	1.90	Measured & Indicated	6.1	3.30	646	31 December 2018
Ndablama	0.85	Measured & Indicated	9.7	1.88	588	31 December 2018
Youga	0.55	Measured & Indicated	21.3	1.50	557	31 December 2018
Ouare	0.55	Measured & Indicated	11.1	1.66	595	31 December 2018
Balogo	0.55	Measured & Indicated	0.2	6.92	37	31 December 2018
New Liberty Open Pit	0.80	Inferred	0.0	1.69	2	31 December 2018
New Liberty Underground	1.90	Inferred	2.7	2.95	253	31 December 2018
Ndablama	0.85	Inferred	0.3	1.60	16	31 December 2018
Weaju	1.00	Inferred	2.7	2.80	178	20 November 2013
Youga	0.55	Inferred	5.8	1.47	277	31 December 2018
Ouare	0.55	Inferred	1.7	1.76	99	31 December 2018
Balogo	0.55	Inferred	-	1.76	1	31 December 2018
<b>Total</b>		<b>Measured &amp; Indicated</b>	<b>53.1</b>	<b>1.72</b>	<b>2,937</b>	
<b>Total</b>		<b>Inferred</b>	<b>13.3</b>	<b>1.93</b>	<b>825</b>	

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

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**(B) MINE OPERATING ACTIVITIES**

**NEW LIBERTY GOLD MINE, LIBERIA**

***Introduction***

The New Liberty Gold Mine declared commercial production on March 1, 2016. New Liberty is easily accessible from Monrovia, Liberia’s capital city, which is also home to Liberia’s main commercial port facility.

The Company holds its interests in the New Liberty Gold Mine through its subsidiary Bea Mountain Mining Corporation (“Bea”) which includes the New Liberty Gold Mine, along with the Ndablama satellite deposit, the Weaju Project (as defined below), Silver Hills, Gondoja, and Leopard Rock exploration targets.

The Government of Liberia holds a 10% free carry interest in a Class A Mining Licence (the “Bea Mining Licence”) within the Bea Mountain Mineral Development Agreement property.

***Operational review for the quarter ended June 30, 2019 (“Q2 2019”)***

The following table summarises the operating results of the New Liberty Gold Mine for the three months ended June 30, 2019 and 2018.

<b>Operating data</b>	<b>Unit</b>	<b>Three months ended June 30, 2019</b>	<b>Three months ended June 30, 2018</b>	<b>Six months ended June 30, 2019</b>	<b>Six months ended June 30, 2018</b>
Ore mined	kt	257	375	574	734
Waste mined	kt	7,593	5,312	15,713	9,989
Total mined	kt	7,850	5,687	16,287	10,723
Strip ratio	waste: ore	29.5	14.2	27.4	13.6
Ore milled	kt	268	352	576	696
Feed grade	g/t Au	2.36	2.81	2.70	2.86
Recovery	%	92%	87%	91%	87%
Gold ounces produced	oz	18,822	29,808	44,677	57,678
Gold ounces sold	oz	19,637	28,563	45,960	56,661
Average realised price	US\$/oz	1,321	1,302	1,311	1,315
Operating cash cost	US\$/oz sold	1,116	781	953	813
All in sustaining cash cost	US\$/oz sold	1,577	1,038	1,264	1,066

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

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*Q2 2019 Highlights:*

- Total material movement ("TMM") for Q2 2019 decreased by 7% compared to that achieved during Q1 2019 to 7.9Mt, due to mining activities being hampered by staff disputes during April and early May 2019 following the operational transition to contractor mining. This was however, still a 38% increase on TMM achieved during Q2 2018, primarily due to an increase in mining fleet and also improvements in mining fleet availability during the previous 12 months;
- A strong focus on waste stripping continued within Q2 2019, with the waste to ore strip ratio increasing by 15% compared to Q1 2019 and double Q2 2018 to 29.5:1;
- As a consequence of the lower volumes of ore mined during the Quarter (-19% vs Q1 2019 and -31% vs Q2 2018) combined with a scheduled decrease of mined ore grade to 2.50 g/t Au (-23% vs Q1 2019 and -7% vs Q2 2018), low grade stockpile material had to be blended into the mill feed, resulting in a mill feed grade for the Quarter of 2.36 g/t Au (-21% vs Q1 2019 and -16% vs Q2 2018); and
- Process plant throughput reduced by 13% compared to Q1 2019 to 268kt, (-24% vs Q2 2018) due to a shortfall in ore stockpiles, resulting in gold production of 18,822 ounces in Q2 2019, a 27% decrease on production achieved (-37% on Q2 2018).

*Outlook:*

- Following completion of the Underground PFS, the Company has now commenced work on the Definitive Feasibility Study for the transition of New Liberty towards underground operations;
- The Company expects New Liberty to have a continued period of higher waste stripping to complete the final open pit pushback and prepare the pit for the development of underground operations for rest of the year; and
- Heavy rainfall in recent days has resulted in flooding of the main pit and ore mining has temporarily ceased at New Liberty. It is anticipated that it will be ten days before ore mining can recommence. The mining equipment continues to operate on waste stripping and the impact of the ore production stoppage is currently being assessed and in particular, whether the reduction in ore production can be caught up later in the year to maintain production guidance.

***Exploration***

Phase III infill drilling at New Liberty continued during Q2 2019, targeting an area within and below the current pit design of the resource model containing an Inferred Mineral Resource.

