Roxgold

Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(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, including responsibility for 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. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

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 fulfils 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, is appointed by the shareholders to audit the consolidated financial statements as at December 31, 2017 and 2016 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 28, 2018

/s/ John Dorward

John Dorward, Chief Executive Officer

/s/ Natacha Garoute

Natacha Garoute, Chief Financial Officer

March 28, 2018

Independent Auditor's Report

To the Shareholders of Roxgold Inc.

We have audited the accompanying consolidated financial statements of Roxgold Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of income (loss), comprehensive income (loss), equity and cash flows for the years ended December 31, 2017 and 2016, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

PricewaterhouseCoopers LLP[1]

[1] CPA Auditor, CA, public accountancy permit No. A122718

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

For the years ended December 31,	Notes	2017	2016
Assets			
Current assets			
Cash	4	63,033,000	68,902,000
Taxes recoverable and other receivables	5	20,049,000	4,651,000
Prepaid expenses and deposits		1,705,000	1,047,000
Inventories	6	15,628,000	8,011,000
		100,415,000	82,611,000
Non-current assets			
Property, plant and equipment	7	135,288,000	134,597,000
Restricted cash		511,000	-
Deferred income tax asset	15	-	462,000
Total assets		**236,214,000**	**217,670,000**
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	8	28,931,000	17,817,000
Current portion of finance leases	23	2,777,000	2,231,000
Current portion of long-term debt	9	7,758,000	17,766,000
Current portion of derivative financial instruments	10	3,960,000	1,563,000
		43,426,000	39,377,000
Non-current liabilities			
Long-term debt	9	35,464,000	53,302,000
Derivative financial instruments	10	9,527,000	6,290,000
Asset retirement obligations	11	2,379,000	2,362,000
Finance leases	23	1,240,000	3,285,000
Deferred share units' liability	12	350,000	302,000
Deferred income tax liability	15	6,658,000	-
Total liabilities		**99,044,000**	**104,918,000**
Equity			
Share Capital	12	207,393,000	206,026,000
Reserves	12	22,306,000	22,006,000
Accumulated other comprehensive income		13,140,000	12,606,000
Deficit		(111,509,000)	(129,326,000)
Equity attributable to Roxgold Shareholders		131,330,000	111,312,000
Non-controlling interest	25	5,840,000	1,440,000
Total equity		**137,170,000**	**112,752,000**
Total liabilities and equity		**236,214,000**	**217,670,000**
Commitments	22		

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

Approved on March 28, 2018 on behalf of the directors

/s/ John Dorward
Director

/s/ John Knowles
Director

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

For the years ended December 31,	Notes	2017	2016
Mine operations			
Revenues – Gold Sales		159,414,000	41,385,000
Mine operating expenses	16	(55,681,000)	(14,127,000)
Royalties		(6,443,000)	(1,685,000)
Depreciation	7	(30,152,000)	(4,080,000)
Mine operating profit		**67,138,000**	**21,493,000**
Other expenses			
General and administrative	17	(4,627,000)	(3,395,000)
Sustainability and other in-country costs		(1,612,000)	(398,000)
Exploration and evaluation	18	(12,757,000)	(6,039,000)
Share-based payments	12	(2,522,000)	(2,135,000)
Depreciation	7	(1,042,000)	(684,000)
Operating profit (loss)		**44,578,000**	**8,842,000**
Financial expenses			
Financing costs		(6,795,000)	(2,272,000)
Change in fair value of derivative financial instruments	10	(8,777,000)	(5,667,000)
Foreign exchange gain (loss)		1,617,000	(2,502,000)
Other finance expenses		(260,000)	(160,000)
Income (loss) before income taxes		**30,363,000**	**(1,759,000)**
Income tax expense			
Deferred income tax (expense) recovery	15	(7,120,000)	688,000
Net income (loss)		**23,243,000**	(1,071,000)
Attributable to:			
Roxgold shareholders		18,843,000	(2,511,000)
Non-controlling interest		4,400,000	1,440,000
Earnings (Loss) per share			
Basic	19	0.05	(0.01)
Diluted	19	0.05	(0.01)
Weighted Average Number of Common Shares Outstanding - Basic	19	371,585,337	331,999,673
Weighted Average Number of Common Shares Outstanding - Diluted	19	387,949,517	331,999,673

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

Roxgold Inc.
Consolidated Statements of Comprehensive Income (Loss)

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

For the years ended December 31,	2017	2016
Net income (loss)	**23,243,000**	**(1,071,000)**
Other item that may be reclassified subsequently to the consolidated statement of income (loss)		
Currency translation adjustment	534,000	1,725,000
Comprehensive income	**23,777,000**	**654,000**
Attributable to:		
Roxgold shareholders	19,377,000	(786,000)
Non-controlling interest	4,400,000	1,440,000
	23,777,000	**654,000**

