



Condensed Interim Consolidated Financial Statements

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

(Expressed in U.S. Dollars)

(Unaudited)

Roxgold Inc.

Consolidated Statements of Income

(Unaudited)

(Expressed in thousands of U.S. Dollars)

For the three and nine-month periods ended September 30,	Notes	2019	2018	2019	2018
Mine operations					
Revenues – Gold sales		42,258	37,890	121,770	136,903
Mine operating expenses	12	(12,424)	(15,072)	(40,802)	(45,449)
Royalties		(2,105)	(1,516)	(5,694)	(6,236)
Depreciation	7	(11,333)	(7,424)	(34,777)	(25,200)
Mine operating profit		16,396	13,878	40,497	60,018
Other expenses					
General and administrative		(1,167)	(1,115)	(3,794)	(3,708)
Sustainability and other in-country costs		(652)	(589)	(1,777)	(1,352)
Exploration and evaluation		(4,081)	(3,376)	(11,372)	(10,737)
Share-based payments	11	(888)	(127)	(1,983)	(1,381)
Depreciation	7	(156)	(198)	(571)	(629)
Operating profit		9,452	8,473	21,000	42,211
Financial expenses					
Financing costs		(588)	(790)	(4,096)	(3,402)
Change in fair value of derivative financial instruments	9	(1,463)	2,570	(5,006)	4,537
Foreign exchange (loss) gain		(1,313)	(1,180)	(2,283)	(1,099)
Other expenses		(1,809)	(391)	(2,784)	(1,675)
Income before income taxes		4,279	8,682	6,831	40,572
Income tax expense					
Current income tax expense		(2,742)	(400)	(5,957)	(400)
Deferred income tax expense		391	(1,683)	28	(8,812)
Net income		1,928	6,599	902	31,360
Attributable to:					
Roxgold shareholders		1,104	5,893	(1,438)	27,808
Non-controlling interest		824	706	2,340	3,552
Earnings per share					
Basic		0.00	0.02	0.00	0.08
Diluted		0.00	0.02	0.00	0.07
Weighted average number of common shares outstanding - Basic					
		370,840,311	373,818,294	371,626,077	373,401,285
Weighted average number of common shares outstanding - Diluted					
		388,790,701	390,442,061	371,626,077	390,025,052

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

Approved on November 12, 2019 on behalf of the directors.

/s/ John Dorward
Director

/s/ John Knowles
Director

Roxgold Inc.

Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(Expressed in thousands of U.S. Dollars)

For the three and nine-month periods ended September 30,	2019	2018	2019	2018
Net income	1,928	6,599	902	31,360
Other items that may be reclassified subsequently to the consolidated statements of income				
Currency translation adjustment	(476)	37	82	(980)
Comprehensive income	1,452	6,636	984	30,380
Attributable to:				
Roxgold shareholders	628	5,930	(1,356)	26,828
Non-controlling interest	824	706	2,340	3,552
	1,452	6,636	984	30,380

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

Roxgold Inc.

Consolidated Statements of Cash Flow

(Unaudited)

(Expressed in thousands of U.S. Dollars)

For the nine-month periods ended September 30,	Notes	2019	2018
Operating activities			
Net Income		902	31,360
Adjustments for operating activities:			
Depreciation	7	35,348	26,417
Share-based payments	11	1,983	1,381
Derecognition of finance lease asset		-	(588)
Change in fair value of derivative financial instruments	9	5,006	(4,537)
Asset retirement obligation accretion	10	230	204
Long-term debt accretion	8	981	1,215
Current income tax expense		5,957	8,812
Deferred income tax expense		(28)	400
Settlement of hedge contract	9	(2,982)	(2,464)
Unrealized foreign exchange loss (gain)		1,615	(267)
		49,012	61,933
Changes in non-cash working capital	13	5,674	(10,097)
		54,686	51,836
Financing activities			
Repayment of long-term debt	8	(9,300)	(5,850)
Payments of lease obligations - principal	15	(4,444)	(2,344)
Payments of lease obligations – interest		(438)	-
Payments of lease obligations – short term		(169)	-
Restricted share unit cash settlement	11	(124)	-
Proceeds from stock option exercise	11	833	1,191
NCIB share buyback	11	(3,130)	(560)
		(16,772)	(7,563)
Investing activities			
Asset Acquisition - Séguéla gold project	6	(21,380)	-
Asset Acquisition – cash acquired	6	221	-
Transaction costs	6	(453)	-
Additions to property, plant and equipment	7	(49,312)	(35,401)
Bagassi South pre-commercial production revenue	7	14,173	-
Bagassi South pre-commercial production expenses	7	(10,879)	-
		(67,630)	(35,401)
Net increase/(decrease) in cash		(29,716)	8,872
Effect of foreign exchange rates on cash		(1,115)	(700)
Cash and cash equivalents, beginning of period		59,833	63,033
Cash and cash equivalents, end of period		29,002	71,205
Interest paid		1,670	1,988

Refer to note 13 for supplemental cash flow information.

