



Consolidated Financial Statements

For the years ended December 31, 2017 and 2016



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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, 2017 and December 31, 2016, and the consolidated statements of operations and comprehensive loss, equity and cash flows for the years ended December 31, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and December 31, 2016 in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 of the consolidated financial statements, which indicates that the Company has a net loss of \$4,131,846 and a negative cash flows from operations of \$2,391,257 for the year ended December 31, 2017. 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

April 30, 2018
Toronto, Ontario

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

	December 31, 2017	December 31, 2016 (Note 3)	January 1, 2016 (Note 3)
ASSETS			
Current assets			
Cash and cash equivalents (note 5)	\$ 2,017,361	\$ 105,144	\$ 356,899
Receivables	168,716	102,574	86,531
Prepaid expenses	2,467	20,478	42,620
Assets classified as held for sale	-	-	1,118,836
Total current assets	2,188,544	228,196	1,604,886
Evaluation and exploration assets (note 6)	24,447,056	22,416,882	22,117,587
Property and equipment (note 7)	-	5,790	17,640
Total assets	\$ 26,635,600	\$ 22,650,868	\$ 23,740,113
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities (note 14)	\$ 1,174,736	\$ 1,762,665	\$ 1,320,086
Liabilities classified as held for sale	-	-	410,342
Total liabilities	1,174,736	1,762,665	1,730,428
SHAREHOLDERS' EQUITY			
Share capital (note 9(b))	57,485,752	51,165,490	51,132,921
Reserve - share based payments (note 9(c))	653,767	1,017,893	977,634
Accumulated other comprehensive income	(5,108,015)	(7,158,977)	(8,037,049)
Accumulated deficit	(27,570,640)	(24,136,203)	(22,063,821)
Total shareholders' equity	25,460,864	20,888,203	22,009,685
Total liabilities and shareholders' equity	\$ 26,635,600	\$ 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)

	Year ended December 31, 2017	Year ended December 31, 2016
Interest Income	\$ 231	\$ 334
Expenses		
Administrative and general	423,798	570,314
Consulting and personnel costs	1,548,904	715,108
Amortization expense	5,790	11,488
Foreign exchange loss (gain)	1,820,302	899,174
Share based payments	333,283	212,284
Net loss from continuing operations	(4,131,846)	(2,408,034)
Income from discontinued operations (Note 16)	-	163,628
Net loss for the period	\$ (4,131,846)	\$ (2,244,406)
Foreign currency translation differences	2,050,962	878,072
Comprehensive loss for the period	\$ (2,080,884)	\$ (1,366,334)
Average weighted shares outstanding	320,446,803	250,741,337
Basic and diluted income (loss) from continuing operations per share	\$ (0.01)	\$ (0.01)

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)

	Common Shares		Share Based Payments	Accumulated Other Comprehensive Income	Accumulated Deficit	Equity
	#	\$	\$	\$	\$	\$
Balance, December 31, 2015 as previously stated	250,477,600	51,132,921	6,663,276	(8,037,049)	(27,749,464)	22,009,684
Expiry of stock options before December 31, 2015 (Note 9)	-	-	(5,685,643)	-	5,685,643	-
Adjusted balance, December 31, 2015	250,477,600	51,132,921	977,633	(8,037,049)	(22,603,821)	22,009,684
Shares based payment (Note 9)	-	-	212,284	-	-	212,284
Exercise of warrants (Note 9)	479,000	18,077	-	-	-	18,077
Exercise of stock options (Note 9)	320,000	14,492	-	-	-	14,492
Expiry of stock options (Note 9)	-	-	(172,024)	-	172,024	-
Foreign currency translation differences	-	-	-	878,072	-	878,072
Net loss for the period	-	-	-	-	(2,244,406)	(2,244,406)
Balance, December 31, 2016	251,276,600	51,165,490	1,017,893	(7,158,977)	(24,136,203)	20,888,203
Private Placement (Note 9)	74,827,188	4,594,564	-	-	-	4,594,564
Exercise of stock options (Note 9)	145,550	6,488	-	-	-	6,488
Grant of stock options (Note 9)	-	-	333,283	-	-	333,283
Expire of stock options (Note 9)	-	-	(697,409)	-	697,409	-
Grant of warrants (Note 9)	-	86,193	-	-	-	86,193
Acquisition of exploration asset (Note 6)	33,333,333	1,633,017	-	-	-	1,633,017
Foreign currency translation differences	-	-	-	2,050,962	-	2,050,962
Net loss for the period	-	-	-	-	(4,131,846)	(4,131,846)
Balance, December 31, 2017	359,582,671	57,485,752	653,767	(5,108,015)	(27,570,640)	25,460,864