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

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

For the years ended December 31,	2017	2016
Share capital		
Balance – Beginning of year	206,026,000	175,344,000
Shares issued for bought deal or private placement	-	16,759,000
Share issuance costs	-	(1,092,000)
Shares issued for exercise of options	1,367,000	3,818,000
Shares issued for redemption of deferred share units	-	521,000
Shares issued for redemption of restricted share units	-	247,000
Shares issued for exercise of warrants	-	10,429,000
Balance – End of Year	**207,393,000**	**206,026,000**
Warrants		
Balance – Beginning of year	4,676,000	6,211,000
Shares issued for exercise of warrants	-	(1,535,000)
Balance – End of Year	**4,676,000**	**4,676,000**
Options		
Balance – Beginning of year	13,024,000	13,276,000
Shares issued for exercise of options	(493,000)	(1,518,000)
Share-based payments	826,000	1,266,000
Balance – End of Year	**13,357,000**	**13,024,000**
Restricted, performance and deferred share units		
Balance – Beginning of year	4,306,000	3,637,000
Share issued for redemption of deferred share units	-	(521,000)
Share issued for redemption of restricted share units	-	(247,000)
Settlement of RSUs	(1,734,000)	-
Restricted, performance and deferred share units	1,701,000	1,437,000
Balance – End of Year	**4,273,000**	**4,306,000**
Accumulated other comprehensive income (loss)		
Balance – Beginning of year	12,606,000	10,881,000
Other comprehensive income	534,000	1,725,000
Balance – End of Year	**13,140,000**	**12,606,000**
Deficit		
Balance – Beginning of year	(129,326,000)	(126,815,000)
Income (Loss) attributable to Roxgold shareholders	18,843,000	(2,511,000)
Settlement of RSUs	(1,026,000)	-
Balance – End of Year	**(111,509,000)**	**(129,326,000)**
Total equity attributable to Roxgold shareholders	**131,330,000**	**111,312,000**
Non-controlling interests		
Balance – Beginning of year	1,440,000	-
Income attributable to non-controlling interests	4,400,000	1,440,000
Balance – End of Year	**5,840,000**	**1,440,000**
TOTAL EQUITY	**137,170,000**	**112,752,000**

The accompanying notes are an integral part of these consolidated financial statements. Refer to Note 13 for further information on changes to equity.

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

For the years ended December 31,	Notes	2017	2016
Operating activities			
Net income (loss) for the year		23,243,000	(1,071,000)
Adjustments for operating activities:			
Depreciation	7	31,194,000	4,764,000
Share-based payments	12	2,522,000	2,135,000
Change in fair value of derivative financial instruments	10	8,777,000	5,667,000
ARO accretion	11	17,000	55,000
Long-term debt accretion	9	1,978,000	496,000
Deferred income tax expense (recovery)	15	7,120,000	(688,000)
Settlement of hedge contract	10	(2,875,000)	-
Unrealized foreign exchange loss (gain)		(3,664,000)	2,502,000
		68,312,000	**13,860,000**
Changes in non-cash working capital	21	(10,415,000)	(621,000)
		57,897,000	**13,239,000**
Financing activities			
Repayments associated with long-term debt	9	(28,200,000)	-
Proceeds associated with long-term debt		-	23,160,000
Financing fees	9	(1,624,000)	(181,000)
Payments of finance lease obligations	23	(2,150,000)	(1,838,000)
RSU cash settlement	12	(2,733,000)	-
Proceeds from stock option exercise	12	899,000	2,300,000
Proceeds from issuances of common shares	12	-	16,759,000
Proceeds from warrant exercises	12	-	8,894,000
Share issuance costs	12	-	(1,092,000)
		(33,808,000)	**48,002,000**
Investing activities			
Additions to property, plant and equipment	7	(31,851,000)	(89,861,000)
Acquisition of exploration and evaluation assets	7	-	(66,000)
Restricted cash		(511,000)	-
Proceeds from pre-commercial production revenue	7	-	56,625,000
		(32,362,000)	**(33,302,000)**
Net increase (decrease) in cash		**(8,273,000)**	**27,939,000**
Effect of foreign exchange rates on cash		2,404,000	(1,322,000)
Cash and cash equivalents, beginning of year		**68,902,000**	**42,285,000**
Cash and cash equivalents, end of year		**63,033,000**	**68,902,000**
Interest paid		4,126,000	3,058,000

Refer to note 21 for supplemental cash flow information

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

(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 declared commercial production as of October 1, 2016. The Company is a reporting issuer in all provinces and territories of Canada other than Quebec and its common shares were listed for trading on the TSX Venture Exchange under the symbol "ROG" until March 29, 2017 and started trading on the Toronto Stock Exchange under the symbol "ROXG" on March 30, 2017. The Company has its corporate head office located at Suite 500, 360 Bay Street, Toronto, Ontario, M5H 2V6.

As a result of the successful mining and extraction rates achieved in August and September 2016, together with high processing plant availabilities and gold recoveries, the Yaramoko Gold Mine achieved commercial production effective October 1, 2016. Once in commercial production, the capitalization of certain mine development and construction costs ceased. Subsequent costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate.
Although the Company has taken steps to verify titles to its properties, property title may be subject to, among other things, unregistered prior agreements and non-compliance with regulatory requirements.

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. The Board of Directors authorized for publication the consolidated financial statements on March 28, 2018.

