**AVESORO RESOURCES INC.**

**Management's Discussion and Analysis**
**For the quarter ended September 30, 2018**

Dated November 12, 2018

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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 September 30, 2018 and 2017 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 November 5, 2018. The information provided herein supplements and discusses, but does not form part of, the unaudited consolidated financial statements for the quarters ended September 30, 2018 and 2017. Unless otherwise indicated all amounts are in US dollars.

Additional information relating to the Company is available on SEDAR at www.sedar.com or on the Company's website at www.avesoro.com.

## 1. OVERVIEW

### (A) DESCRIPTION OF BUSINESS

Avesoro is a West African focused mining production and development company with a current focus on gold production and development through the exploration, development and operation of two 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 operating assets include the New Liberty gold mine located in Liberia (the "New Liberty") and the Youga ("Youga") gold mine, located in Burkina Faso.

### (B) VISION

The vision of the management of the Company ("Management") is to advance the Company into an African mid-tier commodity 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 by the Company;
- increasing the Company's mineral resources and reserves base and expanding the 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.

## (C) KEY STRENGTHS

Avesoro's key strengths are detailed as follows:

### *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.

### *A Strong Portfolio of Assets*

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

A promising portfolio of exploration stage gold projects in Liberia, Burkina Faso and Cameroon includes the Ndablama and Weaju Projects situated within close proximity to New Liberty on the same mining licence and the Ouaré Project located 36 kilometres to the north-east of Youga in Burkina Faso.

### *Supportive Majority Shareholder*

Since June 2016, the Company has been supported financially by Avesoro Jersey Limited ("AJL"), with initial equity financing to strengthen the Company's balance sheet and fund working capital as it completed the restart of the processing plant at the New Liberty gold mine, as well as, providing debt financing to meet liabilities arising on the termination of legacy procurement contracts, make advance payments to suppliers to secure lower unit cost pricing and to accelerate the acquisition of capital items that will increase process plant throughput. In addition, the Company entered into equipment and finance facility agreements a related party controlled by Mr. Mehmet Nazif Gűnal, Non-Executive Chairman of the Company, to facilitate the purchase of heavy mining equipment for New Liberty.

AJL becoming a major shareholder provides Avesoro with an exciting future as it aims to optimise New Liberty to deliver on its full potential. AJL has strong financial backing, operational experience and is an existing operator in Liberia. As of the date of this MD&A, AJL held 72.9% of the outstanding shares in the Company.

**(stated in US dollars)**

## 2. OPERATIONS REVIEW

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

An updated Mineral Resource statement for the New Liberty gold mine was published on September 19, 2018.

The following table summarises the current Mineral Resources and Mineral Reserves on the Company's projects using the standards prescribed by the Canadian Institute of Mining ("CIM") and disclosed in accordance with National Instrument 43-101 – Standards of Disclosure of Mineral Projects ("NI 43-101"):

| **Total Reserves by Project** | | | | | | |
|---|---|---|---|---|---|---|
| **Project** | **COG (g/t Au)** | **Category** | **Tonnes (Mt)** | **Grade (g/t Au)** | **Contained Gold (Koz Au)** | **Effective Date** |
| **New Liberty** | | | | | | |
| New Liberty | 0.85 | Proven & Probable | 7.4 | 3.03 | 717 | 31 July 2017 |
| **Youga** | | | | | | |
| Youga | 0.7 | Proven & Probable | 8.4 | 1.58 | 428 | 31 December 2017 |
| Ouare | 0.82 | Proven & Probable | 2.6 | 1.69 | 141 | 31 December 2017 |
| Balogo | 1.2 | Proven & Probable | 0.4 | 6.04 | 91 | 31 December 2017 |
| **Total** | **Proven & Probable** | | **18.8** | **2.26** | **1,377** | |

| **Total Resources by Project** | | | | | | |
|---|---|---|---|---|---|---|
| **Project** | **COG (g/t Au)** | **Category** | **Tonnes (Mt)** | **Grade (g/t Au)** | **Contained Gold (Koz Au)** | **Effective Date** |
| **New Liberty** | | | | | | |
| New Liberty | 0.70 (OP) | Measured & Indicated | 11.0 | 2.97 | 1,055 | 30 June 2018 |
| New Liberty | 1.90 (UG) | Measured & Indicated | 0.5 | 3.32 | 50 | 30 June 2018 |
| Ndablama | 0.5 | Measured & Indicated | 7.6 | 1.58 | 386 | 01 December 2014 |
| Weaju | 1.0 | Measured & Indicated | - | - | - | 20 November 2013 |
| **Youga** | | | | | | |
| Youga | 0.6 | Measured & Indicated | 11.2 | 1.69 | 610 | 31 December 2017 |
| Ouare | 0.6 | Measured & Indicated | 5.1 | 1.39 | 228 | 31 December 2017 |
| Balogo | 0.6 | Measured & Indicated | 0.3 | 8.36 | 86 | 31 December 2017 |
| **New Liberty** | | | | | | |
| New Liberty | 0.70 (OP) | Inferred | 1.3 | 3.70 | 158 | 30 June 2018 |
| New Liberty | 1.90 (UG) | Inferred | 2.4 | 3.50 | 266 | 30 June 2018 |
| Ndablama | 0.5 | Inferred | 9.6 | 1.70 | 515 | 01 December 2014 |
| Weaju | 1.0 | Inferred | 2.7 | 2.80 | 178 | 20 November 2013 |
| **Youga** | | | | | | |
| Youga | 0.6 | Inferred | 5.8 | 1.49 | 278 | 31 December 2017 |
| Ouare | 0.6 | Inferred | 7.2 | 1.80 | 406 | 31 December 2017 |
| Balogo | 0.6 | Inferred | - | 2.20 | 2 | 31 December 2017 |
| **Total** | **Measured & Indicated** | | **35.7** | **2.10** | **2,415** | |
| **Total** | **Inferred** | | **29.0** | **1.94** | **1,803** | |

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

**(stated in US dollars)**

### (B) MINE OPERATING ACTIVITIES

### NEW LIBERTY GOLD MINE, LIBERIA

***Introduction***

The New Liberty gold mine declared commercial production on March 1, 2016. The New Liberty gold mine is a 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 Project (as defined below), Silver Hills, Gondoja, the Weaju Project (as defined below) 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.