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 US. Dollars)

	Year ended December 31, 2017	Year ended December 31, 2016
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss	\$ (4,131,846)	\$ (2,244,406)
Items not involving cash:		
Share-based payments	333,283	212,285
Foreign exchange loss	2,037,807	864,687
Amortization	5,790	11,488
Interest income	(231)	(334)
Loss on disposal of assets	-	416
Gain on sales of Ghana operations	-	(127,878)
	(1,755,197)	(1,283,743)
Net change in non-cash working capital	(636,060)	285,048
	(2,391,257)	(998,695)
FINANCING ACTIVITIES		
Proceeds on the exercise of warrants	-	18,077
Proceeds on the exercise of stock options	6,488	14,492
Private placement (Note 9)	4,991,437	-
Share issue costs (Note 9)	(310,680)	-
	4,687,245	32,569
INVESTING ACTIVITIES		
Interest received	231	335
Proceeds on sale of exploration assets	-	1,000,000
Investment in mineral properties and deferred exploration expenditures	(397,157)	(299,295)
	(396,926)	701,040
Effect of foreign currency transaction on cash	13,155	13,331
CHANGE IN CASH DURING THE PERIOD	1,912,217	(251,755)
CASH, beginning of the period	105,144	356,899
CASH, end of the period	\$ 2,017,361	\$ 105,144
SUPPLEMENTAL INFORMATION:		
Shares issued for exploration and evaluation asset (Note 6)	\$ 1,633,017	\$ -

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

AFRICAN GOLD GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017 and 2016
(Expressed in U.S. Dollars)

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 licenses located in Mali and Madougou, 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 65 Queen Street West, Suite 805, Toronto, Ontario, Canada M5H 2M5.

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

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee effective for the Company's reporting for the year ended December 31, 2017.

The consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2018.

2. GOING CONCERN

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Accordingly, the consolidated financial statements 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 meet its liabilities and commitments in other than the normal course of business and at amounts different from those in the consolidated financial statements.

The Company reported a net loss of \$4,131,846 in the period end December 31, 2017 and a cash outflow from operations of \$2,391,257. At December 31, 2017, the Company has working capital of \$1,013,808. At present, the Company has no producing properties and consequently has no current operating income or cash flows.

AFRICAN GOLD GROUP, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2017 and 2016

(Expressed in U.S. Dollars)

2. GOING CONCERN (continued)

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. The Company believes that it will be able to access funds from certain shareholders or potential investors in order to ensure that the Company can continue to fund on-going administrative expenses; however, the receipt of such funds remains uncertain. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

3. CHANGE IN ACCOUNTING POLICY

During the year ended December 31, 2017, the Company changed its accounting policy of reducing its reserve of share based payments by the value of options expired during the year. The Company believes recognizing expired options provides more reliable and relevant information on the statement of financial position. There is no impact to the statement of operations and comprehensive loss or statement of cash flows. Under the new policy, the reserve of share based payments and the deficit is reduced by the value of the options expired.

