



Audited Consolidated Financial Statements
December 31, 2018

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Independent auditor's report

To the Shareholders of
Robex Resources Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Robex Resources Inc. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of income for the years ended December 31, 2018 and 2017;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted audited standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l. an Ontario limited liability partnership.



Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which states matters and conditions indicating the existence of a material uncertainty that may cast significant doubt about the ability of Robex Resources Inc. and its subsidiaries to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted audited standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



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

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

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

PricewaterhouseCoopers LLP¹

Québec, Quebec
April 25, 2019

¹CPA auditor, CA, public accountancy permit No. A121191

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31

(all amounts are in Canadian dollars unless otherwise indicated)

	2018	2017
	\$	\$
REVENUE - GOLD SALES	78,381,824	57,152,440
COSTS OF OPERATIONS		
Mining operation expenses - note 8	30,326,794	22,093,273
Administrative expenses - note 9	12,675,744	8,714,557
Depreciation of property, plant and equipment and amortization of intangible assets	16,688,844	7,718,053
Stock-based compensation expense - note 20	51,936	807,398
OPERATING INCOME	18,638,506	17,819,159
OTHER EXPENSES (INCOME)		
Financial expenses - note 10	5,514,991	6,572,791
Foreign exchange gain	(271,460)	(220,888)
Change in fair value of financial liabilities - note 28	(1,776,623)	(1,213,667)
Gain on disposal of property, plant and equipment	(366,005)	---
Write-off of mining properties - note 13	---	873,863
Other income	(40,225)	(62,862)
INCOME BEFORE INCOME TAX EXPENSE	15,577,828	11,869,922
Income tax expense		
Current - note 23	678,273	454,472
Deferred - note 23	3,610,886	---
	4,289,159	454,472
NET INCOME FOR THE YEAR	11,288,669	11,415,450
ATTRIBUTABLE TO		
Common shareholders	10,379,848	10,844,504
Non-controlling interest	908,821	570,946
	11,288,669	11,415,450
EARNINGS PER SHARE - note 24		
Basic	0.018	0.019
Diluted	0.018	0.019

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31

(all amounts are in Canadian dollars unless otherwise indicated)

	2018	2017
	\$	\$
NET INCOME FOR THE YEAR	11,288,669	11,415,450
Other comprehensive income		
Item that may be reclassified subsequently to net income		
Exchange difference	2,107,568	3,060,185
COMPREHENSIVE INCOME	13,396,237	14,475,635
COMPREHENSIVE INCOME ATTRIBUTABLE TO		
Common shareholders	12,479,898	13,950,253
Non-controlling interest	916,339	525,382
	13,396,237	14,475,635

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

	Common shareholders				Total	Non-controlling interest	Total equity
	Share capital	Reserve - stock options	Deficit	Accumulated other comprehensive income - note 21			
Balance as at December 31, 2016	66,734,172	2,492,961	(41,155,836)	860,754	28,932,051	(746,504)	28,185,547
Net income for the year	---	---	10,844,504	---	10,844,504	570,946	11,415,450
Other comprehensive income (loss)	---	---	---	3,105,749	3,105,749	(45,564)	3,060,185
Comprehensive income for the year	---	---	10,844,504	3,105,749	13,950,253	525,382	14,475,635
Stock options charged to expense during the year - note 20	---	807,398	---	---	807,398	---	807,398
Balance as at December 31, 2017	66,734,172	3,300,359	(30,311,332)	3,966,503	43,689,702	(221,122)	43,468,580
Net income for the year	---	---	10,379,848	---	10,379,848	908,821	11,288,669
Other comprehensive income	---	---	---	2,100,050	2,100,050	7,518	2,107,568
Comprehensive income for the year	---	---	10,379,848	2,100,050	12,479,898	916,339	13,396,237
Stock options charged to expense during the year - note 20	---	51,936	---	---	51,936	---	51,936
Balance as at December 31, 2018	66,734,172	3,352,295	(19,931,484)	6,066,553	56,221,536	695,217	56,916,753

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION YEARS ENDED DECEMBER 31

(all amounts are in Canadian dollars unless otherwise indicated)

	2018 \$	2017 \$
ASSETS		
CURRENT ASSETS		
Cash	7,422,458	2,137,755
Inventories - note 11	8,148,634	6,686,299
Accounts receivable - note 12	1,898,859	1,245,928
Prepaid expenses	156,161	107,493
Deposits paid	1,461,893	975,333
	19,088,005	11,152,808
MINING PROPERTIES - note 13	6,692,821	5,251,860
PROPERTY, PLANT AND EQUIPMENT - note 14	83,832,524	83,105,137
INTANGIBLE ASSETS - note 15	79,562	98,969
	109,692,912	99,608,774
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable - note 16	12,635,531	19,118,434
Current portion of long-term debt - note 17	10,205,387	7,615,128
Line of credit - note 17	130,587	658,651
Conversion rights at fair value of convertible debentures - note 19	---	1,748,431
Debt components at amortized cost of convertible debentures - note 19	---	17,140,849
	22,971,505	46,281,493
LONG-TERM DEBT - note 17	14,084,914	9,604,321
ENVIRONMENTAL LIABILITIES - note 18	468,854	254,380
NON-CONVERTIBLE DEBENTURES - note 19	11,640,000	---
DEFERRED INCOME TAX LIABILITIES - note 23	3,610,886	---
	52,776,159	56,140,194
EQUITY		
Share capital - note 20	66,734,172	66,734,172
Reserve - stock options - note 20	3,352,295	3,300,359
Deficit	(19,931,484)	(30,311,332)
Accumulated other comprehensive income - note 21	6,066,553	3,966,503
	56,221,536	43,689,702
Non-controlling interest	695,217	(221,122)
	56,916,753	43,468,580
	109,692,912	99,608,774

Going concern (note 1)

Commitments (note 27)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31

(all amounts are in Canadian dollars unless otherwise indicated)

	2018	2017
	\$	\$
CASH FLOWS FROM THE FOLLOWING ACTIVITIES		
Operating		
Net income for the year	11,288,669	11,415,450
Adjustments for		
Change in fair value of financial liabilities	(1,776,623)	(1,213,667)
Gain on disposal of property, plant and equipment	(366,005)	---
Unrealized foreign exchange loss	63,838	171,014
Financial expenses	5,514,991	6,572,791
Depreciation of property, plant and equipment and amortization of intangible assets	16,688,844	7,718,053
Write-off of mining properties	---	873,863
Stock-based compensation expense	51,936	807,398
Deferred income tax expense	3,610,886	---
Net changes in non-cash working capital items - note 22	(2,002,328)	1,003,363
Paid interest	(8,162,338)	(3,136,213)
	24,911,870	24,212,052
Investing		
Variation in deposits paid	322,607	902,954
Acquisition of mining properties	(1,166,334)	(424,103)
Acquisition of property, plant and equipment	(18,253,423)	(16,132,964)
Disposal of property, plant and equipment	1,440,069	---
Acquisition of intangible assets	(1,731)	(9,550)
	(17,658,812)	(15,663,663)
Financing		
Long-term debt contracted	15,000,901	4,982,781
Repayment of long-term debt	(8,717,356)	(8,386,101)
Long-term debt issue expenses	(291,011)	---
Variation in lines of credit	(526,639)	(4,962,273)
Repayment of convertible debentures	(7,255,000)	---
	(1,789,105)	(8,365,593)
Effect of exchange rate changes on cash	(179,250)	(392,265)
Increase (decrease) in cash	5,284,703	(209,469)
Cash at the beginning of the year	2,137,755	2,347,224
Cash at the end of the year	7,422,458	2,137,755
Tax paid	649,131	202,380

Additional information (note 22)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

1 - NATURE OF OPERATIONS AND GOING CONCERN

Nature of activities

Robex Resources Inc. (the "Company") is a junior Canadian operations and exploration mining company. The Company has entered into commercial operation on its Nampala deposit, located on the Mininko permit, on January 1st, 2017. In addition to its operational mining activities, the Company currently holds four exploration permits, all located in Mali, West Africa. These permits all demonstrate a favourable geology with a potential for the discovery of gold deposits. The head office's address is 437 Grande Allée Est, Québec (Quebec) G1R 2J5, Canada.

Going concern

These consolidated financial statements have been prepared using International Financial Reporting Standards published by the International Accounting Standards Board (IFRS) based on the going concern assumption, which contemplates the realization of assets and the settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt upon the Company's ability to continue as a going concern, and accordingly, the appropriateness of the use of IFRS applicable to a going concern, as described in the following paragraph. These consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and consolidated statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

As at December 31, 2018, the Company has an accumulated deficit of \$19,931,484 (\$30,311,332 as at December 31, 2017). In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its obligations and existing commitments for exploration and evaluation programs, for mining operations, and for pay general and administration costs. As at December 31, 2018, the Company had a working capital deficiency of \$3,883,500 (\$35,128,685 as at December 31, 2017), including cash of \$7,422,458 (\$2,137,755 as at December 31, 2017).