**New Liberty operational review for the quarter ended September 30, 2018 ("Q3 2018")**

| Operating data | Unit | Three months ended September 30, 2018 | Three months ended September 30, 2017 | Nine months ended September 30, 2018 | Nine months ended September 30, 2017 |
|---|---|---|---|---|---|
| Ore mined | kt | 396 | 247 | 1,130 | 812 |
| Waste mined | kt | 5,237 | 2,981 | 15,226 | 10,489 |
| Total mined | kt | 5,633 | 3,228 | 16,356 | 11,301 |
| Strip ratio | waste: ore | 13.2 | 12.1 | 13.5 | 12.9 |
| | | | | | |
| Ore milled | kt | 354 | 254 | 1,050 | 829 |
| Feed grade | g/t Au | 2.82 | 2.59 | 2.83 | 2.17 |
| Recovery | % | 90% | 91% | 88% | 89% |
| | | | | | |
| Gold ounces produced | oz | 27,456 | 19,885 | 85,134 | 50,615 |
| Gold ounces sold | oz | 27,997 | 19,797 | 84,658 | 51,187 |
| Average realised price | US$/oz | 1,212 | 1,286 | 1,281 | 1,259 |
| Operating cash cost (*) | US$/oz sold | 849 | 877 | 825 | 979 |
| All in sustaining cash cost (*) | US$/oz sold | 1,113 | 1,447 | 1,082 | 1,505 |

*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.*

*Q3 2018 Highlights:*

- Production for Q3 2018 was 27,456 ounces, an 8% decrease in gold production on that achieved during Q2 2018;
- Total material movement for the quarter remained consistent at 5.6Mt compared with Q2 2018. This was primarily a result of the slowdown in mining rates throughout the worst of the wet season; and
- Process plant throughput for the Quarter increased by 1% to 354kt due to further incremental improvements to the process plant flowsheet, resulting in gold recovery of 90%, an increase of 3% on the previous quarter.

**Exploration at New Liberty**

*Q3 2018 Highlights:*

- Final assay results from the 19,500 metre 55-hole diamond resource conversion drilling programme which was completed in Q1 2018 were received in Q3 2018. This program has resulted in the conversion of a substantial proportion of existing Inferred Resources to the Indicated Mineral Resource category;
- Total open-pittable and underground Measured and Indicated ("M&I") Mineral Resources have increased by 12% to 11.5Mt containing 1,105,000 ounces of gold grading 3.0 g/t Au;
- Open-pittable M&I Mineral Resources have increased by 2.4Mt (+28%) for an increase of 150,000 ounces of gold (+17 %) to 11Mt containing 1,055,000 ounces of gold grading 2.97 g/t Au;
- Infill drilling has confirmed continuity of previously Inferred Mineral Resources below the current production pit shell; and
- A 33,000 metre 83-hole underground diamond drill program commenced during the Quarter, targeting the upgrade of 409koz of Inferred Mineral Resources located below the previously reported Proven and Probable Mineral Reserve to higher levels of confidence. 12,353 metres of the infill drilling programme is completed and remaining 20,647 metres planned to be completed in Q4 2018.

## YOUGA GOLD MINE, BURKINA FASO

### *Introduction*

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 360km$^2$ and one Exploitation Permit (Netiana) covering an area of 2km$^2$. 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.

**(stated in US dollars)**

The Youga Exploitation Permit covers an area of 29 km$^2$ 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 afterwards. 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.

**Youga gold mine (including Balogo satellite deposit) operational review for Q3 2018**

| Operating data | Unit | Three months ended September 30, 2018 | Three months ended September 30, 2017 | Nine months ended September 30, 2018 | Nine months ended September 30, 2017 |
|---|---|---|---|---|---|
| Ore mined | kt | 233 | 159 | 686 | 660 |
| Waste mined | kt | 3,909 | 2,283 | 10,474 | 6,694 |
| Total mined | kt | 4,142 | 2,442 | 11,160 | 7,354 |
| Strip ratio | waste: ore | 16.8 | 14.3 | 15.3 | 10.1 |
| | | | | | |
| Ore milled | kt | 279 | 277 | 892 | 894 |
| Feed grade | g/t Au | 2.44 | 4.79 | 3.50 | 3.36 |
| Recovery | % | 90% | 89% | 90% | 89% |
| | | | | | |
| Gold ounces produced | oz | 19,721 | 38,126 | 90,362 | 87,048 |
| Gold ounces sold | oz | 20,977 | 37,001 | 90,154 | 84,818 |
| Average realised price | US$/oz | 1,207 | 1,284 | 1,295 | 1,262 |
| Operating cash cost (*) | US$/oz sold | 958 | 433 | 630 | 492 |
| All in sustaining cash cost (*) | US$/oz sold | 1,113 | 591 | 848 | 720 |

