

Condensed Interim Consolidated Financial Statements (Unaudited)

Avesoro Resources Inc.

For the Three and Nine Months Ended September 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 and Comprehensive Income**

(stated in thousands of US dollars)

Unaudited

	Three months ended September 30, 2019 \$'000	Three months ended September 30, 2018 \$'000	Nine months ended September 30, 2019 \$'000	Nine months ended September 30, 2018 \$'000
Revenues (Note 2)	31,240	59,247	139,124	225,147
Cost of sales				
- Production costs (Note 2)	(29,588)	(45,646)	(117,001)	(137,827)
- Depreciation (Note 2)	(8,667)	(21,930)	(43,885)	(58,931)
Gross (loss)/profit	(7,015)	(8,329)	(21,762)	28,389
Expenses				
Administrative and other expenses (Note 3)	(1,918)	(2,988)	(6,989)	(6,999)
Exploration and evaluation costs (Note 8)	(881)	(2,494)	(4,895)	(9,018)
Write-off of mining equipment (Note 9)	(3,885)	-	(3,885)	-
Loss on lease termination	-	-	-	(566)
(Loss)/Profit from operations	(13,699)	(13,811)	(37,531)	11,806
Finance costs	(3,251)	(3,177)	(10,347)	(10,350)
Finance income	49	6	218	181
Foreign exchange gain/(loss)	268	644	934	(1,267)
Gain on modification of loans (Note 10)	275	-	275	-
Other income	69	-	69	-
Derivative liability gain	-	-	-	105
(Loss)/Profit before tax	(16,289)	(16,338)	(46,382)	475
Tax credit/(charge) for the period (Note 4)	(46)	219	(590)	(9,636)
Net loss after tax	(16,335)	(16,119)	(46,972)	(9,161)
Attributable to:				
- Owners of the Company	(16,614)	(15,807)	(47,064)	(11,960)
- Non-controlling interest (Note 13)	279	(312)	92	2,799
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Fair value gains on investments	-	-	-	22
Currency translation differences	28	(36)	90	(76)
Total comprehensive loss	(16,307)	(16,155)	(46,882)	(9,215)
Attributable to:				
- Owners of the Company	(16,586)	(15,843)	(46,974)	(12,014)
- Non-controlling interest	279	(312)	92	2,799
Basic loss per share, (US\$) (Note 5)	(0.204)	(0.194)	(0.577)	(0.147)

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

	September 30, 2019 \$'000	December 31, 2018 \$'000
Assets		
Current assets		
Cash and cash equivalents	6,321	3,522
Trade and other receivables (Note 6)	16,014	23,759
Inventories (Note 7)	38,450	45,850
Other assets	1,748	1,731
	62,533	74,862
Non-current assets		
Intangible assets - Exploration and evaluation assets (Note 8)	8,317	6,452
Property, plant and equipment (Note 9)	200,017	224,953
Deferred tax asset	2,826	2,585
Other assets	1,410	1,236
	212,570	235,226
Total assets	275,103	310,088
Liabilities		
Current liabilities		
Borrowings (Note 10)	14,419	17,663
Trade and other payables	63,452	65,909
Income tax payable	127	4,333
Lease liabilities (Note 11)	897	975
Provisions	3,050	3,276
	81,945	92,156
Non-current liabilities		
Borrowings (Note 10)	128,102	106,137
Lease liabilities (Note 11)	1,394	2,259
Provisions	10,678	10,939
	140,174	119,335
Total liabilities	222,119	211,491
Equity		
Share capital (Note 12)	353,686	353,686
Capital contribution	55,830	55,434
Share based payment reserve	9,860	8,987
Acquisition reserve	(33,060)	(33,060)
Cumulative translation reserve	(366)	(456)
Deficit	(336,695)	(289,631)
Equity attributable to owners	49,255	94,960
Non-controlling interest (Note 13)	3,729	3,637
Total equity	52,984	98,597
Total liabilities and equity	275,103	310,088