Consolidated statement of financial position	As at December 31, 2016		
	As previously reported	Adjustment	Restated
	\$	\$	\$
ASSETS			
Current			
Cash and cash equivalents	105,144	-	105,144
Receivables	102,574	-	102,574
Prepaid expenses	20,478	-	20,478
Total current assets	228,196	-	228,196
Non-current			-
Exploration and evaluation assets (Note 5)	22,416,882	-	22,416,882
Property and equipment	5,790	-	5,790
Total assets	22,650,868	-	22,650,868
LIABILITIES			-
Current			-
Accounts payable and accrued liabilities (Note 6)	1,762,665	-	1,762,665
Total current liabilities	1,762,665	-	1,762,665
EQUITY			-
Share capital (Note 7(a))	51,165,490	-	51,165,490
Reserve - share based payments (Note 7(b))	6,875,560	(5,857,667)	1,017,893
Accumulated other comprehensive income	(7,158,977)	-	(7,158,977)
Deficit	(29,993,870)	5,857,667	(24,136,203)
Total shareholders' equity	20,888,203	-	20,888,203
Total liabilities and equity	22,650,868	-	22,650,868

AFRICAN GOLD GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. CHANGE IN ACCOUNTING POLICY (continued)

Consolidated statement of financial position	As at January 1, 2016		
	As previously reported	Adjustment	Restated
	\$	\$	\$
ASSETS			
Current			
Cash and cash equivalents	356,899	-	356,899
Receivables	86,531	-	86,531
Prepaid expenses	42,620	-	42,620
Assets classified as held for sale	1,118,836		1,118,836
Total current assets	1,604,886	-	1,604,886
Non-current			
Exploration and evaluation assets (Note 5)	22,117,587	-	22,117,587
Property and equipment	17,640	-	17,640
Total assets	23,740,113	-	23,740,113
LIABILITIES			
Current			
Accounts payable and accrued liabilities (Note 6)	1,320,086	-	1,320,086
Liabilities classified as held for sale	410,342	-	410,342
Total current liabilities	1,730,428	-	1,730,428
EQUITY			
Share capital (Note 7(a))	51,132,921	-	51,132,921
Reserve - share based payments (Note 7(b))	6,663,277	(5,685,643)	977,634
Accumulated other comprehensive income	(8,037,049)	-	(8,037,049)
Deficit	(27,749,464)	5,685,643	(22,063,821)
Total shareholders' equity	22,009,685	-	22,009,685
Total liabilities and equity	23,740,113	-	23,740,113

4. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

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 the Company and its wholly owned subsidiaries, AGG (Barbados) Limited (incorporated in Barbados), 2516232 Ontario Inc. (incorporated in Canada), AGG (Mali) S.A.R.L. and Kobada Development S.A.R.L. (both incorporated in Mali, Africa) as well as its 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 Ariziki Mining Ltd. were sold as described in Note 16.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 estimates 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.

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 consolidated statement of operations and comprehensive loss.

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, 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.

AFRICAN GOLD GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017 and 2016
(Expressed in U.S. Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

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.

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.

AFRICAN GOLD GROUP, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2017 and 2016

(Expressed in U.S. Dollars)

4. 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 operations and comprehensive loss 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 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 operations and 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 or expired. 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. Upon expiry, the reserve of share based payments and the deficit is reduced by the value of the options expired.

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.

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 (Mali) S.A.R.L., Kobada Development S.A.R.L. and Foroko Exploration S.A.R.L. and AGG (Ghana) is the U.S. dollar. References to CDN\$ represent Canadian dollars.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Transactions and Translation (continued)

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 consolidated 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 consolidated 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 consolidated 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.

The Company has no material provisions as at December 31, 2017 or December 31, 2016.

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, 2017 or December 31, 2016.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Judgments (continued)

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:

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements not yet adopted

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. The Company has assessed the impact of the new standard and there are no significant changes expected to the consolidated financial statements.

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 prior to commencement of commercial production.

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 assessed the impact of the new standard and there are no significant changes expected to the consolidated financial statements.

5. 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 in cash \$2,017,361 as at December 31, 2017 and \$105,144 at December 31, 2016. The Company had no cash equivalents at December 31, 2017 or December 31, 2016.

6. EXPLORATION AND EVALUATION ASSETS

Mali Concessions

As at December 31, 2017, the total exploration and evaluation asset was \$24,447,056. The Mali concessions for Kobada were \$22,767,183 and the Madougou project of \$1,679,873. For the year ended December 31, 2016, the Mali concessions for Kobada were \$22,416,882.