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

Roxgold Inc.

Consolidated Statements of Financial Position

(Unaudited)

(Expressed in thousands of U.S. Dollars)

As at	Notes	September 30, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	3	29,002	59,833
Taxes recoverable and other receivables	4	23,143	25,778
Prepaid expenses and deposits		2,250	1,308
Inventory	5	10,269	14,171
		64,664	101,090
Non-current assets			
Inventory	5	9,790	5,942
Property, plant and equipment	6, 7	203,508	170,020
Restricted cash	3	1,034	1,034
Deferred tax asset		3,093	3,104
Total assets		282,089	281,190
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		33,606	31,655
Current portion of lease obligations	15	7,401	5,069
Current portion of long-term debt	8	13,653	12,019
Current portion of derivative financial instruments	9	6,367	3,578
Current income tax liability		6,242	285
		67,269	52,606
Non-current liabilities			
Long-term debt	8	14,228	24,181
Derivative financial instruments	9	3,512	4,863
Asset retirement obligations	10	3,021	2,791
Lease obligations	15	1,706	4,862
Deferred share units' liability	11	804	182
Deferred income tax liability		15,974	16,107
Total liabilities		106,514	105,592
Equity			
Share capital	11	208,474	208,940
Reserves	11	23,842	23,746
Accumulated other comprehensive income		12,557	12,475
Deficit		(81,683)	(79,608)
Equity attributable to Roxgold shareholders		163,190	165,553
Equity attributable to non-controlling interest	17	12,385	10,045
Total equity		175,575	175,598
Total liabilities and equity			
Commitments	14		
Subsequent events	19		

Roxgold Inc.

Consolidated Statements of Equity

(Unaudited)

(Expressed in thousands of U.S. Dollars)

For the nine-month periods ended September 30,	2019	2018
Share capital		
Balance – Beginning of year	208,940	207,393
Shares issued for exercise of share awards	2,027	1,805
NCIB share buyback	(2,493)	(350)
Balance – End of period	208,474	208,848
Warrants¹		
Balance – Beginning of period	4,676	4,676
Balance – End of period	4,676	4,676
Options		
Balance – Beginning of period	12,838	13,357
Shares issued for exercise of options	(603)	(614)
Share-based payments	47	78
Balance – End of period	12,282	12,821
Restricted, performance and deferred share units		
Balance – Beginning of period	6,232	4,273
Restricted, performance and deferred share units	1,367	1,437
Settlement of restricted share units	(715)	-
Balance – End of period	6,884	5,710
Accumulated other comprehensive income		
Balance – Beginning of period	12,475	13,140
Other comprehensive income	82	(980)
Balance – End of period	12,557	12,160
Deficit		
Balance – Beginning of period	(79,608)	(111,509)
IFRS 9 opening statement of financial position impact	-	211
NCIB share buyback	(637)	(210)
Income attributable to Roxgold shareholders	(1,438)	27,808
Balance – End of period	(81,683)	(83,700)
Total equity attributable to Roxgold shareholders	163,190	160,515
Total equity attributable to non-controlling interests		
Balance – Beginning of period	10,045	5,840
Income attributable to non-controlling interest	2,340	3,552
Balance – End of period	12,385	9,392
Total Equity	175,575	169,907

Refer to Note 11 for further information on changes to equity.

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

¹ This balance relates to warrants that have expired and were not exercised. There are no warrants outstanding as at September 30, 2019.

Roxgold Inc.

Notes to the Consolidated Financial Statements

(Unaudited)

(Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts)

1. Nature of operations

Roxgold Inc. (the "Company") is a Canadian-based gold mining company with its key asset, the Yaramoko Gold Mine, located in the Houndé greenstone belt of Burkina Faso, West Africa and advancing the development and exploration of Séguéla Gold Project located in Côte d'Ivoire. The Company is a reporting issuer in all provinces and territories of Canada other than Quebec and its common shares are listed on the Toronto Stock Exchange under the symbol "ROXG" and on the OTCQX Market under the symbol "ROGFF". The Company has its corporate head office located at 360 Bay Street, Suite 500, Toronto, Ontario, M5H 2V6.

2. Summary of significant accounting policies

A. Basis of measurement

These condensed interim consolidated financial statements ("financial statements") have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

B. Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of the interim statements, including IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

The Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements with the exception new accounting standards issued and adopted by the Company as described in note 2C. The financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2018. The Board of Directors authorized the financial statements for publication on November 12, 2019.