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**YOUGA GOLD MINE, BURKINA FASO**

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

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

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

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

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

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

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*Operational review for the quarter ended June 30, 2019*

<b>Operating data</b>	<b>Unit</b>	<b>Three months ended June 30, 2019</b>	<b>Three months ended June 30, 2018</b>	<b>Six months ended June 30, 2019</b>	<b>Six months ended June 30, 2018</b>
Ore mined	kt	214	221	506	453
Waste mined	kt	4,225	3,929	8,697	6,562
Total mined	kt	4,439	4,150	9,203	7,015
Strip ratio	waste: ore	19.7	17.8	17.2	14.5
Ore milled	kt	332	307	652	613
Feed grade	g/t Au	1.59	3.44	1.83	3.99
Recovery	%	91%	90%	91%	90%
Gold ounces produced	oz	15,516	30,423	34,759	70,641
Gold ounces sold	oz	16,830	28,722	36,317	69,177
Average realised price	US\$/oz	1,304	1,302	1,305	1,321
Operating cash cost	US\$/oz sold	1,149	616	1,078	530
All in sustaining cash cost	US\$/oz sold	1,234	852	1,192	793

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**Q2 2019 Highlights:**

- Total material movement for Q2 2019 was 4,439kt, a decrease of 7% on the previous quarter and an increase of 7% on Q2 2018, with waste mined decreasing by 6% to 4,225kt (+8% on Q2 2018) and ore mined decreasing by 27% to 214kt, a 3% decrease on Q2 2018. This was predominantly due to a temporary stoppage in mining activities during June 2019 following the operational transition to contractor mining;
- During Q2 2019, mining continued to focus on the Gassore Pit adjacent to the Youga process plant, where mined grades continued to be below forecast (-16% vs Q1 2019 and -38% vs Q2 2018). In order to rectify this issue, the Company commissioned CSA Global to undertake a review of both the grade control and mining processes on site;
- Due to the temporary stoppage in mining activities in June 2019, plant feed grades reduced by 23% on Q1 2019 (-54% on Q4 2018) as emergency low grade stockpiles were blended into the plant feed during June; and
- As a result of this, and despite a 4% increase in level of ore processed during the Quarter (an 8% increase vs Q2 2018), gold production reduced by 19% to 15,516 ounces, a 49% reduction on Q2 2018 levels.

**Outlook:**

- Mining activities will continue at Youga for the rest of 2019 with operations at the Balogo satellite pit planned to recommence during December 2019.



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***Exploration***

- Exploration at Youga focused on the Zergore area due to Zergore D ore being scheduled for mining in Q2/Q3 2019.
- A 2,370-metre trenching programme was completed and intersected mineralisation at the surface helped with understanding of geology in the area;
- 316-metre, 2 diamond holes have been drilled at Zergore D pit prior to open pit operation commencing. These 2 holes improved the level of understanding around the geology and mineralisation of the Zergore area;
- The mineralisation appears to be mainly lithologically controlled and intersected by series of faulting and folding events; and
- Further detailed geological work and drilling is planned for Q3 2019.

**(C) NON-OPERATING PROJECTS**

**NDABLAMA SATELLITE DEPOSIT, LIBERIA**

The Ndablama satellite deposit is located in the north-east corner of the northern block of the Bea MDA Property and is approximately 40 km north-east of the New Liberty Gold Mine. The Ndablama satellite deposit is defined by the presence of extensive artisanal mining activity and a 2 km gold in soil anomaly which trends in a north-south direction. The Company announced a maiden Mineral Reserves of 7.28 Mt containing 400,000 ounces of gold grading 1.71g/t during May 2019.

- The potential for a heap leach operation at Ndablama with a view to further optimising the value of the asset is currently being assessed.

**WEAJU GOLD PROJECT, LIBERIA**

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

- During Q2 2019, a desktop review of the positive assay results received from pitting was used to commence planning a tentative drilling program over the 800 metre strike length to the south west of the 178koz ore body. Drilling is due to commence during Q1 2020.

**(D) EXPLORATION ACTIVITIES**

**SILVER HILLS, LIBERIA**

The Silver Hills targets ("Silver Hills") are situated approximately 13 km north-east of the New Liberty gold mine. There has been artisanal activity in the past. Lithologies consist mainly of granite biotite gneisses, itabarites, ultramafics and amphibolite talc sericite schists. The mineralisation is related to zones of silicification occurring within amphibolites. Historical channel samples such as 2.27m at 7.9g/t (SHC001) and 4.3m at 3.2g/t (SHC008) highlighted the potential for high grade zones, associated with intense silicification along strike of the sampled areas.

- Silver Hills has two kilometres of untested anomalous trend west of the Belgium target that have not yet been tested by drilling; and

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- Infill drill testing on the areas with positive results and scout drilling of the additional 2 kilometre gold anomalous zone is due to commence in Q2 2020.

**LEOPARD ROCK, LIBERIA**

As announced on May 11, 2015 the Bea Mining Licence was enlarged to include the Leopard Rock gold target ("Leopard Rock") located immediately south of the Bea Mining Licence and host to the south eastern extension to the gold bearing rocks associated with the Ndablama Project. The shear structure hosting the Leopard Rock target can be traced in the north-west to the Ndablama Project over a distance of 3 kilometres. To date, 4,294 metres of diamond drilling has been completed and results from 27 diamond drill holes are available on the Company's website. Leopard Rock South is a continuation of the Leopard Rock projection and is identified by a series of gold anomalies to the south and west of Leopard Rock.

- Execution of the drilling programme planned to test strike extension to the north and south of the deposit is due to commence in Q1 2020.

**GONDOJA, LIBERIA**

The Gondoja gold target ("Gondoja") is located 8 km north-east of the Ndablama Project and 45 km east-north-east of the New Liberty gold mine. Gondoja was trenched and mapped in detail as part of a campaign to map the Yambesei shear zone. Seven trenches for 577m and 13 holes for 2,699m were completed. Trenching and drill results are available on the Company's website.