C. Consolidation, functional and presentation currency

These consolidated financial statements include the accounts of the Company and its wholly-owned and beneficially-owned 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
XDM Resources Ltd	Australia	100%	Exploration	AUD

The Company's functional currency is Canadian dollar and the 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 located in Toronto and the subsidiaries in 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 performance of the operating segments, 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 are considered to be underground capital development and are capitalized if they are expected to bear future economic benefits.

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

	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 (loss).

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 which is measured by the portion of the mine's economically recoverable and proven ore reserves produced during the period.

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:

2. Summary of significant accounting policies (continued)

- when the mine is substantially complete and ready for its intended use;
- 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;
- the completion of a reasonable period of testing of the mine plant and equipment.

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 when control of the gold and the significant risks and rewards of ownership are transferred to the customer, which is usually when title has passed to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, collection is reasonably assured, and costs can be measured reliably. Until such time when commercial production was reached, pre-commercial production revenue was accounted for as a reduction of mineral properties under development within property, plant, and equipment ("PP&E").

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 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 costs 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 measure of the various gold bearing materials in the recovery process. The GIC inventory is valued at the average costs of the beginning inventory and the costs 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.

Prior to October 1, 2016, each of the above forms of inventory existed and were included in mineral properties under development within PP&E. All previously capitalized inventory within mineral properties under development were reclassified to inventory at the lesser of cost and net realisable value once commercial production was reached (note 2(g)).

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 establish 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 in 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, 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
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

E&E expenditures include overhead expenses directly attributable to the related activities. The E&E expenditures are expensed, excluding acquisition costs, until technical feasibility and commercial viability has been reached, at which point E&E expenditures are capitalized under mineral properties under development within property, plant, and equipment. 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 (loss), 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 if no impairment had previously been 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 that 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 (loss) or in equity, in which case it is recognized in other comprehensive income (loss) 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 regards 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 on the basis of 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 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 interests represent 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 (loss) is recognized directly in equity even if the results of the non-controlling interests have a deficit balance.

The Company treats transactions with non-controlling interests 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

Financial assets and 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 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.

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: 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 fair value through profit or loss ("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 (loss).

The Company's financial instruments consist of the following:

Financial assets:	**Classification:**
Cash	Loans and receivables
Other receivables	Loans and receivables

Financial liabilities:	**Classification:**
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities
Derivative financial instrument	Fair value through profit or loss ("FVTPL")

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.

2. Summary of significant accounting policies (continued)

R. Financing fees

Fees paid to establish credit facilities are recognised 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.

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 property, plant and equipment if they meet the capitalization criteria.

U. Financial instruments – Fair value

The fair value hierarchy under which the Corporation'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 liability;
- Level 3 includes inputs for the asset or liability that are not based on observable market data

V. New accounting standards issued and in effect

i) *IAS 7, Statement of Cash Flows*

In January 2016, the IASB issued amendments to IAS 7. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted. There have been no impact on the Company's consolidated financial statements.

W. New accounting standards issued but not yet in effect

The International Accounting Standards Board ("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:

i) *IFRS 2 - Share based payments*

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 will adopt IFRS 2 for the annual period beginning January 1, 2018. The Company has completed its assessment of the impact of IFRS 2 and does not expect the interpretations to have a material impact on the consolidated financial statements.

2. Summary of significant accounting policies (continued)

ii) *IFRS 9 - Financial Instruments*

In November 2009 and October 2010, the IASB issued the first phase of IFRS 9, Financial Instruments. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes a third measurement category for financial assets (fair value through other comprehensive income (loss) and a single, forward-looking 'expected loss' impairment model. The mandatory effective date of IFRS 9 is January 1, 2018.

IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has three classification categories: amortized cost, fair value through other comprehensive income (loss) and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces limited changes relating to financial liabilities and aligns hedge accounting more closely with risk management.

In March 2017, the IASB provided an update clarifying how IFRS 9 is to be applied to the modifications of financial liabilities. The Company has completed its assessment of the amendments to IFRS 9 and are in the final stages of quantifying the impact. Management does not expect the adoption of the standard to have a material impact on the consolidated financial statements.

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

The IASB has issued IFRS 15, Revenue from Contracts with Customers, which will replace IAS 11, Construction Contracts and IAS 18, Revenue. The mandatory effective date of IFRS 15 is January 1, 2018.

The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes to the timing of revenue for certain types of revenues. The new Standard will also result in enhanced disclosures about revenue that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Management has evaluated the impact that this standard will have on its consolidated financial statements and has concluded that, based on its current operations, the adoption of IFRS 15 as of January 1, 2018 will have no significant impact on the Company's consolidated financial statements.

iv) *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 assets and liabilities for any lease with a term of more than 12 months, unless the underlying assets are of low value; and
II. Depreciation of leased assets separately from the interest related to the lease liabilities in the statements of loss.

The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Management is currently reviewing the impact of adopting IFRS 16 on its consolidated financial statements.

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 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 of time, 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*

The Company has recorded an asset retirement obligation which reflects the present value of the estimated amount of undiscounted cash flow required to satisfy the asset retirement obligation 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, change in 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 asset retirement obligation at each 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 fair value through profit and loss and its fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the consolidated statements of loss. To estimate the fair value of the derivative at the inception date and again at 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% as at December 21, 2017 (2016: 4.75%).

v) *Income Taxes*

The Corporation 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 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.