On June 28, 2005, the Company entered into an agreement with Compagnie Minière 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.

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6. EXPLORATION AND EVALUATION ASSETS (continued)

The three exploration permits consist of:

- (i) The Bago-West Concession, which comprises 183 sq. km of land located in the Sikasso Region,
- (ii) The Bago-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. The mining permit covers an area of approximately 135.7 km². The mining permit was granted for a period of 30 years, to be renewed every ten years. On August 9, 2012, the remaining area of the Company's concessions covered by the original exploration permit was consolidated into one mining permit under the existing Acoma permit.

Kobada	December 31, 2017	December 31, 2016
Opening balance	\$ 22,416,882	\$ 22,117,587
Drilling and feasibility study	70,530	206,024
Site maintenance	11,160	2,170
Camp	112,830	91,101
Assays and sampling	72,864	-
Taxes and other	82,918	-
Ending balance	\$ 22,767,183	\$ 22,416,882

Madougou Project

On June 20, 2017, the Company completed the acquisition of all the issued and outstanding shares of 2516232 Ontario Inc. ("PrivateCo") which owns an option to acquire the Madougou gold project in Burkina Faso Africa. On June 20, 2017, AGG issued 33,333,333 common shares at CDN\$0.065 per share for a total acquisition price of CDN\$2,166,667 or \$1,633,017. PrivateCo is party to an option agreement with TEMFOR s.a.r.l. ("TEMFOR") to acquire from TEMFOR the Madougou Project. Pursuant to the option agreement, PrivateCo can exercise the option as follows:

In order to acquire an initial 10% interest in the Madougou Project, PrivateCo must pay \$80,000 to TEMFOR on or before such date that the exploration permit for the Madougou Project is transferred to a newly incorporated Burkina Faso company (the "First Option");

In order to acquire an additional 41% interest in the Madougou Project, PrivateCo must (i) pay \$300,000 to TEMFOR, and (ii) complete a National Instrument 43-101 ("NI 43-101") compliant technical report that contains an inferred mineral resource, within 12 months of the exercise of the First Option (the "Second Option");

In order to acquire an additional 24% interest in the Madougou Project, PrivateCo must (i) pay \$300,000 to TEMFOR, and (ii) complete a NI 43-101 compliant technical report that contains an indicated mineral resource, within 12 months of the exercise of the Second Option;

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6. EXPLORATION AND EVALUATION ASSETS (continued)

In order to acquire the remaining 25% interest in the Madougou Project, PrivateCo must (i) fund any and all expenditures related to the Madougou Project, and (ii) complete a NI 43-101 compliant feasibility study which could reasonably serve as the basis for a final decision by an internationally recognized financial institution to finance the development of a mining project (the “Fourth Option”).

If PrivateCo exercises the Fourth Option and acquires a 100% interest in the Madougou Project, PrivateCo shall grant to TEMFOR a 1% net smelter returns royalty over production from the Madougou Project.

Purchase price consideration

The acquisition is being treated as an asset acquisition for accounting purposes as 2516232 Ontario Inc. does not meet the definition of a business, as defined in IFRS 3, Business Combinations.

	Fair Value
Cash	\$ 38,298
Exploration and evaluation asset	<u>1,594,719</u>
	<u>\$ 1,633,017</u>
 Consideration:	
Share consideration	<u>\$ 1,633,017</u>
	<u>\$ 1,633,017</u>

As at December 31, 2017, a total of \$85,154 was capitalized on exploration and evaluation asset for the Madougou project with \$52,525 spent on field assessment and \$16,373 on travel and \$16,256 on the technical report.