- A drilling programme has been planned and is due to commence in Q1 2020.

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

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

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

- A drilling programme has been planned based on the mapping and pitting results and is scheduled to commence in Q1 2020.

**MATAMBO CORRIDOR, LIBERIA**

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

Cape Mount and Cape Mount East licences host a 15km gold in soil anomaly. Prior to entering into the

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

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

- During Q2 2019 all previous data was reviewed and highlighted the Matambo Corridor to have the potential to host significant gold mineralization.
- A drilling programme which aims to test the continuity of mineralization encountered to date on the 15km corridor is due to commence in Q2 2020.

**YAMBESEI, ARCHEAN WEST, MABONG, MAFA WEST, LIBERIA**

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

- In Q2 2019, a review of the results to date on the best targets on the Mabong, Archean West and Yambesei licenses has been undertaken, with the objective of further testing in the near sub-surface by means of auger drilling to establish diamond drilling targets.

**OUARE, BURKINA FASO**

The Ouaré Project was acquired by the Company on December 18, 2017 and is comprised of one Exploration Permit (Bitou 2, 101 km<sup>2</sup>), situated in the province of Boulgou, Burkina Faso, approximately 200 km southeast of the capital city Ouagadougou.

Ouaré is located within a Birimian package of volcanogenic schists. Extensive exploration was undertaken across the licences by the previous owners, with drilling occurring sporadically from 1999 through to 2013,

- On May 8, 2019, the Company announced the results of an upgraded Mineral Resource and Mineral Reserve Estimate, and an updated LOM plan, for its Youga Gold Mine which includes Mineral Reserves from Ouaré of 7.8Mt containing 372,200 ounces of gold grading 1.5g/t;
- Development of Ouaré, located 44km to the east of the Youga processing plant, is due to commence with construction of the haul road scheduled for Q4 2019 / Q1 2020 with production due to commence in Q2 2020 and continue through to early 2024 based on current known Mineral Reserves; and
- An ESIA study has been submitted to the Government and is on the last stage of approval which to be followed by the granting of an exploitation permit expected in Q3 2019.

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**ZERBOGO, BURKINA FASO**

The Zerboogo licence (39.44 km<sup>2</sup>) is located only 13km south west of the Youga Gold Mine in Burkina Faso. The permit covers 14km strike of a shear corridor with favourable greenstone belt rocks found in the region. Endeavour Mining previously explored the area by regional soil sampling, trenching and drilling. Former work outlined two mineralised zones each 1km in length at the southwest and northeast portion of the permit presenting economic width and grades. Some selected drill intercepts include: RCZ-96-05 2m @ 5.27g/t AU from 22m, RCZ-96-12 2m @ 4.65mg/t Au from 20m, ZERRC-12-45 3m @ 2.8g/t from 40m, ZERBRC-12-54 3m @ 3.78g/t Au from 87m and ZERBRC-12-61 4m @ 3.77g/t AU from 2m.

- Following successful trenching and field sampling programmes conducted in 2018, a 4.2km total strike of mineralisation has been confirmed for drill testing.
- A 15,000-metre drilling programme has been prepared based on most promising targets in two major priority classifications. A first phase of 8,900m is to be conducted initially and a second phase of 6,100m is planned after the results of first phase are received.
- A drilling permit for the planned drilling programme is currently pending from the forestry department. Drilling will commence once this has been received.

**BITOU WEST, BURKINA FASO**

The Bitou West Exploration Permit covers 154.86 km<sup>2</sup> area and was granted to MNG Gold Burkina SARL, a subsidiary of Avesoro Resources in January 2019. The permit is situated in Boulgou Province, south-eastern Burkina Faso, approximately 250 km from Ouagadougou and only 14km northeast of Youga Gold Mine.

Bitou West is located along the NE-SW trending Youga greenstone belt (known as the Bole- Navrongo belt in Ghana) along the regional Bole-Bolgatenga shear zone, a regional northeast-trending high strain zone. This belt trends from Bole in western Ghana to Bittou in southern Burkina Faso, for an overall length of about 400 kilometres. The Bole-Bolgatenga shear crosses the permit area 4 km west of Bitou town and can be traced for more than 14 km within the permit. A major fault (11 km trend), subparallel to Bole-Bolgatenga shear zone has also been identified in the eastern part of the permit. Active artisanal workings were identified during field work conducted in the quarter.

- Historic geochemistry data outlined a 3.3km long gold-in-soil anomalous corridor coinciding with regional geophysical features on the western zone;
- A desktop study on historic aeromagnetic imagery and interpretation of structural framework highlighted an area of interest in the eastern zone;
- Field work has been planned consisting of geological mapping on both prospects, soil sampling on eastern and trenching on western prospects in the permit area;
- A total of 1,318 soil samples have been collected based on 400x50m spaced grid on the structurally potential area at the eastern prospect;
- Results of the soil sampling revealed 4 stacked enechelon type gold-in-soil anomalous zones, 3.4km long (total combined) coinciding with structural patterns interpreted from regional geophysical imagery;
- An artisanal mining area was identified during geological mapping to the north of the eastern prospects and rock samples collected from this area returned up to 6.8g/t Au;
- Several sub-parallel quartz veining identified within sheared felsic rock;
- Trenching permits have been granted from forestry department with trenching is to start in Q3 2019 on the western prospect; and
- A trenching programme is planned on the eastern prospect in Q3 2019.

