ROBEX

Consolidated financial statements

December 31, 2017 and 2016

April 26, 2018

Independent Auditor's Report

To the Shareholders of
Robex Resources Inc.

We have audited the accompanying consolidated financial statements of Robex Resources Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and 2016 and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Robex Resources Inc. and its subsidiaries as at December 31, 2017 and 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, 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.

PricewaterhouseCoopers LLP[1]

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

CONSOLIDATED STATEMENTS OF INCOME (LOSS)
YEAR ENDED DECEMBER 31

(all amounts are in Canadian dollars unless otherwise indicated)

	2017	2016
	$	$
REVENUE - GOLD SALES	**57,152,440**	---
COSTS OF OPERATIONS		
Mining operation expenses - note 8	**21,508,274**	118,632
Administrative expenses - note 9	**9,299,556**	3,627,666
Depreciation of property, plant and equipment and amortization of intangible assets	**7,718,053**	676,442
Stock-based compensation expense - note 21	**807,398**	81,314
OPERATING INCOME (LOSS)	**17,819,159**	(4,504,054)
OTHER EXPENSES (INCOME)		
Financial expenses - note 10	**6,572,791**	1,756,990
Foreign exchange gain	**(220,888)**	(133,078)
Change in fair value of financial liabilities - note 29	**(1,213,667)**	(2,496,089)
Loss on disposal of property, plant and equipment	**---**	55,403
Write-off of mining properties - note 13	**873,863**	5,584,778
Other income	**(62,862)**	(194)
Income (loss) before income tax expense	**11,869,922**	(9,271,864)
Income tax expense - note 24	**454,472**	136,226
NET INCOME (LOSS) FOR THE YEAR	**11,415,450**	(9,408,090)
ATTRIBUTABLE TO		
Common shareholders	**10,844,504**	(9,177,255)
Non-controlling interest	**570,946**	(230,835)
	11,415,450	(9,408,090)
EARNINGS (LOSS) PER SHARE - note 25		
Basic	**0.019**	(0.016)
Diluted	**0.019**	(0.016)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEAR ENDED DECEMBER 31

(all amounts are in Canadian dollars unless otherwise indicated)	**2017**	2016
	$	$
NET INCOME (LOSS) FOR THE YEAR	**11,415,450**	(9,408,090)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net income (loss)		
Exchange difference	**3,060,185**	(3,359,555)
COMPREHENSIVE INCOME (LOSS)	**14,475,635**	(12,767,645)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO		
Common shareholders	**13,950,253**	(12,576,992)
Non-controlling interest	**525,382**	(190,653)
	14,475,635	(12,767,645)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2017 and 2016

(all amounts are in Canadian dollars unless otherwise indicated)

	Common shareholders						
	Share capital	Reserve - stock options	Deficit	Accumulated other comprehensive income (note 22)	Total	Non-controlling interest	**Total equity**
Balance as at December 31, 2015	**66,734,172**	**2,411,647**	**(31,978,581)**	**4,260,491**	**41,427,729**	**(555,851)**	**40,871,878**
Net loss for the year	---	---	(9,177, 255)	---	(9,177, 255)	(230,835)	**(9,408, 090)**
Other comprehensive income (loss)	---	---	---	(3,399,737)	(3,399,737)	40,182	**(3,359,555)**
Comprehensive loss for the year	---	---	(9,177,255)	(3,399,737)	(12,576,992)	(190,653)	**(12,767,645)**
Stock options charged to expense during the year - note 21	---	81,314	---	---	81,314	---	**81,314**
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 21	---	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**

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(all amounts are in Canadian dollars unless otherwise indicated)

	As of December 31, 2017 $	As of December 31, 2016 $
ASSETS		
CURRENT ASSETS		
Cash	**2,137,755**	2,347,224
Inventories - note 11	**6,686,299**	4,905,545
Accounts receivable - note 12	**1,245,928**	75,510
Prepaid expenses	**107,493**	52,815
Deposits paid	**975,333**	1,454,422
	11,152,808	8,835,516
MINING PROPERTIES - note 13	**5,251,860**	5,344,479
PROPERTY, PLANT AND EQUIPMENT - note 14	**83,105,137**	73,789,344
INTANGIBLE ASSETS - note 15	**98,969**	113,672
	99,608,774	88,083,011
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable - note 16	**19,118,434**	17,048,668
Current portion of long-term debt - note 17	**7,615,128**	9,070,414
Warrants - note 18	**---**	28,847
Lines of credit - note 17	**658,651**	5,380,183
Current portion of conversion rights at fair value of convertible debentures - note 20	**1,748,431**	---
Current portion of debt components at amortized cost of convertible debentures - note 20	**17,140,849**	---
	46,281,493	31,528,112
LONG-TERM DEBT - note 17	**9,604,321**	10,397,721
ENVIRONMENTAL LIABILITIES - note 19	**254,380**	332,569
CONVERTIBLE DEBENTURES		
Conversion rights at fair value - note 20	**---**	2,791,669
Debt components at amortized cost - note 20	**---**	14,847,393
	56,140,194	59,897,464
EQUITY		
Share capital - note 21	**66,734,172**	66,734,172
Reserve - stock options - note 21	**3,300,359**	2,492,961
Deficit	**(30,311,332)**	(41,155,836)
Accumulated other comprehensive income - note 22	**3,966,503**	860,754
	43,689,702	28,932,051
Non-controlling interest	**(221,122)**	(746,504)
	43,468,580	28,185,547
	99,608,774	88,083,011

Going concern (note 1)

Commitments (note 28)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31

(all amounts are in Canadian dollars unless otherwise indicated)

