Roxgold

Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in U.S. Dollars)
(Audited)

Management's responsibility for financial reporting

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, which includes making significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the consolidated financial statements, selecting appropriate accounting principles and methods;, and making decisions that affect the measurement of transactions.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

PricewaterhouseCoopers LLP, an independent partnership of Chartered Professional Accountants, has been appointed by the shareholders to audit the consolidated financial statements as at December 31, 2018 and 2017 and for the years then ended and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

March 26, 2019

/s/ John Dorward	/s/ Vince Sapuppo
John Dorward, Chief Executive Officer	Vince Sapuppo, Chief Financial Officer

Independent auditor's report

To the Shareholders of Roxgold Inc.

Our opinion

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

What we have audited
The Company's consolidated financial statements comprise:

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

Basis for opinion

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

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

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

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
March 26, 2019

[1] CPA auditor, CA public accountancy permit No. A128042

Roxgold Inc.
Consolidated Statements of Income
(Audited)
(Expressed in U.S. Dollars)

For the years ended December 31,	Notes	2018	2017
Mine operations			
Revenues – Gold sales		168,859,000	159,414,000
Mine operating expenses	16	(57,270,000)	(55,681,000)
Royalties		(7,529,000)	(6,443,000)
Depreciation	7	(34,926,000)	(30,152,000)
Mine operating profit		**69,134,000**	**67,138,000**
Other expenses			
General and administrative	17	(5,336,000)	(4,627,000)
Sustainability and other in-country costs		(2,245,000)	(1,612,000)
Exploration and evaluation	18	(8,019,000)	(12,757,000)
Share-based payments	12	(1,945,000)	(2,522,000)
Depreciation	7	(1,144,000)	(1,042,000)
Operating profit		**50,445,000**	**44,578,000**
Financial expenses			
Financing costs		(4,814,000)	(6,795,000)
Change in fair value of derivative financial instruments	10	1,721,000	(8,777,000)
Foreign exchange (loss) gain		(3,013,000)	1,617,000
Other expenses		(1,770,000)	(260,000)
Income before income taxes		**42,569,000**	**30,363,000**
Income tax expense			
Current income tax expense	15	(285,000)	-
Deferred income tax expense	15	(6,179,000)	(7,120,000)
Net income		**36,105,000**	**23,243,000**
Attributable to:			
Roxgold shareholders		31,900,000	18,843,000
Non-controlling interest		4,205,000	4,400,000
Earnings per share			
Basic	19	0.09	0.05
Diluted	19	0.08	0.05
Weighted average number of common shares outstanding - Basic	19	373,617,490	371,585,337
Weighted average number of common shares outstanding - Diluted	19	389,579,175	387,949,517
Subsequent events	27		

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

Approved on March 26, 2019 on behalf of the directors

/s/ John Dorward
Director

/s/ John Knowles
Director

(Audited)
(Expressed in U.S. Dollars)

For the years ended December 31,	**2018**	**2017**
Net income	**36,105,000**	**23,243,000**
Other item that may be reclassified subsequently to the consolidated statement of income		
Currency translation adjustment	(665,000)	534,000
Comprehensive income	**35,440,000**	**23,777,000**
Attributable to:		
Roxgold shareholders	31,235,000	19,377,000
Non-controlling interest	4,205,000	4,400,000
	35,440,000	**23,777,000**

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

Roxgold Inc.
Consolidated Statements of Cash Flow
(Audited)
(Expressed in U.S. Dollars)

For the years ended December 31,	Notes	2018	2017
Operating activities			
Net income		**36,105,000**	**23,243,000**
Adjustments for operating activities:			
Depreciation	7	36,658,000	31,194,000
Share-based payments	12	1,945,000	2,522,000
Derecognition of financial lease asset	23	(588,000)	-
Change in fair value of derivative financial instruments	10	(1,721,000)	8,777,000
Asset retirement obligation accretion	11	76,000	17,000
Long-term debt accretion	9	1,589,000	1,978,000
Deferred income tax expense	15	6,464,000	7,120,000
Settlement of hedge contract	10	(3,075,000)	(2,875,000)
Unrealized foreign exchange loss (gain)		277,000	(3,664,000)
		77,730,000	**68,312,000**
Changes in non-cash working capital	21	(15,194,000)	(10,415,000)
		62,536,000	**57,897,000**
Financing activities			
Repayment of long-term debt	9	(8,400,000)	(28,200,000)
Payments of finance lease obligations	23	(3,423,000)	(2,150,000)
Restricted share unit cash settlement	12	-	(2,733,000)
Proceeds from stock option exercise	12	1,245,000	899,000
NCIB share buyback		(560,000)	-
Financing fees	9	-	(1,624,000)
		(11,138,000)	**(33,808,000)**
Investing activities			
Additions to property, plant and equipment	7	(53,710,000)	(31,851,000)
Restricted cash		(523,000)	(511,000)
Proceeds from pre-commercial production revenue	7	313,000	-
		(53,920,000)	**(32,362,000)**
Net decrease in cash		**(2,522,000)**	**(8,273,000)**
Effect of foreign exchange rates on cash		(678,000)	2,404,000
Cash and cash equivalents, beginning of year		**63,033,000**	**68,902,000**
Cash and cash equivalents, end of year		**59,833,000**	**63,033,000**
Interest paid		2,623,000	4,126,000

Refer to note 21 for supplemental cash flow information

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

(Audited)
(Expressed in U.S. Dollars)

As at December 31,	Notes	2018	2017
Assets			
Current assets			
Cash	4	59,833,000	63,033,000
Taxes recoverable and other receivables	5	25,778,000	20,049,000
Prepaid expenses and deposits		1,308,000	1,705,000
Inventory	6	14,171,000	15,628,000
		101,090,000	100,415,000
Non-current assets			
Inventory	6	5,942,000	-
Property, plant and equipment	7	170,020,000	135,288,000
Restricted cash	11	1,034,000	511,000
Deferred tax asset	15	3,104,000	-
Total assets		**281,190,000**	**236,214,000**
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	8	31,655,000	28,931,000
Current portion of finance leases	23	5,069,000	2,777,000
Current portion of long-term debt	9	12,019,000	7,758,000
Current portion of derivative financial instruments	10	3,578,000	3,960,000
Current income tax liability		285,000	-
		52,606,000	43,426,000
Non-current liabilities			
Long-term debt	9	24,181,000	35,464,000
Derivative financial instruments	10	4,863,000	9,527,000
Asset retirement obligations	11	2,791,000	2,379,000
Finance leases	23	4,862,000	1,240,000
Deferred share units' liability	12	182,000	350,000
Deferred income tax liability	15	16,107,000	6,658,000
Total liabilities		**105,592,000**	**99,044,000**
Equity			
Share capital	12	208,940,000	207,393,000
Reserves	12	23,746,000	22,306,000
Accumulated other comprehensive income		12,475,000	13,140,000
Deficit		(79,608,000)	(111,509,000)
Equity attributable to Roxgold shareholders		165,553,000	131,330,000
Equity attributable to non-controlling interest	25	10,045,000	5,840,000
Total equity		**175,598,000**	**137,170,000**
Total liabilities and equity		**281,190,000**	**236,214,000**
Commitments	22		
Subsequent events	27		

Roxgold Inc.
Consolidated Statements of Equity
(Audited)
(Expressed in U.S. Dollars)

For the years ended December 31,	2018	2017
Share capital		
Balance – Beginning of year	207,393,000	206,026,000
Shares issued for exercise of options	1,897,000	1,367,000
NCIB share buyback	(350,000)	-
Balance – End of year	**208,940,000**	**207,393,000**
Warrants[1]		
Balance – Beginning of year	4,676,000	4,676,000
Balance – End of year	**4,676,000**	**4,676,000**
Options		
Balance – Beginning of year	13,357,000	13,024,000
Shares issued for exercise of options	(652,000)	(493,000)
Share-based payments	133,000	826,000
Balance – End of year	**12,838,000**	**13,357,000**
Restricted, performance and deferred share units		
Balance – Beginning of year	4,273,000	4,306,000
Settlement of restricted share units	-	(1,734,000)
Share-based payments	1,959,000	1,701,000
Balance – End of year	**6,232,000**	**4,273,000**
Accumulated other comprehensive income		
Balance – Beginning of year	13,140,000	12,606,000
Other comprehensive (loss) income	(665,000)	534,000
Balance – End of year	**12,475,000**	**13,140,000**
Deficit		
Balance – Beginning of year	(111,509,000)	(129,326,000)
IFRS 9 opening statement of financial position impact	211,000	-
NCIB share buyback	(210,000)	-
Income attributable to Roxgold shareholders	31,900,000	18,843,000
Settlement of restricted share units	-	(1,026,000)
Balance – End of year	**(79,608,000)**	**(111,509,000)**
Total equity attributable to Roxgold shareholders	**165,553,000**	**131,330,000**
Total equity attributable to non-controlling interests		
Balance – Beginning of year	5,840,000	1,440,000
Income attributable to non-controlling interest	4,205,000	4,400,000
Balance – End of year	**10,045,000**	**5,840,000**
Total Equity	**175,598,000**	**137,170,000**

Refer to Note 12 for further information on changes to equity.

