



## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(Containing information through April 30, 2018 unless otherwise noted)

### **BACKGROUND**

This Management's Discussion and Analysis ("MD&A") has been prepared based on information available to African Gold Group, Inc. ("we", "our", "us", "Africa Gold" or the "Company") as of April 30, 2018 unless otherwise noted. The MD&A provides a detailed analysis of the Company's operations and compares its financial results with those of the previous periods and should be read in conjunction with our annual consolidated financial statements for the years ended December 31, 2017 and 2016. The consolidated financial statements and related notes of African Gold have been prepared in accordance with International Financial Reporting Standards ("IFRS") and do not reflect the 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 in the accompanying financial statements.

Please refer to the notes of the December 31, 2017 annual consolidated financial statements for disclosure of the Company's significant accounting policies. Unless otherwise noted, all references to currency in this MD&A refer to United States dollars. References to CDN\$ refer to the Canadian dollar.

Additional information, including our press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online under the Company's profile at [www.sedar.com](http://www.sedar.com). Additional information relating to the Company can be found on the African Gold website at [www.africangoldgroup.com](http://www.africangoldgroup.com).

Cesare Moreli, B.Sc. (Pr.Sci.Nat.), is a Qualified Person under National Instrument 43-101, has reviewed and approved the scientific and technical information in this MD&A.

### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

Except for statements of historical fact relating to African Gold, certain information contained herein constitutes forward-looking information under Canadian securities legislation. Forward-looking information includes, without limitation, statements with respect to: possible events, the future price of gold, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and mineral resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of projects and new deposits, success of exploration, development and mining activities, permitting timelines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. The words "anticipates", "plans", "expects", "indicative", "intend", "scheduled", "timeline", "estimates", "forecasts", "guidance", "opportunity", "outlook", "potential", "projected", "schedule", "seek", "strategy", "study" (including, without limitation, as may be qualified by "feasibility" and "pre-feasibility"), "targets", "models", or "believes", or variations of or similar such words and phrases or statements that certain actions, events or results "may", "could", "would", or "should", "might", or "will be taken", "occur" or "be achieved" and similar expressions identify forward-looking information. Forward-looking information is necessarily based upon a number of estimates

and assumptions that, while considered reasonable by African Gold and its external professional advisors as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking information is provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with the securities regulators of Canada including, but not limited to, the cautionary statements made in the "Risk Factors" section of this MD&A. These factors are not intended to represent a complete list of the factors that could affect African Gold. Economic analyses (including mineral reserve and mineral resource estimates) in technical reports are based on commodity prices, costs, sales, revenue and other assumptions and projections that can change significantly over short periods of time. As a result, economic information in a technical report can quickly become outdated. African Gold disclaims any intention or obligation to update or revise any forward-looking information or to explain any material difference between subsequent events and such forward-looking information, except to the extent required by applicable law and regulations.

## **OVERVIEW**

African Gold is a Canadian exploration and development company with a focus on developing a gold platform in West Africa. The Company is focused on the development of the Kobada Gold Project ("Kobada") in Mali and is also focusing on advancing its second property, currently under option, the Madougou Gold Project ("Madougou") in Burkina Faso.

Highlights for the year ended December 31, 2017 include:

- On April 24, 2017, the Company closed a private placement with gross proceeds of CAD\$6,734,447 in a strategic investment with the Forbes & Manhattan group. In connection with the closing of the private placement, the Board of the Company was reconstituted and a new management team was appointed. The new Board and management of the Company are conducting a strategic review of the project, in an effort to optimize the value of developing Kobada. This review will evaluate all possible scenarios of increasing the current reserve and reserve size; developing the project with the current reserve and resource estimation or a hybrid of the two options. Given the extensive land package of mineralized ground under license, this fresh capital into the Company expands its optionality for unlocking long term value from the asset.
- On June 21, 2017, the Company secured an option to acquire Madougou located in Burkina Faso. Madougou is a mid-stage exploration project, located in the north-western region of Burkina Faso. The project has been extensively explored, with both ground and airborne geophysical surveys conducted, and over 20,000m of RC drilling completed on the 182km<sup>2</sup> land package. Madougou is in a mining favourable jurisdiction within West Africa and is contained in a regional mineralized area of the greenstone belt within Burkina Faso, with several gold producing operations. AGG views Madougou as a highly strategic asset, with tremendous potential to add significant value to the Company.
- On October 11, 2017, the Company entered a binding letter of intent with Hummingbird Resources plc ("HUM") for strategic investment and joint development of the Kobada Gold Project. HUM is to acquire up to 19.9% of the Company for CDN\$8 million. NI 43-101 Definitive Feasibility Study ("DFS") for Kobada Gold Project is to be undertaken under the oversight of a joint Technical Committee. Upon completion of a DFS satisfactory to HUM, HUM is to fund 100% of the capital costs required to build the mine and processing plant in order to earn a 50% interest in a joint venture company to develop the Kobada Gold Project. 70% of net cash flows will be paid by HUM until all such capital costs are repaid