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**SONGO, BURKINA FASO**

The Songo exploration permit covers 57.68 km<sup>2</sup> area and is located between the Youga Gold Mine (to the east) and Zerbogo exploration permit (to the west) in Burkina Faso. The permit covers the strike continuation of a shear corridor with favourable greenstone belt found in the Zerbogo permit to the east and some other northerly structures with similar implications of mineralisation identified in Youga Gold Mine area to the north.

Endeavour Mining previously explored the area with regional soil sampling, trenching and drilling. Former trenching and drilling consisted of 4 trenches totalling 803m and 19 RC drill holes totalling 1,577 metres. Trenching and drilling were designed to test some gold-in-soil anomalism. Selected intercepts include: SONRC-12-009 8m @ 1.2g/t Au from 10m and 4m @3.33g/t Au from 24m, SONRC-12-010 3m @ 1.7g/t Au from 30m.

In 2018, the Company conducted a soil geochemistry survey at the northern part of the permit to test the possible continuity of structures running from the Youga Gold Mine in the south and a possible pressure shadow area northwest of the Gassore trend. Results of the soil samples returned elevated gold values and revealed at least three northeast-southwest striking parallel mineralised trends with a total length of 1.8km coinciding with the interpreted structural pattern from regional geophysical imagery.

- Trenching commenced in June 2019 with 583 metres of excavation completed over three trenches in Q2 2019;
- ASO\_SON\_T002 returned with best intercept of 1.3m @ 10.9g/t Au and ASO\_SON\_T003 1.9m @ 3.11g/t Au, confirming presence of gold mineralisation; and
- Trenching will continue at the Songo permit and results expected upon finalisation of trenching in Q3 2019.

**BALOGO, BURKINA FASO**

The Balogo property currently comprises two contiguous Exploration Permits covering a total area of 360 km<sup>2</sup>. These permits are in the Centre-Sud region of Burkina Faso, approximately 100 km south of the capital, Ouagadougou. Between 2010 and 2016 geochemical sampling, geological mapping, trenching, geophysical surveying and completed multiple reverse circulation (RC) and diamond drilling programs conducted that led to the delineation of the Netiana and adjacent gold deposits. Avesoro Resources acquired the project and open pit mining commenced in May 2017 until February 2019. Mining activities are currently paused at Balogo open pit and are currently scheduled to re-start in late 2019 after an evaluation of the feasibility of underground mining.

The Balogo project covers part of Lower Proterozoic Birimian greenstone belt and is traversed for 25 km by a significant NE trending fault splay which is connected to the major Markoye Fault System which hosts several deposits like including Taparka/Bouroum, Kiaka, Bombore and Essakane. Most of the mineralisation identified to date occurs near the contact between metasediments and dioritic rocks. Mineralisation is typically associated with networks of quartz mineralisation or associated with disseminated sulphides within strongly deformed alteration zones of diorite and along the contact with chlorite schist.

- Since open pit mining was suspended at Balogo, exploration has focussed on grass root targets identified during 2018 permit scale structural interpretations followed by a regional soil geochemistry programme;
- During Q2 2019, 1,078 km/line of ground magnetics survey was conducted over the Smyrna and Bouya prospects
- 577 auger holes were drilled on the Panga and Bouya prospects over anomalies identified by ground magnetic

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- Auger results received to date outline significant gold anomalies on both the Smyrna and Bouya prospects
- In May 2019, following geological mapping and elevated gold-in-auger results over a 700x500m area, a 14 hole, 2,296m first pass diamond drilling programme was conducted on the Bouya Main Prospect
- Structural controls of mineralisation identified at Bouya requires further study, which will be the focus of work to be conducted during Q3 2019
- Auger results at Smyrna have also outlined a 1.6km long gold anomalies on a major structure which is being worked by artisanal miners. Rocks samples collected from these artisanal pits returned positive gold grades up to 4.88g/t.

**CAMEROON**

The Batouri property (168 km<sup>2</sup>) is located 436 km east of Yaoundé, the administrative capital of Cameroon. The property is a window of the Pan-African north equatorial fold belt composed of Paleo-Proterozoic and Neoproterozoic series and known as a result of collision between the West African craton and Congo craton. The region is affected by the Central African shear zone system generally following a north-east to south-west trend. The auriferous zones within the granite are considered to be controlled by the shear zone. The final renewal of the licence for the Batouri property expired in April 2019.

The Company is currently in discussions with the Ministry of Mines, Industry and Technological Development about acquiring further ground in Cameroon.

**4. SUMMARY OF PERFORMANCE**

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

<b>US\$'000 except loss per Common Share</b>	<b>Quarter ended June 30, 2019</b>	<b>Quarter ended March 31, 2019</b>	<b>Quarter ended December 31, 2018</b>	<b>Quarter ended September 30, 2018</b>
Revenues	48,008	59,876	57,651	59,247
Net loss for the quarter	(18,800)	(11,836)	(17,700)	(16,119)
Loss per Common Share, basic and diluted	(0.23)	(0.15)	(0.22)	(0.19)
Net loss attributable to Owners of the Company	(18,511)	(11,938)	(17,900)	(15,807)
Total assets	285,750	299,357	310,088	329,945

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<b>US\$'000 except loss per Common Share</b>	<b>Quarter ended June 30, 2018</b>	<b>Quarter ended March 31, 2018</b>	<b>Quarter ended December 31, 2017</b>	<b>Quarter ended September 30, 2017</b>
Revenues	74,530	91,370	33,322	25,452
Net (loss)/profit for the quarter	(2,889)	9,847	(3,723)	(4,651)
(Loss)/earnings per Common Share, basic and diluted	(0.05)	0.10	(0.07)	(0.09)
Net (loss)/income attributable to Owners of the Company	(4,172)	8,019	(3,790)	(4,651)
Total assets	337,399	345,189	337,038	222,988

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

On December 18, 2017 the Company completed the acquisition of the Youga Gold Mine and the Balogo satellite deposit in Burkina Faso from AJL for a total consideration of \$70.2 million comprised of the issuance of \$51.5 million of new common shares in the Company and a cash component of \$18.7 million.

