# AFRICAN GOLD GROUP, INC.

## Consolidated Financial Statements

## For the years ended December 31, 2016 and 2015

(Expressed in U.S. Dollars)

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# Independent Auditor's Report

**To the Shareholders of African Gold Group, Inc.**

We have audited the accompanying consolidated financial statements of African Gold Group, Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of comprehensive loss, equity and cash flows for each of the years then ended, and 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 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 African Gold Group, Inc. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended December 31, 2016 and December 31, 2015 in accordance with International Financial Reporting Standards.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

**Emphasis of Matter**
Without qualifying our opinion, we draw attention to the going concern assumption paragraph in Note 2 of the consolidated financial statements which indicates that the Company's has a net loss of $2,244,406, negative cash flows from operations of $998,695 and negative working capital of $1,534,469. These conditions, along with other matters disclosed in Note 2 of the consolidated financial statement indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

(signed) BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

May 1, 2017
Toronto, Ontario

**African Gold Group, Inc.**
**Consolidated Statements of Financial Position**
(Expressed in U.S. Dollars)

| As at December 31, | 2016 | 2015 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 105,144 | $ 356,899 |
| Receivables | 102,574 | 86,531 |
| Prepaid expenses | 20,478 | 42,620 |
| Assets classified as held for sale (note 10) | - | 1,118,836 |
| Total Current assets | 228,196 | 1,604,886 |
| Evaluation and exploration assets (note 5) | 22,416,882 | 22,117,587 |
| Property and equipment (note 6) | 5,790 | 17,640 |
| Total Assets | $ 22,650,868 | $ 23,740,113 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (note 7) | $ 1,762,665 | $ 1,320,086 |
| Liabilities classified as held for sale (note 10) | - | 410,342 |
| | 1,762,665 | 1,730,428 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (note 8(b)) | 51,165,490 | 51,132,921 |
| Reserve - share based payments (note 8(c)) | 6,875,560 | 6,663,277 |
| Accumulated other comprehensive income | (7,158,977) | (8,037,049) |
| Accumulated deficit | (29,993,870) | (27,749,464) |
| Total Shareholders' Equity | 20,888,203 | 22,009,685 |
| Total Liabilities and Shareholders' Equity | $ 22,650,868 | $ 23,740,113 |

*The accompanying summary of significant accounting policies and notes are an integral part of the consolidated financial statements.*

**African Gold Group, Inc.**

**Consolidation Statements of Operations and Comprehensive Loss**

(Expressed in U.S. Dollars)

| For the Year Ended December 31, | | 2016 | | 2015 |
|---|---|---|---|---|
| Interest income | $ | 334 | $ | 1,996 |
| **Expenses** | | | | |
| Administrative and general | | 1,008,313 | | 1,195,267 |
| Personnel costs | | 277,109 | | 369,931 |
| Amortization | | 11,488 | | 13,137 |
| Foreign exchange gain | | 899,174 | | (4,758,494) |
| Share based payments | | 212,284 | | 130,147 |
| | | 2,408,368 | | (3,050,012) |
| **Net income (loss) from continuing operations** | | (2,408,034) | | 3,052,008 |
| **Income from discontinued operations** (note 11 and 15) | | 163,628 | | 808,083 |
| **Net income (loss) for the year** | | (2,244,406) | | 3,860,091 |
| Foreign currency translation differences | | 878,072 | | (4,860,483) |
| **Comprehensive loss for the year** | $ | (1,366,334) | $ | (1,000,392) |
| **Average weighted shares outstanding** | | 250,741,337 | | 226,732,866 |
| **Basic and diluted income (loss) from continuing operations per share (note 9)** | $ | (0.01) | $ | 0.01 |
| **Basic and diluted income (loss) per share (note 9)** | $ | (0.01) | $ | 0.02 |

*The accompanying summary of significant accounting policies and notes are an integral part of the consolidated financial statements.*

**African Gold Group, Inc.**
**Consolidation Statement of Equity**
(Expressed in U.S. Dollars)

| | Shares | Share Capital | Shares to be issued | Share Based Payments | Accumulated Other Comprehensive Income | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|
| | # | $ | | $ | $ | $ | $ |
| **Balance, December 31, 2014** | 159,341,737 | 47,627,220 | 446,235 | 6,504,918 | (3,176,566) | (31,609,555) | 19,792,252 |
| Private placement (note 8) | 40,715,998 | 1,613,438 | (446,235) | 23,640 | - | - | 1,190,843 |
| Private placement (note 8) | 25,796,437 | 1,017,904 | - | - | - | - | 1,017,904 |
| Private placement (note 8) | 24,623,428 | 874,359 | - | 4,571 | - | - | 878,930 |
| Stock based compensation (note 8) | - | - | - | 130,147 | - | - | 130,147 |
| Foreign currency translation differences | - | - | - | - | (4,860,483) | - | (4,860,483) |
| Net income for the year | - | - | - | - | - | 3,860,091 | 3,860,091 |
| **Balance, December 31, 2015** | 250,477,600 | 51,132,921 | - | 6,663,276 | (8,037,049) | (27,749,464) | 22,009,684 |
| Share based payments (note 8) | - | - | - | 212,284 | - | - | 212,284 |
| Exercise of warrants (note 8) | 479,000 | 18,077 | - | - | - | - | 18,077 |
| Exercise of stock options (note 8) | 320,000 | 14,492 | - | - | - | - | 14,492 |
| Foreign currency translation differences | - | - | - | - | 878,072 | - | 878,072 |
| Net loss for the year | - | - | - | - | - | (2,244,406) | (2,244,406) |
| **Balance, December 31, 2016** | 251,276,600 | 51,165,490 | - | 6,875,560 | (7,158,977) | (29,993,870) | 20,888,203 |