and thereafter all cash flows are to be shared on a 50-50 basis. On closing of the Transaction, HUM will purchase 40,000,000 units of the Company (“Units”) at a price of CDN\$0.09 per Unit for gross proceeds of CDN\$3,600,000, which, on closing will represent 10% of the issued and outstanding common shares of the Company. Each Unit will be comprised of one common share of the Company (each, an “AGG Share”) and one common share purchase warrant (“Warrant”) with each Warrant entitling the Investor to purchase one additional AGG Share at a price of CDN\$0.12 for a period of 36 months following closing of the Transaction.

- On December 12, 2017, the binding letter of intent with HUM was terminated and all further negotiations regarding the execution of a definitive agreement for a strategic investment by HUM and ongoing joint development of the Company’s Kobada gold project have ceased.
- In addition to Kobada and Madougou, the Company will also be reviewing a series of other business development opportunities in an effort to expand the portfolio with high quality, low cost and long life mine assets, focused on Africa.

#### SUMMARY OF ANNUAL RESULTS

	2017	2016	2015
	\$	\$	\$
Net loss (income)	4,131,846	2,244,406	(3,860,091)
Comprehensive loss	2,080,884	1,366,334	1,000,392
Loss (gain) per share, basic	0.01	0.01	(0.01)
Loss (gain) per share, diluted	0.01	0.01	(0.02)
Total assets	26,635,600	22,650,868	23,740,113
Total non-current liabilities	-	-	-

#### SUMMARY OF QUARTERLY RESULTS

Selected unaudited consolidated financial information for each of the last eight quarters:

Quarter Ended	Revenue	Total assets	(Loss) income for the Period	Earnings(Loss) per Share *
	\$	\$	\$	\$
December 31, 2017	Nil	26,635,600	(281,903)	(0.00)
September 30, 2017	Nil	27,061,173	(1,702,030)	(0.01)
June 30, 2017	Nil	27,832,329	(1,748,300)	(0.01)
March 31, 2017	Nil	22,619,973	(399,613)	(0.00)
December 31, 2016	Nil	22,650,868	280,871	0.00
September 30, 2016	Nil	23,898,938	105,428	0.00
June 30, 2016	Nil	24,535,645	(274,671)	(0.00)
March 31, 2016	Nil	23,634,097	(2,361,400)	(0.01)

\* Earnings (Loss) per share data is basic and diluted



The Company’s level of activity and expenditures during a specific quarter are influenced by the availability of working capital, the availability of additional external financing, the time required to gather, analyze and report on geological data related to mineral properties, the results of the Company’s prior exploration activities on its properties and the amount of expenditure required to advance its projects.

## OVERALL PERFORMANCE

Assets increased from \$22,650,868 as at December 31, 2016 to \$26,635,600 as at December 31, 2017 due to the raise of capital from the private placement on April 24, 2017 and the acquisition of PrivateCo. There were significant foreign exchange losses experienced in the third and fourth quarter of 2017 caused by the strengthening of the Canada dollar versus the US dollar.

For a discussion of trends that are reasonably likely to affect the Company’s business, see “Liquidity and Capital Resources – Trends” below.

## SELECTED FINANCIAL INFORMATION

The following information has been extracted from the Company’s consolidated financial statements:

	For the year ended December 31,	
	2017	2016
<b>Operations</b>		
Revenue	231	334
Net loss	(4,131,846)	(2,244,406)
Loss per share	(0.01)	(0.01)
<b>Balance Sheet</b>		
Total assets	26,635,600	22,650,868
Working capital (deficit)*	1,013,808	(1,534,469)
Cash dividends declared	NIL	NIL

\*Working capital is defined as current assets minus current liabilities. Working capital is a Non-IFRS figure without a standard meaning. Please see “Non-IFRS Measures” below for a reconciliation.