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

[1] This balance relates to warrants that have expired and were not exercised. There are no warrants outstanding as at December 31, 2018.

(Expressed in U.S. Dollars)

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

B. Statement of compliance

The Company's audited consolidated financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 of those arising from new accounting standards issued and adopted by the Company as described in note 2V. The Board of Directors authorized the consolidated financial statements for publication on March 26, 2019.

C. Consolidation, functional and presentation currency

These consolidated financial statements include the accounts of the Company and its subsidiaries.

Name of Subsidiary	Place of Incorporation	Beneficial Common Share Ownership Interest	Principal Activity	Functional Currency
Roxgold SANU S.A.	Burkina Faso	90%	Mining	USD
Roxgold Burkina Faso S.A.R.L.	Burkina Faso	100%	Exploration	USD
Roxgold Exploration S.A.R.L.	Burkina Faso	100%	Exploration	USD
FR Mining Limited	British Virgin Islands	100%	Holding	USD
Roxgold CI Limited	Cayman Islands	100%	Holding	USD
FR Gold Mining Ltd.	Canada	100%	Holding	CAD
Roxgold Resources Pty Ltd	Australia	100%	Corporate	AUD

The Company's functional currency is the Canadian dollar and its reporting currency is the U.S. dollar.

Assets and liabilities of the subsidiaries that have a functional currency other than the Canadian dollar are translated into U.S. dollars at the exchange rate in effect on the consolidated statement of financial position date and revenues and expenses are translated at the average rate over the reporting period. Gains and losses from these translations are recognized in other comprehensive income (loss).

D. Segment reporting

The Company currently has two reportable segments: mining operations, exploration and evaluation of mineral properties, located in Burkina Faso. Corporate includes the activities from the head office, which is located in Toronto and the subsidiaries in Australia, British Virgin Islands and Cayman Islands. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, and which has been identified as the management team that makes strategic decisions.

2. Summary of significant accounting policies (continued)

E. Property, plant and equipment

Property, plant and equipment ("PP&E") are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PP&E consists of the purchase price, applicable borrowing costs, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Repairs and maintenance costs are charged to the consolidated statement of income (loss) during the period in which they are incurred unless the PP&E are used in mineral properties under development for which the costs are capitalized in the mineral properties under development assets.

Certain costs associated with the development of the underground mine incurred during the production phase, drilling costs associated with converting resources to reserves, and drilling cost likely to expand the existing resource body or an area of interest are considered underground capital development and are capitalized if they are expected to bring future economic benefits to the Company.

Depreciation is recognized based on the cost of an item of PP&E, less its estimated residual value, over its expected useful life:

	Useful life (years)
Furniture, mining vehicles, and computer equipment	Straight line over 2-3 years
Processing plant	Units of production over life of mine ("LOM")
Underground mine	Units of production over the component's life
Camp (within acquisition costs, infrastructure, and other development costs)	Straight line over LOM
Acquisition costs, infrastructure, and other development costs	Units of production over LOM

Depreciation is capitalized to mineral properties under development when related to a specific development project.

The residual value, useful life and depreciation method for PP&E are reviewed, and adjusted if appropriate, on an annual basis.

An item of PP&E is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net proceeds on disposal and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of income.

Where an item of PP&E consists of major components with different useful lives, the components are accounted for as separate items of PP&E. Expenditures incurred to replace a component of an item of PP&E that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Capitalized costs, including mineral property acquisition costs and certain mine development and construction costs, are not depreciated until the time at which the related mining property has reached a pre-determined level of operating capacity intended by management. Costs incurred prior to this point, including depreciation of related PP&E, are capitalized and proceeds from sales during this period are offset against capitalized costs. Upon completion of construction, mining properties under development are amortized on a unit of production basis according to the portion of the mine's economically recoverable and proven ore reserves produced during the period.

Summary of significant accounting policies (continued)

F. Commercial production

Prior to reaching pre-determined levels of operating capacity intended by management, costs incurred are capitalized as part of mineral properties under development within property, plant and equipment, and proceeds from sales are offset against capitalized costs. Depletion of capitalized costs for mining properties begins when pre-determined levels of operating capacity intended by management have been reached. Management considered several factors in determining when a mining property has reached levels of operating capacity intended by management, including:

- when the mine is substantially complete and ready for its intended use;
- the mine has the ability to sustain ongoing production at a steady or increasing level;
- the mine has reached a level of pre-determined percentage of design capacity;
- mineral recoveries are at or near the expected production level, and;
- a reasonable period of testing of the mine plant and equipment has been completed.

G. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts for mineral sales in the normal course of business. Revenue from the sale of gold is recognized at the point the customer obtains control of the product. Control is transferred when title has passed to the purchaser, the customer controls the risks and rewards of ownership and the Company has a present right to payment for the product. Until such time when commercial production was reached, pre-commercial production revenue is accounted for as a reduction of mineral properties under development within property, plant and equipment ("PPE").

H. Inventories

Inventories currently include stockpiled ore, gold-in-circuit ("GIC"), gold doré, and consumables inventory. The value of all production inventories includes direct production costs and attributable overhead and depreciation incurred to bring the materials to their current point in the processing cycle. General and administrative costs for the corporate head office are excluded from any inventories. All inventories are valued at the lower of cost and net realizable value, with net realizable value determined with reference to market prices, less estimated future production costs (including royalties) to convert inventories into saleable form.

Stockpiled ore represents unprocessed ore that has been mined and is available for future processing. Stockpiled ore is measured by estimating the number of tonnes added to or removed from the stockpile, the number of contained ounces and estimated gold recovery percentage. Stockpiled ore value is based on the costs incurred (including depreciation) in bringing the ore to the stockpile. Costs are added to the stockpiled ore based on current mining costs per tonne and are removed at the average cost per tonne of ore in the stockpile.

GIC inventory represents ore that is being treated in the processing plant to extract the contained gold and to convert it to a saleable form. The amount of gold in the GIC inventory is determined by assay values and by measures of the various gold bearing materials in the recovery process. The GIC inventory is valued at the average cost of the beginning inventory and the cost of material fed into the processing plant plus in-circuit conversion costs including applicable mine-site overheads, and depreciation.

Gold doré inventory is gold in the form of saleable doré bars that have been poured. The valuation of gold doré inventory includes the direct costs of mining and processing operations as well as direct mine site overheads, and depreciation.

Ore stockpile inventory is segregated between current and non-current inventory based on its expected processing date.

I. Exploration and evaluation expenses

Exploration and evaluation ("E&E") expenditures for each separate area of interest are expensed and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also 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.

Acquisition costs related to a mineral property are capitalized to exploration and evaluation assets until technical feasibility and commercial viability is reached at which time it is subsequently transferred to PP&E. These include rights to mining properties paid or acquired through a business combination or an acquisition of assets. Mining rights are recorded at acquisition cost less accumulated impairment losses. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production and after they are transferred to PP&E.

2. Summary of significant accounting policies (continued)

E&E expenditures include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- early economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping studies.

E&E expenditures include overhead expenses directly attributable to the related activities. E&E expenditures excluding acquisition costs are expensed, until technical feasibility and commercial viability has been reached, at which point E&E expenditures are capitalized under mineral properties under development within PP&E. When a mineral property moves into the development stage, mineral property acquisition costs are tested for impairment prior to the reclassification to mineral properties under development.

J. Provisions

i) *General*

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

ii) *Rehabilitation provision*

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, evaluation, development or ongoing production at a mineral property. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The related liability is adjusted each period for the unwinding of the discount rate, and if required, for changes to the current market-based discount rate, amount and timing of the underlying cash flows needed to settle the obligation. The Company also records a corresponding asset amount which is amortized over the remaining service life of the asset.

K. Impairment of non-financial assets

PP&E and E&E assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction is recognized immediately as an impairment loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined had no impairment been previously recognized. The previously recognized impairment loss is reversed during the period in profit or loss.

L. Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized in equity as a deduction from the proceeds in the period in which the transaction occurs.