*The accompanying summary of significant accounting policies and notes are an integral part of the consolidated financial statements.*

**African Gold Group, Inc.**
**Consolidated Statements of Cash Flows**
(Expressed in U.S. Dollars)

| For the Year Ended December 31, | 2016 | 2015 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Net income (loss) | $ (2,244,406) | $ 3,860,091 |
| Adjustments to reconcile loss to net cash in operating activities | | |
| Foreign exchange gain | 864,687 | (4,585,035) |
| Amortization | 11,488 | 13,137 |
| Interest income | (334) | (1,996) |
| Loss on disposal of assets | 416 | 13,339 |
| Share based payments | 212,284 | 130,147 |
| Gain on sales of Ghana operations | (127,878) | - |
| Unrecoverable mineral property and exploration costs | - | (1,118,836) |
| | (1,283,743) | (1,689,153) |
| **Changes in non-cash working capital** | | |
| Receivables and prepaid expenses | 6,099 | 12,456 |
| Accounts payable and accrued liabilities | 278,949 | (90,472) |
| **Net cash used in operating activities** | (998,695) | (1,767,169) |
| **Cash flow from investing activities** | | |
| Interest received | 335 | 1,996 |
| Purchase of property and equipement | - | (2,439) |
| Proceeds on sale of exploration assets | 1,000,000 | 200,000 |
| Investment in mineral properties and deferred exploration expenditures | (299,295) | (1,372,135) |
| **Net cash used in investing activities** | 701,040 | (1,172,578) |
| **Cash flow from financing activity** | | |
| Proceeds on the issuance of common shares, net of issuance costs $Nil (2015 - $138,285) | - | 2,724,297 |
| Proceeds on the exercise of warrants | 18,077 | - |
| Proceeds on the exercise of stock options | 14,492 | |
| **Net cash provided by financing activities** | 32,569 | 2,724,297 |
| **Effect of foreign currency translation on cash balances** | 13,331 | 87,931 |
| **Decrease in cash and cash equivalents** | (251,755) | (127,519) |
| **Cash and cash equivalents, beginning of year** | $ 356,899 | 484,418 |
| **Cash and cash equivalents, end of year** | $ 105,144 | $ 356,899 |
| **Cash and cash equivalents:** | | |
| Cash | $ 70,697 | $ 273,450 |
| High-interest savings account | 34,447 | 83,449 |
| | $ 105,144 | $ 356,899 |
| **Non monetary transactions:** | | |
| **Financial instruments satisfied through equity issuance** | $ - | $ 335,169 |
| Units and broker warrants issued in exchange for services | $ - | $ 363,380 |

*The accompanying summary of significant accounting policies and notes are an integral part of the consolidated financial statements.*

## 1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

### Nature of Business

African Gold Group, Inc. (the "Company" or "AGG") was incorporated in Ontario, Canada on October 2, 2002 and carries on business in one segment, being the identification, acquisition and exploration of properties for mining of precious and base metals. The Company's principal asset is a mining license located in Mali, West Africa. The Company is listed on the TSX Venture Exchange, having the symbol AGG-V. The address of the Company's head office is 151 Yonge Street, Suite 1100, Toronto, Ontario, Canada M5C 2W7.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves and the achievement of the Company's ability to dispose of its interests on an advantageous basis. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest in accordance with industry standards to the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory requirements.

### Statement of Compliance

These financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") effective for the Company's reporting for the year ended December 31, 2016.

The consolidated financial statements were authorized for issue by the Board of Directors on May 1, 2017.

## 2. GOING CONCERN

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those presented in these consolidated financial statements

The Company reported a net loss of $2,244,406 in the year and negative cash flows from operations of $998,694. At December 31, 2016, the Company has negative working capital of $1,534,469. There is uncertainty as to whether the Company will be able to meet its committed exploration expenditures for its exploration and evaluation assets and to meet its corporate administrative expenses for the next 12 months without additional financing.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent on its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future.

## 2. GOING CONCERN - continued

These circumstances create material uncertainty that lends significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting principles followed in preparing these consolidated financial statements are as follows:

### Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in United States dollars unless otherwise indicated.

### Principles of Consolidation

The consolidated financial statements include the accounts of its wholly owned subsidiaries, AGG (Barbados) Limited (incorporated in Barbados) and AGG (Mali) S.A.R.L. and Kobada Development S.A.R.L (both incorporated in Mali, Africa) as well as a 95% interest in Foroko Explorations S.A.R.L. (incorporated in Mali, Africa). All inter-company transactions and resulting balances have been eliminated on consolidation.

During 2016, AGG (Ghana) Ltd. and its wholly owned subsidiary Arziki Mining Ltd. were sold as described in Note 10.