Until the Company's mining operations have confirmed an adequate improvement in financial condition, the continuation of its activities will depend on its ability to secure necessary financing by way of borrowing. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future, that such sources of funding or initiatives will be available to the Company or that they will be available on terms acceptable to the Company. If management is unable to renew necessary funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements.

Although the Company has taken steps to verify the title to mining properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and may not be in compliance with regulatory requirements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

2 - BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with IFRS and were approved by the Board of Directors for issue on April 25, 2019.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention, except for financial instruments classified at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and those of African Peak Trading House Limited, in which the Company has made a significant investment and all of whose after-tax earnings are redistributed to the Company in the form of preferred dividends. The Company's subsidiaries are Robex N'Gary SA, in which the Company holds an 85% interest, Robex Resources Mali SARL, which is wholly owned, and Nampala SA, in which the Company holds a 90% interest. These three subsidiaries are all located in Mali. All intercompany transactions and balances have been eliminated.

The non-controlling interest in the net assets of consolidated subsidiaries is presented within equity but separate from the Company's equity. The non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest share of recognized changes in equity since the date of acquisition.

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Functional and presentation currency

The Canadian dollar is the presentation currency and the euro is the functional currency of the Company since January 1st, 2017.

These consolidated financial statements are translated into the presentation currency as follows: assets and liabilities are translated into Canadian dollars at the exchange rate in effect on the date of the consolidated statement of financial position. The foreign currency translation adjustment arising from such translation is included in accumulated other comprehensive income under equity. Income and expenses are translated at the exchange rate in effect on the date of the transaction.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

3 - SIGNIFICANT ACCOUNTING POLICIES - (continued)

Foreign currency transaction translation

Transactions denominated in currencies other than the functional currency are translated into the relevant functional currency as follows: monetary assets and liabilities are translated at the exchange rate in effect on the date of the consolidated statement of financial position, and income and expenses are translated at the exchange rate in effect on the date of the transaction. Non-monetary assets and liabilities measured at historical cost and denominated in a foreign currency are translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value and denominated in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses arising from such translation are recorded in profit or loss under "Foreign exchange loss (gain)".

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provision of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial instruments are required to be measured at fair value on initial recognition. Subsequent to initial recognition, financial assets and financial liabilities are measured based on their classification depending on the purpose for which the instruments were acquired and their characteristics.

The measurement of financial assets and financial liabilities is based on one of the following classifications:

(a) Assets and liabilities at fair value through profit or loss ("FVTPL")

Financial instruments classified as assets or liabilities at FVTPL are recognized at fair value at each consolidated statement of financial position date, and any change in the fair value is reflected in the consolidated statement of income in the period during which these changes take place.

(b) Assets and liabilities at amortized cost

Financial instruments classified as assets or liabilities at amortized cost are initially recognized at fair value including transaction costs and are subsequently measured at each consolidated statement of financial position date at amortized cost using the effective interest rate method; any change in the cost is reflected in the consolidated statement of income in the period during which these changes take place.

(c) Fair value through other comprehensive income ("FVTOCI")

Financial instruments classified as assets or liabilities at FVTOCI are initially recognized at fair value including transaction costs and are subsequently measured at each consolidated statement of financial position date at fair value; any change in the fair value is reflected in the consolidated statement of comprehensive income with no reclassification to net income on disposal of such assets and liabilities.

The Company's financial assets at amortized cost include cash, accounts receivable (except taxes receivable) and deposits paid. Financial assets at amortized cost are classified as current assets if payment is receivable within 12 months. Otherwise, they are presented as non-current assets.

The Company's financial liabilities at amortized cost include accounts payable, line of credit, the debt components of convertible debentures, non-convertible debentures and long-term debt. Financial liabilities at amortized cost are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

3 - SIGNIFICANT ACCOUNTING POLICIES - (continued)

Financial instruments - (continued)

Financial liabilities at FVTOCI include conversion rights of the convertible debentures.

The convertible debentures are valued in Canadian dollars, which is not the functional currency of the Company. Therefore, they must be separated into a debt component and a derivative financial instrument component based on the characteristics listed in the description of the share capital of the Company. The fair value of the derivative financial instrument associated with the debenture was initially evaluated using the Black-Scholes model. This amount has been classified as a liability and measured initially and subsequently at fair value and will continue to be so measured until the instrument is converted or the expiry date has arrived, with exchange differences recorded in profit or loss. The difference between the fair value and the amount of funding was allocated to the debt components of the debentures. These will be amortized until they are carried out or until they are exercised.

Transaction costs

Transaction costs related to financial instruments that are not classified as assets or liabilities at FVTPL, are recognized as adjustments to the cost of the financial instrument in the consolidated statement of financial position at the time of initial recognition. These will be amortized until they are carried out or until they are exercised.

Inventories

The material extracted from the mining pits is classified as a sterile material corresponding to stripping costs and capitalized to property, plant and equipment, or as ore stocks. Ore represents material that, at the time of extraction, is expected to be processed into a saleable form and sold at a profit. Raw materials comprise ore in stockpiles which are subsequently processed into gold in a saleable form. Work in progress represents *doré* bars in the processing circuit that have not completed the production process, and are not yet in a saleable form. Supplies represent commodity consumables and other raw materials used in the production process, as well as spare parts and other maintenance supplies that are not classified as property, plant and equipment.

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all costs incurred, based on a normal production capacity, in bringing each product to its present location and condition. Cost of inventories includes direct labour, materials and subcontractor expenses and an allocation of mine site overhead costs. As ore is sent to the mill for processing, costs are reclassified out of inventory based on the average cost per tonne of the stockpile.

The Company records provisions to reduce inventory to net realizable value to reflect changes in economic factors that impact inventory value and to reflect present intentions for the use of slow-moving and obsolete supplies inventory. Net realizable value is determined with reference to relevant market prices less applicable variable selling expenses. Provisions recorded also reflect an estimate of the remaining costs of completion to bring the inventory into its saleable form. Provisions are also recorded to reduce mine operating supplies to net realizable value, which is generally calculated by reference to its salvage or scrap value when it is determined that the supplies are obsolete. Provisions are reversed to reflect subsequent recoveries in net realizable value where the inventory is still on hand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

3 - SIGNIFICANT ACCOUNTING POLICIES - (continued)

Mining properties

Expenditures incurred on activities that precede exploration for and evaluation of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed immediately.

Exploration expenditures include rights to mining properties, paid or acquired through an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

Mining rights are recorded at acquisition cost or at fair value in the case of an impairment loss caused by a loss in value. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into production. These costs are written off when properties are abandoned or when cost recovery or access to resources is uncertain. Proceeds from the sale of mining properties are applied against the related carrying amount, and any excess or shortfall is recorded as a gain or loss in the consolidated statement of income. In the case of partial sale, if the carrying amount exceeds the proceeds, only the losses are recorded.

Exploration expenditures also typically include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. Generally, expenditures relating to exploration activities are capitalized when it is more likely than not that future economic benefits will be realized. The assessment of probability is based on factors such as the level of exploration and the degree of management's confidence in the ore body.

Exploration and evaluation expenditures reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. Exploration and evaluation expenditures include the costs of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether the development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

Exploration and evaluation expenditures are capitalized if management determines that there is sufficient evidence to support the probability of generating positive economic returns in the future. When a mine project moves into the development phase, exploration and evaluation expenditures are capitalized to mine development costs. If an exploration and evaluation activity does not prove viable, all irrecoverable costs with the project are written off. Exploration and evaluation expenditures include overhead expenses directly attributable to the related activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

3 - SIGNIFICANT ACCOUNTING POLICIES - (continued)

Mining properties - (continued)

Impairment loss

The recoverability of amounts shown as mining properties is dependent upon the discovery of recoverable reserves on the economic plan, the ability of the Company to obtain necessary financing to complete the development and future profitable production or proceeds from the disposition. The amount appearing as mining interests does not necessarily represent the current or future value of the mining interests.

Mining properties are reviewed for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment test is performed when impairment indicators arise, which is typically when one of these conditions occurs:

- The right to explore in the specific area expires or will expire in the near future and is not expected to be renewed;
- No exploration expense and subsequent evaluation in the specific area is planned or in the budget;
- No resource discovery is commercially viable and the Company has decided to cease exploration in the specific area; or
- Sufficient work has been done to indicate that the carrying amount of the expense recognized in the asset will not be fully recovered.

An impairment loss is recognized for the amount by which the carrying amount of a mining property exceeds its recoverable amount. For the purpose of measuring the recoverable amount, mining properties are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units" or "CGUs"). The recoverable amount of a mining property is the higher of its fair value less costs of disposal and its value in use. The value in use is determined based on the present value of the expected future cash flows of the relevant asset or CGU. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.

The Company evaluates impairment losses at each reporting date for potential reversals when events or circumstances warrant such consideration.

Property, plant and equipment

Property, plant and equipment are initially and subsequently recorded at cost less accumulated depreciation and impairment. Cost includes expenditures that are directly attributable to the acquisition of an asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced.