2. Summary of significant accounting policies (continued)

M. Share-based payment transactions

i) *Stock options*

The fair value of stock options granted to employees is recognized as an expense, or capitalized to PP&E, over the vesting period with a corresponding increase in option reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the stock options vest. The fair value of options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

ii) *Deferred, performance and restricted share units*

Deferred share units ("DSUs"), performance share units ("PSUs") and restricted share units ("RSUs") are measured at fair value on the grant date. The expense for DSUs, PSUs and RSUs, to be redeemed in shares, is recognized over the vesting period, or using management's best estimate when contractual provisions restrict vesting until completion of certain performance conditions, with a corresponding charge as an expense or capitalized to PP&E. DSUs to be redeemed in cash are adjusted at each financial position reporting date for changes in fair value until such time when the directors retire from all positions with the Company.

N. Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income or in equity, in which case it is recognized in other comprehensive income or in equity, respectively.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regard to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are not recognized where the temporary difference arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that does not affect either accounting or taxable profit or loss, other than where the initial recognition of such an asset or liability arises in a business combination. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

Deferred income tax assets and liabilities are presented as non-current. Assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities or deferred tax assets against deferred tax liabilities and the respective assets and liabilities relate to income taxes 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.

O. Income (loss) per share

Basic income (loss) per common share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is determined using the treasury stock method to compute the dilutive effect of equity classified stock options and deferred and restricted share units. Under this method it is assumed that an amount corresponding to the sum of the cash proceeds to be obtained upon exercise and the unrecorded share-based compensation of the potentially dilutive instruments would be used to repurchase common shares at the average market price during the year.

2. Summary of significant accounting policies (continued)

P. Non-Controlling interests

Non-controlling interest represents equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and other comprehensive income) is recognized directly in equity even if the results of the non-controlling interest have a deficit balance.

The Company recognises transactions with non-controlling interest as transactions with equity shareholders. Changes in the Company's ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions.

Q. Financial instruments (since January 1, 2018)

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions 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.

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable and unconditional right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The Company's consolidated financial instruments are classified as follows under IFRS 9 Financial Instruments as compared to the Company's previous policy in accordance with IAS 39 *Financial Instrument: Recognition and Measurements*:

Financial assets:	**Classification under IAS 39**	**Classification under IFRS 9**
Cash	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Financial liabilities:		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Derivative:		
Derivative financial instrument	Fair value through profit or loss ("FVTPL")	Fair value through profit or loss ("FVTPL")

As a result of the adoption of IFRS 9 *Financial Instruments*, the accounting policy for the financial instruments applied starting from January 1, 2018 as follows:

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

Financial assets
Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

a) FVTPL – financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Changes in fair value are recognized in the consolidated statement of income.

b) Amortized cost – financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) The objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the assets contractual cash flow represents solely payments of principal and interest.

The Company's cash and cash equivalents and other receivables are recorded at amortized cost.

2. Summary of significant accounting policies (continued)

Q. Financial instruments (since January 1, 2018) (contined)

Financial liabilities
Financial liabilities are classified and measured at amortized cost unless they are designated as financial liabilities at FVTPL. The Company's trade payables, interest payable and credit facilities are classified and measured at amortized cost.

Derivative financial instruments are financial assets or financial liabilities classified as FVTPL unless designated in a qualifying hedging relationship. Financial liabilities at FVTPL are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the statement of income.

Impairment
From 1 January 2018, the Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and fair value through other comprehensive income ("FVOCI"). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Financing fees
Fees paid to establish credit facilities are recognized as transaction costs when it is likely that some or all of the credit facilities, to which the fees are related, will be drawn down. Transaction costs are deferred until the facility is arranged and draw-down occurs, at which time the deferred financing fees will be offset against the proceeds of the credit facility. If it becomes likely that the credit facility will not be completed, the deferred financing fees will be expensed.

R. Financing fees

Fees paid to establish credit facilities are recognized as transaction costs when it is likely that some or all of the credit facilities, to which the fees are related, will be drawn down. Transaction costs are deferred until the facility is arranged and draw-down occurs, at which time the deferred financing fees will be offset against the proceeds of the Credit Facility. If it becomes likely that the Credit Facility will not be completed, the deferred financing fees will be expensed.

S. Credit facilities and borrowing costs

Credit facilities are recognized initially at fair value, net of transaction costs incurred. Credit Facilities are subsequently carried at amortized cost.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset until such time when the asset is substantially complete and ready for its intended use. All other borrowing costs are expensed as incurred.

2. Summary of significant accounting policies (continued)

T. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement at the inception date.

i) *Finance leases*

Leases which transfer substantially all the risks and rewards incidental to ownership of the leased item to the Company, as a lessee, are capitalized at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between financing costs and the lease liability.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the term of the lease.

ii) *Operating leases*

Leases that do not transfer substantially all the risks and rewards incidental to ownership to the Company as a lessee are classified as operating leases. Operating lease payments are recognized on a straight-line basis over the lease term as an expense in the consolidated statements of loss or capitalized within PP&E if they meet the capitalization criteria.

U. Financial instruments – Fair value

The fair value hierarchy under which the Company's financial instruments are valued is as follows:

- Level 1 includes unadjusted quote prices in active markets for identical assets or liabilities;
- Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities; and
- Level 3 includes inputs for the assets or liabilities that are not based on observable market data.

V. Accounting policies applied until December 31, 2017

Financial instrument

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

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 initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

Other financial liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce to fair value. Other liabilities, if any, would be measured at amortized cost using the effective interest method.

Derivative financial instruments are financial assets or financial liabilities classified as FVTPL unless designated in a qualifying hedging relationship. Financial liabilities at FVTPL are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of income.

2. Summary of significant accounting policies (continued)

V. Accounting policies applied until December 31, 2017 (continued)

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

Financial assets carried at amortized cost: The loss is the excess, if any, of the amortized cost of the loan or receivable over the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

W. New accounting standards issued and adopted by the Company

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- IFRS 2 *Share based payment;*
- IFRS 9 *Financial Instruments; and*
- IFRS 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

i) *IFRS 2 - Share based payment*

In June 2016, the IASB issued an amendment to IFRS 2 to clarify the measurement for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The Company has adopted IFRS 2 for the annual period beginning January 1, 2018. There has been no impact on the Company's consolidated financial statements.

ii) *IFRS 9 - Financial Instruments*

The Company adopted IFRS 9, *Financial instruments* retrospectively, with an initial application date of January 1, 2018. As permitted by the transition provisions of IFRS 9, the Company elected not to restate comparative period results. Accordingly, all comparatives period information is presented in accordance with our previous accounting policies under IAS 39. Adjustment to the carrying amount of financial assets and financial liabilities at the date of initial application were recognized in opening deficit in the current period. New or amended disclosure have been provided for the year ended December 31, 2018 where applicable, and comparative period disclosure are consistent with those made in the prior year.

The Company has concluded that there was an adjustment required to its opening accumulated deficit related to the modification made to the Company's amended Credit Facility in 2017 and as a result of the adoption the adjustment to opening consolidated statement of financial position on January 1, 2018 was $211,000.

The accounting policies for financial instruments have been updated and disclosed in note 2Q above.

2. Summary of significant accounting policies (continued)

W. New accounting standards issued and adopted by the Company (continued)

iii) *IFRS 15 - Revenue from Contracts with Customers*

The Company adopted IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). This standard outlines a single comprehensive model with prescriptive guidance for entities to use in accounting for revenue arising from contracts with its customers. IFRS 15 uses a control-based approach to recognize revenue which is a change from the risk and reward approach prescribed under the current standard. This standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts and related interpretations*.

The Company has adopted IFRS 15 effective January 1, 2018 retrospectively with restatement of the prior year. The standard requires entities to apportion revenue earned from contracts to individual promises or performance obligations, on a relative standalone selling price basis. For the Company's gold sales, the Company contracts and pays the shipping and refining costs. Therefore, where material, a portion of the revenue earned under these contracts, representing the obligation to fulfill the shipping and refining services, is deferred and recognized over time as the obligations are fulfilled, along with the associated costs.

The Company has assessed the impact of this change on the amount of revenue recognized in a year and determined it to be not significant. As a result, there have been no changes in the amounts of the revenue recognized or a significant change in the timing of revenue recognition under the new standard.

As a result of the IFRS 15 adoption, the accounting policy for metals sales has been updated and disclosed in note 2G above.