In the fourth quarter of 2016, the Company recognized deferred income tax benefits as a result of reaching commercial production at the Yaramoko Gold Mine and it is now being probable that these deferred tax assets will be realized.

During 2017, the Company identified certain adjustments associated with its previously reported 2016 deferred income tax balances. These adjustments were recorded in 2017 and resulted in a tax recovery of $2,400,000 in as at December 31, 2017.

(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 Corporation's financial position, results of operations and cash flows.

4. Cash

As at December 31, 2017, cash on hand totalling $63,033,000 (December 31, 2016: $68,902,000) consisted of cash in bank chequing accounts. As at December 31, 2017, the Company's cash balance is comprised of $23,891,000 US Dollars, the West African Franc equivalent of €32,366,000 ($38,834,000), $11,000 Australian Dollars ($9,000), and $375,000 Canadian Dollars ($299,000).

The Company has restricted cash of $511,000 relating to the asset retirement obligations.

5. Taxes Recoverable and other Receivables

As at December 31, 2017, receivables were mainly related to VAT (value added tax) receivable in Burkina Faso. They are non-interest bearing and they are generally settled within six to twelve months. For the year ended December 31, 2017 the Company received $4,334,000 in reimbursement of our VAT receivable.

For the years ended December 31,	**2017**	**2016**
Opening balance	4,651,000	364,000
Add: increase in taxes recoverable and other receivables	19,732,000	4,287,000
Deduct: Refund from VAT	(4,334,000)	-
Ending balance	**20,049,000**	**4,651,000**

6. Inventories

As at December 31,	**2017**	**2016**
Stockpiled ore	7,876,000	4,235,000
Gold-in-circuit	3,579,000	1,558,000
Doré bars	254,000	-
Consumables inventory	3,919,000	2,218,000
Total	**15,628,000**	**8,011,000**

The Company transferred inventory at a cost of $5,599,000 from mineral properties under development within PP&E to inventory upon reaching commercial production effective October 1, 2016. The amount of depreciation included within inventory at December 31, 2017 is $2,764,000 (December 31, 2016: $1,354,000). The cost of inventory that was charged to expenses represents mostly mine operating expenses and essentially all of the depreciation of property, plant and equipment.

For the year ended December 31, 2017, the Company took net realizable value adjustments on stockpile ore of $4,470,000.

(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[1]	Mineral properties under development	TOTAL
COST						
As at December 31, 2015	**11,466,000**	**-**	**-**	**4,376,000**	**98,115,000**	**113,957,000**
Pre-commercial production revenue	-	-	-		(56,625,000)	(56,625,000)
Mining operating expenses	-	-	-		14,728,000	14,728,000
Royalties	-	-	-		2,730,000	2,730,000
Sustainability and other in-country costs	-	-	-		460,000	460,000
Underground mine development	-	-	-		11,097,000	11,097,000
Other additions	682,000	-	6,971,000	329,000	56,126,000	64,108,000
Foreign exchange	11,000	-	-	-	89,000	100,000
Transfers	-	39,409,000	30,045,000	43,551,000	(118,604,000)	(5,599,000)
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	4,734,000	1,405,000	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**	**62,931,000**	**-**	**178,305,000**
ACCUMULATED DEPRECIATION						
As at December 31, 2015	**(2,012,000)**	**-**	**-**	**(104,000)**	**-**	**(2,116,000)**
Additions	(2,899,000)	(1,644,000)	(1,614,000)	(2,075,000)	-	(8,232,000)
Foreign exchange	(11,000)	-	-	-	-	(11,000)
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)**
NET BOOK VALUE						
Cost	12,159,000	39,409,000	37,016,000	48,256,000	8,116,000	144,956,000
Accumulated depreciation	(4,922,000)	(1,644,000)	(1,614,000)	(2,179,000)	-	(10,359,000)
Net book value as at December 31, 2016	**7,237,000**	**37,765,000**	**35,402,000**	**46,077,000**	**8,116,000**	**134,597,000**
Cost	13,408,000	39,435,000	62,531,000	62,931,000	-	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**	**51,368,000**	**-**	**135,288,000**

[1] There is $1.9 million dollars included in other development costs that relate to the Bagassi South property.

(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 $97,000 and $135,191,000, respectively, as at December 31, 2017 (December 31, 2016: $120,000 and $134,939,000, respectively). Included under mining equipment are assets under finance leases at a net book value of $3,328,000 (December 31, 2016: $5,338,000). 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, 2017, depreciation for assets under finance leases is $nil (December 31, 2016: $1,443,000) 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,	**2017**	**2016**
Accounts payable	11,491,000	3,200,000
Royalties payable	1,245,000	859,000
Accrued liabilities	16,195,000	13,758,000
	28,931,000	**17,817,000**

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,	**2017**	**2016**
Opening balance	71,068,000	47,878,000
Add: loan proceeds	-	23,160,000
Deduct: transaction costs	(1,624,000)	(2,162,000)
Deduct: debt repayment	(28,200,000)	-
Add: accretion	1,978,000	2,192,000
Ending balance	**43,222,000**	**71,068,000**
Less: current portion	(7,758,000)	(17,766,000)
Non-current portion	**35,464,000**	**53,302,000**

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 had a six-year loan term that will bear interest at a rate of LIBOR plus 4.25% to 4.75%. The Credit Facility encompassed a hedging component of 65,000 ounces of gold, 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 secured 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%. Several key requirements of the Credit Facility, such as the requirement for a $15 million cost overrun account, are no longer in place.