*The Company has included certain non-IFRS financial measures in this management discussion and analysis, including operating cash costs and 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.*

*Q3 2018 Highlights:*

- Youga achieved quarterly gold production of 19,721 ounces in Q3 2018. This was a reduction of 35% on the previous quarter due to a scheduled decrease in the mining tonnage at Balogo from 4.78g/t Au (76kt ore tonnes) in Q2 2018 to 4.53 g/t Au (44kt ore tonnes) in Q3 2018 and a focus on the lower grade transitional ore zone at the Gassore East pit;
- Despite the heavy rains experienced in Q3 2018, total material movement was 4.14Mt (consistent with Q2 2018), as a result of the increase to the fleet capacity made during the previous quarter;
- Process plant throughput for the Quarter reduced by 9% to 279kt due to the impact of the heavy rains experienced at Youga. Recovery was 90% in Q3 2018 as more gold was recovered through the CIL process which made the leaching more efficient; and
- Management expect that both plant feed and grade alongside ore throughout will increase throughout Q4 2018.

**Exploration**

- During Q3 2018, exploration at Youga continued with 714 metre diamond drilling and finalised the Phase 1 programme at the Gassore West prospect totalling 28,500 metres located immediately at the western strike of Gassore East Pit;
- 10,982 metres of trenching was completed at the WDE and WDES targets in Youga, located only 500m to 1km south of Gassore East, defining anomalous intercepts with potential to be followed by diamond drilling;
- Across the Balogo licence a 5,588 metre diamond drilling programme was completed at the following targets: Panga, Netiana North, Wattle North and Balogo Down Dip extension;
- At Balogo Down Dip Extension, drilling successfully extended the mineralisation by an additional 140 metres below the planned final pit floor, intersecting an average width and grade of 3.51 metres grading 36.34g/t Au, with mineralisation remaining open at depth;
- At Panga, mineralisation was intersected over a 200 metre strike length with an average width of 3.33 metres grading 11.59g/t Au to a depth of 96 metres below surface. The mineralisation remains open to the north-northeast and south-southwest, whilst at Balogo Hill results delivered to date have intersected mineralisation with average width of 2.14 metres grading 15.40g/t Au, with mineralisation also remaining open both along strike and at depth;
- A regional soil sampling programme has been conducted across the Balogo permit with 3,872 samples collected. Results of the sampling delivered 7 new gold-in-soil targets to be followed up in Q4 2018; and
- It is anticipated that upon the conclusion of the 2018 drilling programme in Burkina Faso the Company will commence work on a further CIM compliant NI 43-101 Mineral Resource and Mineral Reserve estimation for the Youga gold mine.

## (C) NON-OPERATING PROJECTS

### NDABLAMA GOLD PROJECT, LIBERIA

The Ndablama gold project (the "Ndablama Project") 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 Project 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 16,200 metre Ndablama infill drilling programme was completed during the Quarter;
- The Ndablama infill drilling was designed to upgrade the classification of Inferred material to the Measured or Indicate mineral resource categories;
- An independent mineral resource update is expected to be completed in Q1 2019; and
- A PFS level trucking study, due for completion in Q1 2019, will investigate the feasibility of hauling material from Ndablama to the New Liberty process plant.

### 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. during the period from 2000 to 2005. The Weaju Project has been subjected to intense artisanal mining activity.

- In Q3 2018, a systematic pitting program was carried out to test saprolite mineralization in prospective lithologies which were outlined during ongoing regolith and lithological mapping in the second quarter. Initial results from pitting returned mineralization grades consistent with that of the existing inferred mineral resource in saprolite along strike for the portion tested to date southwest of mineralization encountered in the current 178koz deposit; and
- Mapping and pitting will continue in Q4 2018 to test the remaining strike extent earmarked for mapping with the objective of developing close to 1km of drill target with the potential to increase the current orebody.

## (D) EXPLORATION ACTIVITIES

### LEOPARD ROCK, LIBERIA

The Bea Mining Licence was previously 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.

Planned drilling to increase resource inventory has been put on hold pending results from current Ndablama resource conversion drilling.

**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.

Planned drilling along the 8km strike of drill targets and mineralised intercepts from historical reconnaissance drilling, pitting and rock chip sampling has been put on hold pending results from current Ndablama resource conversion drilling.

**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.

Planned drilling along the 8 km strike of drill targets and mineralised intercepts from historical reconnaissance drilling, pitting and rock chip sampling has been put on hold pending results from current Ndablama resource conversion drilling.

**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.

- In Q3 2018, a total of 3,943 meters of diamond core drilling was completed on the 1 km long Belgium target with initial results received from the first hole returning 4.5m @ 3.72 g/t Au;
- In Q4 2018, drilling will continue to complete the full 10,000 metre programme and establish along strike/depth continuity of mineralization previously encountered in saprolite and hard rock artisanal workings from earlier work; and
- Drill core intersected to date showed continuity of prospective lithologies and hydrothermal alteration mineralogy associated with gold mineralization on other parts of the Bea Mountain mineralized district. Lithologies intersected in current drill cuttings consist predominantly of sheared amphibolite comprising the hanging and footwall enveloping thin slivers of deformed undifferentiated ultramafic rock units with phyrotite followed by highly magnetic bands with pervasive silicification and disseminated sulphides predominately calaverite. Felsic intrusive and diorite have also been encountered in certain portion of the strike length drilled to date.

**MATAMBO CORRIDOR, LIBERIA**

During 2016, the Company acquired Sarama Investments Liberia Limited ("Sarama") which held three Liberian exploration licences. These licences, referred to as Cape Mount West (116.6 km$^2$), Cape Mount (96.6 km$^2$) and Cape Mount East (67.7 km$^2$), 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 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.