	2017	2016
	$	$
CASH FLOWS FROM THE FOLLOWING ACTIVITIES:		
Operating		
Net income (loss) for the year	**11,415,450**	(9,408,090)
Adjustments for:		
Change in fair value of financial liabilities	**(1,213,667)**	(2,496,089)
Loss on disposal of property, plant and equipment	**---**	55,403
Exchange difference	**171,014**	(328,252)
Financial expenses	**6,572,791**	1,756,990
Depreciation of property, plant and equipment and amortization of intangible assets	**7,718,053**	676,442
Write-off of mining properties	**873,863**	5,584,778
Stock-based compensation expense	**807,398**	81,314
Net changes in non-cash working capital items - note 23	**1,003,363**	(303,471)
Paid interest	**(3,136,213)**	(256,631)
	24,212,052	(4,637,606)
Investing		
Variation in deposits paid	**902,954**	(922,542)
Acquisition of mining properties	**(424,103)**	(444,791)
Gold sales [(1)]	**---**	19,540,187
Acquisition of property, plant and equipment	**(16,132,964)**	(24,668,862)
Disposal of property, plant and equipment	**---**	77,398
Acquisition of intangible assets	**(9,550)**	---
	(15,663,663)	(6,418,610)
Financing		
Long-term debt contracted	**4,982,781**	19,759,892
Repayment of long-term debt	**(8,386,101)**	(5,528,666)
Variation of lines of credit	**(4,962,273)**	(1,359,616)
Repayment of convertible debentures	**---**	(150,000)
	(8,365,593)	12,721,610
Effect of exchange rate changes on cash	**(392,265)**	403,250
Increase (decrease) in cash	**(209,469)**	2,068,644
Cash - Beginning of the year	**2,347,224**	278,580
Cash - End of the year	**2,137,755**	2,347,224
Tax paid	**202,380**	37,006

[(1)] Gold sales have been recognized in the consolidated statement of income (loss) since January 1, 2017.
For additional information see note 23.

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

1 - NATURE OF OPERATIONS AND GOING CONCERN

Nature of activities

Robex Resources Inc. (the "Company") is a junior Canadian operation and exploration mining company. The Company has entered into commercial operation on its Nampala deposit on January 1, 2017. In addition to its operational mining activities, the Company currently holds four exploration licenses, 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 East, Québec (Quebec) G1R 2J5, Canada.

Going concern

These consolidated financial statements have been prepared using International Financial Reporting Standards (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 balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

As at December 31, 2017, the Company has an accumulated deficit of $30,311,332 ($41,155,836 as at December 31, 2016). 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 operation, and for pay general and administration costs. As at December 31, 2017, the Company had a working capital deficiency of $35,128,685 ($22,692,596 as at December 31, 2016), including cash of $2,137,755 ($2,347,224 as at December 31, 2016).

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 continue to have 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.

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 26, 2018.

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 through profit or loss.

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 Resource 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 are 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 1, 2017. Before January 1, 2017, the CFA franc was the functional currency of the Company. This change had no impact on these consolidated financial statements as the exchange rate between the euro and the CFA franc was set by the European Union and West Africa at a fixed rate of 655.957 CFA francs for one euro.

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.

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. At initial recognition, the Company classifies its financial instruments in the following categories:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, they are measured at amortized cost using the effective interest method less a provision for impairment. Loans and receivables are included in current assets, except for those with maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets.

The Company's loans and receivables include cash, accounts receivable (except taxes receivable) and deposits paid.

Financial liabilities at amortized cost

Financial liabilities at amortized cost consist of accounts payable, lines of credit, the debt components of convertible debentures and long-term debt. Financial liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest method. They are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

3 - SIGNIFICANT ACCOUNTING POLICIES - (continued)

Financial instruments - (continued)

Financial liabilities at fair value

Financial liabilities at fair value include warrants and the conversion rights of the convertible debentures, and the variation thereof is recorded in profit or loss.

The convertible debentures (note 20) 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 and 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.

Due to a settlement currency other than the functional currency, the warrants do not qualify as equity instruments and are classified as derivative instruments in the liability section. They are measured initially and subsequently at fair value.

Transaction costs

Transaction costs related to financial instruments, that are not classified as assets or liabilities at fair value through profit or loss, are recognized as adjustments to the cost of the financial instrument in the consolidated statement of financial position at the time of initial recognition and are amortized using the effective interest rate method.

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. Ore is accumulated in stockpiles that are subsequently processed into gold in a saleable form. Work in process represents dorés in the processing circuit that has not completed the production process, and is not yet in a saleable form. Mine operating 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 contractor 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.

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 (loss). 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.

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 (loss) 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.

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 (loss).

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.

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 (loss).

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 (loss) 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 (loss). 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;

(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 (loss) in the period in which they are incurred. The borrowing costs are no longer capitalized since commercial start-up on January 1, 2017; the expense is recognized directly in the consolidated statement of income (loss).

Intangible assets

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

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 (loss) 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 (loss), 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.

(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 and 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.

Income recognition

Income includes the sale of gold and by-products (silver). Income from the sale of gold and silver is recognized when legal titles (rights and obligations) on metals are transferred to the buyer, it is probable that economic benefits associated with the transaction will flow to the Company and it can be measured reliably. Gold and silver sales are recorded in net income (loss).

Earnings (loss) per share

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

Diluted earnings (loss) 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 (loss) 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

The Company did not adopt any changes in their accounting policies during the year ended December 31, 2017.

(all amounts are in Canadian dollars unless otherwise indicated)

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, 2017.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15 *Revenue from Contracts with Customers* "IFRS 15". The objective of this new standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability. This new standard contains principles that an entity will apply to determine the measurement of revenue and the moment when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This new standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has determined that the adoption of IFRS 15 will not have a significant impact on its consolidated financial statements.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* "IFRS 9", which will replace IAS 39 *Financial Instruments: Recognition and Measurement* "IAS 39". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Requirements relating to hedge accounting representing a new hedge accounting model have also been added to IFRS 9. The new standard is effective for annual periods beginning on or after January 1, 2018, and must be applied retrospectively. The Company has determined that the adoption of IFRS 9 will not have a significant impact on its consolidated financial statements.

IFRS 16 *Leases*

In January 2016, the IASB released IFRS 16 *Leases* "IFRS 16", which supersedes IAS 17 *Leases* "IAS 17". 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 1, 2019, with earlier adoption permitted. The Company is currently assessing the impact of this new standard.