### Financial Instruments

*Financial Assets*

Financial assets are initially recorded at fair value and designated upon inception into one of the following categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss. Financial assets are recognized on the trade date at which the Company becomes party to the contractual provisions of the instrument.

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

### Financial Instruments - continued

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses.

Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company's cash and cash equivalents and receivables are classified as loans and receivables.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

*Financial Liabilities*

Financial liabilities are initially recorded at fair value and designated upon inception as other financial liabilities. Accounts payable and accrued liabilities are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Accounts payable and accrued liabilities are classified as other financial liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

### Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid high-interest savings accounts convertible to known amounts of cash and subject to an insignificant risk of change in value.

### Exploration and Evaluation Assets

Pre-exploration costs are expensed in the year in which they are incurred.

Once the legal right to explore a property has been acquired, all direct costs related to exploration and evaluation of mineral properties, net of incidental revenues, are capitalized under exploration and evaluation assets. Exploration and evaluation expenditures include such costs as the acquisition of rights to explore; sampling and surveying costs; costs related to topography, geology, geochemistry and geophysical studies; drilling costs and costs in relation to technical feasibility and commercial feasibility of extracting a mineral resource. These costs will be amortized against income using the unit-of-production method based on estimated based on estimated recoverable reserves. The recorded amounts exploration and evaluation assets represent actual expenditures incurred and are not intended to reflect present or future values. Costs not directly attributable to exploration and evaluation activities, including general and administrative costs, are expensed in the year in which they occur.

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development, and on future profitable production or proceeds from the disposition thereof, all of which are uncertain.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, including the preparation and approval of a plan for commencement of development, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs. Mineral exploration and evaluation expenditures are classified as intangible assets.

### Property and Equipment

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Amortization is based on the cost of an asset less its residual value. Amortization is recognized in profit or loss over the estimated useful lives as follows:

| | | |
|---|---|---|
| Computers | - | 30% diminishing balance |
| Furniture and fixtures | - | 10% straight line |
| Vehicles | - | 20% straight line |

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**Income Taxes**

Income tax on the profit or loss for the period 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 equity, in which case it is recognized in equity.

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 taxes payable with regards to previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 financial position 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. At the end of each reporting year, the Company reassesses unrecognized tax deferred assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

### Share Based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of options that will eventually vest. The number of forfeitures likely to occur is estimated on grant date.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in Reserve – Share based payments, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in Reserve – Share based payments is credited to share capital for any consideration paid.

### Comprehensive Income (Loss)

Comprehensive income includes net earnings (loss) and other comprehensive income (loss). Other comprehensive income includes holding gains on available for sale investments, gains and losses on certain derivative instruments and currency gains and losses relating to the translating financial statements of foreign operations.

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

### Foreign Currency Transactions and Translation

The presentation currency is the U.S. dollar. African Gold Group Inc.'s functional currency is the Canadian dollar. The functional currency of the Company's subsidiaries, AGG (Barbados) Limited, AGG (Ghana) Ltd., Arziki Mining Ltd. ("Arziki"),AGG (Mali) S.A.R.L., Kobada Development S.A.R.L. and Foroko Exploration S.A.R.L. is the U.S. dollar. References to CDN$ represent Canadian dollars.

Accordingly, the accounts of the Company are translated to U.S. dollars as follows:

- all of the assets and liabilities are translated at the rate of exchange in effect on the date of the statement of financial position;
- revenue and expenses are translated at the exchange rate approximating those in effect on the date of the transactions; and
- exchange gains and losses arising from translation are included in accumulated other comprehensive income.

Transactions in currencies other than the U.S. dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss.

### Provisions

A provision is recognized in the consolidated statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provision due to passage of time is recognized as interest expense.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. At each consolidated statement of financial position reporting date, provisions are reviewed and adjusted to reflect the current best estimate of the expenditure required to settle the present obligation.

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## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

*Rehabilitation Provisions*

A legal or constructive obligation to incur rehabilitation provisions may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of 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. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market- based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company had no material rehabilitation obligations as at December 31, 2016 or December 31, 2015.

**Loss per Share**

Basic loss per share is calculated by dividing net loss applicable to common shares of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments are converted during the year.

**Asset Classified as Held For Sale**

Assets and liabilities are classified as held for sale if their net book values are expected to be recovered through a disposition rather than through continuing use. The assets or disposal groups are measured at the lower of their net book value and fair value less cost to sell and are not depreciated, depleted or amortized. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss.

**Share Capital**

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company’s common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

**Critical Accounting Estimates and Judgments**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

### Critical Accounting Estimates and Judgments - continued

### Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

*Going Concern*

As is common with exploration companies, the Company's ability to continue its on-going and planned exploration activities and continue operations as a going concern, is dependent upon the recoverability of costs incurred to date on mineral properties, the existence of economically recoverable reserves, and the ability to obtain necessary equity financing from time to time. The factors considered by management are disclosed in Note 2.

*Exploration and Evaluation Assets*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

*Title to Mineral Property Interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

*Functional Currency*

The determination of an entity's functional currency is a key judgment based on the primary economy environment in which each entity of the Company operates. In determining the functional currency, management considers the currency that most faithfully represents the economic effects of events, conditions, future direction and investment opportunities.