C. New accounting standards issued and adopted by the Company

IFRS 16, Leases

On January 1, 2019, the Company adopted IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17, Leases, and related interpretations. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 will eliminate the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize:

- I. The right of use assets and related lease liabilities for any lease with a term of more than 12 month, unless the underlying assets are of low value; and
- II. Depreciation of the right of use assets separately from the interest related to the lease liabilities in the consolidated statement of income.

The Company adopted IFRS 16 using the simplified transition approach and, consequently, did not restate comparative figures for 2018. Practical expedients applied include the use of a single discount rate to a portfolio of leases with reasonably similar characteristics and the accounting for operating leases with a remaining lease term of less than 12 month as at January 1, 2019 as short-term leases.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. As at December 31, 2018, the Company had operating lease commitments of \$7,482,000 relating to mobile fleet contracts and office leases of which \$4,227,000 would be considered debt obligations upon adoption of IFRS 16 on January 1, 2019. These leases were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6%.

	\$'000
Operating lease commitments as at December 31, 2018	7,482
Discounted using the incremental borrowing rate as at January 1, 2019	(762)
Less: Short term leases recognized on a straight-line basis as an expense	(706)
Less: Commitments not in effect as at January 1, 2019 ²	(1,787)
Lease liabilities on initial application of IFRS 16	4,227
Add: Finance lease liabilities as at December 31, 2018	9,931
Lease liabilities as at January 1, 2019	14,158

² Represents lease contracts entered into, but not recognized under IFRS 16 as the underlying asset is not yet available for use from the lessor.

2. Summary of significant accounting policies (continued)

The associated right-of-use assets were measured at the amount equal to the lease liability as at January 1, 2019. The right-of-use assets recognized upon adoption of IFRS 16 are recognized in property, plant and equipment and are disclosed in furniture, mining vehicles, and computer equipment within note 7.

Segment assets and segment liabilities at March 31, 2019 increased as a result of the change in accounting policy. Mining operations, Burkina Faso segment increased assets and liabilities by \$2,257,000 and Corporate segment increased assets and liabilities by \$330,000.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Leases

As a result of the adoption of IFRS 16, the accounting policy for leases applied starting from January 1, 2019 as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- I. the contract involves the use of an identified asset
- II. the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- III. the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 month or less.

3. Cash and cash equivalents

As at September 30, 2019, cash on hand totalling \$29,002,000 (December 31, 2018: \$59,833,000) consisted of cash in bank chequing accounts. As at September 30, 2019, the Company's cash balance is comprised of \$7,646,000 US Dollars, the West African Franc equivalent of €19,362,000 (\$21,109,000), \$60,000 Australian Dollars (\$40,000), and \$273,000 Canadian Dollars (\$207,000).

The Company has restricted cash of \$1,034,000 relating to the asset retirement obligations.

Roxgold Inc.

Notes to the Consolidated Financial Statements

(Unaudited)

(Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts)

4. Taxes recoverable and other receivables

As at September 30, 2019, receivables were mainly related to VAT (value added tax) receivable in Burkina Faso. They are non-interest bearing and generally settled within twelve months although they could be collected beyond the twelve-month period.

As at	September 30 2019	December 31 2018
VAT receivable	22,815	25,567
Other receivables	328	211
Ending balance	23,143	25,778

As at September 30, 2019, the Company received reimbursements from the government in the amount of \$1,259,000 and sold VAT in the amount of \$17,034,000 at a factor rate of 5.1%.

5. Inventory

As at	September 30 2019	December 31 2018
Stockpiled ore	11,997	12,181
Gold-in-circuit	1,416	3,562
Doré bars	855	71
Consumables inventory	5,791	4,299
Total Inventory	20,059	20,113
Less: Current portion	(10,269)	(14,171)
Non-current Inventory	9,790	5,942

The amount of depreciation included within inventory at September 30, 2019 is \$2,729,000 (December 31, 2018: \$3,428,000). For the nine-month period ended September 30, 2019, the Company recognised a net realizable value adjustment on low grade stockpiled ore of \$117,000 (December 31, 2018 - \$255,000).

The long-term inventory represents low grade stockpiled ore which the Company does not expect to process within the next twelve months.

Roxgold Inc.

Notes to the Consolidated Financial Statements

(Unaudited)

(Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts)

6. Acquisition

On April 18, 2019, the Company acquired a portfolio of 11 exploration permits in Côte d'Ivoire ("the Tenements") which includes the Séguéla gold project ("Séguéla") through the acquisition of LGL Resources SA and LGL Exploration SA ("the Transaction"). The Company has accounted for the acquisition as a purchase of assets and assumption of liabilities. The transaction did not qualify as a business combination under IFRS 3, Business Combinations, as significant inputs and processes that together constitute a business were not identified, given the early stage of exploration and evaluation of Tenements. Therefore, the purchase price of \$21,380,000 was allocated to the assets acquired and liabilities assumed based on their relative fair values at the date of the acquisition. Transactions costs of \$453,000 were capitalized as part of the cost of assets acquired.