## RESULTS OF OPERATIONS

### Revenues

The exploration properties acquired by the Company are still in the exploration and evaluation stage. Until sufficient work has been completed to confirm the technical and commercial feasibility of any specific interest being placed into production, it is not anticipated that AGG will have any material revenue. There was interest income of \$231 for the year ended December 31, 2017. Interest was earned on funds on deposit at a major Canadian financial institution. There was interest income of \$334 for the year ended December 31, 2016.



## Expenses

	For the year ended December 30,	
	2017	2016
<b>Expenses</b>		
Administration and general	\$ 423,798	\$ 570,314
Consulting and personnel costs	1,548,904	715,108
Amortization	5,790	11,488
Foreign exchange loss	1,820,302	899,174
Share based payments	333,283	212,284
	<b>\$4,132,077</b>	<b>\$2,408,368</b>

**Consulting and personnel costs** – the increase in consulting and personnel costs for the year ended December 31, 2017 compared to the same period last year is due to severances paid to the previous management, directors and employees as new management has been introduced to the Company triggered by the April 24, 2017 private placement.

**Foreign exchange loss** – The Canadian dollar continues to fluctuate in 2017. The Canadian dollar strengthened considerably in the fourth quarter of 2017, resulting in sizable unrealized holding losses on US based loans receivable in the Canadian entity that is reflected in the Statement of Operations.

**Share based payments** – The Company granted a total of 12,275,000 stock options in the third quarter of 2017 to certain officers, directors and consultants of the company pursuant to the company's stock option plan. 5,800,000 options were issued in February 2016.

**Administrative and general expenses** – AGG's administrative and general expenses for the year ended December 31, 2017 decreased \$146,516 to \$423,798 from \$570,314 at December 31, 2016.

	For the year ended December 31,	
	2017	2016
Bank and interest charges	\$ 2,080	\$ 51,615
Communication	13,988	13,483
Insurance	23,161	32,950
Investor relations	29,175	6,560
Office and general	83,920	42,322
Professional fees	133,965	331,415
Rent	47,377	31,756
Travel	90,132	60,213
	<b>\$ 423,798</b>	<b>\$ 570,314</b>

Within the administrative and general expenses seen above, professional fees decreased in the year ended December 31, 2017 as costs were not incurred in 2017 associated with the sale of the Ghanaian property. They were completed in 2016. Travel expenses increased for the year ended December 31, 2017 compared to the year ended December 31, 2016 as the new management traveled to Kobada to see the operations and camp site. Office and general expenses were increased due to the increase in filing fees during the year ended December 31, 2017. Investor relations expenses increased for the year ended December 31, 2017 compared to 2016 due to the increased shareholder communications relating to the change in control of management,



and the private placement financing. Communications expense was consistent for both December 31, 2017 and 2016.

## LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital at December 31, 2017 of \$1,013,808 (December 31, 2016 - \$1,534,469 deficiency) and cash and cash equivalents of \$2,017,361 (December 31, 2016 - \$105,144). Specific cash flow fluctuations can be evidenced in the December 31, 2017 consolidated financial statements in the Statement of Cash Flows.

At present, the Company has no producing properties and consequently no revenue generating assets or operations. The Company is dependent on the ability to access funds from certain shareholders or potential investors in order to ensure that it can continue to fund ongoing administrative expenses and explore, quantify and develop any potential assets. Management is confident that it will be able to raise sufficient capital to further explore and develop its properties and projects in future periods when additional funding is required.

Mineral exploration is a speculative venture. There is no certainty that the money spent on exploration and development of mineral projects will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will in part be related to the success of its exploration programs, which may be affected by a number of factors that are beyond the control of the Company.

The mineral industry is intensely competitive in all its phases. The Company competes with many other mineral exploration companies who have greater financial resources and experience. The market price of precious metals and other minerals is volatile and cannot be controlled.

## NON-IFRS MEASURES

The Company has referred to working capital throughout this document. Working capital is a Non-IFRS performance measure. In the gold mining industry, it is common Non-IFRS performance measure but does not have a standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, we and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. This Non-IFRS measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The following tables provide a reconciliation of working capital to the financial statements as at December 31, 2017 and December 31, 2016.

	December 31, 2017	December 31, 2016
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,017,361	\$ 105,144
Receivables	168,716	102,574
Prepaid expenses	2,467	20,478
	<u>2,188,544</u>	<u>228,196</u>
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,174,736	\$ 1,762,665
	<u>1,174,736</u>	<u>1,762,665</u>
<b>Working capital, current assets less current liabilities</b>	<u>\$ 1,013,808</u>	<u>\$ (1,534,469)</u>

## **CAPITAL RISK MANAGEMENT**

The Company includes equity, comprised of issued share capital, share-based payment reserve and deficit, in the definition of capital. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order 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 and consultants to sustain future development of the business.