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 is 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 liabilitis 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 its 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, 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 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 interpretation 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 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 (loss) 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 will occur and the associated cost of these activities.

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. This would generally arise when there are significant changes in any of the factors or assumptions used in estimating ore reserve.

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, 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 conversion rights, convertible debentures and stock options

The Company makes certain estimates and assumptions when calculating the fair value of conversion rights of convertible debentures and 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 use to determine fair value could result in a significant impact of the Company's future operating results, liabilities or other equity components. Fair value assumptions used are described in notes 18 - Warrants, 20 - Convertible debentures and 21 - Share capital.

(all amounts are in Canadian dollars unless otherwise indicated)

7 - SEGMENTED INFORMATION

The Company operates in Mali. The operating segments presented reflect the Company's management structure and how the Company's principal operational decision-maker assesses business performance. The composition of the reporting segments was changed on January 1, 2017 to represent operating, exploration and corporate management activities separately. The Company evaluates the performance of its operating segments primarily based on operating income, as shown in the following tables.

				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	**19,889,163**	**---**	**---**	**19,889,163**
Royalties - note 8	**1,619,111**	**---**	**---**	**1,619,111**
Administrative expenses - note 9	**5,334,060**	**9,965**	**3,955,531**	**9,299,556**
Depreciation of property, plant and equipment and amortization of intangible assets	**7,706,737**	**---**	**11,316**	**7,718,053**
Stock-based compensation expense - note 21	**---**	**---**	**807,398**	**807,398**
OPERATING INCOME (LOSS)	**22,603,369**	**(9,965)**	**(4,774,245)**	**17,819,159**

				Year ended December 31, 2016
				$
	Operations (Nampala, Mali)	Explorations (Mali)	Corporate management	Total
REVENUE - GOLD SALES	---	---	---	---
Mining operation expenses - note 8	---	---	---	---
Royalties - note 8	118,632	---	---	118,632
Administrative expenses - note 9	1,685,343	11,293	1,931,030	3,627,666
Depreciation of property, plant and equipment and amortization of intangible assets	662,962	---	13,480	676,442
Stock-based compensation expense - note 21	---	---	81,314	81,314
OPERATING LOSS	(2,466,937)	(11,293)	(2,025,824)	(4,504,054)

The Company's procceds 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.

(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, 2017 $
	Operations (Nampala, Mali)	**Explorations (Mali)**	**Corporate management**	**Total**
Cash	**1,051,395**	**27,952**	**1,058,408**	**2,137,755**
Inventories	**6,686,299**	**---**	**---**	**6,686,299**
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**
Deposits paid	**865,417**	**---**	**109,916**	**975,333**
Other assets	**923,453**	**30,985**	**398,983**	**1,353,421**
	91,534,313	**6,477,412**	**1,597,049**	**99,608,774**

				As at December 31, 2016 $
	Operations (Nampala, Mali)	Explorations (Mali)	Corporate management	Total
Cash	1,135,634	13,420	1,198,170	2,347,224
Inventories	4,905,545	---	---	4,905,545
Mining properties	---	5,344,479	---	5,344,479
Property, plant and equipment	73,591,745	158,652	38,947	73,789,344
Intangible assets	29,104	84,568	---	113,672
Deposits paid	1,422,946	---	31,476	1,454,422
Other assets	42,830	10,892	74,603	128,325
	81,127,804	5,612,011	1,343,196	88,083,011

(all amounts are in Canadian dollars unless otherwise indicated)

8 - MINING OPERATION EXPENSES

	2017	2016
	$	$
Operating and maintenance supplies and service	**12,083,470**	---
Fuel	**5,968,481**	---
Reagents	**4,322,111**	---
Employee benefit expenses	**3,315,303**	---
Inventory change	**(1,047,644)**	---
Less: production expenses capitalized as stripping cost	**(4,752,558)**	---
	19,889,163	---
Mining royalties	**1,619,111**	118,632
	21,508,274	118,632

9 - ADMINISTRATIVE EXPENSES

	2017	**2016**
	$	$
Operation and exploration - Administrative	**5,344,025**	1,696,636
Corporation management - Administrative	**3,955,531**	1,931,030
	9,299,556	3,627,666

10 - FINANCIAL EXPENSES

	2017	**2016**
	$	$
Real interest debt component of convertible debentures - note 20	**2,152,723**	2,034,930
Imputed interest debt component of convertible debentures - note 20	**2,293,458**	1,970,710
Interest on long-term debt	**1,683,435**	1,292,593
Interest on lines of credit	**371,194**	875,661
Bank charges	**171,436**	144,754
Change in environmental liabilities	**(99,455)**	(655)
	6,572,791	6,317,993
Capitalized financial expenses - note 14	**---**	4,561,003
	6,572,791	1,756,990

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2017 and 2016

(all amounts are in Canadian dollars unless otherwise indicated)

11 - INVENTORIES

	2017	2016
	$	$
Work in progress inventory (''doré'')	**3,240,011**	1,831,241
Parts and supplies	**3,237,158**	2,652,003
Ore stockpiles	**203,642**	416,780
Silver (metals)	**5,488**	5,521
	6,686,299	4,905,545

12 - ACCOUNTS RECEIVABLE

	2017	2016
	$	$
Taxes receivable	**859,036**	71,003
Other receivables	**386,892**	4,507
	1,245,928	75,510

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

(all amounts are in Canadian dollars unless otherwise indicated)

13 - MINING PROPERTIES

	Kolomba (A)	Mininko (B)	Sanoula (C)	Kamasso (D)	N'Golopène (E)	Diangounté (F)	
Undivided interest	100%	100%	100%	100%	Expired	Expired	**Total**
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**
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**
Total as at December 31, 2017	**1,243,825**	**2,401,678**	**1,411,129**	**195,228**	**---**	**---**	**5,251,860**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

(all amounts are in Canadian dollars unless otherwise indicated)

13 - MINING PROPERTIES - (continued)