Repairs and maintenance costs are charged to the consolidated statement of income during the period in which they are incurred.

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. In case of change in these estimates, they are accounted for prospectively.

Expenditures on major maintenance rebuilds or overhauls are capitalized when it is probable that the expenditure will extend the productive capacity or useful life of an asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

3 - SIGNIFICANT ACCOUNTING POLICIES - (continued)

Property, plant and equipment - (continued)

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated statement of income.

Property acquisition costs, exploration costs and mining development costs

Costs incurred relative to proven and probable developed and undeveloped reserves, and probable non-reserve resources, if there is sufficient objective evidence to support a conclusion that it is probable that the non-reserve resources will be produced (the “probable non-reserve resources”), are included in the depreciable amount. Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount of the asset is its cost, or any other amount substituted for cost, less its residual value.

Depreciation begins when a property is put into commercial operation and is calculated using the units of production method over the expected operating life of the mine based on estimated recoverable ounces of gold. Estimated recoverable ounces of gold include proved and probable reserves and some indicated resources.

Exploration costs incurred on a property in production are capitalized to property, plant and equipment and amortized based on estimated recoverable ounces of gold in the resource area concerned.

Equipment related to mining operations

Equipment related to mining operations is recorded at cost and depreciated, less residual value, using the units of production method over the expected operating life of the mine based on estimated recoverable ounces of gold. However, if the estimated useful life of the assets is less than that of the mine, depreciation is based on their estimated useful life, or using the straight-line method over the expected operating life of the mine.

Buildings and office development

Buildings and office development are recorded at cost and depreciated, less residual value, using the straight-line method over the expected operating life of the mine or using the declining balance method at rates of 20%. However, if the expected useful life of the assets is less than that of the mine, depreciation is based on their expected useful life.

Assets under construction

Assets under construction include property, plant and equipment under construction, including those intended for their own use. The cost includes the purchase price, as well as any cost directly attributable to bringing the asset into working condition for its intended use. Assets under construction are classified in the appropriate tangible asset category when the costs are incurred. Assets under construction are recognized at cost, less any recognized impairment loss, and are not depreciated. Their depreciation begins only when they are ready for their intended use.

Tools, equipment and vehicles

Tools, equipment and vehicles include communications equipment and computer equipment and are recorded at cost. Depreciation is calculated using the declining balance method at rates of 20% or 30%, and is recognized in the consolidated statement of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

3 - SIGNIFICANT ACCOUNTING POLICIES - (continued)

Property, plant and equipment - (continued)

Exploration equipment

Depreciation of exploration equipment is capitalized to mining properties according to the capitalization policy of mining properties. Depreciation of property, plant and equipment, if related to mine development expenditures, is capitalized in mine development costs. These amounts will be recognized in the consolidated statement of income through depreciation of property, plant and equipment when they are put into production (or when mining properties are put into production). For those which are not related to exploration and development activities, depreciation expense is recognized directly in the consolidated statement of income. Depreciation is calculated on a declining balance basis at an annual rate of 20% or 30%.

Stripping costs

In open pit mining operations, it is necessary to remove overburden and other sterile materials to access ore from which minerals can be extracted economically. The process of mining overburden and other sterile materials is referred to as stripping. Stripping costs incurred in order to provide initial access to the ore body are capitalized under mining development costs and are amortized when the ore to which the costs are attached is extracted from the pit and the mine is considered operational. When these costs are directly attributable to the development of a tangible asset category, they are recorded into it.

It may be also required to remove waste materials and to incur stripping costs during the production phase of the mine. The Company recognizes a stripping activity asset if all of the below conditions are met:

- (i) It is probable that the future economic benefit (improved access to the component of the ore body) associated with the stripping activity will flow to the Company;
- (ii) The Company can identify the component of the ore body for which access has been improved; and
- (iii) The costs relating to the stripping activity associated with that component can be measured reliably.

The Company measures the stripping activity at cost based on an accumulation of costs incurred to perform the stripping activity that improves access to the identified component of ore.

After initial recognition, the stripping activity asset is carried at cost less depreciation and impairment losses in the same way as the existing asset of which it is a part.

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as financial expenses in the consolidated statement of income in the period in which they are incurred.

Intangible assets

Intangible assets are initially and subsequently recorded at cost and amortized on a declining balance basis at an annual rate of 30%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

3 - SIGNIFICANT ACCOUNTING POLICIES - (continued)

Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units – "CGUs"). The recoverable amount is the higher of its fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGUs). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Provision for asset retirement obligations

The Company records the present value of estimated costs of legal and constructive obligations required to restore locations in the period in which the obligation is incurred with a corresponding increase in the carrying amount of the related mining asset. For locations where mining activities have ceased, changes to provisions are charged directly to the consolidated statement of income under financial expenses. The obligation is generally considered to have been incurred when mining assets are constructed or the ground environment is disturbed at the production location.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The increase in the provisions due to passage of time is recognized as financial expense. Changes in assumptions or estimates are reflected in the period in which they occur.

The discounted liability is adjusted at the end of each period to reflect the passage of time, based on a risk-free real discount rate that reflects current market assessments, and changes in the estimated future cash flows underlying the obligation.

Non-controlling interest

Non-controlling interest consists of the interests in the equity of subsidiaries held by outside parties. The share of the net assets attributable to the non-controlling interest is presented within equity. Their share of profit or loss and other comprehensive income (loss) is recognized directly in equity even if the non-controlling interest has a deficit balance.

Income tax and deferred taxes

The tax expense comprises current and deferred tax. Tax is recognized in the consolidated statement of income, except if it concerns items recognized directly in equity. In this case, the related tax is also recognized directly in equity.

The Company provides for deferred income taxes using the liability method. Under this method, deferred income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities, using enacted or substantively enacted income tax rates that are expected to be in effect for the years in which the assets are expected to be recovered or the liabilities to be settled.

A deferred tax asset is only recognized in the event that it is probable that future taxable profits, against which the asset can be utilized, will be available.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

3 - SIGNIFICANT ACCOUNTING POLICIES - (continued)

Income tax and deferred taxes - (continued)

Deferred tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Stock option plan

The Company grants stock options to directors, members of management, employees and service providers. The Board of Directors offers such options for periods of up to ten years, with no vesting period, except for stock options granted to the financial advisor for whom the options are exercisable for a period of twelve months at 25% per quarter, at prices determined by the Board of Directors.

The fair value of options is measured at the grant date using the Black-Scholes model and is recognized over the period during which employees acquire options. The fair value is recognized as an expense with offset to "Reserve - stock options". The amount recognized as an expense is adjusted to reflect the number of options that are expected to be acquired.

Revenue

Revenue includes the sale of gold and by-products (silver). The Company sells gold through a refiner. Sales are recognized when control of the gold has been transferred to the ultimate buyer, being when the gold is sold through the open market. Thus, the performance obligations are satisfied at a point in time, when gold is sold on the open market. Revenue from the sale of gold is recognized based on the London Bullion Market price in Euro at the time of the sale.

Earnings per share

Basic earnings per share for the period are calculated based on the weighted average number of common shares outstanding during the year.

Diluted earnings per share for the period are calculated using the weighted average number of common shares outstanding during the year, plus the effects of dilutive potential common shares outstanding during the year. The treasury stock method is used to determine the dilutive effect of stock options and the if-converted method is used for convertible debentures. Under these methods, the calculation of diluted earnings per share is made, as if all dilutive potential shares had been issued at the later of the beginning of the year or the date of issuance, as the case may be, and as if the funds obtained thereby had been used to purchase common shares of the Company at the average quoted market value of the common shares during the year.

4 - CHANGES IN ACCOUNTING METHODS

Adoption of IFRS 9, Financial Instruments

As at January 1st, 2018, the Company has adopted all of the requirements of IFRS 9. It was applied in accordance with the transitional provisions of IFRS 9, which require an entity to apply IFRS 9 in accordance with International Accounting Standard (IAS) 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The transitional provisions of IFRS 9 for classification and measurement of financial assets and financial liabilities oblige an entity to apply IFRS 9 requirements retrospectively.

The adoption of the new standard had no material impact on the Company's consolidated financial statements except for the presentation and disclosure required under the new standard.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

4 - CHANGES IN ACCOUNTING METHODS - (continued)

Adoption of IFRS 9, Financial Instruments - (continued)

On initial recognition, the Company determines the financial instruments classification as per the following categories:

- instruments measured at amortized cost;
- instruments measured at FVTOCI; and
- instruments measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL or if the Company is able and elects to measure them at FVTPL.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous accounting policy with IAS 39, Financial Instruments: Recognition and Measurement:

	Classification - IAS 39	Classification - IFRS 9
Financial assets		
Cash	Loans and receivables (amortized cost)	Amortized cost
Accounts receivable	Loans and receivables (amortized cost)	Amortized cost
Deposits paid	Loans and receivables (amortized cost)	Amortized cost
Financial liabilities		
Accounts payable	Amortized cost	Amortized cost
Line of credit	Amortized cost	Amortized cost
Debt components of convertible debentures	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost
Non-convertible debentures	Amortized cost	Amortized cost
Conversion rights of the convertible debentures	FVTPL	FVTPL

Adoption of IFRS 15, Revenue for Contracts with Customers

IFRS 15 specifies how and when to recognize revenues as well as requiring more informative and relevant disclosure. IFRS 15 superseded IAS 18, Revenue and other revenue recognition related interpretations.