A further cash payment of \$10 million is payable upon first gold production from any of the tenements. The outcome of this event is not determinable at this time and no provision has been recorded as at September 30, 2019. Any provision will be recognized by the Company once it is probable that an outflow of funds will occur. The consideration and allocation of purchased price to assets acquired and liabilities assumed are as follows:

Purchase consideration	Total
Cash consideration	20,000
Pre-acquisition expenditures assumed by the Company	1,380
Acquisition costs	453
Less: Cash acquired	(221)
	21,612
Net identifiable assets	
Exploration and evaluation assets	21,417
Other non-current assets	763
Current assets	57
Current liabilities	(625)
	21,612

Roxgold Inc.

Notes to the Consolidated Financial Statements

(Unaudited)

(Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts)

7. Property, plant and equipment	Furniture, mining vehicles, and computer equipment	Processing plant	Underground mine	Acquisition, infrastructure, and other development costs	Mineral properties under development	E&E Asset	TOTAL
COST							
As at December 31, 2017	13,408	39,435	62,531	60,982	1,949	-	178,305
Additions	17,768	254	26,040	8,592	23,631	-	76,285
Derecognition of finance lease assets	(3,328)	-	-	-	-	-	(3,328)
Pre-production revenue	-	-	-	-	(313)	-	(313)
Foreign exchange	(62)	-	-	(482)	-	-	(544)
As at December 31, 2018	27,786	39,689	88,571	69,092	25,267	-	250,405
Additions	989	774	19,407	3,452	22,925	-	47,547
Séguéla acquisition	448	-	-	316	-	21,417	22,181
Addition as at January 1, 2019 from transition to IFRS 16	4,227	-	-	-	-	-	4,227
Transfer	-	10,432	-	-	(10,432)	-	-
Pre-production revenue	-	-	-	-	(14,173)	-	(14,173)
Pre-production expenses	-	-	-	-	10,879	-	10,879
Retirement of assets	(2,558)	-	-	-	-	-	(2,558)
Foreign exchange	25	-	-	116	-	(464)	(323)
As at September 30, 2019	30,917	50,895	107,978	72,976	34,466	20,953	318,185
ACCUMULATED DEPRECIATION							
As at December 31, 2017	(8,522)	(8,386)	(14,546)	(11,563)	-	-	(43,017)
Additions	(5,533)	(5,842)	(16,892)	(10,473)	-	-	(38,740)
Derecognition of finance lease assets	1,238	-	-	-	-	-	1,238
Foreign exchange	52	-	-	82	-	-	134
As at December 31, 2018	(12,765)	(14,228)	(31,438)	(21,954)	-	-	(80,385)
Additions	(6,217)	(5,877)	(16,302)	(8,397)	-	-	(36,793)
Retirement of assets	2,558	-	-	-	-	-	2,588
Foreign exchange	(20)	-	-	(37)	-	-	(57)
As at September 30, 2019	(16,444)	(20,105)	(47,740)	(30,388)	-	-	(114,677)
NET BOOK VALUE							
Net book value as at December 31, 2017	4,886	31,049	47,985	49,419	1,949	-	135,288
Net book value as at December 31, 2018	15,021	25,461	57,133	47,138	25,267	-	170,020
Net book value as at September 30, 2019	14,473	30,790	60,238	42,588	34,466	20,953	203,508

Roxgold Inc.

Notes to the Consolidated Financial Statements

(Unaudited)

(Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts)

7. Property, plant and equipment (continued)

The net book value of the assets held in Canada, Burkina Faso and Côte D'Ivoire totalled \$201,000, \$181,457,000, and \$21,850,000 respectively, as at September 30, 2019 (December 31, 2018: \$110,000, \$169,910,000 and nil, respectively). Included under mining equipment are right-of-use assets at a net book value of \$9,696,000 (December 31, 2018, Finance leases: \$10,219,000). For the nine-month ended September 30, 2019, depreciation of right-of-use assets of \$1,331,000 (December 31, 2018, Finance leases: \$310,000) has been capitalized to mineral properties under development.

8. Long-term debt

As at	September 30 2019	December 31 2018
Opening balance	36,200	43,222
Adoption of IFRS 9 adjustment	-	(211)
Deduct: debt repayment	(9,300)	(8,400)
Add: accretion	981	1,589
Ending balance	27,881	36,200
Less: current portion	(13,653)	(12,019)
Non-current portion	14,228	24,181

The facility includes covenants customary for a transaction of this nature. As at September 30, 2019, the Company has maintained all covenants. In the nine-month period ended September 30, 2019, the Company has made principal repayments totalling \$9,300,000 and interest and accretion totalling \$2,651,000 (September 30, 2018 -\$5,850,000) which were expensed in the Company's consolidated statement of income.