*Estimates*

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

*Estimates – continued*

*Impairment*

Assets, including property and equipment, and exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts.

An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates the higher of fair value less costs to sell and value in use. Determining the recoverable amount of property and equipment and exploration and evaluation assets requires management to make assumptions about future events and circumstances and cash flows. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

*Provisions and Contingencies*

Provisions and contingencies arising in the course of operations, including provisions for income or other tax matters are subject to estimation uncertainty. Management uses all information available in assessing the recognition, measurement and disclosure of matters that may give rise to provisions or contingencies. The actual outcome of various provisional and contingent matters may vary, and may cause significant adjustments to the Company’s assets when the amounts are determined or additional information is acquired.

**Recent Accounting Pronouncements**

The International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committees ("IFRIC") have issued a number of new or revised standards or interpretations that will become effective for future periods and have a potential implication for the Company.

IFRS 9 Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 15 Revenue from Contracts (“IFRS 15”) establishes principals for recognizing revenues based on a five-step model which is to be applied with all contracts with customers. The Company plans to adopt the new standard for the year ended December 31, 2018.

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

### Recent Accounting Pronouncements - continued

IFRS 16, Leases ("IFRS 16") was issued by the IASB in January 2016 and will replace IAS 17 Leases. IFRS 16 specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The mandatory effective date is for annual periods beginning on or after January 1, 2019.

The Company has not early adopted any of these standards or interpretations and is currently assessing the impact of the revised standards and interpretations on its consolidated financial statements.

## 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at banks and on hand earn interest at floating interest rates based on daily deposit rates. The Company had no cash equivalents at December 31, 2016 or December 31, 2015.

## 5. EXPLORATION AND EVALUATION ASSETS

### Mali Concessions

On June 28, 2005, the Company entered into an agreement with Compagnie Miniere d'Or ('Cominor') SA of France to acquire a 100% interest in three exploration permits for three separate mineral concessions located in the Republic of Mali, West Africa. The purchase price paid for these three concessions was 750,000 Euros.

The three exploration permits consist of:

(i) The Bagoe-West Concession, which comprises 183 sq. km of land located in the Sikasso Region,
(ii) The Bagoe-East Concession, which comprises 183 sq. km of land located in the Sikasso Region, and
(iii) The Kobada Concession, comprising 41 sq. km of land located in the Kangaba Region.

Included in the purchase price are data based reference material gathered from exploration and development activities performed by Cominor on each of the concessions, and a variety of ground transportation and exploration equipment.

In January 2008, the Company received notification from the Government of Mali Mines, Energy and Water Department that the application to explore the Foroko and Acoma concessions had been approved. The properties, representing approximately 216 square kilometres, are adjacent to the Kobada concession. In August 2012, all Mali permits were consolidated into one mining permit under the existing Acoma permit. The permit was initially valid to August 9, 2015 and automatically renewed for an additional two-year period.

## 5. EXPLORATION AND EVALUATION ASSETS - continued

The following is a summary of the carrying amount of exploration and evaluation assets:

| | Ghana Concessions | | | | | | |
|---|---|---|---|---|---|---|---|
| | Twedee & Pekyi Licenses | Moseaso License | Nyankumasi Concession | Tropical License | Gyampo Licenses | **Mali Concessions** | Total |
| **Balance at December 31, 2014** | $ - | $ - | $ - | $ - | $ - | $ 20,745,452 | $ 20,745,452 |
| Exploration costs | - | - | - | - | - | 1,372,135 | 1,372,135 |
| Recovery of exploration costs | 68,691 | 261,423 | 200,975 | 318,056 | 269,677 | - | 1,118,822 |
| Reclassified to assets held for sale | (68,691) | (261,423) | (200,975) | (318,056) | (269,677) | - | (1,118,822) |
| **Balance at December 31, 2015** | $ - | $ - | $ - | $ - | $ - | $ 22,117,587 | $ 22,117,587 |
| Exploration costs | - | - | - | - | - | 299,295 | 299,295 |
| **Balance at December 31, 2016** | $ - | $ - | $ - | $ - | $ - | $ 22,416,882 | $ 22,416,882 |

## 5. EXPLORATION AND EVALUATION ASSETS - continued

In 2015, AGG signed a letter of intent to sell the shares of the Ghanian subsidiary as referenced in note 10. As a result of this transaction, management had estimated the net recoverable amount of the Ghana concessions to be approximately $1,119,000 and adjusted the value of the Ghanian property assets accordingly. Pursuant to IAS 5, the Company determined the Ghana business qualified as a discontinued operation and in 2015 reclassified the amounts attributed to Ghana to assets held for sale. The sale of the concession was completed in fiscal 2016.