Madougou	December 31, 2017	December 31, 2016
Opening balance	\$ -	\$ -
Acquisition	1,594,719	-
Field Study	52,525	-
Travel	16,373	-
Technical report	16,256	-
Ending balance	\$ 1,679,873	\$ -

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7. PROPERTY AND EQUIPMENT

<u>Cost</u>	<u>Computers</u>	<u>Furniture and Fixtures</u>	<u>Vehicles</u>	<u>Total</u>
Cost at December 31, 2015	\$ 74,578	\$ 1,319	\$236,903	\$ 312,800
Additions	-	-	-	-
Disposition	-	-	-	-
Cost at December 31, 2016	<u>\$ 74,578</u>	<u>\$ 1,319</u>	<u>\$236,903</u>	<u>\$ 312,800</u>
Additions	-	-	-	-
Disposition	-	-	-	-
Cost at December 31, 2017	<u>\$ 74,578</u>	<u>\$ 1,319</u>	<u>\$236,903</u>	<u>\$ 312,800</u>
 <u>Accumulated Amortization</u>				
Balance at December 31, 2015	\$ 65,427	\$ 1,319	\$228,414	\$ 295,160
Additions	3,361	-	8,489	11,850
Disposition	-	-	-	-
Balance at December 31, 2016	<u>\$ 68,788</u>	<u>\$ 1,319</u>	<u>\$236,903</u>	<u>\$ 307,010</u>
Additions	5,790	-	-	5,790
Disposition	-	-	-	-
Balance at December 31, 2017	<u>\$ 74,578</u>	<u>\$ 1,319</u>	<u>\$236,903</u>	<u>\$ 312,800</u>
Net book value at December 31, 2016	<u>\$ 5,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,790</u>
Net book value at December 31, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

8. RELATED PARTY TRANSACTIONS

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 \$Nil (2016 - \$238,265) were paid to a legal firm in which one of the partners is a former director of the Company. Unpaid legal fees of \$Nil (2016 - \$283,082) was unpaid and included in accounts payable and accrued liabilities.
- b) Geological services were provided to the Company by one of its former director who charged \$Nil (2016 - \$Nil). Unpaid fees owing to the geologist of \$25,000 (2016 - \$5,916) is included in accounts payable and accrued liabilities.
- c) Stan Bharti, a director of the Company, is the Executive Chairman of Forbes & Manhattan, Inc. ("F&M"), a corporation that provides administrative and consulting services to the Company, including but not limited to strategic planning and business development. F&M charges a monthly consulting fee of \$25,000 totaling \$200,000 for the year ended December 31, 2017. As of December 31, 2017, \$Nil (December 31, 2016 - \$Nil) was owed to F&M.
- d) Consulting services of \$80,000 provided to the Company by a director. Unpaid fees of \$50,000 were included in accounts payable and accrued liabilities.

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8. RELATED PARTY TRANSACTIONS (continued)

- e) 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 the years ended:

	<u>2017</u>	<u>2016</u>
Remuneration	\$ 1,426,293	\$ 619,069
Share based payments	219,360	89,013
	<u>\$ 1,645,653</u>	<u>\$ 708,082</u>

On April 24, 2017 Mr. David Brown, Mr. A.J Nikiforuk, Dr. Anthony Harwood and Mr. Pierre Lalande stepped down from the board of directors. A total compensation of \$1,433,657 was paid to management and directors for accrued fees, termination and change in control commitments.

In relation to the acquisition of 2516232 Ontario Inc. on June 21, 2017, 7,357,141 common shares of the Company were issued to certain directors and key management of the Company in consideration for the acquisition of 2516232 Ontario Inc.

- f) 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, a former 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.

9. 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.

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9. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS (continued)

b) Transactions

On April 24, 2017, the Company closed a private placement of 74,827,188 units at a unit price of CDN\$0.09 per unit for aggregate gross proceeds of CDN\$6,734,447. 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 the Company at a price of CDN\$0.12 per share for a period of thirty-six months from the closing date. The Company paid a cash fee of CDN\$302,268 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.

On June 21, 2017, the Company acquired all of the issued and outstanding securities of 2516232 Ontario Inc. by issuing 33,333,333 common shares of the Company at a price of CDN\$0.065 per share for a total acquisition price of CDN\$2,166,667. The Company and the private Company are at arm's length to each other. No finder's fees were paid in connection to the acquisition. 6,357,141 common shares of the Company were issued to certain directors and key management of the Company in consideration for the acquisition of 2516232 Ontario Inc.

On May 24, 2017, 145,550 options were exercised into shares.