In Q3 2018, assay results from reconnaissance (400 X 50m spaced) soil gridding returned a 2.4km long anomalous gold in soil trend coincident with prospective lithologies encountered from the geological mapping. This anomalous trend shows continuity to the west of the mineralised structure from the Silver Hills area in the east.

**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 Q3 2018, exploration activities on the licences can be summarized as follows:

- On the Yambesei and West Mafa licences, the environmental permitting process continued in addition to environmental rehabilitation by means of manual back filling of prospecting pits excavated on the West Mafa license in 2017 to test gold response in saprolite;
- On the Mabong licence, assay results from the 39 reconnaissance pits excavated in Q2 2018 were received and showed low level anomalism in saprolite on the 1.6 km east-west gold in soil anomaly coincident with magnetic lineament and ultramafic rocks. Follow up work by means of closer spaced pitting will be carried out in Q4 2018; and
- On the Archean West licence, partial assay results on infill 200 X 50m soil sampling confirmed continuity of gold in soil anomaly coincident with rheological contrast and magnetic lineament. Assay results from initial pitting returned anomalous values between 300 and 600ppb. Pitting will continue in Q4 2018 to test in detail the anomalous gold in soil anomaly coincident with magnetic lineament and prospective lithologies.

**OUARE, BURKINA FASO**

The Ouaré Project was acquired by the Company on December 18, 2017 and is comprised of four Exploration Permits (Bitou 2 (101 $km^2$), Bitou Sud (44 $km^2$), Bitou Nord (40 $km^2$) and Bitou Est (34 $km^2$)), all situated in the province of Boulgou, Burkina Faso, West Africa, 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 2017, resulting in the delineation of an Indicated Mineral Resource of 5.10Mt containing 228.3koz of gold grading 1.39 g/t Au and an Inferred Mineral Resource of 7.2Mt containing 406koz of gold grading 1.80 g/t Au and a Probable Mineral Reserve of 9.0Mt containing 141.4koz gold grading 1.67 g/t Au.

- During the Quarter, 32,940 metres were drilled with 7 active rigs on site as a part of infill drilling programme to increase mineral categorisation and conversion of Inferred resources to either Measured of Indicated mineral resources categories;
- Results received to date showed the eastern part of the ore body is likely to contain wider and higher-grade mineralisation than the existing Inferred Mineral Resource in that area;
- Deeper drilling delineated underground potential at down dip extension of Ouaré ore body at the eastern portion. Wide mineralisation was intersected approximately at vertical 140m RL below surface including: BITDDH-18-123 - 4.2m @ 3.87g/t Au from 173.4m – 5.25m @ 3.52g/t Au from 181.95m and BITDDH-18-124 - 12.85m @ 3.45g/t Au from 169.2m (including 1.35m @ 8.55g/t Au);
- Assay results of trenching activities on existing gold-in-soil, gold-in-auger anomalies and targets generated from structural interpretations delivered discovery of new mineralised zones to be tested by further drilling; and
- Soil sampling commenced in the previous quarter has also identified new 300m to 1,000m long gold-in-soil anomalies coinciding with favourable structural setting in the area. These targets are to be further trenched in Q4 2018.

**ZERBOGO, BURKINA FASO**

The Zerbogo licence (39.44 $km^2$) 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. Previous 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 @ 4.65g/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.

Additional trenching was conducted in the Quarter for 3,619 metres to confirm existing mineralisation and gather better geological knowledge. This trenching programme has also outlined new mineralisation traced for 1 kilometres and on strike of the existing mineralisation at the northeast which increases the potential of the mineralisation length being more than 3 kilometres in total.

Combined gold targets after completion of the trenching programme will be tested in Q4 2018.

**CAMEROON**

The Batouri licence (168 $km^2$) is located 436 km east of Yaoundé, the administrative capital of Cameroon. The licence 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, and along which syn to post-tectonic granitoid plutons are common. The auriferous zones within the granite are considered to be controlled by the shear zone.

The Batouri project is defined by three prospects; i) Kambele (3.5 km long), ii) Dimako-Mongonam (3.5 km long) and iii) Amndobi (5 km long).

Exploration work continued during the year on the interpretation of the mineralised systems of Kambele and Dimako targets following on from the core relogging. The work was recommended in order to produce a new interpretation of the mineralisation models and determine their potential to host economic deposits. A GIS study was undertaken over the licence area and resulted in the identification of structural lineaments along which field verification has shown the presence of artisanal sites.

## 4. SUMMARY OF PERFORMANCE

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

| US$'000 except loss per Common Share | Quarter ended September 30, 2018 | Quarter ended June 30, 2018 | Quarter ended March 31, 2018 | Quarter ended December 31, 2017 |
|---|---|---|---|---|
| Revenue - Gold sales | 59,247 | 74,530 | 91,370 | 33,322 |
| Net (loss)/profit for the quarter | (16,119) | (2,889) | 9,847 | (3,723) |
| (Loss)/Profit per Common Share, basic and diluted | (0.19) | (0.05) | 0.10 | (0.07) |
| Total comprehensive income/(loss) for the quarter | (16,155) | (2,901) | 9,841 | (3,712) |
| Total assets | 329,945 | 337,399 | 345,189 | 337,038 |
| **US$'000 except loss per Common Share** | **Quarter ended September 30, 2017** | **Quarter ended June 30, 2017** | **Quarter ended March 31, 2017** | **Quarter ended December 31, 2016** |
| Revenue - Gold sales | 25,452 | 19,313 | 19,699 | 21,825 |
| Net loss for the quarter | (4,651) | (9,478) | (9,555) | (73,636) |
| Loss per Common Share, basic and diluted | (0.09) | (0.18) | (0.18) | (3.59) |
| Total comprehensive income/(loss) for the quarter | (4,566) | (9,708) | (9,521) | (73,406) |
| Total assets | 222,988 | 222,958 | 221,092 | 227,243 |

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. Therefore, the comparative information for the quarter ended September 30, 2017 and prior interim periods do not include the results of operations of Youga gold mine and the Balogo satellite deposit ("Burkina operations").