The Amended Facility, similar to the Credit Facility, includes covenants customary for a transaction of this nature, including the following financial and operational covenants (all maintained as of December 31, 2017):

i) Maintaining a loan life ratio of at least 130%;
ii) Maintaining a historical debt service coverage ratio greater than or equal to 120% at all times
iii) Maintaining a projected debt service coverage ratio greater than or equal to 120% at all times; and
iv) Maintaining proven and probable reserves greater than or equal to 25% at the final payment date compared to the proven and probable reserve at the first drawdown date.

(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, 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 (loss).

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

Repayment Date	**% of total Amended Facility**
March 31, 2018	3.00%
June 30, 2018	4.00%
September 30, 2018	2.75%
December 31, 2018	4.25%
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, 2017, the Company made repayments of the Amended Facility totalling $13,200,000 as per the repayment schedule. This is in addition to the $15,000,000 repayment to the Credit Facility prior to the amendment. For the year ended December 31, 2017, the Company had incurred fees of $1,624,000 (2016 – $2,162,000), 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(loss) using the effective interest method.

For the year ended December 31, 2017, interest and accretion totalling $5,292,000 expense (2016 -$2,192,000) were expensed in the Company's consolidated statement of income (loss). For the year ended December 31, 2017, interest and accretion were not capitalized to Property, Plant, and Equipment as the Company was in Commercial Production. As of October 1, 2016, interest and accretion expense totalling $4,466,000 were capitalized to Property, Plant & Equipment.

As at December 31, 2017, the Company is committed to minimum future principal and interest payments for the Amended Facility, as follows:

	Long-term debt
Year ending December 31, 2018	$10,044,000
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, 2017, the Company recognized a change in the fair value of derivative financial instruments of $8,777,000 loss (2016 - $5,667,000 loss) in its consolidated statement of income (loss). During the year ended December 31, 2017, the Company redeemed hedging contracts totalling $3,143,000 of which $2,875,000 was cash settled (2016 – $nil). The cash settlement is completed on the first business day of the following month. For the year ended December 31, 2017, the Company has settled 15,288 ounces and as at December 31, 2017, 49,712 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, 2017, 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 as at December 31, 2017.

For the years ended December 31,	**2017**	**2016**
Opening balance	7,853,000	2,059,000
Change in fair value of derivatives	8,777,000	5,667,000
Settlement of derivative financial instruments	(3,143,000)	-
Foreign exchange	-	127,000
Ending balance	**13,487,000**	**7,853,000**
Less: current portion	(3,960,000)	(1,563,000)
Non-current portion	**9,527,000**	**6,290,000**

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, 2017, the Company has a provision for mine rehabilitation of $2,379,000 (December 31, 2016 - $2,362,000). A related accretion expense of $17,000 was recorded in the consolidated statement of income (loss). The provision is calculated at the net present value of the estimated future undiscounted cash flows using a discount rate of 10.17% (December 31, 2016 - 9.41%), a remaining mine life of approximately six years, and estimated future undiscounted liability of $4,152,000.

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, 2017, the restricted cash balance was €433,000 ($511,000).

For the years ended December 31,	**2017**	**2016**
Opening balance	2,362,000	1,078,000
Additions	-	1,229,000
Add: accretion	17,000	55,000
Ending balance	**2,379,000**	**2,362,000**

(Expressed in U.S. Dollars)

12. Share capital and reserves

For the years ended December 31,	2017	2016
Shares		
Balance – Beginning of year	371,078,762	324,081,829
Shares issued for bought deal or private placement	-	28,750,000
Shares issued for exercise of warrants	-	12,891,676
Shares issued for exercise of options	1,565,334	3,878,223
Shares issued for redemption of deferred share units	-	977,034
Shares issued for redemption of restricted share units	-	500,000
Balance – End of Year	**372,644,096**	**371,078,762**

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, 2017, the Company issued 1,565,334 common shares, as follows:

i) *1,565,334 common shares issued for exercise of options*

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).