	Kolomba (A)	Mininko (B)	Sanoula (C)	Kamasso (D)	N'Golopène (E)	Diangounté (F)	
Undivided interest	100%	100%	100%	100%	100%	Expired	**Total**
Mining rights and titles							**$**
Balance as at December 31, 2015	64,897	103,666	197,559	---	1,141	1,164,682	**1,531,945**
Acquisition costs	11,260	---	10,902	11,235	---	---	**33,397**
Write-offs [1]	---	---	---	---	---	(1,144,386)	**(1,144,386)**
Exchange rate changes	(4,018)	(2,346)	(11,399)	(306)	1,507	(20,296)	**(36,858)**
Balance as at December 31, 2016	**72,139**	**101,320**	**197,062**	**10,929**	**2,648**	**---**	**384,098**
Exploration costs							
Balance as at December 31, 2015	908,846	1,603,339	943,378	---	740,083	4,515,683	**8,711,329**
Expenses incurred	97,287	97,287	97,288	19,805	99,655	72	**411,394**
Write-offs [1]	---	---	---	---	---	(4,440,392)	**(4,440,392)**
Amortization	74,042	74,042	74,042	19,160	74,043	1,547	**316,876**
Exchange rate changes	(56,744)	201,543	(58,716)	(760)	(47,239)	(76,910)	**(38,826)**
Balance as at December 31, 2016	**1,023,431**	**1,976,211**	**1,055,992**	**38,205**	**866,542**	**---**	**4,960,381**
Total as at December 31, 2016	**1,095,570**	**2,077,531**	**1,253,054**	**49,134**	**869,190**	**---**	**5,344,479**

[1] The Diangounté research and exploration permit expired on May 17, 2016.

13 - MINING PROPERTIES - (continued)

(A) The Company holds the license, through its wholly owned subsidiary, Robex Resources Mali SARL. This license was granted on January 17, 2013. The permit is valid for three years, renewable twice for two years, for a total of seven years. This permit expires on January 17, 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.

(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 1, 2012, a wholly owned subsidiary, Robex Resources Mali SARL, was granted a license for research and exploration. The permit is valid for three years and is renewable twice. The duration of each renewal period is two years, for a total of seven years. This permit expires 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.

The research and mining permit was granted on February 2, 2012. The permit is valid for three years and is renewable twice. The duration of each renewal period is two years, for a total of seven years. This permit expires in February 2019.

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.

13 - MINING PROPERTIES - (continued)

(D) The wholly owned research and exploration permit was attributed on September 19, 2017 through the subsidiary Robex Resources Mali SARL, and is valid for a period of three years, renewable twice, for a total of of seven years. This permit expires on September 19, 2024.

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, and the Company did not apply to renew it. As a result, the Company recorded $873,863 as write-off of mining properties related to this permit during the year ended December 31, 2017.

(F) The Diangounté research and exploration permit expired on May 17, 2016. Accordingly, the Company recorded $5,584,778 as write-off of mining properties in regards to this permit during the year ended December 31, 2016. An application was formally submitted recently to re-obtain this exploration permit but, at the date of publication of these consolidated financial statements, the Company had still not received a response from the appropriate Malian authorities.

(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 operations	Tools, equipment and vehicles	Exploration equipment	**Total**
Cost						**$**
Balance as at December 31, 2015	**17,983,307**	**3,678,025**	**50,750,790**	**2,040,057**	**1,998,056**	**76,450,235**
Additions						
Assets acquired [(1)]	12,369,638	453,666	13,345,917	72,136	1,532	**26,242,889**
Gold sales	(19,540,187)	---	---	---	---	**(19,540,187)**
Disposal	---	---	---	---	(256,098)	**(256,098)**
Exchange rate changes	(1,542, 239)	(415,170)	(3,010,783)	(111,549)	(108,703)	**(5,188,444)**
Balance as at December 31, 2016	**9,270,519**	**3,716,521**	**61,085,924**	**2,000,644**	**1,634,787**	**77,708,395**
Additions						
Assets acquired	1,282,331	1,815,871	9,155,195	172,499	---	**12,425,896**
Write-offs [(2)]	---	---	---	---	(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**

[(1)] For the year ended December 31, 2017, no amount ($43,675 for the year ended December 31, 2016) related to the amortization of certain property, plant and equipment was recorded in the cost of mining equipment. For the year ended December 31, 2017, no amount ($4,561,003 for the year ended December 31, 2016) related to financial expenses was capitalized in mining development costs and equipment relates to mining operations.

[(2)] An amount of $948,173 for exploration equipment was written off property, plant and equipment during the year ended December 31, 2017 (no write-offs for the year ended December 31, 2016). This equipment had already been fully depreciated at the time of the write-offs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31,2017 and 2016

(all amounts are in Canadian dollars unless otherwise indicated)

14 - PROPERTY, PLANT AND EQUIPMENT - (continued)

	Mining development costs	Buildings and office development	Equipment related to mining operations	Tools, equipment and vehicles	Exploration equipment	**Total**
Accumulated depreciation						**$**
Balance as at December 31, 2015	**---**	**1,034,446**	**---**	**819,759**	**1,395,681**	**3,249,886**
Depreciation for the year	---	434,507	73,752	201,061	286,836	**996,156**
Disposal	---	---	---	---	(123,297)	**(123,297)**
Exchange rate changes	---	(98,193)	26,371	(48,768)	(83,104)	**(203,694)**
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**
Net amount:						
As at December 31, 2016	9,270,519	2,345,761	60,985,801	1,028,592	158,671	**73,789,344**
As at December 31, 2017	**10,233,863**	**3,989,657**	**67,748,064**	**1,006,406**	**127,147**	**83,105,137**
Not depreciated as at December 31, 2017 [2]	1,285,396	451,646	4,184,655	961	---	**5,922,658**

[1] An amount of $948,173 of accumulated depreciation related to exploration equipment was written off during the year ended December 31, 2017 (no write-offs for the year ended December 31, 2016).