## 6. PROPERTY AND EQUIPMENT

| | Computers | Furniture and Fixtures | Vehicles | Total |
|---|---|---|---|---|
| *Cost* | | | | |
| Cost at December 31, 2014 | $ 76,469 | $ 67,770 | $ 300,945 | $ 445,184 |
| Additions | 2,439 | - | - | 2,439 |
| Disposition | (4,330) | (66,451) | (64,042) | (134,823) |
| Cost at December 31, 2015 | $ 74,578 | $ 1,319 | $ 236,903 | $ 312,800 |
| Additions | - | - | - | - |
| Disposition | - | - | - | - |
| Cost at December 31, 2016 | $ 74,578 | $ 1,319 | $ 236,903 | $ 312,800 |
| *Accumulated Amortization* | | | | |
| Balance at December 31, 2014 | $ 63,373 | $ 59,550 | $ 280,586 | $ 403,509 |
| Additions | 4,395 | 237 | 8,505 | 13,137 |
| Disposition | (2,341) | (58,468) | (60,677) | (121,486) |
| Balance at December 31, 2015 | $ 65,427 | $ 1,319 | $ 228,414 | $ 295,160 |
| Additions | 3,362 | - | 8,489 | $ 11,851 |
| Disposition | - | - | - | - |
| Balance at December 31, 2016 | $ 68,788 | $ 1,319 | $ 236,903 | $ 307,010 |
| Net book value at December 31, 2015 | $ 9,151 | $ - | $ 8,489 | $ 17,640 |
| Net book value at December 31, 2016 | $ 5,790 | $ - | $ - | $ 5,790 |

## 7. RELATED PARTY TRANSACTONS

Related party transactions are in the normal course of business and are recorded at the amount agreed to between the parties.

a) Legal fees of $238,265 (2015 - $131,128) were paid to a legal firm in which one of the partners is a director of the Company of which $283,082 (2015 - $146,833) was unpaid and included in accounts payable and accrued liabilities at year end.

b) Geological services were provided to the Company by one of its directors who charged $Nil (2015 - $1,880). Unpaid fees owing to the geologist of $5,916 (2015 - $5,910) is included in accounts payable and accrued liabilities at year end.

c) In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key management of the Company was as follows for year ended December 31:

| | 2016 | 2015 |
|---|---|---|
| Remuneration | $ 619,069 | $ 655,600 |
| Share based payments | 89,013 | 78,676 |
| | $ 708,082 | $ 734,276 |

d) The Company has entered into an arrangement with International Scout, whereby International Scout agreed to represent the Company with respect to the identification of a prospective joint venture partner or potential purchaser of the Company's Kobada, Mali Gold Project. The Company and International Scout clarified and confirmed the terms of this arrangement by entering into a letter agreement dated September 24, 2010 (the "**Letter Agreement**").

The Letter Agreement confirms International Scout's representation of the Company pursuant to the earlier arrangement and in consideration for such representation, International Scout shall be paid in the case of a sale of the Kobada, Mali Gold Project as an indirect consequence of the acquisition of all of the Company's issued and outstanding common shares by a third party (a "**Share Transaction**"), a fee equal to 1% of the enterprise value of such Share Transaction using the 5-day volume weighted average trading price of the Company's common shares on the TSX Venture Exchange during the 5 trading days immediately prior to the closing of the Share Transaction.

International Scout is controlled by Pierre Lalande, now a director of the Company. At the time of the original arrangement between the parties, Mr. Lalande was not a director, officer or an affiliate or associate of a director or officer of the Company.

## 8. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS

### a) Shares Authorized

The Company is authorized to issue an unlimited number of common shares with no par value. The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

## 8. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS - continued

### b) Transactions

In January 2015, the Company closed a private placement of 40,715,998 units at CDN$0.05 per unit for gross proceeds of CDN$1,518,146 (US$1,260,064). Each unit consists of one common share and one half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of 24 months at CDN$0.075 for the first six months from the date of closing and $0.10 thereafter to expiration in January 2017. In connection with the private placement, the Company paid CDN$69,154 (US$57,896) in commission and other related issuance costs, and issued 500,992 commons shares in lieu of cash compensation and 1,626,992 broker compensation options. Each option entitles the holder to purchase one unit at a price of $0.05 for a period of 12 months under the same terms and conditions as the private placement units. Three directors and an officer of AGG purchased approximately 11% of the private placement.

The value attributed to the broker compensation options was $23,640 using the Black-Scholes Option Pricing model. Significant assumptions used were as follows: dividend yield of 0%, expected volatility of 89%, risk free interest of 0.46% and an expected life of 1 year.

In March 2015, the Company closed a private placement of 25,796,437 units at CDN$0.05 per unit for gross proceeds of CDN$1,289,822 (US$1,026,053). Each unit consists of one common share and one half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of 6 months at CDN$0.075 and $0.10 thereafter to expiration in March 2017. One director of AGG purchased approximately 2.0% of the private placement.

In September 2015, the Company closed on a private placement of 24,623,428 units at a price of $0.05 per unit for cash consideration of CDN$1,231,171 (US$933,105). Each unit is comprised of one common share and one common share purchase warrant. Each Warrant entitles the holder to purchase one additional common share of AGG at a price of $0.06 per share for a period expiring on September 3, 2018. In connection with the private placement, the Company paid CDN$77,055 (US$58,400) in commission and other related issuance costs, and issued 479,000 broker compensation options. Each option entitles the holder to purchase one unit at a price of $0.05 for a period of 12 months under the same terms and conditions as the private placement units. Officers and directors of AGG purchased approximately 51% of the private placement.

The value attributed to the broker compensation options was $4,571 using the Black-Scholes Option Pricing model. Significant assumptions used were as follows: dividend yield of 0%, expected volatility of 99%, risk free interest of 0.47% and an expected life of 1 year.