**(B) RESULTS OF OPERATIONS**

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

*Q3 2018 as compared to quarter ended September 30, 2017 ("Q3 2017")*

Net loss after tax for Q3 2018 was US$16.1 million and comprises mainly of gross loss from mining operations of US$8.3 million, exploration costs of US$2.5 million, corporate, administrative and professional expenses of US$3.0 million, interest charge of US$3.2 million partly off-set by a foreign exchange gain of US$0.6 million and an income tax credit of US$0.2 million. This compares to a loss of US$4.7 million in Q3 2017 and comprises mainly of the operating profit from New Liberty of US$0.3 million off-set by exploration costs of US$0.5 million, corporate, administrative and professional expenses of US$1.8 million and interest charge of US$2.7 million.

The comprehensive loss for Q3 2018 amounted to US$16.2 million. The increase from a loss of US$4.6 million in Q3 2017 is explained through the succeeding paragraphs.

Revenues of US$59.2 million (Q3 2017: US$25.5 million) were generated from the sale of 48,974 ounces of gold. The significant increase compared to last year's comparative period is attributable to sales generated by Youga of 20,977 ounces and New Liberty of 27,997 ounces (41% higher than Q3 2017). A strong US dollar led to a fall in the average realised price of US$1,210 per ounce in Q3 2018 compared to US$1,286 per ounce in Q3 2017.

Cost of sales of US$67.6 million (Q3 2017: US$25.1 million) relating to production costs of US$45.6 million (Q3 2017: US$18.2 million) and mine depreciation of US$21.9 million (Q3 2017: US$6.9 million) have been recognised in the income statement during Q3 2018. Production costs include costs associated with mining, processing and mine administration of US$43.5 million royalties, freight and refining of US$2.5 million and increase in inventories of US$0.4 million. Operating cash cost (equal to production cost less royalties, freight and refining) is US$849 per ounce sold for New Liberty, a reduction of 3% from US$877 in Q3 2017, attributable to lower mining rate and process improvements. Operating cash cost for Youga increased to US$958 per ounce sold due to lower grades from Balogo as expected. Depreciation amounted to US$21.9 million or US$465 per ounce produced and significantly higher than Q3 2017 due to the amortisation of the Kinjor stripping section at New Liberty, which was the main source of ore during the quarter, the depreciation of the equipment financed by Mapa and the depreciation of Youga assets which were acquired in December 2017.

Administrative and other expenses of US$3.0 million are US$1.2 million higher than Q3 2017 mainly due to a US$1.0 million withholding tax on dividends from Burkina Mining Company.

Exploration and evaluation costs increased to US$2.5 million (Q3 2017: US$0.5 million) due to the 16,200 metre infill drilling programme at Ndablama, a 10,000 metre drilling programme at Silver Hills, a 34,500 metre drill programme at the Gassore West target, additional trenching and drilling on the Zerbogo and Songo permits and a 13,000 metre drilling programme within the Balogo exploration licence, all in Burkina Faso.

Interest expense of US$3.2 million (Q3 2017: US$2.7 million) relates mainly to the effective interest on the project finance facilities, the working capital facility with AJL, equipment loans with Mapa and finance lease liabilities. The Company fully paid the US$10 million Tranche B of its Senior Facility in January 2018.

*Nine months ended September 30, 2018 as compared to nine months ended September 30, 2017*

Net loss after tax for the nine months ended September 30, 2018 amounted to US$9.2 million compared with a net loss after tax of US$23.7 million for the nine months ended September 30, 2017 mainly due to the gross profit contribution from Burkina operations of US$43.8 million partly off-set by the increase in gross loss from New Liberty of US$7.3 million, increases in exploration costs by US$7.7 million, corporate and administrative expenses by US$2.2 million, financing costs by US$2.0 million, foreign exchange loss by US$1.1 million and income tax charge on Burkina operations of US$9.6 million.

The comprehensive loss for the nine months ended September 30, 2018 amounted to US$9.2 million compared with a loss of US$23.8 million in the nine months ended September 30, 2017.

Revenues of US$225.1 million for the nine months ended September 30, 2018 (nine months ended September 30, 2017: US$64.5 million) includes shipments of 90,154 ounces of gold from Youga amounting to US$116.7 million (nine months ended September 30, 2017: US$nil) and 84,658 ounces from New Liberty amounting to US$108.4 million (nine months ended September 30, 2017: US$64.5 million).

Cost of sales of US$196.8 million for the nine months ended September 30, 2018 includes production costs of US$137.8 million (nine months ended September 30, 2017: US$52.3 million) and mine depreciation of US$58.9 million (nine months ended September 30, 2017: US$21.1 million). The increase of US$123.4 million is due to no comparative on the Burkina production costs and higher costs at New Liberty with gold production 41% higher than in Q3 2017 despite a decline in operating cash costs of 16%.