[2] Property, plant and equipment with a carrying amount of $5,922,658 are not depreciated because they are either under construction or being installed as at December 31, 2017 ($70,256,320 as at December 31, 2016).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016

(all amounts are in Canadian dollars unless otherwise indicated)

15 - INTANGIBLE ASSETS

	2017	2016
	$	$
Software		
COST		
Balance at the beginning of the year	**327,086**	346,584
Assets acquired	**9,550**	---
Impact of exchange rate changes	**20,009**	(19,498)
Balance at the end of the year	**356,645**	327,086
ACCUMULATED AMORTIZATION		
Balance at the beginning of the year	**213,414**	185,287
Amortization for the year	**30,144**	39,861
Impact of exchange rate changes	**14,118**	(11,734)
Balance at the end of the year	**257,676**	213,414
Net amount	**98,969**	113,672

16 - ACCOUNTS PAYABLE

	2017	2016
	$	$
Suppliers	**10,742,446**	9,263,803
Accrued interest	**4,922,042**	3,713,371
Due to the state	**2,148,069**	1,899,121
Payables to related parties	**935,465**	2,026,541
Other payables	**370,412**	145,832
	19,118,434	17,048,668

(all amounts are in Canadian dollars unless otherwise indicated)

17 - LONG-TERM DEBT

	2017	2016
	$	$
Loan from a supplier, annual interest rate of 10%, payable in monthly instalments of $176,875 (EUR117,510) until January 2018, including capital and interest. This loan was entirely repaid on February 5, 2018.	**176,875**	2,454,547
Loan from a shareholder of the Company, in the amount of $1,477,500 (EUR1,000,000), annual interest of 8%. This loan was entirely repaid on March 29, 2018.	**1,505,200**	1,416,867
Bank loan in the amount of $4,515,998 (2,000,000,000 CFA francs), annual interest of 7%, secured by a second mortgage land on the operating license for gold and minerals in the region of Nampala. This loan is repayable in monthly instalments of $117,675 (51,282,051 CFA francs) plus interest until February 2020 inclusively.	**3,059,550**	4,147,200
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 land on the operating license for gold and minerals in the region of Nampala. This loan is repayable in monthly instalments of $171,529 (74,751,318 CFA francs) including capital and interest, until April 2020 inclusively.	**4,314,132**	5,555,848
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 land on the operating license for gold and minerals in the region of Nampala. This loan is repayable in monthly instalments of $114,353 (49,834,212 CFA francs) including capital and interest, until October 2020 inclusively.	**3,417,403**	4,169,434
Bank loan in the amount of $2,703,616 (1,200,00,000 CFA francs), annual interest of 7%. This loan was entirely repaid in May 2017.	**---**	1,724,239
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 $152,291 (66,367,288 CFA francs) including capital and interest, from December 2017 until November 2020 inclusively.	**4,582,440**	---
Bank loan in the amount of $483,575 (209,500,000 CFA francs), annual interest of 7.75%, secured by a first mortgage land on the operating license for gold and minerals in the region of Nampala. This loan was entirely repaid on March 29, 2018.	**163,849**	---
	17,219,449	19,468,135
Current portion of long-term debt	**7,615,128**	9,070,414
	9,604,321	10,397,721

17 - LONG-TERM DEBT - (continued)

The principal payments required over the next three years total $17,219,449.

	$
2018	7,615,128
2019	6,062,254
2020	3,542,067

Lines of credit	**2017** **$**	2016 $
Authorized line of credit from a malian bank, for a maximum amount of 300,000,000 CFA francs, annual interest rate of 8%, due February 28, 2018.	**658,651**	---
Authorized line of credit, from a malian bank, for a maximum amount of 500 000 000 CFA francs, annual interest of 9%, closed in September 2017.	**---**	1,066,563
Authorized line of credit from a malian bank, for a maximum amount of 2,500,000,000 CFA francs, annual interest rate of 8%, converted into a bank loan in May 2017.	**---**	4,313,620
	658,651	5,380,183

18 - WARRANTS

The warrants that were granted varied as follows:

	2017		2016	
	Number	**Exercise price**	Number	Exercise price
Outstanding at the beginning	**80,000,000**	**$0.25**	80,000,000	$0.25
Cancelled or expired	**(80,000,000)**	**$0.25**	---	---
Outstanding at the end	**---**	**---**	80,000,000	$0.25
Exercisable	**---**	**---**	80,000,000	$0.25

As at December 31, 2017, there were no more warrants outstanding.

Since these instruments are payable in Canadian dollars, which is not the functional currency of the Company, stock purchase warrants do not respect the criteria defined by the IFRS for classification as equity instruments. They are thus considered as derivative instruments initially and subsequently valued at fair value and presented as financial liabilities. Any subsequent change in the fair value is recognized in profit or loss.

(all amounts are in Canadian dollars unless otherwise indicated)

18 - WARRANTS - (continued)

Fair values as at December 31, 2016 have been estimated using the Black-Scholes option-pricing model with the following assumptions:

	2016
Risk-free interest rate	0.73%
Expected volatility	56.97%
Dividend yield	0%
Expected life	0.83 years

19 - ENVIRONMENTAL LIABILITIES

	2017	2016
	$	$
Provision related to the subsequent dismantling of the facilities being built on the Nampala site	**254,380**	332,569

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.

20 - 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.

(all amounts are in Canadian dollars unless otherwise indicated)

20 - CONVERTIBLE DEBENTURES - (continued)

Debentures issued on November 21, 2013 - (continued)

On November 21, 2015, the Company changed the terms of some of these debentures. The amendments consist in extending the maturity date of some debentures from November 21, 2016 to November 21, 2018, entitling the Company to defer interest payment till 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 is $11,790,000. The terms of the other debentures remained unchanged, and the debentures matured on November 21, 2016. All of these debentures were repaid on that date as set out in the original contract.