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

	Nine months ended September 30, 2019 \$'000	Nine months ended September 30, 2018 \$'000
Operating activities		
Net loss after tax	(46,972)	(9,161)
Tax for the period	590	9,636
(Loss)/Profit before tax	(46,382)	475
Items not affecting cash:		
Share-based payments (Note 3)	873	854
Depreciation (Note 9)	43,968	59,146
Write-off of assets (Note 9)	3,885	-
Unrealized foreign exchange (gain)/loss	(394)	390
Interest expense	10,347	10,350
Legal and other provisions	(487)	-
Gain on modification of loans	(275)	-
Loss on lease termination	-	566
Derivative liability gain	-	(105)
Changes in non-cash working capital		
Decrease/(increase) in trade and other receivables	7,741	(3,114)
(Decrease)/increase in trade and other payables	(5,823)	22,909
Decrease/(increase) in inventories	7,400	(15,477)
Income taxes paid	(5,069)	(13,597)
Cash flows from operating activities	15,784	62,397
Investing activities		
Payments to acquire property, plant and equipment	(19,554)	(29,280)
Payments to acquire intangible assets	(1,865)	(5,659)
(Increase)/decrease in other assets	(191)	66
Proceeds from sale of available for sale investment	-	44
Cash flows used in investing activities	(21,610)	(34,829)
Financing activities		
Proceeds from borrowings (Note 10b)	15,250	6,150
Repayments of borrowings (Note 10)	-	(31,717)
Finance charges	(5,667)	(8,149)
Payment of finance leases	(945)	(1,317)
Dividend payment to non-controlling interest	-	(1,480)
Proceeds from exercise of stock options (Note 12)	-	33
Cash flows from (used in) financing activities	8,638	(36,480)
Impact of foreign exchange on cash balance	(13)	(279)
Net increase/(decrease) in cash and cash equivalents	2,799	(9,191)
Cash and cash equivalents at beginning of period	3,522	17,787
Cash and cash equivalents at end of period	6,321	8,596

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								Non-controlling Interest	Total Equity
	Share capital	Capital contribution	Share-based payment reserve	Acquisition reserve	Fair value reserve	Cumulative translation reserve	Deficit	Total		
	\$'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
(Loss)/Profit for the period	-	-	-	-	-	-	(11,960)	(11,960)	2,799	(9,161)
Other comprehensive income/(loss) for period	-	-	-	-	22	(76)	-	(54)	-	(54)
Total comprehensive income/(loss) for period	-	-	-	-	22	(76)	(11,960)	(12,014)	2,799	(9,215)
Exercise of stock options (Note 12)	33	-	-	-	-	-	-	33	-	33
Share-based payments (Note 3)	-	-	854	-	-	-	-	854	-	854
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(3,075)	(3,075)
Related party loans (Note 10)	-	1,698	-	-	-	-	-	1,698	-	1,698
Payment of related party loans (Note 10b)	-	(2,978)	-	-	-	-	-	(2,978)	-	(2,978)
Reserve transfer on sale of investment	-	-	-	-	465	-	(465)	-	-	-
Balance at September 30, 2018	353,686	52,742	8,694	(33,060)	-	(542)	(272,581)	108,939	3,438	112,377
Balance at January 1, 2019	353,686	55,434	8,987	(33,060)	-	(456)	(289,631)	94,960	3,637	98,597
(Loss)/Profit for the period	-	-	-	-	-	-	(47,064)	(47,064)	92	(46,972)
Other comprehensive income for period	-	-	-	-	-	90	-	90	-	90
Total comprehensive income/(loss) for period	-	-	-	-	-	90	(47,064)	(46,974)	92	(46,882)
Share-based payments (Note 3)	-	-	873	-	-	-	-	873	-	873
Drawdown on Working Capital Facility (Note 10b)	-	396	-	-	-	-	-	396	-	396
Balance at September 30, 2019	353,686	55,830	9,860	(33,060)	-	(366)	(336,695)	49,255	3,729	52,984

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

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(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 ("New Liberty") in Liberia and the Youga Gold Mine ("Youga") 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 November 13, 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. 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. Accordingly, the comparative information presented for 2018 has not been restated. 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 IFRS 16 adoption.