During the year ended December 31, 2016, the Company issued 46,996,933 common shares as follows:

i) *500,000 shares issued for the redemption of restricted share units*

During December 2016, the Company issued a total of 500,000 common shares upon the redemption of restricted share units.

ii) *3,878,223 shares issued for the exercise of options*

During the year ended December 31, 2016, the Company issued 3,878,223 shares pursuant to the exercise of stock options with a weighted average exercise price of $0.59 (C$0.76) per share, for total net proceeds of $2,300,000 (C$2,900,000). At the time the options were exercised the weighted average share price was $1.12 (C$1.48).

iii) *977,034 shares issued for the redemption of deferred share units*

Between July 8, 2016 and August 17, 2016, the Company issued a total of 977,034 common shares upon the redemption of deferred share units.

iv) *12,891,676 shares issued for the exercise of warrants*

On July 14, 2016, the Company issued 12,891,676 common shares pursuant to the exercise of all outstanding warrants by International Finance Corporation ("IFC"), at an exercise price of $0.70 (C$0.90) per share, for total proceeds of $8,894,000 (C$11,600,000). At the time the warrants were exercised the closing share price was $1.21 (C$1.56).

v) *28,750,000 shares issued through a public offering*

On March 8, 2016, pursuant to a bought deal equity financing (the "Financing"), the Company issued 28,750,000 common shares at a purchase price of $0.58 (C$0.80) per common share for gross proceeds of $16,759,000 (C$23,000,000). The Company incurred $1,092,000 in professional fees, commissions and other share issuance costs in connection with the Financing.

(Expressed in U.S. Dollars)

12. Share capital and reserves (continued)

C. Share-based payments

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

For the years ended December 31,	2017	2016
Stock options costs	826,000	1,266,000
Stock options costs capitalized to Mineral properties under development	(5,000)	(509,000)
Stock options costs – expensed	821,000	757,000
Deferred units costs – expensed	696,000	1,045,000
Performance share units costs – expensed	260,000	-
Restricted share units costs	745,000	680,000
Restricted share units costs capitalized to Mineral properties under development	-	(347,000)
Restricted share units costs – expensed	745,000	333,000
Total share-based payments expensed	**2,522,000**	**2,135,000**

D. Stock options

A summary of the Company's stock option activities for the year ended December 31, 2016 and December 31, 2017 is presented below:

	Number of stock options	Weighted average exercise price $ (CAD)
Balance as at December 31, 2015	**9,678,335**	**0.73**
Granted	5,100,000	0.80
Exercised	(3,878,223)	0.76
Forfeited	(186,109)	0.71
Balance as at December 31, 2016	**10,714,003**	**0.75**
Granted	2,062,499	1.50
Exercised	(1,565,334)	0.74
Forfeited	(375,000)	1.07
Expired	(100,000)	2.00
Balance as at December 31, 2017	**10,736,168**	**0.87**

During the year ended December 31, 2017, the Company granted 2,062,499 options to employees (2016 - 5,100,000 options) with a fair value of $1,110,000 (C$1,441,000) (2016 - $1,522,000). One third of the options will vest over the next twelve months and the remaining two thirds will vest over the next twenty-four and thirty-six-month periods, respectively. The exercise price of the options was equal to the market price on the grant date.

(Expressed in U.S. Dollars)

12. Share capital and reserves (continued)

The following assumptions were used for the Black-Scholes valuation of stock options granted during the years ended December 31, 2017 and 2016, respectively.

For the years ended December 31,	2017	2016
Dividend rate	0%	0%
Expected annualized volatility	54%	57%-60%
Risk free interest rate	1.05%	0.58%-0.71%
Expected life of stock options (years)	5	5
Weighted average fair value of options granted	$0.54 (C$0.70)	$0.30 (C$0.40)

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

As at December 31, 2017, 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
September 19, 2018	400,000	400,000	0.61	0.72
January 3, 2019	100,000	100,000	0.49	1.01
January 23, 2019	680,000	680,000	0.55	1.06
April 25, 2019	150,000	150,000	0.67	1.32
December 8, 2019	150,333	150,333	0.61	1.94
January 19, 2020	250,000	250,000	0.65	2.05
February 2, 2020	2,508,333	2,508,333	0.70	2.09
April 2, 2020	150,000	150,000	0.59	2.25
August 13, 2020	200,000	200,000	0.72	2.62
January 4, 2021	3,543,337	2,310,000	0.69	3.01
May 18, 2021	225,000	150,000	1.20	3.38
June 9, 2021	100,000	66,667	1.41	3.44
August 22, 2021	300,000	200,000	1.60	3.64
January 19, 2022	1,979,165	-	1.50	4.05
	10,736,168	**7,315,333**	**0.87**	**2.71**

E. Deferred share units

The following table reflects the continuity of deferred share units ("DSU") for the year ended December 31, 2017:

	Number of instruments
Balance as at December 31, 2015	**3,881,717**
Granted	615,508
Exercised	(1,192,045)
Balance as at December 31, 2016	**3,305,180**
Granted	769,912
Balance as at December 31, 2017	**4,075,092**

As at December 31, 2017, all DSUs were vested and 3,752,510 units had a dilutive impact as the remaining DSUs totalling 322,582 units are to be settled in cash and included as a liability on the Company consolidated statement of financial positions.