	Number of shares	\$
Balance as of December 31, 2016	251,276,600	51,165,490
Private placement	74,827,188	4,680,757
Acquisition of exploration asset	33,333,333	1,633,017
Exercise of options	145,550	6,488
Balance as of December 31, 2017	359,582,671	57,485,752

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 35,958,267 (2016 - 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.

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.

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9. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS (continued)

c) Stock Options (continued)

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 2016, the Company 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.

During May 2017, 145,550 options were exercised.

On August 10, 2017, the Company granted a total of 12,275,000 stock options to certain officers, directors and consultants of the company pursuant to the company's stock option plan. The stock options vest immediately and may be exercised at a price of CAD\$0.06 per option for a period of five years from the date of grant. The fair market value of the options was estimated to be \$333,283 using the Black Scholes option pricing model based on the following assumptions: risk-free rate of 1.52%, expected volatility of 68.80%, based on the weighted average volatility of comparable companies, an estimated life of 5 years and an expected dividend yield of 0%.

On November 27, 2017, 11,804,450 options expired.

As at December 31, 2017, the Company had the following stock options outstanding:

<u>Date of Grant</u>	<u>Stock Options (#)</u>	<u>Exercise Price (CDN\$)</u>	<u>Expiry Date</u>
February 5, 2013	1,250,000	0.20	February 20, 2018
October 22, 2013	500,000	0.12	October 22, 2018
July 17, 2014	1,500,000	0.15	July 17, 2019
February 29, 2016	1,100,000	0.06	February 28, 2021
August 10, 2017	12,275,000	0.06	August 9, 2022
	<u>16,625,000</u>		

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9. 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, 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
Granted	12,275,000	0.06
Exercised	(145,550)	0.06
Expired	(1,950,000)	0.20
Expired	(1,200,000)	0.12
Expired	(2,900,000)	0.15
Expired	(1,500,000)	0.08
Expired	(4,254,450)	0.06
Outstanding - December 31, 2017	16,625,000	0.08
Vested - December 31, 2017	16,625,000	

For the year ended December 31, 2017, 145,550 options were exercised for cash consideration of \$6,488. For the year ended December 31, 2016, 320,000 stock options were exercised for \$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 (CDN\$)	Expiry Date
Jan 14/15	16,582,502	\$ 0.10	Jan 14/18
Jan 22/15	3,525,000	\$ 0.10	Jan 22/18
Sept 3/15	24,623,428	\$ 0.06	Sept 3/18
Apr 25/17	74,827,188	\$ 0.12	Apr 25/20
Apr 25/17	3,406,666	\$ 0.09	Apr 25/19
Balance December 31, 2017	122,964,784		

In December 2016, the Company agreed to extend the exercise date for 16,582,502 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.

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9. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS (continued)

d) Warrants (continued)

On April 24, 2017, the Company closed a private placement of 74,827,188 units. 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 the Company at a price of CDN\$0.12 per share for a period of thirty-six months from the closing date.

No warrants were exercised during the year ended December 31, 2017 while 479,000 common shares were issued on the exercising of certain warrants for cash consideration of \$18,077 for the year ended December 31, 2016. A total of 33,615,251 warrants expired during the year ended December 31, 2017 and 2,105,992 in 2016.

The Company 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.

10. 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 2017 and 2016 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:

	<u>2017</u>	<u>2016</u>
Options	16,625,000	16,100,000
Share purchase warrants	122,964,784	78,346,182
	<u>139,589,784</u>	<u>94,446,182</u>

11. CONTINGENCIES AND COMMITMENTS

Management Commitments

The Company is party to certain management contracts. These contracts require payments of approximately CDN\$1,176,000 (2016 \$nil) to be made upon the occurrence of a change of control to the officers of the Company. The Company is also committed to payments upon termination of approximately CDN\$1,220,000 pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these consolidated financial statements.

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12. INCOME TAXES

The following table summarizes the differences from the Canadian statutory rate of approximately 26.5% (2016 – 26.5%), the primary area of taxation for the entity, to the Company's current tax provision recorded.