X. New accounting standards issued but not yet in effect

The IASB has issued several new standards that have relevance to the Company, which have not yet been adopted by the Company. The following is a summary of the new standards which are applicable to the Company:

IFRS 16, Leases

In January 2016, the IASB issued 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 months, 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 new standard is effective for annual periods beginning on or after January 1, 2019. During 2018, the Company progressed in its assessment and implementation of IFRS 16 adoption. This work consisted of reviewing contracts, aggregating data to support the evaluation of the accounting impacts and performing preliminary calculations of the impact to the consolidated financial statements. At this stage, the Company expects the main impacts of IFRS 16 will relate to mobile fleet contracts and office leases. Based on the work completed to date, the Company estimates that it will record the following cumulative impact to the consolidated financial statements, effective January 1, 2019 (based on management's best estimate):

I. Increase to PP&E of $4.0 million to $4.5 million; and
II. Increase to lease liabilities of $4.0 million to $4.5 million

The cumulative impact of adoption will be recognized as at January 1, 2019 and comparatives will not be restated. Upon implementation of IFRS 16, the main impacts are expected to be as follows:

I. Assets and liabilities will increase as some leases currently classified as operating leases will be recognized on the consolidated statement of financial position;
II. There will be a reduction in mine operating or administration expenses and an increase in finance costs as operating lease costs are replaced with depreciation and lease interest expenses; and
III. The portion of lease payments apportioned to principal payments will be classified as cash flows from financing activities instead of cash flows from operating activities.

3. Critical accounting estimates and judgements

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Significant estimates and judgements used in applying accounting policies that have most significant effect on the amounts recognized in the consolidated financial statements are as follows:

i) *Impairment of non-financial assets*

Assets are reviewed for an indication of impairment at each consolidated statement of financial position date upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable. This determination requires significant judgment. Factors that could trigger an impairment review of PP&E include, but are not limited to, significant negative industry or economic trends including the price of gold, decrease in market capitalization and/or deferral of capital investments.

The Company's recoverable amount measurement with respect to the carrying amount of non-financial assets is based on numerous assumptions and may differ significantly from actual recoverable amount. The recoverable amount is based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amount of non-financial assets to its carrying values. The Company's recoverable amount estimates are based on numerous assumptions such as, but not limited to, estimated realized gold prices, operating costs, gold recovery, mineral reserves and resources, capital and site restoration expenditures, and estimated future foreign exchange rates, and may differ from actual values. These differences may be significant and could have a material impact on the Company's financial position and results of operation. Mineral reserve and resource estimates are the most important variable in the Company's recoverable amount estimates. A decrease in the reserves or resources may result in an impairment charge.

Management's estimates of future cash flows are subject to risk and uncertainties. Therefore, it is reasonably possible that changes could occur with evolving economic conditions, which may affect recoverability of the Company's non-financial assets.

ii) *Ore reserves and mineral resource estimates*

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Yaramoko Gold Mine. The estimates of 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. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body.

The estimates and reports of ore reserves under the principles contained within the National Instrument 43-101 ("NI 43-101") for the Standards of Disclosure for Mineral Projects in Canada. The NI 43-101 requires the use of reasonable investment assumptions – including:

(a) Future production estimates – which include proven and probable reserves, resource estimates and committed expansions;

(b) Expected future commodity prices, based on current market price, forward prices and the Company's assessment of the long-term average price; and

(c) Future cash costs of production, capital expenditure and rehabilitation obligations.

Consequently, management will form a view of forecast sales prices, based on current and long-term historical average price trends. For example, if current prices remain below long-term historical averages for an extended period, management may assume that lower prices will prevail in the future and as a result, those lower prices are used to estimate reserves under the NI 43-101. Lower price assumptions generally result in lower estimates of reserves.

3. Critical accounting estimates and judgements (continued)

iii) *Asset Retirement Obligations ("ARO")*

The Company has recorded an ARO which reflects the present value of the estimated amount of undiscounted cash flows required to satisfy the ARO in respect of the Yaramoko Gold Mine in Burkina Faso.

Future remediation costs are accrued at the end of each period based on management's best estimate of the undiscounted cash costs required for future remediation activities. Changes in estimates are reflected in the period during which an estimate is revised. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs to be incurred to complete the reclamation and remediation work which is required to comply with existing laws, regulations and constructive obligation. Estimates for future remediation costs are dependent on labour costs, known environmental impacts, the effectiveness of remedial and restoration measures, inflation rates and pre-tax interest rates that reflect a current market assessment of the time value of money and the risk specific to the obligation. The Company also estimates the timing of the outlays, which is subject to change depending on continued exploitation, changes in the mine plan and newly discovered mineral reserves.

Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations and the Company's intent could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

The Company assesses the ARO at each consolidated statement of financial position date for changes in the estimated amount of the obligation, timing of future cash flows and changes in the discount rate.

iv) *Derivative financial instruments*

In July 2016, the Company completed the execution of the hedging program associated with the Credit Facility as described in note 9. The derivative is measured at FVTPL and its fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the consolidated statements of income. To estimate the fair value of the derivative at the inception date and again at consolidated statement of financial position date, a derivative valuation model was used. Several key assumptions were used to determine the fair value of the derivative, including the Company's estimated credit spread which was estimated at 3.75%.

v) *Income Taxes*

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Periodically, judgment is required in determining whether deferred tax assets are recognized on the consolidated statement of financial position. Deferred tax assets, including those arising from unused tax losses, require management to assess the probability that the Company will generate taxable profits in future periods, in order to utilize deferred tax assets. Once the evaluation is completed, if the Company believes that it is probable that some portion of deferred tax assets will fail to be realized, deferred tax asset is derecognized. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit its ability to obtain tax deductions in future periods

Management's judgment is required in determining whether a deferred tax liability is recognized on temporary differences arising on investments in subsidiaries. Judgment is necessary in asserting management's intentions about the reinvestment of undistributed profit in the foreseeable future. Estimates on reinvestments are based on forecasts and on estimates of financial requirements of both the Corporation and its subsidiaries. To the extent that future results and financial requirements differ significantly from estimates, the deferred tax liability provided on temporary differences arising from investments in subsidiaries recorded at the reporting date could be impacted.

(Expressed in U.S. Dollars)

3. Critical accounting estimates and judgements (continued)

vi) *Uncertain tax provisions*

The estimates relating to the different tax assessments received from the Government of Burkina Faso necessarily involves a degree of estimation and judgment with regard to certain items whose tax treatment cannot be finally determined until a resolution of an opposition process has been reached with the relevant taxation authority or, as appropriate, through a formal legal process. The inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Company's financial position, results of operations and cash flows.

4. Cash and cash equivalents

As at December 31, 2018, cash on hand totalling $59,833,000 (December 31, 2017: $63,033,000) consisted of cash in bank chequing accounts. As at December 31, 2018, the Company's cash balance is comprised of $31,885,000 US Dollars, the West African Franc equivalent of €24,074,000 ($27,552,000), $47,000 Australian Dollars ($32,000), and $495,000 Canadian Dollars ($364,000).

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

5. Taxes recoverable and other receivables

As at December 31, 2018, receivables were mainly related to VAT (value added tax) receivable in Burkina Faso. They are non-interest bearing and they are generally settled within twelve months although they could be collected beyond the twelve month period.

For the years ended December 31,	**2018**	**2017**
Opening balance	20,049,000	4,651,000
Add: increase in taxes recoverable and other receivables	17,454,000	19,732,000
Deduct: Refund from VAT	(11,725,000)	(4,334,000)
Ending balance	**25,778,000**	**20,049,000**

6. Inventory

As at December 31,	**2018**	**2017**
Stockpiled ore	12,181,000	7,876,000
Gold-in-circuit	3,562,000	3,579,000
Doré bars	71,000	254,000
Consumables inventory	4,299,000	3,919,000
Total Inventory	**20,113,000**	**15,628,000**
Less: Current portion	(14,171,000)	(15,628,000)
Non-current Inventory	**5,942,000**	**-**

The amount of depreciation included within inventory at December 31, 2018 is $3,428,000 (2017: $2,764,000). For the year ended December 31, 2018, the Company recognised a net realizable value adjustment on low grade stockpiled ore of $255,000 (2017 - $4,470,000).