**(B) RESULTS OF OPERATIONS**

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

*Q2 2019 as compared to quarter ended June 30, 2018 ("Q2 2018")*

Net loss after tax for Q2 2019 was US\$18.8 million and comprises mainly a loss from Burkina operations of US\$0.3 million and a loss from New Liberty of US\$12.5 million, exploration costs of US\$0.7 million, corporate, administrative and professional expenses of US\$2.1 million, interest charge of US\$3.5 million and a tax charge on Burkina taxable profits of US\$0.1 million. This compares to a loss after tax for Q2 2018 of US\$2.9 million and comprises mainly of gross profit from Burkina operations of US\$16.0 million offset by a loss from New Liberty of US\$5.0 million, exploration costs of US\$4.5 million, corporate, administrative and professional expenses of US\$2.4 million, foreign exchange loss of US\$0.8 million, interest charge of US\$2.8 million and a tax charge on Burkina taxable profits of US\$3.3 million.

The comprehensive loss for Q2 2018 amounted to US\$18.8 million. This was an increase from a loss of US\$2.9 million in Q2 2018 and is explained through the succeeding paragraphs.

Revenues of US\$48 million (Q2 2018: US\$74.5 million) were generated from the sale of 36,467 ounces (Q2 2018: 57,285 ounces) of gold at an average realised price of US\$1,313 per ounce (Q2 2018: US\$1,302 per ounce). The significant decrease in revenues is attributable to reduced gold production as a result of the adverse impact by the operational transition to contractor mining at both New Liberty and Youga Gold Mines and a reduction of feed grade at Youga due to unplanned ore dilution from Gassore and temporary halt in production from the high-grade Balogo satellite deposit.

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Cost of sales of US\$60.2 million (Q2 2018: US\$63.6 million) relating to production costs of US\$43.2 million (Q2 2018: US\$43.2 million) and mine depreciation of US\$17.0 million (Q2 2018: US\$20.4 million) have been recognised in the income statement during Q2 2019. Production costs included costs associated with mining, processing and mine administration of US\$38.4 million, royalties, freight and refining of US\$2.1 million and a decrease in inventories of US\$2.6 million. Operating cash cost has risen to US\$1,116 per ounce sold at New Liberty (Q2 2018: US\$781) and US\$1,149 per ounce sold for Youga (Q2 2018: US\$616) due to lower gold production. Depreciation amounted to US\$17.1 million or US\$494 per ounce produced.

Administrative and other expenses of US\$2.1 million are US\$0.3 million lower than Q2 2018 mainly due to a decrease in legal and professional fees and no withholding taxes paid on dividends during Q2 2019.

Exploration and evaluation costs decreased from US\$4.5 million in Q2 2018 to US\$0.9 million following completion of the prior year drilling programme at Ndablama, Gassore and Balogo.

A foreign exchange loss of US\$0.1 million (Q2 2018: US\$0.8 million) was due to unfavourable currency exchange rate fluctuations on related party loans and trade creditors that are denominated in Euros and West African Francs against the US dollar, the reporting currency.

Interest expense of US\$3.5 million (Q2 2018: US\$2.8 million) includes the effective interest on the Senior Facility, the Subordinated Facility, the loans payable to AJL and Mapa İnşaat ve Ticaret A.Ş. ("Mapa"), a company controlled by Mehmet Nazif Günal, Non-Executive Chairman of the Company, lease liabilities and the unwinding of the discount on the mine closure provision. The increase in interest is mainly due to additional tranches of AJL loans and increase in US\$ LIBOR.

*Six months ended June 30, 2019 ("H2 2019") as compared to six months ended June 30, 2018 ("H1 2018")*

Net loss after tax for H2 2019 amounted to US\$30.6 million compared with a net income after tax of US\$7.0 million for H2 2018 and was attributable to lower gold production as a result of the adverse impact by the ongoing operational transition to contractor mining at both mines and a reduction of feed grade at Youga due to unplanned ore dilution from Gassore and temporary halt in production from the high-grade Balogo satellite deposit in 2019, but partly off-set by consequent reduction in income tax and lower exploration costs.

The comprehensive loss for H2 2019 amounted to US\$30.8 million compared with income of US\$ 6.9 million in H2 2018.

Revenues of US\$107.9 million for H2 2019 (H2 2018: US\$165.9 million) includes shipments of 36,317 ounces of gold from Youga amounting to US\$47.4 million (H2 2018: US\$91.4 million) and 45,960 ounces from New Liberty amounting to US\$60.2 million (H2 2018: US\$74.5 million).

Cost of sales of US\$122.7 million for H2 2019 includes production costs of US\$87.4 million (H2 2018: US\$92.2 million) and mine depreciation of US\$35.3 million (H2 2018: US\$37.0 million). As a result of lower quantities of gold recovered, cash costs per ounce sold increased from US\$698 in H2 2018 to US\$1,125 in H2 2019.

Administrative and other expenses of US\$5.1 million are US\$1.1 million higher than H2 2018 mainly due to royalty payable to AJL on gold produced from the Youga Gold Mine.

Exploration and evaluation costs decreased from US\$6.5 million in H2 2018 to US\$4.0 million in H2 2019 due to the completion of the Ndablama and Gassore West drilling programme in the previous year.