IFRS 15 introduces a single five-step global model for the revenue recognition on contracts with customers. Such model requires the Company to: 1) identify the contract with a customer; 2) identify the performance obligations related to that contract; 3) determine the transaction price of the contract; 4) allocate such transaction price between the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

4 - CHANGES IN ACCOUNTING METHODS - (continued)

Adoption of IFRS 15, Revenue for Contracts with Customers - (continued)

The Company elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening retained earnings on the date of initial application without restatement of comparative figures. IFRS 15 provides for certain optional simplification measures, including at the time of the initial adoption of the standard.

The adoption of this standard did not result in any change in revenue recognition in relation to the corresponding periods, and therefore no comparative information has been restated.

5 - FUTURE ACCOUNTING CHANGES

The Company has not yet adopted certain standards and amendments which have been issued but which have effective dates subsequent to December 31, 2018.

IFRS 16, Leases

In January 2016, the IASB released IFRS 16, Leases, which supersedes IAS 17, Leases. Leasing is an important and flexible source of financing for many companies. However, under current standard IAS 17, it is difficult to obtain a clear picture of the assets and liabilities related to the leasing agreements of an entity. IFRS 16 introduces a single, comprehensive recognition model for the lessee under which all lease-related assets and liabilities are recognized in the statement of financial position. For the lessor, substantially all the current accounting requirements remain unchanged. This standard is effective for fiscal years beginning on or after January 1st, 2019, with earlier adoption permitted. The standard permits two possible transition methods for its application: (i) retrospectively to each prior reporting period presented or (ii) retrospectively with the cumulative effect of initially applying the standard recognized on the date of the initial application ("modified retrospective method"). The Company plans to adopt IFRS 16 using the modified retrospective method. Under this method, the Company will recognise a right-of-use asset at a value equal to the lease liability. At this stage of the implementation of IFRS 16, the Company has quantified the impact and estimates that the increase of assets and liabilities will represent \$320,560.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

6 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates. Management believes that there are no critical judgements that may result in material adjustment to the carrying amounts of assets and liabilities.

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The Company also makes estimates and assumptions concerning the future.

Impairment of property, plant and equipment

The Company's recoverability of the recorded value of its property, plant and equipment (including mining properties and associated deferred expenditures) is based on market conditions for metals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale.

Any change in the quality and quantity of recoverable ore reserves and mineral resources recoverable, expected selling prices and operating costs could materially affect the estimated fair value of mining assets, which could result in material write-downs or write-offs in the future.

Ore reserves and mineral resource estimates

Ore reserves and mineral resources are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret of the data.

As the economic assumptions used may change and as additional geological information is produced during the operation of a mine, estimates of reserves and the resources may change. Such changes may impact the Company's reported financial position and results which include:

- (i) The carrying value of property, plant and equipment may be affected due to changes in estimated future cash flows;
- (ii) Amortization charges in the consolidated statement of income may change where such charges are determined using the units of production method, or where the useful life of the related assets change; and
- (iii) Provisions for environmental restoration obligations may change - where changes to the reserve estimates affect expectations about when such activities and resources will occur and the associated cost of these activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

6 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS - (continued)*Estimated useful life of property, plant and equipment*

A significant portion of property, plant and equipment is depreciated according to the method of production units. The calculation of the units-of-production rate of amortization could be impacted to the extent that actual gold production in the future is different from current forecast production based on proved and probable ore reserve and indicated resources. This would generally arise when there are significant changes in any of the factors or assumptions used in estimating ore reserve and mineral resources.

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of mining assets for any period as well as their net recoverable value amounts are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of changes in the ore reserves and mineral resources, of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property, plant and equipment in the future, therefore affecting the amortization and net realizable value of these assets.

Provision for environmental restoration obligations

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes management's best estimate for decommissioning and restoration obligations in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision. Such changes could similarly impact the useful lives of assets depreciated on a straight-line basis, where those lives are limited to the life of mine.

Fair value of stock options

The Company makes certain estimates and assumptions when calculating the fair value of stock options granted. The significant assumptions used include estimates of expected volatility, expected life and expected risk-free rate of return. Any change in these estimates or inputs used to determine fair value could result in a significant impact on the Company's future operating results, liabilities or other equity components. Fair value assumptions used are described in note 20 - Share capital.

Renewal of research and exploration permits

The Company makes estimates relating to the renewal by the Malian government of research and exploration permits. The non-renewal of these permits could have an important impact on the value of the mining properties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

7 - SEGMENTED INFORMATION

The Company conducts its operating and exploration activities in Mali. The operational sectors presented reflect the Company's management structure and how the Company's principal operational decision-maker assesses business performance. The Company evaluates the performance of its operating sectors primarily based on operating income, as shown in the following tables.

	Year ended December 31, 2018			
	Operations (Nampala, Mali)	Explorations (Mali)	Corporate Management	Total \$
REVENUE - GOLD SALES	78,381,824	---	---	78,381,824
Mining operation expenses - note 8	27,744,418	---	---	27,744,418
Mining royalties - note 8	2,582,376	---	---	2,582,376
Administrative expenses - note 9	5,926,744	9,536	6,739,464	12,675,744
Depreciation of property, plant and equipment and amortization of intangible assets	16,682,944	---	5,900	16,688,844
Stock-based compensation expense - note 20	---	---	51,936	51,936
OPERATING INCOME (LOSS)	25,445,342	(9,536)	(6,797,300)	18,638,506

	Year ended December 31, 2017			
	Operations (Nampala, Mali)	Explorations (Mali)	Corporate Management	Total \$
REVENUE - GOLD SALES	57,152,440	---	---	57,152,440
Mining operation expenses - note 8	20,474,162	---	---	20,474,162
Mining royalties - note 8	1,619,111	---	---	1,619,111
Administrative expenses - note 9	4,749,061	9,965	3,955,531	8,714,557
Depreciation of property, plant and equipment and amortization of intangible assets	7,706,737	---	11,316	7,718,053
Stock-based compensation expense - note 20	---	---	807,398	807,398
OPERATING INCOME (LOSS)	22,603,369	(9,965)	(4,774,245)	17,819,159

The Company's proceeds come from one client. The Company does not economically depend on a limited number of buyers for the sale of gold, as gold can be sold through many commodity traders around the world.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

7 - SEGMENTED INFORMATION - (continued)

The Company's assets by segment are as follows:

	As at December 31, 2018			\$ Total
	Operations (Nampala, Mali)	Explorations (Mali)	Corporate management	
Cash	1,062,781	35,398	6,324,279	7,422,458
Inventories	8,148,634	---	---	8,148,634
Deposits paid	1,435,302	12,560	14,031	1,461,893
Mining properties	---	6,692,821	---	6,692,821
Property, plant and equipment	80,331,929	3,475,767	24,828	83,832,524
Intangible assets	23,811	55,751	---	79,562
Other assets	1,244,940	27,053	783,027	2,055,020
	92,247,397	10,299,350	7,146,165	109,692,912

	As at December 31, 2017			\$ Total
	Operations (Nampala, Mali)	Explorations (Mali)	Corporate management	
Cash	1,051,395	27,952	1,058,408	2,137,755
Inventories	6,686,299	---	---	6,686,299
Deposits paid	865,417	---	109,916	975,333
Mining properties	---	5,251,860	---	5,251,860
Property, plant and equipment	81,977,009	1,098,386	29,742	83,105,137
Intangible assets	30,740	68,229	---	98,969
Other assets	923,453	30,985	398,983	1,353,421
	91,534,313	6,477,412	1,597,049	99,608,774

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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8 - MINING OPERATION EXPENSES

	2018 \$	2017 \$
Operating and maintenance supplies and service	16,737,782	12,083,470
Fuel	8,181,804	5,968,481
Reagents	5,012,219	4,322,111
Employee benefit expenses	3,504,576	3,315,303
Inventory change	566,725	(1,047,644)
Less: Production expenses capitalized as stripping cost	(7,030,094)	(4,752,558)
Delivery costs	771,406	584,999
Total production costs	27,744,418	20,474,162
Mining royalties	2,582,376	1,619,111
	30,326,794	22,093,273

9 - ADMINISTRATIVE EXPENSES

	2018 \$	2017 \$
Operations and explorations	5,936,280	4,759,026
Corporation management	6,739,464	3,955,531
	12,675,744	8,714,557