In July 2019, the Company entered into an open pit mining contract with Orkun Group Sarl (the "Mining Contractor") at Youga. 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 reducing to US\$3.75 per BCM thereafter for the remainder of the Contract. The Mining Contractor will pay an earn-in fee of US\$0.51 per BCM to acquire the Company's existing heavy mining equipment fleet ("Existing Fleet") in Youga which will be off-set against the contract price during the Minimum TMM period. Legal title and control of the Existing Fleet passes at the end of the Minimum TMM period.

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

1 Nature of operations and basis of preparation (continued)

The Mining Contractor also committed to supplement the Existing Fleet with additional equipment ("Supplemental Fleet") at its own cost. This Supplemental Fleet has been determined as an identified asset under IFRS 16. Although the Company obtains substantially all the economic benefits of the identified asset, Management have determined that the right to direct the identified asset lies with the Mining Contractor based on the following critical factors:

- the Mining Contractor makes the decisions on where and when to deploy the identified asset;
- the Mining Contractor has the right to change how to mine the excavation output; and
- the Mining Contractor manages the day-to-day mining operations and employs the personnel required to fulfil the mining contract.

Accordingly, whilst judgmental Management concluded that this mining contract does not contain a lease. Management is aware of a draft IFRS Interpretations Committee tentative agenda decision (included in the September 2019 IFRIC Update) assessing the judgement in determining who has the right to direct the assets in the context of a shipping contract. Based on the tentative agenda decision, principles in relation to the shipping contract may also be relevant in considering the Company's mining contract. Management will revisit the accounting treatment detailed above following finalisation of the Committee's agenda decision.

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

In July 2019, Avesoro Holdings Limited ("AHL") which is the Company's ultimate parent company and controlled by Mr. Murathan Doruk Günal, 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.

The technical breaches for the late submission of audited accounts of AHL to the Lenders and AHL's total equity financial covenant at December 31, 2018 being lower than the required level 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.

In September 2019, the Lenders agreed to waive the events of default.

The operational transition to contractor mining at both mines earlier in the year, the security incident at Youga in August 2019 and heavy rainfall at New Liberty leading to the flooding of the Kinjor pit have resulted in disruption to mining activities and reduced gold production year to date.

AJL, the Company's major shareholder, has reiterated its commitment to continue to support the financial needs of the Company whilst the production guidance is under review and the offer to take the Company private as discussed in Note 15 remains open for acceptance by minority shareholders. AJL and Mapa, a company controlled by the Company's Chairman, have deferred all principal repayments and associated interest payments on the AJL Working Capital Facility and Mapa equipment loans that are overdue and would have fallen due for payment before October 31, 2020 to October 31, 2020. AJL provided \$15 million of additional loans up to September 30, 2019 and a further \$5 million loan was agreed in October 2019 of which \$3.5 million has been drawn to date to satisfy the Company's near term cash flow needs and working capital shortfall.

The Company has received confirmation that Mr. Murathan Doruk Günal intends to support the Group for at least one year from the date of these 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.

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

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.

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

	New Liberty operations	Burkina operations	Exploration	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Profit/(Loss) for the period	(11,454)	(4,289)	(1,152)	560	(16,335)
Revenues	10,466	20,644	-	130	31,240
Production costs					
- Mine operating costs	(11,062)	(19,657)	-	21	(30,698)
- Change in inventories	1,400	(290)	-	-	1,110
	(9,662)	(19,947)	-	21	(29,588)
Depreciation	(7,181)	(1,486)	-	(28)	(8,695)
Capital additions					
-property, plant and equipment	8,599	2,361	-	-	10,960