A foreign exchange gain of US\$0.7 million (H2 2018: loss of US\$1.9 million) is due to favourable currency exchange rate fluctuations on the related party loans and trade creditors that are denominated in Euros and



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West African Francs against the US dollar, the reporting currency.

Finance costs of US\$7.1 million is comparable to previous year (H2 2018: US\$7.2 million) as total borrowings remained on similar levels.

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

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

**Statement of financial position at June 30, 2019 vs. December 31, 2018**

Trade and other receivables decreased from \$23.8 million as at December 31, 2018 to \$22.7 million as at June 30, 2019 mainly from the receipt of the factored VAT from the Burkina Faso Government and reduction in supplier prepayments.

Inventories of \$42.1 million at June 30, 2019 (December 31, 2018: \$45.9 million) comprised of gold doré (\$0.8 million), gold in circuit (\$2.8 million), ore stockpiles (\$3.4 million) and mining and plant consumables and spares (\$35.0 million). Decline in inventory levels was mainly driven by depletion of gold in vault and in circuit due to timing of shipments.

Property, plant and equipment of \$202.5 million as at June 30, 2019 (December 31, 2018: \$225.0 million) are mostly comprised of mining assets of \$104.0 million, heavy mining equipment of \$70.5 million, capitalised stripping costs of \$20.9 million, finance lease assets of \$2.6 million and mine closure and rehabilitation costs of \$3.2 million. Asset additions of \$12.9 million during H2 2019 include capitalised stripping at New Liberty (\$10.1 million), tailings storage facility ("TSF") improvements at Youga (\$1.2 million), TSF improvements at New Liberty (\$0.4 million) and infill drilling at New Liberty (US\$0.4 million). Depreciation for Q2 2019 amounted to \$35.3 million compared to the previous year of \$37.2 million in line with lower gold production.

Other current and non-current assets of \$3.2 million as at June 30, 2019 (December 31, 2018: \$3.0 million) include a supplier's deposit of \$1.3 million, escrowed deposit for asset retirement obligation in Burkina Faso of \$0.8 million and other deposits of \$1.1 million.

Current liabilities of \$103.5 million as at June 30, 2019 (December 31, 2018: \$92.2 million) includes trade and other payables of \$63.8 million (December 31, 2018: \$65.9 million) arising mainly from mining and plant operations, current portion of borrowings of \$34.6 million (December 31, 2018: \$17.7 million), income tax payable of \$1.1 million (December 31, 2018: \$4.3 million), lease liabilities of \$0.9 million (December 31, 2018: \$1.0 million) and current legal and other provisions of \$3.1 million (December 31, 2018: \$3.3 million).

Non-current liabilities of \$113.6 million (December 31, 2018: \$119.3 million) includes borrowings of \$101.3 million (December 31, 2018: \$106.1 million), lease liabilities of \$1.6 million (December 31, 2018: \$2.3 million) and provisions of \$10.7 million (December 31, 2017: \$10.9 million).

Borrowings (at gross, contractual and undiscounted amounts) include a Senior Facility of \$59.6 million (December 31, 2018: \$59.6 million), a Subordinated Facility of \$12 million (December 31, 2018: \$12 million), loans payable to AJL of \$37.2 million (December 31, 2018: \$27.0 million) and loans payable to Mapa İnşaat ve Ticaret A.Ş. ("Mapa"), a related party, of \$28.3 million (December 31, 2018: \$28.3 million). Total borrowings increased mainly due to additional drawdown from the Working Capital Facility with AJL

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in March 2019 (gross of \$10.3 million and fair value of \$10.1 million) and effective interest on the borrowings. Loans payable to Mapa are in respect of equipment and finance facility agreements to facilitate the purchase of heavy mining equipment at New Liberty.

**Liquidity, Capital Resources and Financial Instruments**

As at June 30, 2019, the Company had cash and cash equivalents of \$4.4 million and net current liabilities of \$32.9 million including debt repayments of \$34.4 million in the next twelve months.

Future obligations and their maturities stated at their gross, contractual and undiscounted amounts, are given below:

<b>At June 30, 2019</b>	<b>Less than one year \$'000</b>	<b>Between one and five years \$'000</b>	<b>Over five years \$'000</b>	<b>Total \$'000</b>
Trade and other payables	63,797	-	-	63,797
Income tax payable	1,147	-	-	1,147
Finance lease liabilities	1,091	1,744	-	2,835
Borrowings principal	34,375	106,564	-	140,939
Operating and capital commitments	120	261	-	381
	100,530	108,569	-	209,099

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.

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 falling due for repayment in 2019. The Company is holding constructive discussions with the related party about deferral of these debt repayments.

The Company continues to review other options to further reduce the funding gap, including potential reductions in capital expenditure requirements that may be realised once the mining contract at New Liberty is signed.

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

The Company's cash and cash equivalents are invested with a leading multi-national bank with a Standard & Poor's A- long-term credit rating (56%), a bank that is regulated by the Central Bank of Liberia (3%) and financial institutions that are regulated by the Central Bank of the West African States (BCEAO) (26%). The operating subsidiaries in Burkina Faso are restricted from holding their cash accounts outside of Burkina Faso. 26% of the Company's cash and cash equivalents as at June 30, 2019 are denominated in West African Francs.

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**Cash Flows for the six months ended June 30, 2019 ("H1 2019") vs. June 30, 2018 ("H1 2018")**

Net cash generated from the Group's operating activities during H2 2019 amounted to \$10.1 million, net of income taxes paid of \$4.0 million (H2 2018: \$11.1 million). This compares with net cash generated during H2 2018 of \$47.9 million which included the exceptional performance from the high-grade Balogo deposit.