Administrative and other expenses of US$7.0 million are US$2.2 million higher than the nine months ended September 30, 2017 mainly due to withholding taxes on dividends received from the Burkina subsidiaries of US$1.8 million and higher head office costs by US$0.5 million.

Exploration and evaluation costs increased by US$7.7 million due to the Ndablama infill programme to convert existing mineral resources into mineral reserves and through the drilling programme in Silver Hills in Liberia and Gassore West, Balogo, Songo and Zerbogo deposits to increase the material that will feed into the Youga processing plant.

Loss on lease termination of US$0.6 million (nine months ended September 30, 2017: US$nil) is with respect to termination of the power generation contract at New Liberty which was replaced with newly acquired generators financed by Mapa, a related company.

A foreign exchange loss of US$1.3 million (nine months ended September 30, 2017: US$0.2 million) is due to Euro-US dollar movements with an adverse effect on the trade payables denominated in Euros and Central African Franc, which is also pegged to the Euro.

Interest expense increased to US$10.4 million (nine months ended September 30, 2017: US$8.3 million) as the Company only started drawing down on the working capital facility with AJL in Q3 2017 and the equipment loans with Mapa began to be drawn down in Q4 2017.

Income tax charge of US$9.6 million (nine months ended September 30, 2017: US$nil) is with respect to the net profits generated from the Burkina operations.

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 September 30, 2018 vs. December 31, 2017

Trade and other receivables increased from US$25.3 million as at December 31, 2017 to US$28.4 million as at September 30, 2018 predominantly due to increases in VAT receivable from the Burkina Faso Government and amounts due from related parties.

Inventories of US$52.4 million at September 30, 2018 (December 31, 2017: US$36.9 million) comprises of gold doré at New Liberty (US$2.6 million), gold in circuit (US$3.1 million), ore stockpiles (US$4.5 million) and mining and plant consumables and spares (US$42.2 million). Increase in inventories is driven by higher mining consumables required by the additional mining fleet at New Liberty.

Intangible assets of US$3.8 million (December 31, 2017: US$nil) relate to the capitalised exploration costs at Ouaré, which is the subject of an infill drilling campaign to upgrade the confidence level and classification of the existing mineral resource. Ouare is a satellite deposit to the Youga Gold Mine and resource modelling and pit design are underway to incorporate into the Youga gold mine production schedule.

Property, plant and equipment of US$231.3 million as at September 30, 2018 is US18.3 million lower than the balance at December 31, 2017 with depreciation charge for the nine months ended September 30, 2018 of US$59.1 million and termination of leased generators greater than the additions during the period. Property, plant and equipment comprises predominantly the mining assets at New Liberty and Youga of US$138.3 million, deferred stripping costs at New Liberty of US$9.2 million in relation to the Marvoe pit, mining and other equipment of US$77.5 million, assets held as finance leases of US$1.9 million, mine closure and rehabilitation costs of US$3.1 million and vehicles of US$1.3 million. An additional US$9.9 million was capitalised in Q3 2018 which mainly includes the transfer of the capitalised exploration costs at Gassore East of US$1.9 million, capitalised stripping cost of US$2.9 million, TSF works at New Liberty of US$0.3 million, pumps for the wet season of US$0.6 million, oxygen generator plant of US$0.5 million, generator of US$0.2 million and additional drill rigs in Burkina of US$1.1 million.

Current liabilities of US$101.9 million as at September 30, 2018 (December 31, 2017: US$93.9 million) includes trade and other payables of US$69.1 million (December 31, 2017: US$41.0 million) arising mainly from mining and plant operations, current portion of borrowings of US$23.2 million (December 31, 2017: US$38.0 million), accrued income tax payable in Burkina Faso of US$6.1 million (December 31, 2017: US$12.4 million), current portion of the finance lease liability of US$0.2 million (December 31, 2017: US$1.9 million) and short-term provisions of US$3.3 million (December 31, 2017: US$0.5 million).

Non-current liabilities of US$115.7 million (December 31, 2017: US$118.1 million) includes borrowings of US$104.6 million (December 31, 2017: US$101.3 million), finance lease liability with respect to the fuel storage facility at New Liberty of US$0.7 million (December 31, 2017: US$5.9 million) and provisions of US$10.3 million (December 31, 2017: US$10.4 million).

Borrowings include a Senior Facility of US$75.6 million, a Subordinated Facility of US$12.0 million, amounts drawn down from the working capital facility with AJL of US$11.3 million and equipment financing with Mapa of US$29.4 million (all at their unamortised balances). The movement in current and non-current borrowings in Q3 2018 is mainly due to the payments of bank loans and related interest (US$14.7 million), to AJL (US$15.0 million) and to Mapa (US$5.2 million) partly off-set by new equipment loans from Mapa (US$9.9 million), drawdown on the AJL facility (US$4.9 million) and effective interest charge (US$8.9 million). As at September 30, 2018, US23.7 million is available to drawdown from the AJL working capital facility. The Senior and Subordinated Facilities have been fully drawn down.

**Liquidity, Capital Resources and Financial Instruments**

As at September 30, 2018, the Company had cash and cash equivalents of US$8.6 million and net current liabilities of US$10.8 million.

The cash generation capacity of the Company has significantly improved due to the acquisition of the Youga gold mine and the Balogo satellite deposit in December 2017 and the continuing improvement of mining operations at New Liberty. As a result, the Company expects to generate sufficient cash from operating activities to cover current liabilities and forecast expenditures in the foreseeable future. In addition, the Company has an undrawn working capital facility of US$23.7 million with AJL as at September 30, 2018 which it can call upon for general working capital purposes, but does not expect to do so given its expectation of free cash flow generation in the foreseeable future.