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

(Expressed in U.S. Dollars)

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	TOTAL
COST						
As at December 31, 2016	**12,159,000**	**39,409,000**	**37,016,000**	**48,256,000**	**8,116,000**	**144,956,000**
Additions	1,204,000	26,000	25,515,000	2,785,000	3,354,000	32,884,000
Foreign exchange	45,000	-	-	419,000	1,000	465,000
Transfers	-	-	-	9,522,000	(9,522,000)	-
As at December 31, 2017	**13,408,000**	**39,435,000**	**62,531,000**	**60,982,000**	**1,949,000**	**178,305,000**
Additions	17,768,000	254,000	26,040,000	8,592,000	23,631,000	76,285,000
Derecognition of finance lease assets	(3,328,000)	-	-	-	-	(3,328,000)
Pre-production revenue	-	-	-	-	(313,000)	(313,000)
Foreign exchange	(62,000)	-	-	(482,000)	-	(544,000)
As at December 31, 2018	**27,786,000**	**39,689,000**	**88,571,000**	**69,092,000**	**25,267,000**	**250,405,000**
ACCUMULATED DEPRECIATION						
As at December 31, 2016	**(4,922,000)**	**(1,644,000)**	**(1,614,000)**	**(2,179,000)**	**-**	**(10,359,000)**
Additions	(3,539,000)	(6,742,000)	(12,932,000)	(9,330,000)	-	(32,543,000)
Foreign exchange	(61,000)	-	-	(54,000)	-	(115,000)
As at December 31, 2017	**(8,522,000)**	**(8,386,000)**	**(14,546,000)**	**(11,563,000)**	**-**	**(43,017,000)**
Additions	(5,533,000)	(5,842,000)	(16,892,000)	(10,473,000)	-	(38,740,000)
Derecognition of finance lease assets	1,238,000	-	-	-	-	1,238,000
Foreign exchange	52,000	-	-	82,000	-	134,000
As at December 31, 2018	**(12,765,000)**	**(14,228000)**	**(31,438,000)**	**(21,954,000)**	**-**	**(80,385,000)**
NET BOOK VALUE						
Cost	13,408,000	39,435,000	62,531,000	60,982,000	1,949,000	178,305,000
Accumulated depreciation	(8,522,000)	(8,386,000)	(14,546,000)	(11,563,000)	-	(43,017,000)
Net book value as at December 31, 2017	**4,886,000**	**31,049,000**	**47,985,000**	**49,419,000**	**1,949,000**	**135,288,000**
Cost	27,786,000	39,689,000	88,571,000	69,092,000	25,267,000	250,405,000
Accumulated depreciation	(12,765,000)	(14,228,000)	(31,438,000)	(21,954,000)	-	(80,385,000)
Net book value as at December 31, 2018	**15,021,000**	**25,461,000**	**57,133,000**	**47,138,000**	**25,267,000**	**170,020,000**

(Expressed in U.S. Dollars)

7. Property, plant and equipment (continued)

The net book value of the assets held in Canada and in Burkina Faso totalled $110,000 and $169,910,000, respectively, as at December 31, 2018 (2017: $97,000 and $135,191,000, respectively). Included under mining equipment are assets under finance leases at a net book value of $10,219,000 (2017: $3,328,000). This lease is not in the legal form of a finance lease but is considered a finance lease based on its terms and conditions (note 23). For the year ended December 31, 2018, depreciation for assets under finance leases is $310,000 (2017: nil) has been capitalized to mineral properties under development.

8. Accounts payable and accrued liabilities

A summary of accounts payable and accrued liabilities is presented below:

As at December 31,	**2018**	**2017**
Accounts payable	15,252,000	11,491,000
Royalties payable	852,000	1,245,000
Accrued liabilities	15,551,000	16,195,000
	31,655,000	**28,931,000**

All payables are unsecured, non-interest bearing, incurred in the normal course of the Company's business operations.

9. Long-term debt

For the years ended December 31,	**2018**	**2017**
Opening balance	43,222,000	71,068,000
Adoption of IFRS 9 adjustment	(211,000)	-
Deduct: transaction costs	-	(1,624,000)
Deduct: debt repayment	(8,400,000)	(28,200,000)
Add: accretion	1,589,000	1,978,000
Ending balance	**36,200,000**	**43,222,000**
Less: current portion	(12,019,000)	(7,758,000)
Non-current portion	**24,181,000**	**35,464,000**

In June 2015, the Company signed an agreement with Société Générale Corporate & Investment Banking and BNP Paribas (collectively the "Banks") for a credit facility of $75 million (the "Credit Facility"), with a requirement that the Company fund a $15 million cost overrun account. The Credit Facility encompassed a hedging component of 65,000 ounces or approximately 8.5% of the Zone 55 reserves as at December 31, 2015, over the life of the loan. The Credit Facility was also supported by guarantees from the Company and each of its material subsidiaries.

On January 19, 2017, the Company made an early repayment of $15 million on the Credit Facility and amended its term, reducing it to a $60 million credit facility (the "Amended Facility"), amortizing on a quarterly basis, maturing in June 2021, with an interest rate of LIBOR plus 3.75%.

The Amended Facility includes the following financial and operational covenants (all maintained as of December 31, 2018):

i) Maintaining a loan life ratio of at least 175%;
ii) Maintaining a historical and projected debt service coverage ratio greater than or equal to 165% at all times;
iii) Maintaining proven and probable reserves greater than or equal to 30% at the final payment date compared to the proven and probable reserve at the first drawdown date; and
iv) Maintaining credit equal to or greater than $8 million in the project accounts.

(Expressed in U.S. Dollars)

9. Long-term debt (continued)

As the change in future payment terms expected was determined to not be substantial, the amendment was recorded as a debt modification. Accordingly, in accordance with IAS 39, the effective interest rate on the Credit Facility was recalculated at the amendment date based on the carrying value of the Amended Facility, and its expected future payment terms, and no gain or loss was recorded within the Company's consolidated statement of income. As part of the adoption of IFRS 9, the net carrying amount was recalculated to retain the original effective rate.

The remaining repayment schedule is based on a percentage of the Amended Facility as follows:

Repayment dates	% of total Amended Facility
March 31, 2019	6.00%
June 30, 2019	5.25%
September 30, 2019	4.25%
December 31, 2019	5.75%
March 31, 2020	6.00%
June 30, 2020	5.50%
September 30, 2020	6.50%
December 31, 2020	9.25%
March 31, 2021	7.50%
June 30, 2021	8.00%

During the year ended December 31, 2018, the Company made repayments of the Amended Facility totalling $8,400,000 as per the repayment schedule. For the year ended December 31, 2018, the Company had incurred fees of $Nil (2017 – $1,624,000), which consisted primarily of legal and advisory fees and other financing expenses with respect to the Amended Facility described above. These were recorded against the carrying value of the Amended Facility and will be amortized to the Company's statement of income using the effective interest method.

For the year ended December 31, 2018, interest and accretion totalling $4,460,000 (2017 -$5,292,000) were expensed in the Company's consolidated statement of income.

As at December 31, 2018, the Company is committed to minimum future principal and interest payments for the Amended Facility, as follows:

	Long-term debt
Year ending December 31, 2019	14,006,000
Year ending December 31, 2020	17,112,000
Year ending December 31, 2021	9,432,000

(Expressed in U.S. Dollars)

10. 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 (note 9). 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 year ended December 31, 2018, the Company recognized a change in the fair value of derivative financial instruments of $1,721,000 gain (2017 - $8,777,000 loss) in its consolidated statement of income. During the year ended December 31, 2018, the Company redeemed hedging contracts totalling $3,325,000 (2017 – 3,143,000) of which $3,075,000 (2017 - $2,875,000) were cash settled. The cash settlement is completed on the first business day of the following month. For the year ended December 31, 2018, the Company has settled 15,288 ounces and as at December 31, 2018, 34,424 ounces are outstanding.

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 December 31, 2018, 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 years ended December 31, 2018 and 2017.

For the years ended December 31,	**2018**	**2017**
Opening balance	13,487,000	7,853,000
Change in fair value of derivatives	(1,721,000)	8,777,000
Settlement of derivative financial instruments	(3,325,000)	(3,143,000)
Ending balance	**8,441,000**	**13,487,000**
Less: current portion	(3,578,000)	(3,960,000)
Non-current portion	**4,863,000**	**9,527,000**

11. 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 December 31, 2018, the Company has a provision for mine rehabilitation of $2,791,000 (2017 - $2,379,000). A related accretion expense of $76,000 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% (2017 – 10.17%), a remaining mine life of approximately five years based on reserves only and estimated future undiscounted liability of $4,437,000.

In January 2017, the Company established a bank account in Burkina Faso which is restricted solely for the purpose of future restoration costs of its Yaramoko property. At December 31, 2018, the restricted cash balance was $1,034,000.

For the years ended December 31,	**2018**	**2017**
Opening balance	2,379,000	2,362,000
Additions, net	336,000	-
Add: accretion	76,000	17,000
Ending balance	**2,791,000**	**2,379,000**

(Expressed in U.S. Dollars)

12. Share capital and reserves

For the years ended December 31,	2018	2017
Shares		
Balance – Beginning of year	372,644,096	371,078,762
Shares issued for exercise of options	2,400,000	1,565,334
Shares repurchased and cancelled	(663,300)	-
Balance – End of Year	**374,380,796**	**372,644,096**

A. Authorized

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

B. Share issuances

During the year ended December 31, 2018, the Company issued 2,400,000 shares pursuant to the exercise of stock options with a weighted average exercise price of $0.51 (C$0.66) per share, for total net proceeds of $1,245,000 (C$1,587,000). At the time the options were exercised the shares were trading at a weighted average price of $0.82 (C$1.06).