### c) Stock Options

The Company has a Stock Option Plan (the "Plan") for its directors, officers, consultants and key employees under which the Company may grant options to acquire a maximum number of 25,047,760 (2015 - 25,047,760) common shares, representing approximately 10% of the total issued and outstanding common shares of the Company. These options are non-transferrable and are valid for a maximum of 5 years from the date of issue. Vesting terms and conditions are determined by the Board of Directors at the time of the grant. The exercise price of the options is fixed by the Board of Directors of the Company at the time of the grant at the market price of the common shares, subject to all regulatory requirements. Expected volatility has been determined using the share price of the Company for the period equivalent to the life of the options prior to grant date.

## 8. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS - continued

### c) Stock Options – continued

For options issued to employees, directors and officers, the fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

During the first quarter of 2015, AGG granted 3,500,000 stock options to a director and employee of the Company at an exercise price of CDN$0.075 for a period of 3 years for 2,000,000 and 5 years for 1,500,000 from the date of issuance. The fair value attributed to the stock options granted was $116,345 using the Black-Scholes model for pricing options because the fair value of the services could not be determined by other methods. The following assumptions were used: dividend yield 0%, expected volatility of 92%, risk free rate of return of 0.53% and an expected life ranging from 3 to 5 years.

During the first quarter of 2016, AGG granted 5,800,000 stock options to directors, consultants and employees of the Company at an exercise price of CDN$0.06 for a period of 5 years from the date of issuance. The fair value attributed to the stock options granted was $212,285 using the Black-Scholes model for pricing options because the fair value of the services could not be determined by other methods. The following assumptions were used: dividend yield 0%, expected volatility of 94%, risk free rate of return of 0.62% and an expected life of 5 years.

As at December 31, 2016, the Company had stock options outstanding as follows:

| Date of Grant | Stock Options (#) | Exercise Price (CDN$) | Expiry Date |
|---|---|---|---|
| February 5, 2013 | 3,200,000 | 0.20 | February 20, 2018 |
| October 22, 2013 | 1,700,000 | 0.12 | October 22, 2018 |
| April 29, 2014 | 1,000,000 | 0.15 | April 29, 2019 |
| July 17, 2014 | 3,400,000 | 0.15 | July 17, 2019 |
| February 6, 2015 | 1,500,000 | 0.075 | February 6, 2020 |
| February 29, 2016 | 5,500,000 | 0.06 | February 28, 2021 |
| | 16,300,000 | | |

## 8. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS - continued

### c) Stock Options – continued

A summary of the Company's stock option activity during the year is as follows:

| | Weighted Average Options | Weighted Average Exercise Price (CDN$) |
|---|---|---|
| **Outstanding – December 31, 2014** | 12,660,000 | 0.24 |
| Granted | 3,500,000 | 0.075 |
| Expired | (3,235,000) | 0.16 |
| **Outstanding – December 31, 2015** | 12,925,000 | 0.15 |
| Granted | 5,800,000 | 0.06 |
| Expired/exercised | (2,425,000) | 0.12 |
| **Outstanding – December 31, 2016** | 16,300,000 | 0.12 |
| **Vested – December 31, 2016** | 16,100,000 | 0.12 |

During the year, 320,000 stock options were exercised for cash consideration of $14,492.

### d) Warrants

The Company has warrants outstanding entitling the holder to purchase one common stock with each warrant exercisable per the terms below:

| Date of Issuance | Warrants (#) | Exercise Price (SDN$) | Expiry Date |
|---|---|---|---|
| Sept 4/13 | 10,714,428 | $ 0.12 | Sept 4/17 |
| May 21/14 | 10,002,604 | $ 0.18 | May 21/17 |
| Jan 14/15 | 16,582,503 | $ 0.10 | Jan 14/18 |
| Jan 22/15 | 3,525,000 | $ 0.10 | Jan 22/18 |
| Mar 18/15 | 12,898,219 | $ 0.10 | Mar 18/17 |
| Sept 3/15 | 24,623,428 | $ 0.06 | Sept 3/18 |
| **Warrant balance December 31, 2016** | 78,346,182 | | |

In May 2016, the Company agreed to extend the exercise date for 10,002,604 warrants that were due to expire May 21, 2016 to May 21, 2017.

In August 2016, the Company agreed to extend the exercise date for 10,714,428 warrants that were due to expire September 14, 2016 to September 14, 2017.

In December 2016, the Company agreed to extend the exercise date for 16,582,503 and 3,525,000 warrants that were due to expire January 14, 2017 and January 22, 2017 to January 14, 2018 and January 22, 2018 respectively.

## 8. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS - continued

### e) Broker Compensation Warrants

The Company issued broker's compensation warrants with the terms and conditions as referred to in Note 8(b). A summary of the broker compensation options during the period is as follows:

| | Options | Weighted Average Exercise Price |
|---|---|---|
| | | CDN $ |
| **Outstanding - December 31, 2014** | 1,306,426 | 0.09 |
| Exercised | (1,306,426) | 0.05 |
| Granted | 2,105,992 | 0.09 |
| **Outstanding – December 31, 2015** | 2,105,992 | 0.05 |
| Exercised | (479,000) | 0.05 |
| Expired | (1,626,992) | 0.05 |
| **Outstanding – December 31, 2016** | - | |

In 2016, 479,000 common shares were issued on the exercising of certain warrants for cash consideration of $18,077.