As at September 30, 2019, the Company is committed to minimum future principal and interest payments for the Facility, is as follows:

	Long-term debt
Remainder of the year ending December 31, 2019	3,723
Year ending December 31, 2020	17,112
Year ending December 31, 2021	9,432

9. Derivative financial instruments

The execution of a hedging program was completed in July 2016 as a condition precedent to the drawdown of the Credit Facility. The hedging program comprised of the forward sale of 65,000 ounces of gold, at an average price of US\$1,052 per ounce, which is to be settled on a monthly basis from January 2017 to March 2021.

For the nine-month ended September 30, 2019, the Company recognized a change in the fair value of derivative financial instruments of \$5,006,000 loss (September 30, 2018 - \$4,537,000 gain) in its consolidated statement of income. During the nine-month ended September 30, 2019, the Company redeemed hedging contracts totalling \$3,568,000 (September 30, 2018 - \$2,033,000) of which \$2,982,000 were cash settled. The cash settlement is completed on the first business day of the following month. For the nine-month period ended September 30, 2019, the Company has settled 11,466 ounces and as at September 30, 2019, 22,958 ounces are outstanding.

Roxgold Inc.

Notes to the Consolidated Financial Statements

(Unaudited)

(Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts)

9. Derivative financial instruments (continued)

The fair value of instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on the Company's specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2. As at September 30, 2019, the derivative financial instruments have been classified as Level 2 financial instruments according to the Company's fair value hierarchy. The fair value of these instruments is determined using discounted future cash flows based on the forward gold curve.

There were no transfers between Level 1, Level 2 and Level 3 during the nine-month ended September 30, 2019 and 2018.

For the periods ended,	September 30 2019	December 31 2018
Opening balance	8,441	13,487
Change in fair value of derivatives	5,006	(1,721)
Settlement of derivative financial instruments	(3,568)	(3,325)
Ending balance	9,879	8,441
Less: current portion	(6,367)	(3,578)
Non-current portion	3,512	4,863

10. Asset retirement obligations

The Company recognizes a provision related to its constructive and legal obligations in Burkina Faso to restore its Yaramoko property. The cost of these obligations is determined based on the expected future level of activity and costs related to decommissioning the mines and restoring the property. As at September 30, 2019, the Company has a provision for mine rehabilitation of \$3,021,000 (December 31, 2018 - \$2,791,000). A related accretion expense of \$230,000 (September 30, 2018 - \$204,000) was recorded in the consolidated statement of income. The provision is calculated at the net present value of the estimated future undiscounted cash flows using a discount rate of 10.25%, a remaining mine life of approximately five years based on reserves only and estimated future undiscounted liability of \$4,437,000.

	September 30 2019	December 31 2018
Opening balance	2,791	2,379
Additions, net	-	336
Add: accretion	230	76
Ending balance	3,021	2,791

Roxgold Inc.

Notes to the Consolidated Financial Statements

(Unaudited)

(Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts)

11. Share capital and reserves

For the nine-month periods ended September 30,	2019	2018
Shares		
Balance – Beginning of year	374,380,796	372,644,096
Shares issued for exercise of share awards	2,105,511	2,250,000
Shares repurchased and cancelled	(4,949,000)	(663,300)
Balance – End of period	371,537,307	374,230,796

A. Authorized

The authorized share capital of the Company is comprised of an unlimited number of voting common shares.

B. Share issuances

During the nine-month period ended September 30, 2019, the Company issued 525,511 shares pursuant to the Company's restricted share units ("RSU") plan for total net impact of \$590,000 (C\$784,000) and 1,580,000 exercise of stock options with a weighted average exercise price of C\$0.62 per share, for total net proceeds of \$741,000 (C\$980,000). At the time the options were exercised the weighted average share price was C\$1.17.

During the nine-month period ended September 30, 2018, the Company issued 2,250,000 shares pursuant to the exercise of stock options with a weighted average exercise price of C\$0.67 per share, for total net proceeds of \$1,191,000 (C\$1,511,000). At the time the options were exercised the weighted average share price was C\$1.08.

C. Share cancellations

On June 3, 2019, the Company announced that a notice of intention to renew a Normal Course Issuer Bid ("NCIB") was filed and accepted by the TSX. The NCIB commenced on June 5, 2019 and will terminate on the earlier of i) June 4, 2020; and ii) the date in which the maximum number of Common Shares that can be acquired pursuant to the NCIB are purchased. The Company may purchase up to 10 million common shares under the NCIB.