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

	New Liberty operations	Burkina operations	Exploration	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Loss for the period	(34,294)	(2,084)	(5,243)	(5,351)	(46,972)
Revenues	70,699	68,024	-	401	139,124
Production costs					
- Mine operating costs	(55,369)	(59,900)	-	193	(115,076)
- Change in inventories	(127)	(1,798)	-	-	(1,925)
	(55,496)	(61,698)	-	193	(117,001)
Depreciation	(38,721)	(5,164)	-	(83)	(43,968)
Segment assets	193,558	63,159	12,828	5,558	275,103
Segment liabilities	(136,403)	(35,026)	(1,097)	(49,593)	(222,119)
Capital additions					
- property, plant and equipment	19,763	4,188	-	-	23,951
- intangible assets	-	-	1,865	-	1,865

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

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

	New Liberty operations	Burkina operations	Exploration	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Profit/(Loss) for the period	(13,768)	3,047	(2,552)	(2,846)	(16,119)
Revenues	33,925	25,322	-	-	59,247
Production costs					
- Mine operating costs	(26,532)	(20,433)	-	904	(46,061)
- Change in inventories	1,589	(1,174)	-	-	415
	(24,943)	(21,607)	-	904	(45,646)
Depreciation	(19,942)	(1,988)	(110)	(17)	(21,976)
Segment assets	230,441	84,630	7,803	7,071	329,945
Segment liabilities	(163,997)	(41,017)	(5,679)	(6,875)	(217,568)
Capital additions					
- property, plant and equipment	5,181	2,788	-	-	7,969
- intangible assets	-	-	2,300	-	2,300

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

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

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

3 Administrative and other expenses

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	734	599	2,098	1,726
Legal and professional	466	563	1,335	1,522
Royalty payable to AJL (Note 14)	338	-	1,724	-
Depreciation	28	46	83	215
Share based payments	225	288	873	854
Tax on subsidiary dividends	-	957	-	1,758
Other expenses	127	535	876	924
	1,918	2,988	6,989	6,999

4 Income taxes

Tax for the period comprises of:

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$'000	\$'000	\$'000	\$'000
Current tax	(53)	219	(834)	(7,664)
Deferred tax	7	-	244	(1,972)
	(46)	219	(590)	(9,636)

5 Earnings per share ("EPS")

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$'000	\$'000	\$'000	\$'000
Net loss after tax attributable to Owners of the Company	(16,614)	(15,807)	(47,064)	(11,960)
Weighted average number of outstanding shares for basic EPS	81,575,260	81,575,260	81,575,260	81,565,260
Dilutive share options	-	-	-	-
Weighted average number of outstanding shares for diluted EPS	81,575,260	81,575,260	81,575,260	81,565,260
Basic EPS (US\$)	(0.204)	(0.194)	(0.577)	(0.147)
Diluted EPS (US\$)	(0.204)	(0.194)	(0.577)	(0.147)

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

6 Trade and other receivables

	September 30, 2019	December 31, 2018
	\$'000	\$'000
Trade receivable	94	165
Other receivable	7,400	11,557
Due from related parties (Note 14)	2,869	3,350
Pre-payments	5,651	8,687
	16,014	23,759

Other receivables as at September 30, 2019 include VAT receivable from the Burkina Faso Government of \$6.8 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

	September 30, 2019	December 31, 2018
	\$'000	\$'000
Gold doré	2,110	2,299
Gold in circuit	2,721	3,969
Ore stockpiles	3,621	3,849
Consumables	29,998	35,733
	38,450	45,850

Ore stockpiles as at September 30, 2019 are stated at their net realisable values after cumulative write-down at New Liberty of \$0.8 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

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

Intangible assets as at September 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 nine months ended September 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		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$'000	\$'000	\$'000	\$'000
New Liberty MDA licence	23	635	1,114	2,794
Youga exploitation permit	478	354	1,859	2,322
Balogo exploitation permit	325	1,050	1,451	2,703
Zerbogo/Songo	12	391	296	1,000
Others	43	64	175	199
	881	2,494	4,895	9,018