## 9. BASIC AND DILUTED LOSS PER SHARE

Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of outstanding stock options is the same as basic loss per share. For the 2016 and 2015 periods presented, the conversion of stock options was not included in the calculation because the calculation would be anti-dilutive. The potentially dilutive shares excluded from the loss per share calculation due to anti-dilution are as follows:.

| | **2016** | **2015** |
|---|---|---|
| Options | 16,100,000 | 12,925,000 |
| Share purchase warrants | 78,346,182 | 80,452,174 |
| | 94,446,182 | 93,377,174 |

## 10. ASSET CLASSIFIED AS HELD FOR SALE

On December 23, 2015, the Company signed a term sheet with the intention of disposing of the shares of AGG (Ghana) Limited to Star Goldfields Limited for $1,200,000 for which a non-refundable deposit of $200,000 was received in December 2015 and was included in liabilities classified as held for sale. The property asset relating to the Ghana concession which previously had been valued at Nil and was written up to $1,118,836 in 2015, being its fair value less costs to dispose, was sold during 2016.

## 11. INCOME TAXES

The following table summarizes the differences from the Canadian statutory rate of approximately 26.5% (2015 – 26.5%), the primary area of taxation for the entity, to the Company's current tax provision recorded.

| | 2016 | 2015 |
|---|---|---|
| Net income (loss) for the year | $ (2,244,405) | $ 3,860,092 |
| Expected income (loss) recovery at statutory rates | (594,767) | 1,022,925 |
| Adjustments resulting from: | | |
| Permanent differences and other | (140,762) | (317,416) |
| Difference in tax rates | 15,771 | (317,623) |
| Losses expired/changed | 59,956 | 533,617 |
| Foreign currency differences | 168,002 | 1,507,947 |
| Change in unrecognized deferred tax asset | 491,800 | (2,429,450) |
| Provision for income taxes | $ - | $ - |

The nature and effect of the temporary differences giving rise to the deferred income tax assets at December 31, 2016 and December 31, 2015 are as follows:

| | 2016 | 2015 |
|---|---|---|
| Property and equipment | $ 3,296 | $ 60,362 |
| Share issuance costs | 40,597 | 57,637 |
| Non-capital losses carried forward | 6,180,750 | 6,021,220 |
| Exploration and evaluation assets | 1,412,076 | 4,128,317 |
| Foreign exchange differences | (527,423) | (876,469) |
| | 7,109,296 | 9,391,067 |
| Unrecognized deferred tax assets | (7,109,296) | (9,391,067) |
| Deferred tax asset | $ - | $ - |

As at December 31, 2016, the Company has available non-capital losses of approximately $21,951,000 that may be carried forward to reduce taxable income derived in future years. These tax losses will expire as follows:

| Year Expires | Losses |
|---|---|
| 2017 | 2,835,000 |
| 2018 | 547,000 |
| 2019 | 122,000 |
| 2020 | 345,000 |
| 2021 | 161,000 |
| 2026 | 1,240,000 |
| 2027 | 1,730,000 |
| 2028 | 1,222,000 |
| 2029 | 1,108,000 |
| 2030 | 1,888,000 |
| 2031 | 1,372,000 |
| 2032 | 1,369,000 |
| 2033 | 1,360,000 |
| 2034 | 2,592,000 |
| 2035 | 4,060,000 |
| 2036 | - |
| | $ 21,951,000 |

## 12. CAPITAL MANAGEMENT

AGG manages its shareholders' equity as capital, making adjustments based on available funds, to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties to which the Company currently has an interest are in the exploration stage and as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration as well as satisfy administrative costs, the Company will spend its existing working capital and raise additional funds as needed. AGG will continue to assess new properties should sufficient geological or economic potential be demonstrated and if the Company has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the current size of the Company. There were no changes to its capital management approach during the year ended December 31, 2016. Neither AGG nor its subsidiaries are subject to externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company has no external debt and is dependent on the capital markets to finance exploration and development activities.

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Liquidity Risk
- Credit Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

**General Objectives, Policies and Processes:**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and commodity price risk.

*Foreign Currency Risk*

Given the global nature of the Company's business, the Company's operating businesses, financial reporting results and cash flows are exposed to risks associated with foreign currency fluctuations. For 2016, management estimates that if the United States Dollar had weakened or strengthened by 10% against the Canadian dollar and Mali CFA, assuming all other variables remained constant, the net loss would have increased or decreased by approximately $202,000 (2015 - $165,000). Included in cash and cash equivalents is $51,112 (2015 - $132,201), receivables is $97,499 (2015 - $62,661), and accounts payable and accrued liabilities is $887,110 (2015 - $513,561) denominated in Canadian dollars.

*Interest Rate Risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. Sensitivity to a plus or minus 1% change in the interest rates could impact any renewals or extensions of term deposits which would have no significant impact on the net loss due to the immateriality of the interest earned.