In the nine-month ended September 30, 2019, the Company repurchased and cancelled 4,949,000 shares at an average price of C\$0.84/share, for a total cost of \$3,130,000 (C\$4,157,000). To date, the Company has not purchased any common shares under the renewed NCIB.

D. Share-based payments

A summary of the share-based payment expenses is detailed as follows:

For the periods ended September 30,	Three-month 2019	Three-month 2018	Nine-month 2019	Nine-month 2018
Stock Options cost	10	54	36	78
Deferred unit costs	540	(79)	615	588
Performance share unit costs	57	(31)	309	52
Restricted share unit costs	281	183	1,023	663
Total share-based payments expensed	888	127	1,983	1,381

Roxgold Inc.

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(Unaudited)

(Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts)

11. Share capital and reserves (continued)**E. Stock options**

A summary of the Company's stock option activities for the nine-month ended September 30, 2019 and for the year ended December 31, 2018 is presented below:

	Number of stock options	Weighted average exercise price \$ (CAD)
Balance as at December 31, 2017	10,752,498	0.87
Exercised	(2,400,000)	0.65
Forfeited	(669,443)	1.51
Balance as at December 31, 2018	7,683,055	0.87
Granted	450,000	0.91
Exercised	(1,580,000)	0.62
Forfeited	(1,158,333)	1.16
Balance as at September 30, 2019	5,394,722	0.89

During the nine-month period ended September 30, 2019, the Company granted 450,000 options that were specifically linked to performance-based metrics (2018 -Nil).

The following assumptions were used for the Black-Scholes valuation of stock options granted during the nine-month period ended September 30, 2019.

For nine-month period ended September 30,	2019
Dividend rate	0%
Expected annualized volatility	52.8%
Risk free interest rate	1.51%
Expected life of stock options (years)	5
Weighted average fair value of options granted	C\$0.42

Expected annualized volatility was based on the Company's historical volatility.

As at September 30, 2019, the Company had the following stock options outstanding:

Expiry date	Number of stock options outstanding	Number of stock options vested	Exercise price \$CAD	Weighted average number of years to expiry
December 8, 2019	25,000	25,000	0.61	0.19
February 2, 2020	1,350,000	1,350,000	0.70	0.34
April 2, 2020	100,000	100,000	0.59	0.51
August 13, 2020	200,000	200,000	0.72	0.87
January 4, 2021	2,001,667	2,001,667	0.69	1.26
May 18, 2021	175,000	175,000	1.20	1.63
June 9, 2021	100,000	100,000	1.41	1.69
January 19, 2022	993,055	743,054	1.50	2.30
March 31, 2024	450,000	-	0.91	4.50
	5,394,722	4,694,721	0.89	1.48

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11. Share capital and reserves (continued)**F. Deferred share units**

The following table reflects the movement in deferred share units ("DSUs"):

	Number of instruments
Balance as at December 31, 2017	4,075,092
Granted	801,724
Balance as at December 31, 2018	4,876,816
Granted	688,751
Balance as at September 30, 2019	5,565,567

As at September 30, 2019, all DSUs have vested and 4,551,106 units had a dilutive impact as the remaining DSUs totalling 1,014,461 units are to be settled in cash and included as a liability on the Company's consolidated statement of financial position.

G. Restricted share units

The following table reflects the movement in restricted share units ("RSU"):

	Number of instruments
Balance as at December 31, 2017	1,144,167
Granted	2,619,123
Forfeited	(539,323)
Settled	(517,500)
Balance as at December 31, 2018	2,706,467
Granted	3,401,799
Forfeited	(650,980)
Settled	(75,904)
Balance as at September 30, 2019	5,381,382

Expiry date	Number of instruments	Number of instruments vested	Weighted average number of years to expiry
December 1, 2020	533,328	343,332	1.17
December 1, 2021	1,812,327	627,442	2.17
December 1, 2022	3,035,727	-	3.17
Balance as at September 30, 2019	5,381,382	970,774	2.64

H. Performance share units

During the nine-month ended September 30, 2019, the Company granted 1,949,405 performance shares units ("PSU") to senior management. The Board of Directors determined the performance vesting criteria. The PSUs provide the right to receive an award payout multiplied by a payout factor on the performance condition measurement date set as January 1, 2022. The following table reflects the movement in PSUs for the period ended September 30, 2019:

	Number of instruments
Balance as at December 31, 2017	825,000
Granted	1,102,941
Forfeited	(910,014)
Balance as at December 31, 2018	1,017,927
Granted	1,949,405
Forfeited	(344,152)
Balance as at September 30, 2019	2,623,180

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11. Share capital and reserves (continued)

Expiry date	Number of instruments	Weighted average number of years to expiry
January 19, 2020	300,000	0.30
February 1, 2021	567,227	1.34
January 1, 2022	1,755,953	2.26
Balance as at September 30, 2019	2,623,180	1.83