(Expressed in U.S. Dollars)

12. Share capital and reserves (continued)

F. Restricted share units

The following table reflects the continuity of restricted share units ("RSU") for the year ended December 31, 2017:

	Number of instruments
Balance as at December 31, 2015	**3,495,000**
Granted	720,000
Exercised	(500,000)
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**

Expiry date	Number of instruments	Number of instruments vested	Weighted average number of years to expiry
December 31, 2018	532,500	532,500	1.00
December 1, 2020	611,667	-	2.92

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

G. Performance share units

During the year ended December 31, 2017, the Company granted 825,000 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, 2017:

	Number of instruments
Balance as at December 31, 2016	**-**
Granted	825,000
Balance as at December 31, 2017	**825,000**

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, 2017 totalled $174,522,000 (December 31, 2016 – $182,380,000). Refer to consolidated statement of equity and note 9 for explanations regarding changes to capital and long term debt between December 31, 2017 and 2016.

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 makes adjustments 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, 2017 and 2016, respectively:

For the years ended December 31,	2017	2016
Salaries, benefits and Directors' fees	2,396,000	1,716,000
Share-based payments	2,414,000	1,817,000
Total compensation	4,810,000	3,533,000

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, 2017, the total amounts payable to key management in respect of severance would have totaled $2,509,000 (2016 - $3,046,000). If a change of control had occurred on December 31, 2017 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 $7,564,000 (2016 - $10,226,000).

15. Income taxes

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, 2017 and 2016:

For the years ended December 31,	2017	2016
Income (loss) before income taxes	30,363,000	(1,759,000)
Statutory income tax rate	26.5%	26.50%
Expected income tax recovery	8,046,000	(466,000)
Differences resulting from:		
Difference in tax rate of foreign subsidiary	(1,167,000)	281,000
Expenses not deductible for tax purposes	3,478,000	1,831,000
Prior period adjustment	(2,347,000)	-
Effect of currency translation on tax base	(2,368,000)	518,000
Use of previously unrecognized tax benefits	(1,028,000)	(3,605,000)
Unrecorded tax benefit	1,958,000	-
Other	548,000	753,000
Total income taxes	**7,120,000**	**688,000**

The Other tax included an amount of $528,000 (2016: $724,000) for the 6.25% tax levied in Burkina Faso on future interest payments.

(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 tax assets at December 31, 2017 and 2016 are comprised of the following:

	For the year ended December 31, 2016	Statement of income (loss)	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)
IRVM 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)**

As at December 31, 2017, the Company has non-capital loss carry forwards for Canadian income tax purposes of approximately $9,541,000 which have not been recognized as deferred tax assets (December 31, 2016 - $13,162,000), subject to the final determination by taxation authorities, expiring in the following years:

For the years ended December 31,	**2017**	**2016**
2031	-	1,229,000
2032	**2,992,000**	5,814,000
2033	**3,561,000**	3,327,000
2034	**2,712,000**	2,534,000
2035	-	-
2036	**276,000**	258,000
Total	**9,541,000**	**13,162,000**

Deferred tax assets has been recognized since pre-commercial production operations in Yaramoko Gold Project located in Burkina Faso commenced in October 2016, and it was determined that it is more likely than not that the Company would earn sufficient future taxable profits to absorb all the tax benefits.

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, 2017 is approximately $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,	2017	2016
Mining contractor	38,698,000	8,726,000
Salaries and benefits	8,096,000	2,343,000
Operating supplies and parts	8,020,000	2,093,000
Energy	5,372,000	1,556,000
Inventory adjustment	(4,505,000)	(591,000)
	55,681,000	**14,127,000**

17. General and administrative expenses

A summary of general and administrative expenses is presented below:

For the years ended December 31,	2017	2016
Salaries and benefits	1,825,000	1,120,000
Directors' fees	352,000	332,000
Travel	302,000	297,000
Investor relations	257,000	290,000
Administration	667,000	489,000
Consulting fees	464,000	396,000
Professional fees	284,000	327,000
Listing and filing expenses	476,000	144,000
	4,627,000	**3,395,000**

18. Exploration and evaluation expenses

A summary of exploration and evaluation expenses is presented below:

For the years ended December 31,	2017	2016
Drilling	5,760,000	3,658,000
Geological work	688,000	403,000
Economic evaluations	3,951,000	129,000
Owners' costs	2,358,000	1,849,000
	12,757,000	**6,039,000**

(Expressed in U.S. Dollars)

19. Earnings per Share

A summary of earnings per share is presented below:

For the years ended December 31,	**2017**	**2016**
Net income (loss) for the year attributable to equity shareholders	18,843,000	(2,511,000)
Average weighted number of outstanding common shares - basic	371,585,337	331,999,673
Adjustments for calculation of diluted earnings per share:		
Options	10,735,836	-
PSU	791,667	-
DSU	3,752,510	-
RSU	1,084,167	-
Weighted average number of outstanding common shares - diluted	387,949,517	331,999,673
Earnings per share (Basic and Diluted)	**$ 0.05**	**$ (0.01)**

As at December 31, 2016, there were no adjustments made to the calculation for diluted earnings per share as they were antidilutive.

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 risk

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, 2017:

	Between 0 and 12 months	**Between 12 and 24 months**	**Between 24 and 36 months**	**Between 36 and 48 months**
Accounts payable and accrued liabilities	28,931,000	-	-	-
Long-term debt	8,400,000	12,750,000	16,350,000	9,300,000
Interest on long-term debt	1,644,000	1,256,000	762,000	132,000
Finance lease	2,777,000	1,240,000	-	-
Derivative financial instruments	4,043,000	4,383,000	4,713,000	1,234,000
	45,795,000	**19,629,000**	**21,825,000**	**10,666,000**

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%. The fluctuation of LIBOR and a 1% increase or decrease in the annual interest rate of the Credit Facility would have a $0.4 million impact on the Company's consolidated statement of income (loss).