*Commodity Price Risk*

The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of precious metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken. Based on management's knowledge and expertise of the financial markets, the Company believes that commodity price risk is remote as the Company is not a producing entity.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

At December 31, 2016, AGG had a cash balance of $105,144 and current liabilities of $1,762,665. As outlined in Note 2, the Company will be required to obtain additional financing for working capital and continued exploration and development of its properties.

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

The following is a summary of the Company's material contractual obligations (representing undiscounted contractual cash flows):

| | Due within | | | | |
|---|---|---|---|---|---|
| | 1 Year | 2 Years | 3 Years | Over 4 Years | Total |
| | $ | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | 1,762,665 | - | - | - | 1,762,665 |

### Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in its cash and cash equivalents, and receivables. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. Concentration of credit risk exists with respect to the Company's cash and cash equivalents as substantially the entire amount is held at a single major Canadian financial institution. Credit risk on cash and cash equivalents is minimized by depositing with only reputable financial institutions. Management has reviewed the receivable balances and determined that the balances are collectible; accordingly there has been no allowance for doubtful accounts recorded.

### Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The consolidated statements of financial position carrying amounts for cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

## 14. SEGMENTED INFORMATION

The Company has one operating segment: the acquisition, exploration and development of precious and based metal mineral resources properties currently located in Mali.

## 14. SEGMENTED INFORMATION - continued

Geographic segmentation of property and equipment and exploration and evaluation assets is as follows:

| | December 31, 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Canada | | Ghana | | Mali | | Total | |
| Exploration and evaluation assets | $ | - | $ | - | $ | 22,117,587 | $ | 22,117,587 |
| Assets classified as held for sale | | - | | 1,118,836 | | - | | 1,118,836 |
| Property and equipment | | 1,500 | | - | | 16,140 | | 17,640 |
| | $ | 1,500 | $ | 1,118,836 | $ | 22,133,727 | $ | 23,254,063 |

| | December 31, 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Canada | | Ghana | | Mali | | Total | |
| Exploration and evaluation assets | $ | - | $ | - | $ | 22,416,882 | $ | 22,416,882 |
| Property and equipment | | 1,084 | | - | | 4,707 | | 5,790 |
| | $ | 1,084 | $ | - | $ | 22,421,589 | $ | 22,422,672 |

## 15. DISCONTINUED OPERATIONS

In December 2015, the Company agreed to sell the shares of AGG (Ghana) Ltd. for cash consideration of $1,200,000. AGG received a non-refundable deposit of $200,000 prior to December 31, 2015 and $1,000,000 in June 2016.

The post tax gain on disposal of the Ghanaian operations is determined as follows:

| | 2016 | |
|---|---|---|
| Cash inflow on disposal of Ghana subsidiary 2015 | $ | 200,000 |
| Cash inflow on disposal of Ghana subsidiary 2016 | | 1,000,000 |
| Total purchase price | $ | 1,200,000 |
| | | |
| Net assets disposed (other than cash): | | |
| Mineral properties and deferred exploration expenditures | $ | (1,118,836) |
| Accounts payable and accrued liabilities | | 46,714 |
| | $ | (1,072,122) |
| | | |
| Gain on disposal of Ghana operation | $ | 127,878 |

## 15. DISCONTINUED OPERATIONS

**Results of discontinued operations**

| | 2016 | 2015 |
|---|---|---|
| General and administrative expenses | $ - | $ 148,457 |
| Foreign exchange loss | - | 173,460 |
| Unrecoverable (recoverable) mineral property costs | 37,750 | (1,130,000) |
| Gain on sale of discontinued operations | (127,878) | - |
| | $ (163,628) | $ (808,083) |
| **Earnings (loss) per share from Ghana operations:** | | |
| Basic and diluted loss per share | $0.00 | $0.00 |

**Statement of cash flows**

The statement of cash flows includes the following amounts relating to the discontinued operations:

| | 2016 | 2015 |
|---|---|---|
| Operating activities | $ (210,342) | $ (225,457) |
| Investing activities | 1,000,000 | 200,000 |
| Financing activities | - | - |
| Net cash (used in) provided by Ghana Operation | $ 789,658 | $ (25,457) |

## 16. SUBSEQUENT EVENTS

On April 24, 2017, the Company closed on a private placement of 74,827,188 units at a unit price of CDN$0.09 per unit for aggregate gross proceeds of CDN$6,734,446.92. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of AGG at a price of $0.12 per share for a period of thirty-six months from the closing date. The Company paid a cash fee of $306,600 and issued 3,406,666 compensation warrants for financial advisory services completed in connection with the offering. Each compensation warrant entitles the holder to acquire one unit at CDN$0.09 for a period of twenty-four months from the date of closing, with each unit being issued on the same terms as under the offering. Three officers and directors of the company purchased an aggregate of 24% of the securities issued pursuant to the offering.

The Company has also executed a binding term sheet dated April 24, 2017 with a private company incorporated under the laws of Ontario, whereby it has agreed to acquire all of the issued and outstanding securities of the private company in exchange for an aggregate of 33,333,333 common share in the capital of the Company at a deemed price of $0.09 per share for a total acquisition price of $3,000,000. The Company and the private Company are at arm's length to each other. The Acquisition is subject to customary conditions for a transaction of this nature, which include satisfaction of due diligence, negotiation and entering in to a definitive acquisition agreement and approval of TSX Venture Exchange.