The convertible debentures are divided into two components, the debt portion and the conversion right. Concerning the debentures whose maturity date is November 21, 2016, the conversion right component was initially measured at fair value at the date of issuance of the debentures, on November 21, 2013, and the debt component was initially measured at residual value. Concerning the debentures whose maturity date was modified on November 21, 2015, the conversion right component was revalued at fair value at the date of the modification of the debentures, on November 21, 2015, and the debt component was measured at residual value. For the year ended December 31, 2017, an amount of $1,442,223 has been recorded as accrued interest ($1,324,430 for the year ended December 31, 2016) and an amount of effective interest of $1,035,346 has been recorded on the debt portion of these debentures ($958,834 for the year ended December 31, 2016). The carrying values of the components of these debentures are presented on the next page.

Fair values of conversion rights measured as at December 31, 2017 and December 31, 2016 have been estimated using the weighted Black-Scholes option-pricing model with the following weighted assumptions:

	2017	2016
Weighted risk-free interest rate	**1.66%**	0.73%
Weighted expected volatility	**73.12%**	71.57%
Weighted expected dividend yield	**0%**	0%
Weighted remaining life	**0.89 years**	1.89 years

Debentures issued on July 2, 2015

The Company issued, on July 2, 2015, convertible debentures in the amount of $7,105,000, unsecured, maturing on July 1, 2018. This amount is convertible into 71,050,000 common shares of the Company until July 1, 2018 at a price of $0.10 per share. The debentures bear interest at an annual rate of 10% which may be settled in cash on each anniversary date. The interest due on July 2, 2017 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.

(all amounts are in Canadian dollars unless otherwise indicated)

20 - CONVERTIBLE DEBENTURES - (continued)

Debentures issued on July 2, 2015 (continued)

The convertible debentures are divided into two components, the debt portion and the conversion right. The conversion right component was initially measured at fair value at the date of issuance of the debentures, on July 2, 2015, and the debt component was initially measured at residual value. For the year ended December 31, 2017, an amount of $710,500 has been recorded as accrued interest ($710,500 for the year ended December 31, 2016) and an amount of effective interest of $1,258,111 has been recorded on the debt portion of these debentures ($1,011,876 for the year ended December 31, 2016). The carrying values of the components of these debentures are presented below.

Fair values of conversion rights measured as at December 31, 2017 and December 31, 2016 have been estimated using the weighted Black-Scholes option-pricing model with the following weighted assumptions:

	2017	2016
Risk-free interest rate	**1.66%**	0.73%
Expected volatility	**82.43%**	70.69%
Expected dividend yield	**0%**	0%
Remaining life	**0.5 years**	1.5 years

The carrying values of the components of these debentures are:	**2017**	2016
	$	$
Conversion rights at fair value		
Debentures issued on November 21, 2013	**703,237**	1,276,296
Debentures issued on July 2, 2015	**1,045,194**	1,515,373
	1,748,431	2,791,669
Debt component at amortized cost		
Debentures issued on November 21, 2013	**10,774,884**	9,739,538
Debentures issued on July 2, 2015	**6,365,965**	5,107,855
	17,140,849	14,847,393
	18,889,280	17,639,062

(all amounts are in Canadian dollars unless otherwise indicated)

21 - 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

	2017	2016
	$	$
Issued and fully paid		
579,509,566 common shares	**66,734,172**	66,734,172

Stock option 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.

The stock options varied as follows:

	2017		2016	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Oustanding at the beginning	**1,650,000**	**$0.15**	2,058,334	$0.20
Granted	**12,350,000**	**$0.09**	1,000,000	$0.16
Cancelled or expired	**(650,000)**	**$0.15**	(1,408,334)	$0.22
Oustanding at the end	**13,350,000**	**$0.10**	1,650,000	$0.15
Exercisable	**13,350,000**	**$0.10**	1,650,000	$0.15

For the year ended December 31, 2017, no stock options were exercised (no stock options were exercised for the year ended December 31, 2016).

(all amounts are in Canadian dollars unless otherwise indicated)

21 - SHARE CAPITAL - (continued)

Reserve - stock options	**2017**	2016
	$	$
Current stock options	**877,144**	126,686
Matured or cancelled stock options	**2,423,215**	2,366,275
	3,300,359	2,492,961

The total fair value of stock options granted for the year ended December 31, 2017 was $807,398 ($69,746 for the year ended December 31, 2016). For the year ended December 31, 2017, an amount of $807,398 is included as stock-based compensation expense ($81,314 for the year ended December 31, 2016). The total fair value was estimated on the grant dates using the Black-Scholes option-pricing model with the following average assumptions:

	2017	**2016**
Risk-free interest rate	**1.44%**	0.49%
Expected volatility	**86.69%**	98.15%
Expected dividend yield	**0%**	0%
Expected life	**5 years**	3 years

The following table summarizes certain information on the Company's stock options as at December 31, 2017:

	Outstanding options as at December 31, 2017		**Exercisable options as at December 31, 2017**	
		Weighted average remaining contractual life		**Weighted average remaining contractual life**
Exercise price	**Number**	**Years**	**Number**	**Years**
$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**	

	Outstanding options as at December 31, 2016		Exercisable options as at December 31, 2016	
		Weighted average remaining contractual life		Weighted average remaining contractual life
Exercise price	Number	Years	Number	Years
$0.145	650,000	0.9	650,000	0.9
$0.16	1,000,000	2.4	1,000,000	2.4
	1,650,000		1,650,000	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2017 and 2016

(all amounts are in Canadian dollars unless otherwise indicated)

22 - ACCUMULATED OTHER COMPREHENSIVE INCOME

	2017	2016
	$	$
Exchange difference		
Balance at the beginning of the year	**873,504**	4,233,059
Exchange difference changes during the year	**3,060,185**	(3,359,555)
Balance at the end of the year	**3,933,689**	873,504
Attributable to		
Common shareholders	**3,966,503**	860,754
Non-controlling interest	**(32,814)**	12,750
	3,933,689	873,504