Net cash used in investing activities during H2 2019 was \$13.7 million (H2 2018: \$26.6 million) and includes deferred stripping spend at New Liberty, improvements to the TSF at both mines and capitalised exploration costs on Ouare and Ndablama projects.

Net cash from financing activities for H2 2019 of \$4.5 million (H2 2018: net cash used of \$26.1 million) consists of the proceeds from the Working Capital Facility with AJL of \$10.3 million less finance costs and lease payments of \$5.8 million.

**(D) OTHER INFORMATION**

**(ii) Outstanding Share Data**

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

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

	Number	Exercise Price	Expiry Date
Stock Options	4,082,171	C\$2.60-C\$35.00	Nov 2019 – Dec 2023

**(ii) 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.

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 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 Günel ("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

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- 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 MDG intends to support the Group for at least one year from the date of this Management's Discussion and Analysis. On this basis, the Directors and Management continue to adopt the going concern basis of accounting in preparing the interim financial statements.

**(iii) 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.

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

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- 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.

**(iv) Related party transactions**

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

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 \$0.2million (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.

**(b) Loans payable to Mapa**

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).

**(c) 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.

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

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<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)
<i>* Company's gross billings as agents in the procurement, shipping and handling of consumables</i>				

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).

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**(v) Off balance sheet arrangements**

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

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

As part of the agreement to acquire Sarama Investments Liberia Limited, a third party is entitled to receive a royalty equal to 1% net smelter returns from the Cape Mount permit.

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

**(vi) Operating segments**

The Company is engaged in the exploration, development and operation of gold projects in the West African countries of Liberia 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 Balogo satellite deposit;
- Exploration; and
- Corporate.

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

Following is an analysis of the Group's profit/(loss), 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>

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- intangible assets - - 904 - **904**

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>

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

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

*Cash Costs*

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



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

In US\$'000 except per ounce figures	<b>Q2 2019</b>	<b>Q1 2019</b>	<b>Q4 2018</b>	<b>Q3 2018</b>	<b>Q2 2018</b>
Gold ounces sold	<b>36,467</b>	<b>45,810</b>	46,186	48,974	57,285
Production costs	<b>43,240</b>	<b>44,173</b>	47,436	45,646	43,195
Royalty, freight and refining	<b>(2,081)</b>	<b>(2,562)</b>	(2,301)	(2,514)	(3,316)
Depreciation absorbed in change in inventories	<b>(102)</b>	<b>140</b>	232	(187)	125
Total operating cash costs	<b>41,057</b>	<b>41,751</b>	45,367	42,945	40,004
Total operating cash costs per ounce sold	<b>1,125</b>	<b>911</b>	982	877	698
Total operating cash costs	<b>41,057</b>	<b>41,751</b>	45,367	42,945	40,004
Royalty, freight and refining	<b>2,081</b>	<b>2,562</b>	2,301	2,514	3,316
Corporate administrative costs *	<b>1,860</b>	<b>2,508</b>	1,548	2,654	2,018
Share based compensation	<b>224</b>	<b>424</b>	293	288	270
Capitalised stripping and sustaining capital	<b>8,200</b>	<b>5,129</b>	6,998	8,248	10,230
Accretion and depreciation on reclamation provision	<b>201</b>	<b>275</b>	118	(103)	576
Total all-in sustaining costs	<b>53,623</b>	<b>52,649</b>	56,625	56,546	56,414
Total all-in sustaining costs per ounce sold	<b>1,469</b>	<b>1,149</b>	1,226	1,155	985

\* Corporate administrative costs include salaries and wages, legal and professional fees, royalty payable to AJL and other administrative expenses.

***EBITDA and Adjusted EBITDA***

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

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

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

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In US\$'000	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Net (loss)/profit after tax	(18,800)	(11,836)	(17,700)	(16,119)	(2,889)
Finance costs	3,468	3,628	5,154	3,177	2,832
Foreign exchange (gain)/loss	122	(788)	840	(644)	817
Income tax charge/(credit)	130	414	796	(219)	3,267
Depreciation	16,983	18,290	15,667	21,976	20,507
Depreciation included in change in inventories	178	(140)	(90)	44	(125)
<b>EBITDA</b>	<b>2,081</b>	<b>9,568</b>	4,667	8,215	24,409
Back pay provision	-	-	-	157	608
Restructuring costs	2,695	635	-	-	-
<b>Adjusted EBITDA</b>	<b>4,776</b>	<b>10,203</b>	4,667	8,372	25,017

The decline in EBITDA in Q2 2019 is attributable to lower gold production due to the adverse impact by the operational transition to contractor mining at both sites. The decline in EBITDA from Q2 2018 to Q4 2018 is predominantly due to reduced feed grades at Youga.

**(ix) Critical accounting estimates**

In the application of the Company's accounting policies, as disclosed in Note 3.23 of the Company's annual financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

*Carrying value of cash generating units*

The ability of the Company to realise the carrying values of the cash generating units is contingent upon future profitable production or proceeds from New Liberty, Youga and Balogo 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. The consolidated financial statements for the year ended December 31, 2018 outlines the significant inputs used when performing the impairment test on the New Liberty cash generating unit.

*Capitalisation of waste stripping*

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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.

*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.

*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).

*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.