20. Financial risk factors and financial instruments (continued)

ii) *Foreign exchange risk*

As at December 31, 2017, 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, 2017.

	USD	**Euro**	**CAD**
Cash and cash equivalents[1]	13,796,000	32,366,000	-
Accounts payable and accrued liabilities	(61,000)	(13,718,000)	(66,000)
Total foreign currency financial assets and liabilities	13,735,000	18,648,000	(66,000)
Foreign exchange rate at December 31, 2017	1.0000	1.1998	0.7971
Total foreign currency net assets and liabilities in USD	**13,735,000**	**22,375,000**	**(53,000)**
Impact of a 10% strengthening of the USD on net income	**1,374,000**	**2,238,000**	**(5,000)**

[1] In addition to the table above, the company has cash of $11,000 and payables of 6,000 in Australian dollars that would have a reduction of $400 USD on net income.

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 with the exception of 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,	**2017**		**2016**	
Other Financial Liabilities	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Long-term debt (note 9) (level 2)	43,222,000	46,800,000	71,068,000	75,000,000
Finance Lease	4,017,000	4,017,000	5,516,000	5,516,000

21. Supplementary cash flow information

Changes in non-cash working capital	**2017**	**2016**
Accounts Receivable	(15,398,000)	(4,287,000)
Prepaids & Other Expenses	(658,000)	(655,000)
Inventory	(6,207,000)	(6,657,000)
Accounts payable & Other Accrued Liabilities	11,848,000	10,978,000
	(10,415,000)	(621,000)

For the years ended December 31,	**2017**	**2016**
PP&E included in accounts payable and accrued liabilities	3,121,000	2,415,000
Depreciation included in Inventory	2,764,000	1,354,000
Depreciation included in PP&E	-	2,122,000
Stock option costs included in PP&E	5,000	509,000
Restricted share units included in PP&E	-	346,000
Accretion on long-term debt included in PP&E	-	1,648,000
Asset retirement obligations included in PP&E	-	1,229,000

(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,	2018	2019	2020	2021
Lease agreements	244,000	209,000	122,000	-
Service agreements	391,000	25,000	-	-
Technical service agreements	495,000	-	-	-
	1,130,000	**234,000**	**122,000**	-

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 48 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, 2017, it would have been subject to an early termination payment of $1,986,000 (2016: $2,974,000).

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, 2017, the Company was subject to royalty rates of 4% and 5%. For the year ended December 31, 2017, government royalties amounting to $6,443,000 (2016: $4,418,000 and $1,685,000 since the declaration of commercial production) were incurred with the Government of Burkina Faso.

23. Finance leases

On September 29, 2014, the Company awarded the underground mining services contract (the "Mining Service Contract") for its Yaramoko project to a subsidiary of African Underground Mining Services ("AUMS").

The Mining Service Contract has an initial term of four years and is renewable at the option of the Company for a period to be agreed by AUMS and the Company under the same terms and conditions as the initial Mining Service Contract.

Pursuant to the Mining Service Contract, AUMS will provide services to develop the Yaramoko Gold Mine, extract and haul ore and waste, stockpile and produce ore during the term within the production requirements ("Mining Services"). The Mining Services includes the provision of a mining fleet and skilled labour force.

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.

The most significant estimate in the assessment lies in the Company's calculation of the fair value of the minimum lease payments on an asset by asset basis and its comparison to the fair value of the assets at the inception of the lease to conclude on whether all the risks and rewards incidental to ownership of the leased items were transferred to the Company as a lessee.

At the inception, the Company capitalized the leases at the fair value of those leases, or, if lower, at the present value of the minimum lease payments. 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 5%.

For the years ended December 31,	2017	2016
Opening balance	5,516,000	7,354,000
Add: new debt obligations under finance leases	651,000	-
Deduct: repayments	(2,150,000)	(1,838,000)
Total obligations under finance lease	**4,017,000**	**5,516,000**
Less: current portion	(2,777,000)	(2,231,000)
Non-current obligations	**1,240,000**	**3,285,000**

(Expressed in U.S. Dollars)

23. Finance leases (continued)

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	2,777,000	1,240,000	4,017,000
Finance charges	665,000	91,000	756,000
Total	**3,442,000**	**1,331,000**	**4,773,000**

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.

	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, 2017, the non-controlling interest of the Government of Burkina Faso, which represents 10% in Roxgold SANU S.A. totalled $4,400,000 (2016: $1,440,000). The income attributable to the NCI for the year ended December 31, 2017, totalling $44,000,000 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), with the exception of sustainability and other in-country costs, interest expense, other expenses and any related foreign exchange gain (loss).

26. Subsequent Events

On January 23, 2018, the Company granted 2,086,134 RSUs to employees and 1,144,958 Performance Share Units to senior management and executives, all of which are subject to certain vesting conditions.