23 - ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

a) Net changes in non-cash working capital items	2017	2016
	$	$
Increase in current assets		
Accounts receivable	**(1,169,054)**	(37,669)
Inventories	**(1,463,999)**	(1,291,603)
Prepaid expenses	**(45,773)**	(29,150)
Deposits paid	**(314,882)**	---
	(2,993,708)	(1,358,422)
Increase in current liabilities		
Accounts payable	**3,997,071**	1,054,951
	1,003,363	(303,471)

b) Items not affecting cash related to investing activities		
Change in accounts payable related to property, plant and equipment	**3,707,069**	1,214,687

(all amounts are in Canadian dollars unless otherwise indicated)

24 - INCOME TAX

Current tax expense

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

	2017	2016
	$	$
Income tax expenses recoverables (payable) at the combined statutory tax rate of 26,8% (26,9% in 2016)	**(3,181,139)**	2,494,131
Minimum taxes	**(454,901)**	(116,323)
Tax rate difference	**(200,219)**	(302,090)
Non deductible and non taxable items	**4,020,744**	(451,381)
Change in unrecognized deferred tax assets	**(52,935)**	(2,684,721)
Items not affecting earnings	**(462,894)**	853,009
Other	**(123,128)**	71,149
	(454,472)	(136,226)

Deferred Income Taxes

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

<u>Recognized deferred tax assets and liabilities</u>

	2017	2016
	$	$
Deferred tax assets		
Non-capital losses	**2,994,668**	3,057,551
Intangible asset	---	38,996
Reserves	---	185,266
	2,994,668	3,281,813
Deferred tax liabilities		
Tangibles assets	**(2,952,719)**	(3,115,401)
Convertible debentures	**(758)**	(166,412)
Reserves	**(41,191)**	---
	(2,994,668)	(3,281,813)
Deferred tax, net	---	---

(all amounts are in Canadian dollars unless otherwise indicated)

24 - INCOME TAX - (continued)

Deferred Income Taxes - (continued)

Unrecognized deferred tax assets

	2017	2016
	$	$
Mining properties	4,852,157	4,964,677
Non-capital losses	4,597,302	2,457,708
Financing expense	14,270	16,137
Reserves	---	95,734
Tangible assets	2,257,456	2,490,743
Unrecognized deferred tax assets	11,721,185	10,024,999

As at December 31, 2017, there are no non capital losses in Mali which no deffered tax assets is recognized ($8,192,361 as at December 31, 2016).

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2017	2016
Deferred tax assets	$	$
Deferred tax assets to be recovered after more than 12 months	2,994,668	3,281,813
Deferred tax assets to be recovered within 12 months	---	---
	2,994,668	3,281,813
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(2,994,668)	(3,281,813)
Deferred tax liability to be recovered within 12 months	---	---
	(2,994,668)	(3,281,813)
Deferred tax, net	---	---

(all amounts are in Canadian dollars unless otherwise indicated)

25 - EARNINGS (LOSS) PER SHARE

	2017	2016
	$	$
Net earnings (loss) attribuable to common shareholders	**10,844,504**	(9,177,255)
Adjustement related to convertible debentures [(1)]	**---**	(675,000)
Diluted net earnings (loss)	**10,844,504**	(9,852,255)
Basic weighted average number of shares outstanding	**579,509,566**	579,509,566
Conversion rights related to convertible debentures [(1)]	**---**	71,050,000
Stock options [(1)]	**5,702,596**	---
Warrants [(1)]	**---**	---
Diluted weighted average number of shares outstanding	**585,212,162**	650,559,566
Basic net earnings (loss) per share	**0.019**	(0.016)
Diluted net earnings (loss) per share [(2)]	**0.019**	(0.016)

(1) The calculation of the hypothetical conversions excludes all anti-dilutive conversion rights, stock options and warrants. Some stock options, warrants 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 shown or because the impact of the conversion of these elements on net income would result in diluted earnings per share being greater than the basic earnings per share for each of these periods. For the year ended December 31, 2017, 149,650,000 conversion rights and 1,000,000 stock options are not included in the diluted net earning (loss) per share calculation (79,600,000 conversion rights, 1,650,000 stock options and 80,000,000 warrants for the year ended December 31, 2016).

(2) Due to the net loss experienced during the year ended December 31, 2016, the potentially dilutive securities were considered anti-dilutive for this year.

(all amounts are in Canadian dollars unless otherwise indicated)

26 - 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 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 for the year or included in the cost of the fixed assets concerned in the period in which it will be possible to make a reasonable estimate.

27 - 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 $43,468,580 and $28,185,547 as at December 31, 2017 and December 31, 2016, 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.

28 - COMMITMENTS

As at December 31, 2017, the Company has committed with different non-related suppliers to purchase equipment and supplies for a total amount of $1,087,259 ($816,927 as at December 31, 2016). In addition, the Company has committed with a non-related supplier for services for a total amount of $25,099 ($555,055 as at December 31, 2016). Finally, as at December 31, 2017, the Company has committed to renting office space for an amount of $199,051 ($208,810 as at December 31, 2016), under contracts expiring in 2019 and in 2022, and has commited to the management of its investor relations by a third party for an amount of $50,000 ($54,000 as at December 31, 2016) under a contract expiring in 2018.

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

	$
2018	1,247,895
2019	77,734
2020	14,312
2021	14,312
2022	7,145

(all amounts are in Canadian dollars unless otherwise indicated)

29 - 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 (loss) or in the consolidated statement of comprehensive income (loss). These categories are: loans, receivables, financial liabilities at amortized cost and financial liabilities at fair value. The following table shows the carrying amounts of assets and liabilities for each of these categories as at December 31, 2017 and December 31, 2016:

	2017	2016
	$	$
Loans and receivables		
Cash	**2,137,755**	2,347,224
Accounts receivable	**386,892**	4,507
Deposits paid	**975,333**	1,454,422
	3,499,980	3,806,153
Financial liabilities at amortized cost		
Accounts payable	**16,970,365**	15,149,547
Lines of credit	**658,651**	5,380,183
Long-term debt	**17,219,449**	19,468,135
Debt component of convertible debentures	**17,140,849**	14,847,393
	51,989,314	54,845,258
Financial liabilities at fair value		
Conversion rights of convertible debentures	**1,748,431**	2,791,669
Warrants	**---**	28,847
	1,748,431	2,820,516

Financial risk factors

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

(all amounts are in Canadian dollars unless otherwise indicated)

29 - FINANCIAL INSTRUMENTS - (continued)

a) Market risk

i) Fair value

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; this includes cash, accounts receivable, bank overdraft, accounts payable and lines of credit. 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 is determined based on the Black and 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 an important part of the data related to asset or liability and which are not based on observable market data (unobservable data).