10 - FINANCIAL EXPENSES

	2018 \$	2017 \$
Real interest on debt components at amortized cost of convertible debentures - note 19	2,070,788	2,152,723
Effective interest on debt components at amortized cost of convertible debentures - note 19	1,754,151	2,293,458
Interest on non-convertible debentures - note 19	111,616	---
Interest on long-term debt	1,105,068	1,683,435
Effective interest on long-term debt	43,869	---
Interest on lines of credit	39,245	371,194
Bank charges	185,558	171,436
Change in environmental liabilities	204,696	(99,455)
	5,514,991	6,572,791

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

11 - INVENTORIES

	2018	2017
	\$	\$
Work in progress (<i>doré</i> bars)	2,767,272	3,240,011
Parts and supplies	5,139,607	3,237,158
Ore stockpiles	233,244	203,642
Silver (metals)	8,511	5,488
	8,148,634	6,686,299

12 - ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
Taxes receivable	1,159,982	859,036
Other receivables	738,877	386,892
	1,898,859	1,245,928

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

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13 - MINING PROPERTIES

	Kolomba (A)	Mininko (B)	Sanoula (C)	Kamasso (D)	N'Golopène (E)	Total
Undivided interest	100%	100%	100%	100%	Expired	
Mining rights and titles						\$
Balance as at December 31, 2016	72,139	101,320	197,062	10,929	2,648	384,098
Acquisition costs	---	11,291	---	11,291	---	22,582
Write-offs ⁽¹⁾	---	---	---	---	(2,508)	(2,508)
Exchange rate changes	4,498	6,506	12,286	872	(140)	24,022
Balance as at December 31, 2017	76,637	119,117	209,348	23,092	---	428,194
Exchange rate changes	2,856	4,440	7,803	860	---	15,959
Balance as at December 31, 2018	79,493	123,557	217,151	23,952	---	444,153
Exploration costs						
Balance as at December 31, 2016	1,023,431	1,976,211	1,055,992	38,205	866,542	4,960,381
Expenses incurred	66,775	156,389	66,775	111,582	---	401,521
Write-offs ⁽¹⁾	---	---	---	---	(871,355)	(871,355)
Amortization	10,725	22,996	10,725	16,859	---	61,305
Exchange rate changes	66,257	126,965	68,289	5,490	4,813	271,814
Balance as at December 31, 2017	1,167,188	2,282,561	1,201,781	172,136	---	4,823,666
Expenses incurred	41,383	938,123	46,167	140,661	---	1,166,334
Amortization	3,375	26,656	3,375	10,191	---	43,597
Exchange rate changes	44,155	115,823	45,518	9,575	---	215,071
Balance as at December 31, 2018	1,256,101	3,363,163	1,296,841	332,563	---	6,248,668
Total as at December 31, 2017	1,243,825	2,401,678	1,411,129	195,228	---	5,251,860
Total as at December 31, 2018	1,335,594	3,486,720	1,513,992	356,515	---	6,692,821

⁽¹⁾ The N'Golopène research and exploration permit expired on May 18, 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

13 - MINING PROPERTIES - (continued)

(A) The Company holds the permit through its wholly owned subsidiary, Robex Resources Mali SARL. This permit was granted on January 17, 2013. The permit is valid for three years, renewable twice for two years. The permit expires on January 16, 2020. As at December 31, 2018, the second order of renewal is being obtained from the Malian government.

The Company is subject to certain minimal requirements in terms of exploration work to be carried out over the period of validity of the permit.

(B) Since April 30, 2007, the Company has held 100% of the mining titles of these properties, and the seller has benefited from a 2% NSR (Net Smelter Return) royalty on which the Company has a right of first refusal. During the year ended December 31, 2012, the Company completed the acquisition of half of the royalties for a cash consideration of \$250,000. Now, the seller will receive a 1% NSR on which the Company still has a right of first refusal.

On November 8, 2011, the Company released a feasibility study confirming a possible profitable exploitation on the Mininko site.

On March 1st, 2012, a wholly owned subsidiary, Robex Resources Mali SARL, was granted a research and exploration permit. The permit is valid for three years, renewable twice for two years. The Mininko research and exploration permit expired on February 28, 2019. The Company filed an application for this permit on February 28, 2019.

On March 21, 2012, the subsidiary Nampala SA, 90% owned by the Company, received its gold mining and mineral substances permit regarding a portion of the Mininko property. This mining permit is valid for thirty years.

In addition, when it assigned the mining permit, the Malian government was awarded 10% of Nampala SA's shares for free. The Malian government could decide to acquire an additional 10% for a fee, which has not been done at the date of these consolidated financial statements.

The Company is subject to certain minimal requirements in terms of exploration work to be carried out over the period of validity of the permit.

(C) Since May 30, 2008, the Company has held 100% of its mining titles through its wholly owned subsidiary, Robex Resources Mali SARL. The seller will receive NSR royalties of 2% on which the Company will have a right of first refusal.

This research and exploration permit was granted on February 2nd, 2012. The permit is valid for three years, renewable twice for two years. The Sanoula research and exploration permit expired on February 1st, 2019. The Company filed an application for this permit on January 31, 2019.

(D) The Company holds the permit through its wholly owned subsidiary, Robex Resources Mali SARL. This research and exploration permit was granted on September 19, 2017. The permit is valid for three years, renewable twice for two years. The permit expires on September 18, 2020.

The Company is subject to certain minimal requirements in terms of exploration work to be carried out over the period of validity of the permit.

(E) The N'Golopène research and exploration permit expired on May 18, 2017. Since the Company had not filed an application to renew this permit, an amount of \$873,863 was accounted for as a write-off of mining property during the year ended December 31, 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

14 - PROPERTY, PLANT AND EQUIPMENT

	Mining development costs	Buildings and office development	Equipment related to mining explorations	Tools, equipment and vehicles	Exploration equipment	Total
Cost						\$
Balance as at December 31, 2016	9,270,519	3,716,521	61,085,924	2,000,644	1,634,787	77,708,395
Acquisition costs	1,282,331	1,815,871	9,155,195	172,499	---	12,425,896
Write-offs ⁽¹⁾	---	---	---	---	(948,173)	(948,173)
Exchange rate changes	581,025	251,190	3,995,968	119,608	42,793	4,990,584
Balance as at December 31, 2017	11,133,875	5,783,582	74,237,087	2,292,751	729,407	94,176,702
Acquisition costs	4,493,686	1,655,872	8,963,822	301,697	5,782	15,420,859
Disposals	---	(406,953)	(484,728)	(502,104)	---	(1,393,785)
Exchange rate changes	417,500	230,836	2,816,213	90,052	27,411	3,582,012
Balance as at December 31, 2018	16,045,061	7,263,337	85,532,394	2,182,396	762,600	111,785,788

Accumulated depreciation

Balance as at December 31, 2016	---	1,370,760	100,123	972,052	1,476,116	3,919,051
Depreciation for the year	881,379	330,727	6,248,947	247,880	40,279	7,749,212
Write-offs ⁽¹⁾	---	---	---	---	(948,173)	(948,173)
Exchange rate changes	18,633	92,438	139,953	66,413	34,038	351,475
Balance as at December 31, 2017	900,012	1,793,925	6,489,023	1,286,345	602,260	11,071,565
Depreciation for the year	1,849,700	719,258	13,856,262	253,975	30,537	16,709,732
Disposals	---	(80,568)	(27,525)	(264,998)	---	(373,091)
Exchange rate changes	51,421	69,382	350,573	50,609	23,073	545,058
Balance as at December 31, 2018	2,801,133	2,501,997	20,668,333	1,325,931	655,870	27,953,264

Net amount:

As at December 31, 2017	10,233,863	3,989,657	67,748,064	1,006,406	127,147	83,105,137
As at December 31, 2018	13,243,928	4,761,340	64,864,061	856,465	106,730	83,832,524
Not depreciated as at December 31, 2018 ⁽²⁾	2,677,501	155,275	4,563,404	---	---	7,396,180

⁽¹⁾ For the year ended December 31, 2018, no amount for exploration equipment was written off property, plant and equipment (\$948,173 for the year ended December 31, 2017). This equipment had already been fully depreciated at the time of the write-off.