*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

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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. NI 43-101 STATEMENT AND QUALIFIED PERSON**

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

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

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

The current Mineral Reserve and Mineral Resource estimates and additional information in connection with the New Liberty gold mine were announced in a press release dated March 6, 2019 and entitled "New Liberty Pre-Feasibility Underground Study & 2019 Production Guidance". A supporting Technical Report summarizing the PFS was prepared in accordance with the requirements of National Instrument 43-101 effective January 31, 2019 entitled "Mineral Resource and Mineral Reserve Update for the New Liberty Gold Mine, Libera" is available at [www.sedar.com](http://www.sedar.com) and on the Company's website.

The Mineral Reserve and Mineral Resource estimates and additional information in connection with the Youga Gold Mine were announced in a press release dated May 8, 2019 and entitled "Avesoro Reports A 23% Increase In Mineral Reserves At The Youga Gold Mine, Burkina Faso". A supporting Technical Report was prepared in accordance with the requirements of the National instrument 43-101 titled "NI 43-101 Technical Report, Mineral Resource and Mineral Reserve Update for the Youga Gold Mine, Burkina Faso", with an effective date of January 1, 2019, and is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's corporate website.

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**5. FORWARD-LOOKING STATEMENTS**

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

Forward looking statements or information in this MD&A include, among other things, statements regarding: the Company expecting to benefit from various operational and cost improvements following the transition to contractor mining at both New Liberty and Youga; a temporary increase in ASIC as the Company undertakes higher waste stripping during 2019; planned recommencement of operations at the Balogo satellite pit during December 2019; the granting of an exploitation permit at Ouare expected in Q3 2019; production guidance for 2019 for Youga and New Liberty of 180,00 to 200,000 ounces for 2019; a funding shortfall of approximately \$25M million later in 2019; the continued support of Mr. Murathan Doruk Günal for at least one year; Orkun supplementing the existing HME fleet with US\$5 million of additional equipment with the first batch to arrive at Youga in Q3 2019; and the waiver of a covenant breach by the Company's lenders.

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

Actual results could differ materially from those anticipated in the forward-looking information or statements contained in this MD&A as a result of risks and uncertainties (both foreseen and unforeseen), and should not be read as guarantees of future performance or results, and will not necessarily be accurate indicators of whether or not such results will be achieved. These risks and uncertainties include the risks normally incidental to exploration and development of mineral projects and the conduct of mining operations (including exploration failure, cost overruns or increases, and operational difficulties resulting from plant or equipment failure, among others); the inability of the Company to obtain required financing when needed and/or on acceptable terms or at all; risks related to operating in West Africa, including potentially more limited infrastructure and/or less developed legal and regulatory regimes; health risks associated with the mining workforce in West Africa; risks related to the Company's title to its mineral properties; the risk of adverse changes in commodity prices; the risk that the Company's exploration for and development of mineral deposits may not be successful; the inability of the Company to obtain, maintain, renew and/or

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extend required licences, permits, authorizations and/or approvals from the appropriate regulatory authorities and other risks relating to the legal and regulatory frameworks in jurisdictions where the Company operates, including adverse or arbitrary changes in applicable laws or regulations or in their enforcement; competitive conditions in the mineral exploration and mining industry; risks related to obtaining insurance or adequate levels of insurance for the Company's operations; that Mineral Resource and Reserve estimates are only estimates and actual metal produced may be less than estimated in a Mineral Resource or Reserve estimate; the risk that the Company will be unable to delineate additional Mineral Resources; risks related to environmental regulations and cost of compliance, as well as costs associated with possible breaches of such regulations; uncertainties in the interpretation of results from drilling; risks related to the tax residency of the Company; the possibility that future exploration, development or mining results will not be consistent with expectations; the risk of delays in construction resulting from, among others, the failure to obtain materials in a timely manner or on a delayed schedule; inflation pressures which may increase the cost of production or of consumables beyond what is estimated in studies and forecasts; changes in exchange and interest rates; risks related to the activities of artisanal miners, whose activities could delay or hinder exploration or mining operations; the risk that third parties to contracts may not perform as contracted or may breach their agreements; the risk that plant, equipment or labour may not be available at a reasonable cost or at all, or cease to be available, or in the case of labour, may undertake strike or other labour actions; the inability to attract and retain key management and personnel; and the risk of political uncertainty, terrorism, civil strife, or war in the jurisdictions in which the Company operates, or in neighbouring jurisdictions which could impact on the Company's exploration, development and operating activities.

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

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

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**6. RISKS AND UNCERTAINTIES**

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

**7. INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

During the six months ended June 30, 2019, there were no changes in the Company's disclosure controls and procedures or internal controls over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**8. OUTLOOK**

Following the operational transition to contractor mining during the second quarter of 2019, the Company expects to see an increase in material movement at both New Liberty and Youga throughout the second half of 2019, which is in turn expected to translate into increased gold production and a reduction in unit operational costs.

However, heavy rainfall in recent days has resulted in flooding of the main pit and ore mining has temporarily ceased at New Liberty. It is anticipated that it will be ten days before ore mining can recommence. The mining equipment continues to operate on waste stripping and the impact of the ore production stoppage is currently being assessed and in particular, whether the reduction in ore production can be caught up later in the year to maintain production guidance of 180,000 to 200,000 ounces of gold for 2019.

The Company is assessing the impact this will have on the Company's cash flow and the Special Committee will consider this alongside the other initiatives it is pursuing to address the cash shortfall previously announced.

Higher levels of waste stripping will continue at New Liberty for the remainder of the year in order to complete the final open pit pushback and prepare the pit for the development of underground operations. Following the completion of the New Liberty underground Pre-Feasibility Study in March 2019, the Company continues to progress with the technical studies and detailed designs required for the transition to underground mining at the New Liberty Gold Mine, with underground development expected to commence in H1 2020.