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

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
Cost								
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	3,266	19,763	30	-	892	-	-	23,951
Disposals	(1,034)	-	-	-	-	-	-	(1,034)
Write-off of mining equipment	-	-	-	-	(5,778)	-	-	(5,778)
At September 30, 2019	219,257	50,949	6,998	5,990	98,580	3,273	86	385,133
Accumulated depreciation								
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	27,364	2,102	579	833	12,541	549	-	43,968
Write-off of mining equipment	-	-	-	-	(1,893)	-	-	(1,893)
At September 30, 2019	117,087	20,957	3,895	3,134	37,837	2,120	86	185,116
Net book value								
At December 31, 2018	127,302	12,331	3,652	3,689	76,277	1,702	-	224,953
At September 30, 2019	102,170	29,992	3,103	2,856	60,743	1,153	-	200,017

Mining equipment with carrying value of \$3.9 million had been written off after being damaged beyond repair during a security breach at Youga in August 2019.

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

10 Borrowings

	September 30, 2019	December 31, 2018
	\$'000	\$'000
Current		
Bank loan - Senior Facility	9,652	6,676
Related party loan	-	10,987
Working Capital Facility	4,767	-
	14,419	17,663
Non-current		
Bank loan - Senior Facility	49,893	51,801
Bank loan - Subordinated Facility	10,598	10,528
Working Capital Facility	35,500	23,142
Shareholder loan	3,984	3,985
Related party loan	28,127	16,681
	128,102	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

	Nine months ended September 30, 2019	Year ended December 31, 2018
	\$'000	\$'000
Beginning of the period	23,142	14,938
Fair value of new tranches of loans	14,854	17,947
Repayments	-	(10,801)
Loan modification	169	-
Interest charged	2,102	1,058
End of the period	40,267	23,142

Gross proceeds of new tranches during the period ended September 30, 2019 was \$15.3 million (year ended December 31, 2018: \$21.9 million) of which \$0.4 million (year ended December 31, 2018: \$3.9 million) has been credited to capital contribution. Gross repayments during the period ended September 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 nine months ended September 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

10 Borrowings (continued)**(b) Working Capital Facility with AJL (continued)**

In August 2019, principal repayments and associated interest payments on the loans payable to AJL, which were overdue and would have fallen due for payment before October 31, 2020, have been deferred to October 31, 2020.

(c) Related party loans payable to Mapa İnşaat ve Ticaret A.Ş. ("Mapa")

	Nine months ended September 30, 2019 \$'000	Year ended December 31, 2018 \$'000
Beginning of the period	27,668	22,263
Fair value of new loans	-	9,916
Repayments (including interest)	(448)	(6,466)
Loan modification	(444)	-
Interest charged	1,847	2,439
Unrealised foreign exchange gain	(496)	(484)
End of the period	28,127	27,668

Gross proceeds of new loans during the period ended September 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 September 30, 2019 amounted to \$nil (year ended December 31, 2018: \$4.8 million) and interest repayments during the period ended September 30, 2019 amounted to \$0.4 million (year ended December 31, 2018: \$1.7 million).

In August 2019, principal repayments and associated interest on the equipment finance loans to Mapa, which were overdue and would have fallen due for payment before October 31, 2020, have been deferred to October 31, 2020.

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

11 Lease liabilities

Lease liabilities as at September 30, 2019 relate 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.

	September 30, 2019	December 31, 2018
	\$'000	\$'000
Gross finance lease liability		
- Within one year	1,099	1,266
- Between two and five years	1,522	2,539
	2,621	3,805
Future finance cost	(330)	(571)
Present value of lease liability	2,291	3,234
Current portion	897	975
Non-current portion	1,394	2,259

12 Equity

(a) Authorised

Unlimited number of common shares without par value.