⁽²⁾ Property, plant and equipment with a book value of \$7,396,180 are not depreciated because they are either under development or construction, or not installed as at December 31, 2018 (\$5,922,658 in December 31, 2017).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

15 - INTANGIBLE ASSETS**Software****COST****Balance at the beginning of the year**

Assets acquired

Impact of exchange rate changes

Balance at the end of the year**ACCUMULATED DEPRECIATION****Balance at the beginning of the year**

Depreciation for the year

Impact of exchange rate changes

Balance at the end of the year**NET AMOUNT**

	2018	2017
	\$	\$
Balance at the beginning of the year	356,645	327,086
Assets acquired	1,731	9,550
Impact of exchange rate changes	13,266	20,009
Balance at the end of the year	371,642	356,645
Balance at the beginning of the year	257,676	213,414
Depreciation for the year	24,365	30,144
Impact of exchange rate changes	10,039	14,118
Balance at the end of the year	292,080	257,676
NET AMOUNT	79,562	98,969

16 - ACCOUNTS PAYABLE

Suppliers

Accrued interest

Due to the state

Payables to related parties

Other payables

	2018	2017
	\$	\$
Suppliers	8,494,439	10,742,446
Accrued interest	290,373	4,922,042
Due to the state	2,119,864	2,148,069
Payables to related parties	979,634	935,465
Other payables	751,221	370,412
	12,635,531	19,118,434

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

17 - LONG-TERM DEBT AND LINE OF CREDIT

	2018 \$	2017 \$
Bank loan in the amount of \$4,515,998 (2,000,000,000 CFA francs), annual interest of 7%, secured by a second mortgage on land on the operating permit for gold and minerals in the region of Nampala. This loan is repayable in monthly instalments of \$122,061 (51,282,051 CFA francs) plus interest, until February 2020 inclusively.	1,708,852	3,059,550
Bank loan in the amount of \$7,239,033 (3,000,000,000 CFA francs), annual interest of 7.75%, secured by a first mortgage on land on the operating permit for gold and minerals in the region of Nampala. This loan is repayable in monthly instalments of \$175,218 (73,615,402 CFA francs) including capital and interest, until April 2020 inclusively.	2,655,380	4,314,132
Bank loan in the amount of \$4,403,996 (2,000,000,000 CFA francs), annual interest of 7.75%, secured by a first mortgage on land on the operating permit for gold and minerals in the region of Nampala. This loan is repayable in monthly instalments of \$116,458 (48,928,202 CFA francs) including capital and interest, until October 2020 inclusively.	2,381,242	3,417,403
Bank loan in the amount of \$4,603,143 (1,997,000,000 CFA francs), annual interest of 7.75%, secured by a pledge of \$5,762,573 (2,500,000,000 CFA francs) on equipment and material located at the Nampala mine. This loan is repayable in monthly instalments of \$157,967 (66,367,288 CFA francs) including capital and interest, until November 2020 inclusively.	3,185,672	4,582,440
Bank loan in the amount of \$11,549,531 (5,000,000,000 CFA francs), annual interest of 7%, secured by a first mortgage on land on the operating permit for gold and minerals in the region of Nampala. This loan is repayable in monthly instalments of \$285,109 (119,784,353 CFA francs) including capital and interest, until August 2022 inclusively. ⁽¹⁾	11,036,015	---
Bank loan in the amount of \$3,451,370 (1,500,000,000 CFA francs), annual interest of 7%, secured by a third mortgage on land on the operating permit for gold and minerals in the region of Nampala. This loan is repayable in quarterly instalments of \$297,523 (125,000,000 CFA francs) plus interest, until October 2021 inclusively. ⁽¹⁾	3,570,281	---
Loans entirely repaid during the year	---	1,845,924
	24,537,442	17,219,449
Less: Capitalized financing fees in the amount of \$291,011 (122,263,500 CFA francs)	(247,141)	---
	24,290,301	17,219,449
Less: Current portion of long-term debt	(10,205,387)	(7,615,128)
	14,084,914	9,604,321

⁽¹⁾ Under these obligations, the Company is committed to complying with certain conditions and financial ratios. As at December 31, 2018, the Company complied with all required financial ratios.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

17 - LONG-TERM DEBT AND LINE OF CREDIT - (continued)

The principal payments required over the next four years amount to \$24,537,442.

2019	\$10,205,387
2020	\$7,774,584
2021	\$4,335,325
2022	\$2,222,146

Line of credit

Authorized line of credit from a Malian bank, for a maximum amount of \$701,067 (300,000,000 CFA francs), annual interest of 8%, due on May 31, 2019.

2018	2017
\$	\$
130,587	658,651

18 - ENVIRONMENTAL LIABILITIES

Provision related to the subsequent dismantling of the facilities being built on the Nampala site

2018	2017
\$	\$
468,854	254,380

The Company's activities are subject to various laws and regulations regarding environmental restoration and closure provisions, for which the Company estimates future costs. These provisions may be revised on the basis of amendments to such laws and regulations and the availability of new information, such as changes in reserves corresponding to a change in the mine life and discount rates, changes in estimated costs of reclamation activities and acquisition or construction of a new mine. The Company makes a provision based on a best estimate of the future cost of rehabilitating mine sites and related production facilities on a discounted basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

19 - CONVERTIBLE AND NON-CONVERTIBLE DEBENTURES

Debentures issued on November 21, 2013

The Company issued, on November 21, 2013, convertible debentures in the amount of \$11,940,000, unsecured, whose initial maturity date was November 21, 2016. This amount of \$11,940,000 was convertible into 79,600,000 common shares of the Company until November 21, 2016 at a price of \$0.15 per share. The debentures bore interest at 10% annually and could be paid in cash on each anniversary date. Interest was not convertible into shares of the Company, but could be settled in shares of the Company based on the share price at that time, and subject to pre-approval of the exchange. In certain situations, the Company had the chance to make a premature redemption offer to the holders equal to 105% of the principal amount and accrued and unpaid interest.

On November 21, 2015, the Company changed the terms of some of these debentures. The amendments consisted in extending the maturity date of some debentures from November 21, 2016 to November 21, 2018, entitling the Company to defer interest payments until the amended maturity date, subject to 10% annual interest, and entitling the Company to repay the said debentures at any time before November 21, 2018. The principal outstanding on the debentures amended as of the date of the extension was \$11,790,000. The terms of the other debentures remained unchanged, and these debentures matured on November 21, 2016. All of these debentures were repaid on that date as set out in the original contract.

As at December 31, 2018, all of the amended debentures and accrued interest were repaid as provided for in the amended contract, amounting to \$150,000 for cash and \$11,640,000 in consideration of the issuance of new non-convertible unsecured debentures, issued on November 26, 2018.

The convertible debentures were divided into two components, the debt portion and the conversion right. Concerning the debentures whose maturity date was November 21, 2016, the conversion right component was measured at fair value at the date of issuance of the debentures, on November 21, 2013, and the debt component was measured at residual value. Concerning the debentures whose maturity date was amended on November 21, 2015, the conversion right component was revalued at fair value at the date of the modification of the debentures (i.e. November 21, 2015), and the debt component was measured at residual value. For the year ended December 31, 2018, an amount of \$1,397,273 was recorded as real interest (\$1,442,223 for the year ended December 31, 2017) and an amount of effective interest of \$1,015,115 has been recorded on the debt portion of these debentures (\$1,035,346 for the year ended December 31, 2017).

Fair value of conversion rights measured has been estimated using the weighted Black-Scholes option-pricing model with the following weighted assumptions:

	2018	2017
Weighted risk-free interest rate	---	1.66%
Weighted expected volatility	---	73.12%
Weighted expected dividend yield	---	0%
Weighted remaining life	---	0.89 year

Debentures issued on July 2nd, 2015

The Company issued, on July 2nd, 2015, convertible debentures in the amount of \$7,105,000, unsecured, maturing on July 1st, 2018. This amount was convertible into 71,050,000 common shares of the Company until July 1st, 2018 at a price of \$0.10 per share. The debentures bore interest at an annual rate of 10% which could be settled in cash on each anniversary date. The interest due on July 2nd, 2018 was settled in cash on the same date. Interest is not convertible into shares of the Company, but may be settled in shares of the Company based on the share price at that time, and subject to pre-approval of the exchange.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

19 - CONVERTIBLE AND NON-CONVERTIBLE DEBENTURES - (continued)**Debentures issued on July 2nd, 2015 - (continued)**

The convertible debentures were divided into two components, the debt component and the conversion right. The conversion right component had been initially measured at fair value at the date of issuance of the debentures, on July 2nd, 2015, and the debt component had been initially measured at residual value. For the year ended December 31, 2018, an amount of \$673,515 has been recorded as real interest (\$710,500 for the year ended December 31, 2017) and an amount of effective interest of \$739,034 has been recorded on the debt component of these debentures (\$1,258,111 for the year ended December 31, 2017).

As at December 31, 2018, all of the debentures and accrued interest were repaid in cash.

Fair value of conversion rights measured has been estimated using the weighted Black-Scholes option-pricing model with the following weighted assumptions:

	2018	2017
Risk-free interest rate	---	1.66%
Expected volatility	---	82.43%
Expected dividend yield	---	0%
Remaining life	---	0.5 year

Debentures issued on November 26, 2018

On November 26, 2018, the Company issued non-convertible and unsecured debentures in the amount of \$11,640,000 maturing on November 26, 2020. The debentures bear compound interest at the rate of 10% annually and are payable on each anniversary date. For the year ended December 31, 2018, an amount of \$111,616 was recognized as accrued interest.