12. Mine operating expenses

A summary of mine operating expenses is presented below:

For the periods ended September 30,	Three-month 2019	Three-month 2018	Nine-month 2019	Nine-month 2018
Mining contractor	7,550	8,869	22,894	28,340
Salaries and benefits	2,297	2,354	6,616	7,066
Operating supplies and parts	1,959	2,447	7,297	7,011
Energy	982	1,301	2,976	3,992
Inventory adjustment	(364)	101	1,019	(960)
	12,424	15,072	40,802	45,449

13. Supplementary cash flow information

For the nine-month periods ended September 30,	2019	2018
PP&E included in accounts payable and accrued liabilities	7,734	2,324
Depreciation included in Inventory	2,729	3,092
Changes in non-cash working capital for the nine-month periods ended September 30,	2019	2018
Accounts receivable	2,655	(2,983)
Prepaid expenses and other expenses	(907)	159
Inventory	(645)	(1,776)
Accounts payable & other accrued liabilities	4,571	(5,497)
	5,674	(10,097)

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14. Commitments

The Company's financial commitments consist contracts with service providers and consultants.

For the years ending December 31,	2019	2020	2021
Lease agreements	26	9	-
Service agreements	386	508	163
	412	517	163

The Company entered into an agreement with a service provider wherein the Company could be subject to an early termination payment, which is reduced monthly over 30 month and, in certain conditions, could be subject to other payments that will be negotiated between the Company and the service provider. If the Company had terminated the agreement at September 30, 2019, it would have been subject to an early termination payment of \$7,116,000

The government of Burkina Faso retains a 10% carried interest in Roxgold SANU S.A. In Burkina Faso, all shipments with gold spot prices lower or equal to \$1,000 per ounce are subject to a royalty rate of 3%, a 4% rate is applied to all shipments with gold spot prices between \$1,000 and \$1,300 per ounce, and a 5% royalty rate is applied to all shipments with a gold spot price greater than \$1,300 per ounce. During the nine-month period ended September 30, 2019, the Company was subject to royalty rates of 4% and 5%. For the nine months ended September 30, 2019, government royalties amounting to \$5.7 million (Sept 30, 2018: \$6.2 million) were incurred with the Government of Burkina Faso.

15. Lease obligations

Management has reviewed all of the Company's leasing arrangements for the adoption of IFRS 16. The standard primarily affects the accounting for the Company's contracts previously classified as operating leases under IAS 17. As at December 31, 2018, the Company had operating lease commitments of \$7,482,000 relating to mobile fleet contracts and office leases of which \$4,227,000 are considered lease obligations upon adoption of IFRS 16 on January 1, 2019.

As at	September 30 2019	December 31 2018
Opening balance	9,931	4,017
De-recognize existing finance leases	-	(2,678)
Add: new debt obligations under amended contract	-	11,204
Add: new debt obligations under finance leases	-	811
Add: IFRS 16 impact	4,227	-
Deduct: repayments	(5,051)	(3,423)
Total lease obligations (2018: Finance lease obligations)	9,107	9,931
Less: current portion	(7,401)	(5,069)
Non-current obligations	1,706	4,862

Future minimum lease payments pursuant to the Company's leases are as follows:

	Up to 1 year	1-5 years	Total
Minimum lease payments	7,401	1,706	9,107

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16. Segmented Reporting

The Company is conducting exploration and evaluation and mining operations activities in Burkina Faso and Côte d'Ivoire. The business segments presented reflect the management structure of the Company and the way in which the Company's chief operating decision maker reviews business performance. The Company evaluates the performance of its operating segments primarily based on segment operating income, as defined below.

For the three-month ended September 30, 2019	Mining Operations	Exploration and evaluation Burkina Faso & Côte D'Ivoire	Corporate	Total
Revenue	42,258	-	-	42,258
Total mine operating expenses	(25,862)	-	-	(25,862)
Mine operating profit	16,396	-	-	16,396
General administrative expenses	-	-	(1,167)	(1,167)
Sustainability and other in-country costs	(652)	-	-	(652)
Exploration and evaluation	-	(4,081)	-	(4,081)
Depreciation	-	(13)	(143)	(156)
Share-based payments	-	-	(888)	(888)
Operating profit (loss)	15,744	(4,094)	(2,198)	9,452
Non-Operating expenses	(1,355)	55	(6,224)	(7,524)
Income (loss) for the period	14,389	(4,039)	(8,422)	1,928
Segmented total assets	244,172	24,876	13,041	282,089
Segmented total liabilities	(90,599)	(3,329)	(12,586)	(106,514)
Segmented capital expenditures	14,676	187	7	14,870