				December 31, 2017
	Level 1	**Level 2**	**Level 3**	**Total fair value of financial liabilities**
Financial liabilites				
Convertible debentures - Conversion rights	**---**	**---**	**1,748,431**	**1,748,431**
	---	**---**	**1,748,431**	**1,748,431**

				December 31, 2016
	Level 1	Level 2	Level 3	Total fair value of financial liabilities
Financial liabilites				
Convertible debentures - Conversion rights	---	---	2,791,669	2,791,669
Warrants	---	---	28,847	28,847
	---	---	2,820,516	2,820,516

During these exercises, there were no transfers of financial instruments between levels.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2017 and 2016

(all amounts are in Canadian dollars unless otherwise indicated)

29 - 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:

Conversion rights	2017 $	2016 $
Balance at the beginning of the year	**2,791,669**	4,233,809
Changes in fair value recorded in profit or loss	**(1,183,863)**	(1,240,838)
Impact of exchange rate changes presented in profit or loss	**169,265**	(250,315)
Impact of exchange rate changes presented in other comprehensive income	**(28,640)**	49,013
Balance at the end of the year	**1,748,431**	2,791,669

Warrants	2017 $	2016 $
Balance at the beginning of the year	**28,847**	1,318,215
Changes in fair value recorded in profit or loss	**(29,804)**	(1,255,251)
Impact of exchange rate changes presented in profit or loss	**1,749**	(77,937)
Impact of exchange rate changes presented in other comprehensive income	**(792)**	43,820
Balance at the end of the year	**---**	28,847

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.

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

29 - FINANCIAL INSTRUMENTS - (continued)

a) Market risk - (continued)

iii) Foreign exchange risk

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

The Company holds balances in cash, accounts payable and convertible debentures in Canadian 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 Canadian dollars are as follows as at December 31, 2017 and December 31, 2016:

	2017	2016
Cash	**$293,617**	$48,772
Accounts payable	**($5,580,922)**	($4,759,898)
Net balance in Canadian dollars	**($5,287,305)**	($4,711,126)
Net balance in euros	**(€3,711,069)**	(€3,325,030)

Assuming that all other variables are constant, a 5% weakening or strengthening of dollar exchange rate would generate an impact of $228,527 on the net income of the Company for the year ended December 31, 2017 ($179,724 on the net loss for the year ended December 31, 2016).

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, 2017, an amount of $801,398 was held with banks in Africa, that have no credit rating ($1,108,956 as at December 31, 2016). Advances to suppliers were involved in the manufacture of parts for the construction of the mine. The Company has been doing business with these suppliers for many years and believes that the credit risk associated with these advances is low.

(all amounts are in Canadian dollars unless otherwise indicated)

29 - FINANCIAL INSTRUMENTS - (continued)

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 at 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**	**---**	**---**
Convertible debentures - Conversion rights [(1)]	**1,748,431**	**---**	**---**	**---**
Convertible debentures - Debt components [(1-3)]	**17,140,849**	**18,895,000**	**---**	**---**
Long-term debt [(3)]	**17,219,449**	**8,873,764**	**10,495,754**	**---**
Lines of credit	**658,651**	**658,651**	**---**	**---**
	55,885,814	**47,545,849**	**10,495,754**	**---**

The following table shows the contractual maturities of financial liabilities as at December 31, 2016:

	Carrying amount	Less than a year	From 1 to 3 years	More than 3 years
Accounts payable	17,048,668	17,048,668	---	---
Convertible debentures - Conversion rights [(1)]	2,791,669	---	---	---
Convertible debentures - Debt components [(1-3)]	14,847,393	---	18,895,000	---
Warrants [(2)]	28,847	---	---	---
Long-term debt [(3)]	19,468,135	10,636,152	9,383,490	1,946,127
Lines of credit	5,380,183	5,380,183	---	---
	59,564,895	33,065,003	28,278,490	1,946,127

(1) Convertible into 78,600,000 common shares of the Company in November 2018, and into 71,050,000 common shares of the Company in July 2018.

(2) All 80,000,000 warrants expired in October 2017.

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

(all amounts are in Canadian dollars unless otherwise indicated)

30 - RELATED PARTY TRANSACTIONS

Results for the year ended December 31, 2017 include expenses of $5,495,523 that were incurred with the directors and officers of companies controlled by them ($1,688,510 for the year ended December 31, 2016), including a total interest amount of $1,904,953 on the convertible debentures ($447,720 for the year ended December 31, 2016). In addition, for the year ended December 31, 2017, no amount of interest on the convertible debentures incurred directly with directors and officers or with companies controlled by them has been capitalized in the mining development costs and in the cost of mining equipment ($1,343,158 for the year ended December 31, 2016). 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:

	2017	2016
	$	$
Salaries and wages (1)	**2,672,715**	1,048,038
Stock-based compensation	**653,763**	81,314
Attendance fees	**28,000**	---
	3,354,478	1,129,352

(1) These expenses are included into 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:

	2017	2016
	$	$
Issuance of short-term borrowings	**---**	1,477,500
Transactions with Fairchild Participation SA (2)	**2,791,080**	1,159,476
Interest on short-term borrowings	**117,727**	112,029
Interest on convertible debentures	**1,904,953**	1,790,878

(2) An amount of $2,672,715 included in this amount is related to the compensation of the Company's management for the year ended December 31, 2017 ($1,048,038 for the year ended December 31, 2016).