The carrying values of the components of these debentures are:

	2018	2017
	\$	\$
Conversion rights at fair value		
Debentures issued on November 21, 2013	---	703,237
Debentures issued on July 2nd, 2015	---	1,045,194
	---	1,748,431
Debt component at amortized cost		
Debentures issued on November 21, 2013	---	10,774,884
Debentures issued on July 2nd, 2015	---	6,365,965
Debentures issued on November 26, 2018	11,640,000	---
	11,640,000	17,140,849
	11,640,000	18,889,280

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

20 - SHARE CAPITAL**Authorized**

Unlimited number of shares without par value:

Common shares

Preferred shares, non-voting, variable non-cumulative dividend not exceeding 14%, non-participating in the remaining assets, redeemable at the purchase price

Issued and fully paid**579,509,566 common shares**

2018	2017
\$	\$
66,734,172	66,734,172

Stock options plan

Pursuant to the stock option plan, the Company may award options to directors, officers, employees and consultants. The maximum number of common shares of the Company issuable under the plan is 34,770,600. The maximum number of common shares which may be reserved for issuance to any one optionee within a one-year period, other than a consultant or a person employed to provide investor relations activities to the Company, may not exceed 5% of the common shares issued and outstanding at the date of grant. Upon issuance of the options, the Board of Directors determines the expiry date and exercise price of options and establishes the terms and conditions regarding the vesting rules at the date of grant. The option term cannot exceed ten years and the exercise price can be a discounted price. The maximum number of common shares which may be reserved for issuance to a holder who is a consultant or a person employed to provide investor relations activities to the Company in any twelve month period may not exceed 2% of the common shares issued and outstanding at the date of grant. Finally, options granted to a person retained to provide investor relations activities to the Company will vest over a period of twelve months, at a rate of 25% in any three-month period.

The stock options granted by the Company are payable in equity instruments of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

20 - SHARE CAPITAL - (continued)**Stock options plan - (continued)**

The stock options varied as follows:

	2018		2017	
	Weighted average Number	exercise price	Weighted average Number	exercise price
Outstanding at the beginning of the year	13,350,000	\$0.10	1,650,000	\$0.15
Granted	700,000	\$0.12	12,350,000	\$0.09
Cancelled or expired	---	---	(650,000)	\$0.15
Outstanding at the end of the year	14,050,000	\$0.10	13,350,000	\$0.10
Exercisable	14,050,000	\$0.10	13,350,000	\$0.10

For the year ended December 31, 2018, no stock options were exercised (no stock options were exercised for the year ended December 31, 2017).

Reserve - stock options

	2018	2017
	\$	\$
Current stock options	929,080	877,144
Matured or cancelled stock options	2,423,215	2,423,215
	3,352,295	3,300,359

The total fair value of stock options granted for the year ended December 31, 2018 was \$51,936 (\$807,398 for the year ended December 31, 2017). For the year ended December 31, 2018, an amount of \$51,936 is included as stock-based compensation expense (\$807,398 for the year ended December 31, 2017). The total fair value was estimated on the grant dates using the Black-Scholes option-pricing model with the following average assumptions:

	2018	2017
Risk-free interest rate	2.31%	1.44%
Expected volatility	85.82%	86.69%
Expected dividend yield	0%	0%
Expected life	5 years	5 years

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

20 - SHARE CAPITAL - (continued)**Reserve - stock options - (continued)**

The following table summarizes some information on the Company's stock options as at December 31, 2018:

<u>Exercise price</u>	Outstanding options as at December 31, 2018		Exercisable options as at December 31, 2018	
	Weighted average remaining contractual life		Weighted average remaining contractual life	
	<u>Number</u>	<u>Years</u>	<u>Number</u>	<u>Years</u>
\$0.09	12,350,000	3.5	12,350,000	3.5
\$0.115	700,000	4.7	700,000	4.7
\$0.16	1,000,000	0.4	1,000,000	0.4
	14,050,000		14,050,000	

<u>Exercise price</u>	Outstanding options as at December 31, 2017		Exercisable options as at December 31, 2017	
	Weighted average remaining contractual life		Weighted average remaining contractual life	
	<u>Number</u>	<u>Years</u>	<u>Number</u>	<u>Years</u>
\$0.09	12,350,000	4.5	12,350,000	4.5
\$0.16	1,000,000	1.4	1,000,000	1.4
	13,350,000		13,350,000	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

21 - ACCUMULATED OTHER COMPREHENSIVE INCOME

	2018	2017
	\$	\$
Exchange difference		
Balance at the beginning of the year	3,933,689	873,504
Exchange difference changes during the year	2,107,568	3,060,185
Balance at the end of the year	6,041,257	3,933,689
Attributable to		
Common shareholders	6,066,553	3,966,503
Non-controlling interest	(25,296)	(32,814)
	6,041,257	3,933,689

22 - ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS*a) Net changes in non-cash working capital items*

	2018	2017
	\$	\$
Increase in current assets		
Accounts receivable	(628,896)	(1,169,054)
Inventories	(1,189,039)	(1,463,999)
Prepaid expenses	(49,157)	(45,773)
Deposits paid	(785,134)	(314,882)
	(2,652,226)	(2,993,708)
Increase in current liabilities		
Accounts payable	649,898	3,997,071
	(2,002,328)	1,003,363

b) Items not affecting cash related to investing activities

Change in accounts payable related to property, plant and equipment	2,832,564	3,707,069
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

23 - INCOME TAX**Current tax expense**

	2018	2017
	\$	\$
Current income tax		
Income tax expense	(678,273)	(454,472)
Deferred tax expense		
Recognition and reversal of temporary difference	(3,610,886)	---
Total income tax expense	(4,289,159)	(454,472)

The reconciliation of the combined Canadian federal and Quebec provincial income tax rate to the income tax provision is as follows:

	2018	2017
	\$	\$
Income tax expenses payable at the combined statutory tax rate of 26.7% (26.8% in 2017)	(4,159,280)	(3,181,139)
Minimum taxes	(678,273)	(454,901)
Tax rate difference	(438,500)	(200,219)
Non-deductible and non-taxable items	3,327,967	4,020,744
Change in unrecognized deferred tax assets	(2,625,964)	(52,935)
Use of future tax asset non recognized in prior years	910,381	---
Impact of different accounting standard	141,520	---
Items not affecting earnings	(1,271,898)	(462,894)
Adjustement in respect of prior years	226,972	---
Other	277,916	(123,128)
	(4,289,159)	(454,472)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

23 - INCOME TAX - (continued)**Deferred income taxes**

The components of the deferred tax assets and liabilities are as follows:

<u>Recognized deferred tax assets and liabilities</u>	2018	2017
	\$	\$
Deferred tax assets		
Non-capital losses	6,474,811	2,994,668
	6,474,811	2,994,668
Deferred tax liabilities		
Property, plant and equipment	(10,033,089)	(2,952,719)
Convertible debentures	---	(758)
Reserves	(52,608)	(41,191)
	(10,085,697)	(2,994,668)
Deferred tax, net	(3,610,886)	---
 <u>Unrecognized deferred tax assets</u>		
	2018	2017
	\$	\$
Mining properties	4,585,677	4,852,157
Non-capital losses	6,899,922	4,597,302
Financing expense	41,233	14,270
Property, plant and equipment	1,917,483	2,257,456
	13,444,315	11,721,185

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

24 - EARNINGS PER SHARE

	2018	2017
	\$	\$
Net earnings and diluted attributable to common shareholders	10,379,848	10,844,504
Basic weighted average number of shares outstanding	579,509,566	579,509,566
Stock options ⁽¹⁾	823,743	5,702,596
Diluted weighted average number of shares outstanding	580,333,309	585,212,162
Basic net earnings per share	0.018	0.019
Diluted net earnings per share	0.018	0.019

⁽¹⁾ The calculation of the hypothetical conversions excludes options whose effect is anti-dilutive. Some stock options and conversion rights are anti-dilutive either because their price is higher than the average price of the Company's common shares for each of the periods presented or because the impact of the conversion of these elements on net income would result in diluted earnings per share exceeding the basic earnings per share for each of these periods. For the year ended December 31, 2018, 1,700,000 stock options are not included in the calculation of diluted earnings per share (149,650,000 conversion rights and 1,000,000 stock options for the year ended December 31, 2017).

25 - CONTINGENCY

Environmental protection

The Company's activities are subject to governmental laws concerning the protection of the environment. The environmental consequences are difficult to identify, whether it is at the level of the results, of the term or of its impact. To the best knowledge of management, the Company is operating in compliance with the laws and regulations currently in effect. Costs resulting from the restructuring of sites are recorded in the results or included in the cost of the fixed assets concerned in the period in which it will be possible to make a reasonable estimate.

26 - CAPITAL DISCLOSURES

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities. The Company includes equity in the definition of capital. The Company's capital was \$56,916,753 and \$43,468,580 as at December 31, 2018 and December 31, 2017, respectively.

The Company's objective when managing capital is to maintain financial flexibility in order to preserve its ability to meet financial obligations. The Company monitors capital in the light of its monthly burn rate and short-term obligations linked to its financial liabilities.