During the year ended December 31, 2017, the Company issued 1,565,334 shares pursuant to the exercise of stock options with a weighted average exercise price of $0.57 (C$0.74) per share, for total net proceeds of $899,000 (C$1,151,000). At the time the options were exercised the shares were trading at a weighted average price of $0.98 (C$1.27).

C. Share cancellations

On April 30, 2018, the Company announced that a notice of intention to make a Normal Course Issuer Bid ("NCIB") was filed and accepted by the TSX. The NCIB commenced on May 2, 2018 and will terminate on the earlier of i) May 1, 2019; 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 NCIB.

In the year ended December 31, 2018 the Company repurchased and cancelled 663,300 shares at an average price of C$1.09/share, for a total cost of $561,000.

D. Share-based payments

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

For the years ended December 31,	2018	2017
Stock options costs	133,000	826,000
Stock options costs capitalized to mineral properties under development	-	(5,000)
Stock options costs – expensed	133,000	821,000
Deferred unit costs – expensed	570,000	696,000
Performance share unit costs – expensed	126,000	260,000
Restricted share unit costs - expensed	1,116,000	745,000
Total share-based payments expensed	**1,945,000**	**2,522,000**

(Expressed in U.S. Dollars)

12. Share capital and reserves (continued)

E. Stock options

A summary of the Company's stock option activities for the year ended December 31, 2017 and December 31, 2018 is presented below:

	Number of stock options	Weighted average exercise price $ (CAD)
Balance as at December 31, 2016	**10,714,003**	**0.75**
Granted	2,062,499	1.50
Exercised	(1,565,334)	0.74
Forfeited	(358,670)	1.07
Expired	(100,000)	2.00
Balance as at December 31, 2017	**10,752,498**	**0.87**
Granted	-	-
Exercised	(2,400,000)	0.65
Forfeited	(669,443)	1.51
Expired	-	-
Balance as at December 31, 2018	**7,683,055**	**0.87**

During the year ended December 31, 2018, the Company did not grant any options to its employees (2017 - 2,062,499 options with a fair value of $1,110,000).

The following assumptions were used for the Black-Scholes valuation of stock options granted during December 31, 2017. There were no stock options granted in 2018.

For the years ended December 31,	**2017**
Dividend rate	0%
Expected annualized volatility	54%
Risk free interest rate	1.05%
Expected life of stock options (years)	5
Weighted average fair value of options granted	$0.54 (C$0.70)

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

(Expressed in U.S. Dollars)

12. Share capital and reserves (continued)

As at December 31, 2018, 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
January 23, 2019	630,000	630,000	0.55	0.06
December 8, 2019	150,000	150,000	0.61	0.94
January 19, 2020	250,000	250,000	0.65	1.05
February 2, 2020	1,833,333	1,833,333	0.70	1.09
April 2, 2020	100,000	100,000	0.59	1.25
August 13, 2020	200,000	200,000	0.72	1.62
January 4, 2021	2,585,000	2,585,000	0.69	2.01
May 18, 2021	225,000	225,000	1.20	2.38
June 9, 2021	100,000	100,000	1.41	2.44
August 22, 2021	200,000	200,000	1.60	2.64
January 19, 2022	1,409,722	604,167	1.50	3.05
	7,683,055	**6,877,500**	**0.87**	**1.78**

F. Deferred share units

The following table reflects the continuity of deferred share units ("DSUs") for the year ended December 31, 2018:

	Number of instruments
Balance as at December 31, 2016	**3,305,180**
Granted	769,912
Balance as at December 31, 2017	**4,075,092**
Granted	801,724
Balance as at December 31, 2018	**4,876,816**

As at December 31, 2018, all DSUs were vested and 4,554,233 units had a dilutive impact as the remaining DSUs totalling 322,583 units are to be settled in cash and included as a liability on the Company's consolidated statement of financial position.

(Expressed in U.S. Dollars)

12. Share capital and reserves (continued)

G. Restricted share units

The following table reflects the continuity of restricted share units ("RSU") for the year ended December 31, 2018:

	Number of instruments
Balance as at December 31, 2016	**3,715,000**
Granted	771,667
Forfeited	(347,500)
Settled	(2,995,000)
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**

Expiry date	Number of instruments	Number of instruments vested	Weighted average number of years to expiry
December 1, 2020	589,445	199,444	1.92
December 1, 2021	2,117,022	-	2.92
Balance as at December 31, 2018	2,706,467	199,444	2.70

There were 517,500 RSUs that were settled on December 31, 2018 for which shares were issued on January 4, 2019.

During the year ended December 31, 2017, the Company had a modification of share-based payment arrangements whereby 2,995,000 equity based RSUs were settled in cash for $2,733,000 which correspond to the fair value of the underlying shares at the settlement date.

H. Performance share units

During the year ended December 31, 2018, the Company granted 1,102,941 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 19, 2020. The following table reflects the continuity of PSUs for the year ended December 31, 2018:

	Number of instruments
Balance as at December 31, 2016	-
Granted	825,000
Balance as at December 31, 2017	**825,000**
Granted	1,102,941
Forfeited	(910,014)
Balance as at December 31, 2018	**1,017,927**

13. Capital management

The Company considers the items included in long-term debt and equity attributable to Roxgold shareholders as capital, which at December 31, 2018 totalled $201,753,000 (2017 – $174,522,000). Refer to consolidated statement of equity and note 9 for explanations regarding changes to capital and long-term debt between December 31, 2018 and 2017.

The Company's capital management objectives are as follows:

- Safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- Maintain an optimal capital structure to enhance shareholder value in the long-term and reduce the cost of capital at an acceptable risk;
- Ensure sufficient capital in order to pursue it regional exploration program and pursue the development of its mining projects and operations and for business development opportunities.

The Company manages its capital structure and adjusts when necessary in accordance with its objectives and changes in economic conditions.

(Expressed in U.S. Dollars)

14. Key management compensation

The Company paid or accrued the following compensation to key management which consists of the Company's directors and named executive officers during the years ended December 31, 2018 and 2017, respectively:

For the years ended December 31,	**2018**	**2017**
Salaries, benefits and directors' fees	2,604,000	2,396,000
Share-based payments	1,262,000	2,414,000
Total compensation	**3,866,000**	**4,810,000**

Termination and Change of Control Provisions

Certain employment agreements between the key management and the Company contain termination without cause and change of control provisions. Assuming that all members of key management had been terminated without cause on December 31, 2018, the total amounts payable to key management in respect of severance would have totaled $1,391,000 (2017 - $2,509,000). If a change of control had occurred on December 31, 2018 resulting in the termination of the executive team, the total amounts payable to the executive team in respect of severance, if elected by each key management member would have totaled $5,865,000 (2017 - $7,564,000).

15. Income taxes

For the years ended December 31,	**2018**	**2017**
Current income tax	285,000	-
Deferred income tax	6,179,000	7,120,000
Total income taxes	**6,464,000**	**7,120,000**

The following table reconciles the expected income taxes expense at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of loss for the years ended December 31, 2018 and 2017:

For the years ended December 31,	**2018**	**2017**
Income before income taxes	42,569,000	30,363,000
Statutory income tax rate	26.5%	26.5%
Expected income tax recovery	11,281,000	8,046,000
Differences resulting from:		
Difference in tax rate of foreign subsidiary	(3,291,000)	(1,167,000)
Expenses not deductible for tax purposes	52,000	3,478,000
Prior period adjustment	55,000	(2,347,000)
Recognition of previously unrecognized tax benefits	(3,104,000)	-
Effect of currency translation on tax base	261,000	(2,368,000)
Use of previously unrecognized tax benefits	(812,000)	(1,028,000)
Unrecorded tax benefit	1,903,000	1,958,000
Other	119,000	548,000
Total income taxes	**6,464,000**	**7,120,000**

The other tax included an amount of $319,000 (2017: $528,000) for the 6.25% withholding tax levied in Burkina Faso on interest payments.

(Expressed in U.S. Dollars)

15. Income taxes (continued)

Deferred income tax assets are recognized only to the extent that it is probable that future taxable income will be available to realize them. In making this assessment, consideration is given to available positive and negative evidence and relevant assumptions, including, historical financial results, and expectations relating to future taxable income, the overall business environment, and industry-wide trends.