For the three-month ended September 30, 2018	Mining Operations, Burkina Faso	Exploration and evaluation, Burkina Faso	Corporate	Total
Revenue	37,890	-	-	37,890
Total mine operating expenses	(24,012)	-	-	(24,012)
Mine operating profit	13,878	-	-	13,878
General administrative expenses	-	-	(1,115)	(1,115)
Sustainability and other in-country costs	(589)	-	-	(589)
Exploration and evaluation	-	(3,376)	-	(3,376)
Depreciation	-	(70)	(128)	(198)
Share-based payments	-	-	(127)	(127)
Operating profit (loss)	13,289	(3,446)	(1,370)	8,473
Non-Operating expenses	(4,726)	-	2,852	(1,874)
Income (loss) for the period	8,563	(3,446)	1,482	6,599
Segmented total assets	238,909	3,560	27,257	269,726
Segmented total liabilities	(88,954)	(2,853)	(8,012)	(99,819)
Segmented capital expenditures	21,262	468	10	21,740

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16. Segmented Reporting (continued)

For the nine-month ended September 30, 2019	Mining Operations, Burkina Faso	Exploration and evaluation, Burkina Faso & Côte D'Ivoire	Corporate	Total
Revenue	121,770	-	-	121,770
Total mine operating expenses	(81,273)	-	-	(81,273)
Mine operating profit	40,497	-	-	40,497
General administrative expenses	-	-	(3,794)	(3,794)
Sustainability and other in-country costs	(1,777)	-	-	(1,777)
Exploration and evaluation	(417)	(10,955)	-	(11,372)
Depreciation	-	(67)	(504)	(571)
Share-based payments	-	-	(1,983)	(1,983)
Operating profit (loss)	38,303	(11,022)	(6,281)	21,000
Non-Operating expenses	(12,421)	6	(7,683)	(20,098)
Income (loss) for the period	25,882	(11,016)	(13,964)	902
Segmented total assets	244,172	24,876	13,041	282,089
Segmented total liabilities	(90,599)	(3,329)	(12,586)	(106,514)
Segmented capital expenditures	51,183	22,392	380	73,955
For the nine-month ended September 30, 2018	Mining Operations, Burkina Faso	Exploration and evaluation, Burkina Faso	Corporate	Total
Revenue	136,903	-	-	136,903
Total mine operating expenses	(76,885)	-	-	(76,885)
Mine operating profit	60,018	-	-	60,018
General administrative expenses	-	-	(3,708)	(3,708)
Sustainability and other in-country costs	(1,352)	-	-	(1,352)
Exploration and evaluation	-	(10,737)	-	(10,737)
Depreciation	-	(218)	(411)	(629)
Share-based payments	-	-	(1,381)	(1,381)
Operating profit (loss)	58,666	(10,955)	(5,500)	42,211
Non-Operating expenses	(18,669)	(421)	8,239	(10,851)
Income (loss) for the period	39,997	(11,376)	2,739	31,360
Segmented total assets	238,909	3,560	27,257	269,726
Segmented total liabilities	(88,954)	(2,853)	(8,012)	(99,819)
Segmented capital expenditures	46,546	756	74	47,376

The Company's revenue is derived from one major customer. The Company is not economically dependent on a limited number of customers for the sale of gold because gold can be sold through numerous commodity market traders worldwide.

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17. Non-Controlling Interest

For the nine-month period ended September 30, 2019, the non-controlling interest of the Government of Burkina Faso, which represents 10% in Roxgold SANU S.A. totalled \$2,340,000 (2018: \$2,846,000). The income attributable to the NCI for the nine-month period ended September 30, 2019, totalling \$23,396,000 is based on the net income for Roxgold SANU SA, as determined using IFRS. This excludes all items within their expenses and Financial expenses on the Company's consolidated statement of income, except for sustainability and other in-country costs, interest expense, other expenses and any related foreign exchange gain (loss).

18. Contingencies

Under the Burkina Faso 2015 mining code, the government introduced a levy of 1% of revenues to be contributed to the Mining fund for local development. The Company is governed under the 2003 Mining code that includes a fiscal stability clause and therefore should not be subjected to this tax. To date the Company has been issued an invoice for approximately \$4.1 million for 2017, 2018 and 2019. The Company disputes this levy and ongoing negotiations are occurring with the government. The final outcome of this matter is not determinable at this time and no provision has been recorded as at December 31, 2018 and September 30, 2019. Any provision will be recognized by the Company once it is probable that an outflow of funds will occur.

19. Subsequent Events

The Company received from the Burkinabe tax authorities in December 2018 a tax assessment for the years 2015 and 2016. The assessment covered mainly three items: value added tax, withholding taxes on foreign mining-related suppliers, and corporate income taxes. A settlement was finalized in October 2019, with \$1,019,000 recognized in the Company's consolidated statements of income and \$513,000 to be claimed as a VAT refundable credit.