Other operations that affect equity are presented in the consolidated statement of changes in equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

27 - COMMITMENTS

As at December 31, 2018, the Company has commitments with different non-related party suppliers to purchase equipment and supplies for a total amount of \$4,664,603 (\$1,087,259 as at December 31, 2017). In addition, the Company has commitments with a non-related supplier for services for a total amount of \$33,799 (\$25,099 as at December 31, 2017). Finally, as at December 31, 2018, the Company has committed to renting office space for an amount of \$114,673 (\$199,051 as at December 31, 2017), under contracts expiring in 2019 and in 2022.

The payments required over the next four years are as follows:

	\$
2019	4,775,962
2020	14,845
2021	14,845
2022	7,423

28 - FINANCIAL INSTRUMENTS

Measurement categories

Financial assets and financial liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statement of income or in the consolidated statement of comprehensive income. These categories are: assets and liabilities at FVTPL and financial assets and liabilities at amortized cost. The following table shows the carrying amounts of assets and liabilities for each of these categories:

	2018	2017
	\$	\$
Financial assets at amortized cost		
Cash	7,422,458	2,137,755
Accounts receivable	738,877	386,892
Deposits paid	1,461,893	975,333
	9,623,228	3,499,980
Financial liabilities at amortized cost		
Accounts payable	10,515,667	16,970,365
Line of credit	130,587	658,651
Long-term debt	24,290,301	17,219,449
Debt components of convertible debentures	---	17,140,849
Non-convertible debentures	11,640,000	---
	46,576,555	51,989,314
Financial liabilities at FVTPL		
Conversion rights of convertible debentures	---	1,748,431
	---	1,748,431

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28 - FINANCIAL INSTRUMENTS - (continued)**Financial risk factors**

Due to the nature of its activities, the Company is exposed to financial risks: market risk, credit risk and liquidity risk.

a) Market risk**i) Fair value**

The carrying amounts of financial assets at amortized cost approximate their fair value due to their short-term maturity and the prevailing interest rates of these instruments, which are comparable to those of the market.

The Company considers that the carrying amount of all its financial liabilities at amortized cost in its consolidated financial statements approximates their fair value. Current financial assets and financial liabilities are valued at their carrying amounts, which are reasonable estimates of their fair value due to their near-term maturities. The fair value of long-term debt has not been determined due to the related specific conditions negotiated between the Company and the third parties concerned. The fair value of conversion rights was determined based on the Black-Scholes option pricing model.

The table below provides an analysis of the financial instruments which are measured at fair value following the initial measurement.

- Level 1: Measurement at fair value based on quoted prices (not subject to adjustment) in active markets for identical assets or liabilities;
- Level 2: Measurement at fair value based on data, other than the quoted prices mentioned in Level 1, observable for asset or liability, directly (that is, prices) or indirectly (that is, derived from prices); and
- Level 3: Measurement at fair value based on valuation techniques including a significant part of the data related to asset or liability and which are not based on observable market data (unobservable data).

There were no financial liabilities at fair value as at December 31, 2018.

	December 31, 2017			
	Level 1	Level 2	Level 3	Total fair value of financial liabilities \$
Financial liabilities				
Conversion rights of convertible debentures	---	---	1,748,431	1,748,431
	---	---	1,748,431	1,748,431

During these periods, there was no transfer between levels.

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Years ended December 31, 2018 and 2017

(all amounts are in Canadian dollars unless otherwise indicated)

28 - FINANCIAL INSTRUMENTS (continued)**a) Market risk - (continued)****i) Fair value - (continued)**

The table below presents changes in financial instruments recognized at fair value and measured according to Level 3:

	2018	2017
	\$	\$
Conversion rights		
Balance at the beginning of the year	1,748,431	2,791,669
Changes in fair value recorded in profit or loss	(1,776,623)	(1,183,863)
Impact of exchange rate changes presented in profit or loss	63,838	169,265
Impact of exchange rate changes presented in other comprehensive income	(35,646)	(28,640)
Balance at the end of the year	---	1,748,431

ii) Interest rate risk

The Company's current financial assets and financial liabilities are not significantly exposed to interest rate risk because either they are of a short-term nature or they are non-interest bearing.

Line of credit, non-convertible debentures and long-term debt bear interest at fixed rates and are not exposed to interest rate risk.

iii) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the Canadian and the American dollar.

The Company holds balances in cash, accounts receivable, deposits paid, accounts payable and non-convertible debentures in Canadian dollars and/or in American dollars. Accordingly, the Company is exposed to foreign exchange risk due to exchange rate fluctuations. The Company does not use any derivatives to mitigate its exposure to foreign exchange risk.

The balances in currencies are as follows as at December 31, 2018 and December 31, 2017:

	2018	2018	2017	2017
	CAD	USD	CAD	USD
Cash	232,059	31,786	293,617	19,237
Accounts receivable	38,322	---	---	---
Deposits paid	33,549	201,959	109,916	175,541
Accounts payable	(1,580,040)	(1,784,815)	(5,580,922)	(1,443,948)
Non-convertible debentures	(11,640,000)	---	---	---
	(12,916,110)	(1,551,070)	(5,177,388)	(1,249,170)
Net balance in euros	(€8,272,661)	(€1,355,868)	(€3,439,669)	(€1,041,083)

Assuming that all other variables are constant, a 5% weakening of the Canadian dollar exchange rate and the American dollar exchange rate would have generated an approximately increase of \$802,469 in net income and equity of the Company for the year ended December 31, 2018 (approximately increase of \$365,263 for the year ended December 31, 2017). A 5% strengthening of the Canadian dollar exchange rate and the American dollar exchange rate would have generated an approximately decrease of \$724,732 in net income and equity of the Company for the year ended December 31, 2018 (approximately decrease of \$328,809 for the year ended December 31, 2017).

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28 - FINANCIAL INSTRUMENTS - (continued)**b) Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. The Company offsets these risks by depositing its cash with Canadian and international financial institutions with excellent credit ratings. However, as at December 31, 2018, an amount of \$110,301 was held with banks in Africa, that have no credit rating (\$801,398 as at December 31, 2017). Deposits were principally paid for the purchase of inventories of parts and supplies. The Company has been doing business with these suppliers for many years and believes that the credit risk associated with these advances is low.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The following table shows the contractual maturities of financial liabilities as of December 31, 2018:

	Carrying amount	Less than a year	From 1 to 3 years	More than 3 years
Accounts payable	12,635,531	12,635,531	---	---
Long-term debt ⁽¹⁾	24,290,301	11,720,016	13,238,658	2,280,874
Line of credit	130,587	130,587	---	---
Non-convertible debentures ⁽¹⁾	11,640,000	1,164,000	12,804,000	---
	48,696,419	25,650,134	26,042,658	2,280,874

The following table shows the contractual maturities of financial liabilities as of December 31, 2017:

	Carrying amount	Less than a year	From 1 to 3 years	More than 3 years
Accounts payable	19,118,434	19,118,434	---	---
Conversion rights at fair value of convertible debentures ⁽²⁾	1,748,431	---	---	---
Debt components at amortized cost of convertible debentures ⁽¹⁻²⁾	17,140,849	18,895,000	---	---
Long-term debt ⁽¹⁾	17,219,449	8,873,764	10,495,754	---
Line of credit	658,651	658,651	---	---
	55,885,814	47,545,849	10,495,754	---

⁽¹⁾ Future maturities relating to these liabilities exceed their carrying amount because they include both capital and interest payments.

⁽²⁾ As at December 31, 2018, all of the convertible debentures were repaid. There were no conversions in connection with these debentures.

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(all amounts are in Canadian dollars unless otherwise indicated)

29 - RELATED PARTY TRANSACTIONS

Results for the year ended December 31, 2018 include expenses of \$7,118,547 that were incurred with the directors and officers of companies controlled by them (\$5,495,523 for the year ended December 31, 2017), including a total interest amount of \$1,926,765 on debentures (\$1,904,953 for the year ended December 31, 2017). These transactions occurred in the normal course of operations and are measured at the exchange amount which is the amount of consideration established by the related parties.

The table below summarizes, for the respective years, the total compensation paid to directors and key management personnel having authority and responsibility for planning, directing and controlling the activities of the Company:

	2018	2017
	\$	\$
Salaries and wages ⁽¹⁾	4,844,554	2,672,715
Stock-based compensation	---	653,763
Attendance fees	124,500	28,000
	4,969,054	3,354,478

⁽¹⁾ These expenses are included in administrative expenses under corporation management; see note 9.

The table below summarizes, for the respective years, the transactions between the Company and the directors and key management personnel having authority and responsibility for planning, directing and controlling the activities of the Company:

	2018	2017
	\$	\$
Repayment of short-term borrowings	1,561,520	---
Repayment of convertible debentures	16,760,000	---
Issue of non-convertible debentures	10,255,000	---
Transactions with Fairchild Participation SA ⁽²⁾	5,048,009	2,791,080
Interest on short-term borrowings	19,273	117,727
Interest on convertible debentures	1,828,429	1,904,953
Interest on non-convertible debentures	98,336	---

⁽²⁾ An amount of \$4,844,554 included in this amount is related to the compensation of the Company's management for the year ended December 31, 2018 (\$2,672,715 for the year ended December 31, 2017).