During 2018, the Company determined that it was probable that the deferred income tax assets of Roxgold Inc., which include non-capital losses, would be realized.

Deferred tax assets at December 31, 2018 and 2017 are comprised of the following:

For the years ended December 31,	**2018**	**2017**
Non-capital losses carried forward	2,660,000	-
Property, plant and equipment	6,000	-
Exploration and evaluation assets	202,000	-
Unrealized foreign exchange loss	-	-
Non-deductible reserves	-	-
Deferred share units	48,000	-
Withholding taxes on interest	-	-
Debt issuance costs	186,000	-
Other	2,000	-
Total	**3,104,000**	**-**

Deferred tax liabilities at December 31, 2018 and 2017 are comprised of the following:

For the years ended December 31,	**2018**	**2017**
Non-capital losses carried forward	-	7,257,000
Property, plant and equipment	(16,564,000)	(13,094,000)
Exploration and evaluation assets	-	-
Unrealized foreign exchange loss	834,000	281,000
Non-deductible reserves	(127,000)	(23,000)
Deferred share units	-	-
Withholding taxes on interest	(1,792,000)	(1,472,000)
Debt issuance costs	1,542,000	393,000
Other	-	-
Total	**(16,107,000)**	**(6,658,000)**

(Expressed in U.S. Dollars)

15. Income taxes (continued)

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred income tax liabilities as at December 31, 2018 and 2017 are comprised of the following:

	For the year ended December 31, 2016	Consolidated statement of income	For the year ended December 31, 2017
Non-capital loss carryforwards	887,000	6,370,000	7,257,000
PP&E	(619,000)	(12,475,000)	(13,094,000)
Unrealized foreign exchange loss	2,109,000	(1,828,000)	281,000
Non-deductible reserves	-	(23,000)	(23,000)
Withholding tax on interest	(951,000)	(521,000)	(1,472,000)
Debt issuance costs	(905,000)	1,298,000	393,000
Other	(59,000)	59,000	-
Net deferred tax asset (liability)	**462,000**	**(7,120,000)**	**(6,658,000)**

	For the year ended December 31 2017	Consolidated statement of income	Exchange differences	For the year ended December 31 2018
Non-capital loss carryforwards	7,257,000	(4,430,000)	(166,000)	2,661,000
PP&E	(13,094,000)	(3,464,000)	-	(16,558,000)
Exploration and evaluation asset	-	202,000	-	202,000
Unrealized foreign exchange loss	281,000	552,000	-	833,000
Non-deductible reserves	(23,000)	(104,000)	-	(127,000)
Deferred share units	-	48,000	-	48,000
Withholding tax on interest	(1,472,000)	(320,000)	-	(1,792,000)
Debt issuance costs	393,000	1,335,000	-	1,728,000
		2,000	-	2,000
Net deferred tax liability	**(6,658,000)**	**(6,179,000)**	**(166,000)**	**(13,003,000)**

As at December 31, 2018, the following are the federal non-capital tax losses, subject to the final determination by taxation authorities, expiry dates:

For the years ended December 31,	2018	2017
2032	4,859,000	2,992,000
2033	4,467,000	3,561,000
2034	3,343,000	2,712,000
2035	-	-
2036	347,000	276,000
2037	674,000	-
Total	**13,690,000**	**9,541,000**

The Company considers its foreign earnings to be permanently invested. Accordingly, the Company does not currently provide for the additional Burkina Faso taxes that would become payable upon remittance of undistributed earnings of foreign subsidiaries. The cumulative undistributed earnings of these subsidiaries as of December 31, 2018 is approximately $93,904,000 (December 31, 2017 - $50,290,000). It is not practicable to estimate the income tax liability that might be incurred if such earnings were remitted to Canada.

(Expressed in U.S. Dollars)

16. Mine operating expenses

A summary of mine operating expenses is presented below:

For the years ended December 31,	**2018**	**2017**
Mining contractor	36,426,000	38,698,000
Salaries and benefits	8,931,000	8,096,000
Operating supplies and parts	9,988,000	8,020,000
Energy	5,349,000	5,372,000
Inventory adjustment	(3,424,000)	(4,505,000)
	57,270,000	**55,681,000**

17. General and administrative expenses

A summary of general and administrative expenses is presented below:

For the years ended December 31,	**2018**	**2017**
Salaries and benefits	2,202,000	1,825,000
Directors' fees	425,000	352,000
Travel	439,000	302,000
Investor relations	288,000	257,000
Administration	626,000	667,000
Other	1,356,000	1,224,000
	5,336,000	**4,627,000**

18. Exploration and evaluation expenses

A summary of E&E expenses is presented below:

For the years ended December 31,	**2018**	**2017**
Drilling	5,963,000	5,760,000
Geological work	26,000	688,000
Economic evaluations	-	3,951,000
Owners' costs	2,030,000	2,358,000
	8,019,000	**12,757,000**

(Expressed in U.S. Dollars)

19. Earnings per Share

A summary of earnings per share is presented below:

For the years ended December 31,	**2018**	**2017**
Net income for the year attributable to equity shareholders	31,900,000	18,843,000
Average weighted number of outstanding common shares – basic	373,617,490	371,585,337
Adjustments for calculation of diluted earnings per share:		
Options	7,683,055	10,735,836
PSUs	1,017,927	791,667
DSUs	4,554,236	3,752,510
RSUs	2,706,467	1,084,167
Weighted average number of outstanding common shares – diluted	389,579,175	387,949,517
Earnings per share – Basic	$0.09	$0.05
Earnings per share – Diluted	$0.08	$0.05

20. Financial risk factors and financial instruments

The Company's risk exposure and impact on the Company's financial instruments are summarized below

A. Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by depositing its cash with Canadian financial institutions with high credit rating, and in Burkina Faso, cash is held at the local branch of one of the same institutions with which the Company has a Credit Facility.

B. Liquidity risks

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations associated with financial liabilities as they come due. The following are the contractual maturities of financial liabilities as at December 31, 2018:

	Between 0 and 12 months	**Between 12 and 24 months**	**Between 24 and 36 months**
Accounts payable and accrued liabilities	31,655,000	-	-
Long-term debt	12,750,000	16,350,000	9,300,000
Interest on long-term debt	1,256,000	762,000	132,000
Finance lease	5,069,000	4,862,000	-
Derivative financial instruments	3,652,000	4,085,000	1,089,000
	54,382,000	26,059,000	10,521,000

Amounts established in foreign currency are translated at December 31, 2018 closing rate of 1.3642.

The Company's growth is financed through a combination of cash on hand, cash flow from operations, the issuance of equity, long-term debt and finance lease obligation. Liquidity risk is considered minimal because the Company has surplus cash. The Company's trades and other payables generally have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company regularly evaluates its cash position to ensure preservation and security of capital and to maintain liquidity.

C. Market risk

i) *Interest rate risk*

Interest rate risk is the risk that the value of assets and liabilities will change when the related interest rates change.

The Company's interest-bearing assets are cash, accounts payable and accrued liabilities are non-interest bearing. The Company's exposure to interest rate risk is primarily on its Credit Facility, the Company's rate is LIBOR plus 3.75%. Based on the Credit Facility outstanding as at December 31, 2018, 1% increase or decrease in LIBOR would have a $0.3 million negative or positive impact on the Company's consolidated net income over a 12-month horizon.

20. Financial risk factors and financial instruments (continued)

ii) *Foreign exchange risk*

As at December 31, 2018, a portion of the Company's transactions are denominated in US dollars ("USD"), Canadian dollars ("CAD"), and Euro to the extent such currencies are different from the relevant group entities' functional currency. The CFA currency is fixed against the Euro currency. The balances in Euro include the CFA balances as the foreign exchange risk of both currencies is managed simultaneously. The following table indicates the foreign currency exchange risk on net working capital as at December 31, 2018.

	USD	Euro	CAD
Cash and cash equivalents[2]	10,198,000	24,074,000	-
Accounts receivable	129,000	22,821,000	-
Accounts payable and accrued liabilities	(30,000)	(17,702,000)	(967,000)
Total foreign currency financial assets and financial liabilities	10,297000	29,193,000	(967,000)
Foreign exchange rate at December 31, 2018	1.0000	1.1445	0.7330
Total foreign currency net assets and liabilities in USD	10,297,000	33,411,000	(709,000)
Impact of a 10% strengthening of the USD on net income	1,030,000	3,341,000	(71,000)

D. Fair value

The carrying values of the Company's financial assets and liabilities approximate their fair values due to their nature and their short term to maturity except for the long-term debt described below:

The following table presents a comparison of the carrying value and estimated fair value for the long-term debt.