	2017	2016
Net income (loss) before income taxes	\$ (4,131,846)	\$ (2,244,406)
Expected income (loss) tax recovery based on statutory rate	(1,094,940)	(594,767)
Adjustments resulting from:		
Permanent differences and other	186,663	(87,237)
Differences in tax rates	287,825	15,771
Losses expired/changes	766,157	59,956
Foreign currency differences	(362,215)	292,191
Change in unrecognized deferred tax asset	216,510	314,086
Provision for income taxes	\$ -	\$ -

The nature and effect of the temporary differences giving rise to the deferred income tax assets at December 31, 2017 and December 31, 2016 are as follows:

	2017	2016
Property and equipment	\$ 3,092	\$ 3,296
Share issuance costs	94,140	40,597
Non-capital losses carried forward	4,871,877	4,847,960
Exploration and evaluation assets	1,511,233	1,412,076
Unrealized foreign exchange	(405,699)	(527,423)
	6,075,346	5,776,506
Unrecognized deferred tax asset	(6,075,346)	(5,776,506)
Deferred tax asset	\$ -	\$ -

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12. INCOME TAXES (continued)

As at December 31, 2017, the Company has non-capital losses of approximately \$18,543,000 that may be carried forward to reduce taxable income derived in future years. The tax losses will expire as follows:

Year Expires	Losses
2018	\$ 312,000
2019	29,000
2020	23,000
2021	161,000
2026	1,431,000
2027	1,893,000
2028	1,004,000
2029	1,513,000
2030	2,239,000
2031	1,220,000
2032	1,696,000
2033	640,000
2034	1,565,000
2035	1,300,000
2036	1,393,000
2037	2,124,000
	<u>\$ 18,543,000</u>

13. 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, 2017. 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.

14. 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.

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 2017, 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 \$231,194 (2016 - \$202,000). Included in cash and cash equivalents is \$201,167 (2016 - \$51,112), receivables is \$16,364 (2016 - \$97,499), and accounts payable and accrued liabilities is \$25,491 (2016 - \$887,110) 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.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, 2017, AGG had a cash balance of \$2,017,361 and current liabilities of \$1,174,736. As outlined in Note 2, the Company may be required to obtain additional financing for working capital and continued exploration and development of its properties.

	Due within				
	1 Year	2 Years	3 Years	Over 4 Years	Total
Accounts payable and accrued liabilities	\$ 1,174,736	\$ -	\$ -	\$ -	\$ 1,174,736

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 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.

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15. SEGMENTED INFORMATION

The Company has two operating segments: the acquisition, exploration and development of precious and based metal mineral resources properties currently located in Mali and Burkina Faso.

	December 31, 2016			
	Canada	Burkina Faso	Mali	Total
Exploration and evaluation assets	\$ -	\$ -	\$ 22,416,882	\$ 22,416,882
Property and equipment	1,084	-	4,707	5,791
Total	\$ 1,084	\$ -	\$ 22,421,589	\$ 22,422,673

	December 31, 2017			
	Canada	Burkina Faso	Mali	Total
Exploration and evaluation assets	\$ -	\$ 1,679,873	\$ 22,767,183	\$ 24,447,056
Total	\$ -	\$ 1,679,873	\$ 22,767,183	\$ 24,447,056

16. 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
<u>Net assets disposed (other than cash):</u>	
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

Results of discontinued operations

	2017	2016
Unrecoverable mineral property costs	\$ -	\$ 37,750
Gain on sale of discontinued operations	-	(127,878)
	\$ -	\$ (163,628)

Earnings (loss) per share from Ghana operations:

Basic and diluted loss per share	\$ 0.00	\$ 0.00
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16. DISCONTINUED OPERATIONS (continued)

Statement of cash flows

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

	<u>2017</u>	<u>2016</u>
Operating activities	\$ -	\$ (210,342)
Investing activities	-	1,000,000
Financing activities	-	-
Net cash (used in) provided by Ghana Operation	<u>\$ -</u>	<u>\$ 789,658</u>

17. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, a total of 20,107,502 warrants and 1,250,000 options expired.

18. RECLASIFICATION OF PRIOR YEARS PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current periods presentation.