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, borrowings, trade payables and accruals, finance lease liabilities and derivative 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 majority (c.98%) of 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 and financial institutions that are regulated by the Central Bank of the West African States (BCEAO). 49% of the Company's cash and cash equivalents are denominated in West African CFA Francs.

**Cash flows for the nine months ended September 30, 2018 vs. September 30, 2017**

The cash generation capacity of the Company significantly increased due to the acquisition of the Youga gold mine and the Balogo satellite deposit in December 2017 and the turnaround of operations at New Liberty. As a result, net cash generated during the nine months ended September 30, 2018 from cash inflows from the Group's mining operations less exploration costs, corporate expenses and movements in operating working capital increased to US$62.4 million (nine months ended September 30, 2017: US$3.3 million net cash used).

Net cash invested in the nine months ended September 30, 2018 was US$34.8 million (nine months ended September 30, 2017: US$20.0 million) and relates mainly to payments for capitalised stripping cost at New Liberty, new heavy mining equipment acquired in Burkina Faso to enhance the current fleet and the drilling costs on Gassore East and Ouare projects.

Net cash used in financing activities in the nine months ended September 30, 2018 of US$36.5 million (nine months ended September 30, 2017: US$11.8 million net cash generated) relates to a scheduled bank loan payment of US$10 million, net re-payment of AJL loans of US$11.7 million, re-payment of Mapa loans of US$3.9 million, dividends paid to the Government of Burkina Faso, who hold 10% interest in the local subsidiaries in Burkina Faso, of US$1.5 million, finance lease payments of US$1.3 million and payments of interest and other financing charges of US$8.1 million.

## (D) OTHER INFORMATION

### (ii) Outstanding Share Data

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

**(stated in US dollars)**

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

| | Number | Exercise Price | Expiry Date |
|---|---|---|---|
| Stock Options | 2,639,233 | GBP£1.575 to CAD$51 | Jan 2019 – May 2023 |
| Warrants | 315,245 | GBP£7 | Apr 2019 |

**(ii) Going concern**

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

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

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

**(iii) Subsequent events**

None

**(iv) Related party transactions**

(a) Borrowings

Shareholder loan

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

Principal repayments of the other shareholder loan to AJL amounted to US$4.1 million in the nine months ended September 30, 2018 (nine months ended September 30, 2017: US$nil).

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

Related party loan

In the nine months ended September 30, 2018, the Company entered into equipment and finance facility agreements with Mapa amounting to $10.3 million (nine months ended September 30, 2017: US$nil). Similar to the loans entered into in 2017, these loans were initially recognised at fair value calculated as its present value at a market rate of interest and subsequently measured at amortised cost. The difference of

$0.5 million between the loan amount of $10.3 million and fair value of $9.8 million has been credited to equity as a capital contribution from a related party.

Interest expense on the related party loan to Mapa for the nine months ended September 30, 2018 was US$1.9 million (nine months ended September 30, 2017: US$nil). Interest repayment was US$1.0 million during the nine months ended September 30, 2018 (nine months ended September 30, 2017: US$nil).

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

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

(c) Acquisition of heavy mining equipment

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

### (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 ("NSR") from the Cape Mount permit.

A 1.8% (minus withholding tax of 6.25%) NSR is payable to Endeavour Mining Corporation on revenues derived from mining at Youga and Ouaré. Burkina Mining Company, has the right to a buyback option and may exercise this right at an applicable price.

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, Burkina Faso and Cameroon. Information presented to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the geographical location. 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 profit/(loss), 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)** |
| Gold sales | 33,925 | 25,322 | - | - | **59,247** |
| Production costs | | | | | |
| - Mine operating costs | (26,532) | (20,433) | - | 904 | **(46,061)** |
| - Change in inventories | 1,589 | (1,174) | - | - | **415** |
| | (24,493) | (21,607) | - | 904 | **(45,646)** |
| Depreciation | (19,942) | (1,907) | (110) | (17) | **(21,976)** |
| Segment assets | 230,441 | 84,630 | 7,803 | 7,071 | **329,945** |
| Segment liabilities | (163,997) | (41,017) | (5,679) | (6,875) | **(217,568)** |
| Capital additions | | | | | |
| - property, plant and equipment | 5,181 | 2,788 | - | - | **7,969** |
| - intangible assets | - | - | 2,300 | - | **2,300** |

Following is an analysis of the Group's profit/(loss), 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)** |
| Gold sales | 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** |

### (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.

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

| In US$'000 except per ounce figures | **Q3 2018** | **Q2 2018** | **Q1 2018** | **Q4 2017** | **Q3 2017** | **Q2 2017** | **Q1 2017** |
|---|---|---|---|---|---|---|---|
| Gold ounces sold | **48,974** | 57,285 | 68,553 | 26,209 | 19,797 | 15,382 | 16,008 |
| | | | | | | | |
| Production costs | **45,646** | 43,195 | 48,986 | 21,245 | 18,187 | 16,567 | 17,495 |
| Royalty, freight and refining | **(2,514)** | (3,316) | (4,476) | (1,065) | (833) | (649) | (665) |
| Depreciation absorbed in change in inventories | **(187)** | 125 | (1,739) | - | - | - | - |
| Total operating cash costs | **42,945** | 40,004 | 42,771 | 20,180 | 17,354 | 15,918 | 16,830 |
| Total operating cash costs per ounce sold | **877** | 698 | 624 | 770 | 877 | 1,035 | 1,051 |
| | | | | | | | |
| Total operating cash costs | **42,945** | 40,004 | 42,771 | 20,180 | 17,354 | 15,918 | 16,830 |
| Royalty, freight and refining | **2,514** | 3,316 | 4,476 | 1,065 | 833 | 649 | 665 |
| Corporate administrative costs * | **2,654** | 2,018 | 1,255 | 540 | 1,045 | 1,010 | 929 |
| Share based compensation | **288** | 270 | 296 | 179 | 301 | 314 | 276 |
| Capitalised stripping and sustaining capital | **8,248** | 10,230 | 11,646 | 9,510 | 8,965 | 6,588 | 4,992 |
| Sustaining exploration | **-** | - | - | 25 | 48 | 27 | 29 |
| Accretion and depreciation on reclamation provision | **(103)** | 576 | 467 | 121 | 93 | 101 | 96 |
| Total all-in sustaining costs | **56,546** | 56,414 | 60,911 | 31,620 | 28,639 | 24,607 | 23,817 |
| Total all-in sustaining costs per ounce sold | **1,155** | 985 | 899 | 1,206 | 1,447 | 1,600 | 1,488 |