(b) Issued

	Shares	\$'000
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
Balance at December 31, 2018 and September 30, 2019	81,575,260	353,686

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

12 Equity (continued)**(c) Stock options**

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

	Nine months ended September 30, 2019		Year ended December 31, 2018	
	Number of options	Weighted average exercise price per share Cdn\$	Number of options	Weighted average exercise price per share Cdn\$
Beginning of the period	4,209,233	3.94	2,829,428	4.96
Options granted	-	-	1,681,000	2.68
Options exercised	-	-	(15,000)	2.66
Options expired	(20,062)	50.73	(13,362)	70.32
Options forfeited	(208,500)	2.77	(272,828)	3.55
Share consolidation adjustment	-	-	(5)	4.96
End of the period	3,978,671	3.74	4,209,233	3.94

13 Non-controlling interest

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

	Netiana Mining Company \$'000	Burkina Mining Company \$'000	Total \$'000
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	43	49	92
At September 30, 2019	1,712	2,017	3,729

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

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 \$1.7 million for the nine months ended September 30, 2019 in respect of a net smelter return on the Youga Gold Mine.

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

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

	Three months ended		Nine months ended	
	September 30, 2019 \$'000	September 30, 2018 \$'000	September 30, 2019 \$'000	September 30, 2018 \$'000
<i>Technical and support staff services provided by the Company to:</i>				
MNG Gold Liberia Inc., a subsidiary of Company's parent company	-	170	304	316
<i>Sale of consumables* by the Company to:</i>				
MNG Gold Liberia Inc., a subsidiary of Company's parent company	140	1,068	304	1,606
<i>Sale of consumables and catering services by the Company to:</i>				
Faso Drilling Inc., a subsidiary of Company's parent company	-	336	-	336
<i>Drilling services provided to the Company by:</i>				
Zwedru Mining Inc., a subsidiary of Company's parent company	(10)	(357)	(709)	(2,211)
<i>Drilling services provided to the Company by:</i>				
Faso Drilling Company SA., a subsidiary of Company's parent company	(423)	(1,761)	(1,378)	(5,608)
<i>Charter plane services provided to the Company by:</i>				
MNG Gold Liberia Inc., a subsidiary of Company's parent company	(90)	(90)	(270)	(270)
<i>Travel services provided to the Company by:</i>				
MNG Turizm ve Ticaret A.S., an entity controlled by the Company's Chairman	-	(14)	-	(20)

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

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(in thousands of US dollars unless otherwise stated)

14 Related party transactions (continued)

Included in trade and other receivables is a receivable from related parties of \$2.9 million as at September 30, 2019 (December 31, 2018: \$3.4 million).

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

15 Subsequent events

On October 1, 2019 a pit wall and ramp failure occurred in the north side of the Kinjor-east pit at New Liberty. There were no injuries or equipment damage, however, mining activities within the Kinjor-East pit have been suspended. Mining is continuing at the Marvoe and Kinjor-South pits at New Liberty.

On October 17, 2019 AJL formally commenced an insider bid to acquire all of the issued and outstanding shares of the Company, other than shares owned by AJL, at a price of £1.00 per share (the "Offer"). A take-over circular containing additional information about the Offer is available at www.sedar.com.

On October 21, 2019 the board of directors of the Company filed a directors' circular that recommends that minority shareholders of the Company accept the Offer and deposit their common shares in the Company to the Offer. A copy of the directors' circular is available at www.sedar.com and on the Company's website.

On October 21, 2019 the Company entered into a loan agreement in connection with an additional working capital facility of up to \$5 million with AJL ("New Facility") to assist with satisfying the Company's near term cashflow needs. The Company has drawn a first tranche of \$3.5 million with the second tranche of up to \$1.5 million drawable until December 31, 2019, at the mutual agreement of both parties. This New Facility is unsecured and is subordinated to the Company's existing facilities. Interest is charged on the drawn amount at a fixed rate of 3.0 per cent per annum. The tranches of the New Facility are due to be repaid in full no later than 12 months following drawdown of the relevant tranche.