For the years ended December 31,	**2018**		**2017**	
Other Financial Liabilities	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Long-term debt (note 9) (level 2)	36,200,000	38,400,000	43,222,000	46,800,000
Finance Lease	9,931,000	9,931,000	4,017,000	4,017,000

21. Supplementary cash flow information

Changes in non-cash working capital	**2018**	**2017**
Accounts receivable	(5,729,000)	(15,398,000)
Prepaid expenses and other expenses	397,000	(658,000)
Inventory	(3,894,000)	(6,207,000)
Accounts payable & other accrued liabilities	(5,968,000)	11,848,000
	(15,194,000)	(10,415,000)

For the years ended December 31,	**2018**	**2017**
PP&E included in accounts payable and accrued liabilities	11,563,000	3,121,000
Depreciation included in Inventory	3,428,000	2,764,000
Stock option costs included in PP&E	-	5,000

[2] In addition to the table above, the company has cash of US$47,000 and payables of AUD176,000 that would reduce net income by US$12,400 and payables of ZAR6,771,000 that would reduce net income by US$54,000 USD.

(Expressed in U.S. Dollars)

22. Commitments

The Company's financial commitments consist of lease agreements covering its offices and other properties in Canada and Burkina Faso. Financial commitments also include contracts with service providers and consultants.

For the years ending December 31,	2019	2020
Lease agreements	287,000	126,000
Service agreements	710,000	3,000
Technical service agreements	92,000	-
	1,089,000	**129,000**

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 months 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 December 31, 2018, it would have been subject to an early termination payment of $10,246,000 (2017: $1,986,000).

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 year ended December 31, 2018, the Company was subject to royalty rates of 4% and 5%. For the year ended December 31, 2018, government royalties amounting to $7,529,000 (2017: $6,443,000) were incurred with the Government of Burkina Faso.

23. Finance leases

The Company has a Mining Service Contract with African Underground Mining Services ("AUMS") and it was determined that based on the substance of the Mining Service Contract at the inception date, it contained leases with respect to the mining fleet to be provided by AUMS. Certain leases were classified as finance leases based on the analysis of whether substantially all the risks and rewards incidental to ownership of the leased items were transferred to the Company as a lessee.

On August 13, 2018, the Company extended the contract ("Amended Contract") for Zone 55 and Bagassi South to AUMS which for accounting purposes is treated as a lease modification under IAS 17 – Leases. This requires the Company to reassess all existing and leased assets of the mining fleet to determine if they met the leases criteria for finance leases. The Company derecognized the original finance lease obligation and remeasured the new lease obligation and associated finance lease assets under the amended contract terms increasing the lease obligation to $11,204,000 from $2,678,000. The net impact between the finance lease liability and associated leased assets was recorded in mine operations depreciation in the Company's consolidated statement of income (credit of $588,000).

The Amended Contract has a term of thirty months with an option of a twelve-month extension and is renewable at the option of the Company. The imputed financing costs on the liability were determined based on the Company's incremental borrowing rate and similar finance leases to mining companies, which has been estimated at 6%.

For the years ended December 31,	2018	2017
Opening balance	4,017,000	5,516,000
De-recognize existing finance leases	(2,678,000)	-
Add: new debt obligations under amended contract	11,204,000	-
Add: new debt obligations under finance leases	811,000	651,000
Deduct: repayments	(3,423,000)	(2,150,000)
Total obligations under finance leases	**9,931,000**	**4,017,000**
Less: current portion	(5,069,000)	(2,777,000)
Non-current obligations	**4,862,000**	**1,240,000**

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

	Up to 1 year	1-5 years	Total
Minimum lease payments	5,069,000	4,862,000	9,931,000
Finance charges	585,000	526,000	1,111,000
Total	**5,654,000**	**5,388,000**	**11,042,000**

(Expressed in U.S. Dollars)

24. Segmented Reporting

The Company is conducting exploration and evaluation and mining operations activities in Burkina Faso. 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 year ended December 31, 2018	**Mining Operations, Burkina Faso**	**Exploration and evaluation, Burkina Faso**	**Corporate**	**Total**
Revenue	168,859,000	-	-	168,859,000
Total mine operating expenses	(99,725,000)	-	-	(99,725,000)
Mine operating profit	**69,134,000**	**-**	**-**	**69,134,000**
General administrative expenses	-	-	(5,336,000)	(5,336,000)
Sustainability and other in-country costs	(2,245,000)	-	-	(2,245,000)
Exploration and evaluation	-	(8,019,000)	-	(8,019,000)
Depreciation	-	(478,000)	(666,000)	(1,144,000)
Share-based payments	-	-	(1,945,000)	(1,945,000)
Operating profit (loss)	**66,889,000**	**(8,497,000)**	**(7,947,000)**	**50,445,000**
Non-Operating expenses	(21,851,000)	(204,000)	7,715,000	(14,340,000)
Income (loss) for the period	**45,038,000**	**(8,701,000)**	**(232,000)**	**36,105,000**
Segmented total assets	**239,362,000**	**3,931,000**	**37,897,000**	**281,190,000**
Segmented total liabilities	**91,000,000**	**3,950,000**	**10,642,000**	**105,592,000**
Segmented capital expenditures	**75,670,000**	**541,000**	**74,000**	**76,285,000**

For the year ended December 31, 2017	**Mining Operations, Burkina Faso**	**Exploration and evaluation, Burkina Faso**	**Corporate**	**Total**
Revenue	159,414,000	-	-	159,414,000
Total mine operating expenses	(92,276,000)	-	-	(92,276,000)
Mine operating profit	**67,138,000**	**-**	**-**	**67,138,000**
General administrative expenses	-	-	(4,627,000)	(4,627,000)
Sustainability and other in-country costs	(1,612,000)	-	-	(1,612,000)
Exploration and evaluation	-	(12,757,000)	-	(12,757,000)
Depreciation	-	(372,000)	(670,000)	(1,042,000)
Share-based payments	-	-	(2,522,000)	(2,522,000)
Operating profit (loss)	**65,526,000**	**(13,129,000)**	**(7,819,000)**	**44,578,000**
Non-Operating expenses	(13,828,000)	-	(7,507,000)	(21,335,000)
Income (loss) for the period	**51,698,000**	**(13,129,000)**	**(15,326,000)**	**23,243,000**
Segmented total assets	**208,918,000**	**2,804,000**	**24,492,000**	**236,214,000**
Segmented total liabilities	**79,430,000**	**3,773,000**	**15,841,000**	**99,044,000**
Segmented capital expenditures	**30,886,000**	**1,961,000**	**37,000**	**32,884,000**

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.

25. Non-Controlling interest

For the year ended December 31, 2018, the non-controlling interest of the Government of Burkina Faso, which represents 10% in Roxgold SANU S.A. totalled $4,205,000 (2017: $4,400,000). The income attributable to the NCI for the year ended December 31, 2018, totalling $42,373,000 is based on the net income for Roxgold SANU SA, as determined using IFRS. This excludes all items within Other expenses and Financial expenses on the Company's consolidated statement of income (loss), except for sustainability and other in-country costs, interest expense, other expenses and any related foreign exchange gain (loss).

26. 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. In December 2018, the Company was issued an invoice based for 2017 in the amount of approximately $1.5 million. 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. Any provision will be recognized in the Company's consolidated financial statements once it is probable that an outflow of funds will occur.

The Company received from the Burkinabe tax authorities in December 2018 a tax assessment for the years 2015 and 2016 with a maximum exposure of $12.6 million (plus an additional $0.3 million in penalties). The assessment covers mainly three items: value added tax, withholding taxes on foreign mining-related suppliers, and corporate income taxes. The Company is vigorously defending its positions. The final outcome of this matter is not determinable at this time and no provision has been recorded as at December 31, 2018. Any provision will be recognized in the Company's consolidated financial statements once it is probable that an outflow of funds will occur.

27. Subsequent Events

On February 11, 2019, the Company announced that it has entered into an agreement with Newcrest West Africa Holdings Pty Ltd ("Newcrest") to acquire a portfolio of 11 exploration permits in Côte d'Ivoire, which includes the Séguéla gold project for total upfront consideration of $20 million.

On March 12, 2018, the Company granted 3,401,786 RSUs to employees and 1,949,405 Performance Share Units to senior management and executives, all of which are subject to certain vesting conditions.

On March 13, 2019, the Company purchased 4,949,000 common shares at an average price of C$0.84 per share representing a significant portion of its normal course issuer bid ("NCIB") previously announced on April 30, 2018. The NCIB allows for the purchase of up to 10,000,000 common shares for cancellation. To date, the Company has purchased 5,612,300 common shares under the NCIB.