* Corporate administrative costs include salaries and wages, legal and professional fees and other administrative expenses but exclude non-recurring transaction costs related to the acquisition of the Youga gold mine and the Balogo satellite deposit.

*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.

| In US$'000 | **Q3 2018** | **Q2 2018** | **Q1 2018** | **Q4 2017** | **Q3 2017** | **Q2 2017** | **Q1 2017** |
|---|---|---|---|---|---|---|---|
| Net profit/(loss) after tax | **(16,119)** | (2,889) | 9,846 | (3,723) | (4,651) | (9,478) | (9,555) |
| Finance costs | **3,177** | 2,832 | 4,341 | 3,463 | 2,726 | 2,853 | 2,770 |
| Derivative liability loss/(gain) | **-** | - | (104) | (173) | (3) | 13 | 163 |
| Foreign exchange loss/(gain) | **(644)** | 817 | 1,095 | (101) | 16 | 167 | (4) |
| Income tax (credit)/charge | **(219)** | 3,267 | 6,589 | 143 | - | - | - |
| Depreciation | **21,976** | 20,507 | 16,663 | 11,392 | 7,033 | 7,500 | 6,840 |
| Depreciation included in change in inventories | **44** | (125) | 1,739 | - | - | - | - |
| **EBITDA** | **8,215** | 24,409 | 40,169 | 11,001 | 5,121 | 1,055 | 214 |
| Transaction fees related to the acquisition of Youga Gold Mine | **-** | - | - | 344 | 342 | - | - |
| Professional fees related to the arbitration with ICE | **-** | - | - | - | - | - | 292 |
| Loss/(gain) on lease termination | **-** | - | 566 | (3,988) | - | - | - |
| Impairment of assets | **-** | - | - | 2,877 | - | - | - |
| Back pay provision | **157** | 608 | - | - | - | - | - |
| **Adjusted EBITDA** | **8,372** | 25,017 | 40,735 | 10,234 | 5,463 | 1,055 | 506 |

## (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 and Youga 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, 2017 outlines the significant inputs used when performing impairment test on the New Liberty and Burkina Faso cash generating units.

*Reserve estimates*

The Group estimates its ore mineral reserves and mineral resources in accordance with the NI 43-101 of the Canadian Securities Administrators. Reserves determined in this way are used in the calculation of depreciation of mining assets, as well as the assessment of the carrying value of the New Liberty and Burkina Faso cash generating units and timing of mine closure provision. Uncertainties inherent in estimating ore mineral 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.

*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 feasible, 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 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 Mineral Reserve and Mineral Resource estimates and additional information in connection with the New Liberty gold mine is set out in an NI 43-101 compliant Technical Report dated November 1, 2017 and entitled "New Liberty Gold Mine, Bea Mountain Mining Licence Southern Block, Liberia, West Africa" and is available on SEDAR at www.sedar.com.

The Mineral Reserve and Mineral Resource estimates and additional information in connection with the Youga Gold Mine is set out in an NI 43-101 compliant Technical Report, dated July 31, 2018 entitled "Mineral Resource and Mineral Reserve Update for the Youga Gold Mine" and is available on SEDAR at www.sedar.com.

## 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 significantly increasing plant throughputs, commencing work on updated Mineral Resource and Mineral Reserve estimate for Youga, completion of the Ndablama infill drilling programme, completion of a PFS level trucking study in Q1 2019 to investigate the hauling of material from Ndablama to the New Liberty process plant, mapping and pitting at the Weaju Project, the completion of the full 10,000 metre drilling program at Silver Hills, the follow up work at Yambesei and further trenching at Ouare in Q4 2018, and statements regarding the expected operational and financial performance of each of the foregoing for the Company's New Liberty and Youga mines.

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 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.

## 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, 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 nine months ended September 30, 2018, 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

An updated NI 43-101 for New Liberty is planned to be published late Q1 2019 which will include an underground prefeasibility study at the main New Liberty deposit combined with the first reserves from Ndablama, a satellite deposit 45km from the processing plant. Shortly afterwards the Company plans to publish an updated NI 43-101 for Youga which we expect to include additional mineral reserves from Gassoré and Ouaré.

During the final quarter of 2018, the Company expects to see improved productivity following the end of the rainy season and improved mill feed grades at both New Liberty and Youga.

The Company maintains its full year production guidance of 220,000 to 240,000 ounces of gold and all-in-sustaining cost of between US$960 and US$1,000 per ounce sold. Full year operating cash cost guidance has been revised to between US$726 and US$792 per ounce sold.