The Company's properties are in the development stage and, accordingly, the Company is dependent upon external financings to fund activities. In order to carry out planned engineering, test work, advancement and development of the mining projects, and pay for administrative costs, the Company will spend working capital and expects to raise additional funds from time to time as required.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. There were no changes in the Company's approach to capital management during the year ended December 31, 2017. The Company is not subject to externally imposed capital requirements.

## **COMMITMENTS**

### **Management Commitments**

The Company is party to certain management contracts. These contracts require payments of approximately CDN\$1,176,000 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 the consolidated financial statements for the year ended December 31, 2017 and 2016.

## **MINERAL PROPERTY UPDATE**

### **KOBADA**

The Company's concessions in Mali cover 136 square kilometers under a mining license, and a further 79 square kilometres held under an exploration license. These properties are located in the Kangaba region of Mali.

The Company has initiated an internal scoping study to evaluate the development options for Kobada and determine whether the existing mineral reserve and resource estimates can be optimized, relative to a potential phased approach of a larger Phase 1 production profile.

The purpose of the Kobada internal study is to:

- Provide a clear direction for the Company to pursue as well as provide indications of the Kobada Gold Project's future potential upside.
- To highlight particular activities, required for planning purposes, to further highlight the expansion potential of the current resource.
- Use the existing Inferred resource to determine the potential upside to the scale of the current production profile of the Kobada Project.

- Determine if a major exploration and drilling program is justified to potentially unlock the significant upside potential of the known Kobada deposit and the surrounding area, which is open in all directions.

The capitalized exploration and evaluation costs associated with the Kobada property at December 31, 2017 versus December 31, 2016 are as follows:

<b>Kobada</b>	<b>December 31, 2017</b>	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	-
	<b>\$ 22,767,183</b>	<b>\$ 22,416,882</b>

## **MADOUGOU**

Madougou is a mid-stage exploration project, located in the north-western region of Burkina Faso. The project has been extensively explored, with both ground and airborne geophysical surveys conducted, and over 20,000m of RC drilling completed on the 182km<sup>2</sup> land package. Madougou is in a mining favourable jurisdiction within West Africa and is contained in a regional mineralised area of the greenstone belt within Burkina Faso, with several gold producing operations.

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. AGG issued 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 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;



- 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.

The Company has commenced its work program at the Madougou Project in an effort to establishing a maiden resource on the concession. The initial program consists of:

- Validation of previous geological data and the construction of a geological database
- Detailed Mapping
- Prioritising of drill targets for resource drilling
- Planning and cost analysis of the drill program
- Trenching, sampling and assay work

The capitalized exploration and evaluation costs associated with the Madougou property at December 31, 2017 versus December 31, 2016 are as follows:

<b>Madougou</b>	<b>December 31, 2017</b>	December 31, 2016
Opening balance	\$ -	\$ -
Acquisition	1,594,719	-
Field assessment	52,525	-
Travel	16,373	-
Technical report	16,256	-
	<b>\$ 1,679,873</b>	<b>\$ -</b>

#### **USE OF FINANCIAL INSTRUMENTS, OFF BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS**

The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. There are no off-balance sheet arrangements that are likely to have a material effect or future effect on the Company’s financial condition that have not been disclosed in the consolidated financial statements.

Additional disclosure concerning the Company’s contractual obligations is provided in Note 5 and 10 in the consolidated financial statements for the year ended December 31, 2017 and 2016, copies of which are filed on the SEDAR website at [www.sedar.com](http://www.sedar.com).



## MANAGEMENT CHANGES

Effective August 1, 2017, Mr. Ryan Ptolemy was appointed as chief financial officer and Mr. Damian Lopez was appointed as corporate secretary. Furthermore, Brett Richards resigned as president and chief operating officer of the Company.

## RELATED PARTY TRANSACTIONS

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

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.

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.

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.

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.

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 acquisition of 2516232 Ontario Inc.

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 years ended:

	2017	2016
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.



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 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 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.

#### **DISCLOSURE OF OUTSTANDING SHARE DATA**

The following is for disclosure of information relating to the outstanding securities of the Company:

As at the date of this MD&A the Company had 359,582,671 common shares issued and outstanding.

As at the date of this MD&A the Company had 102,857,282 warrants outstanding.

As at the date of this MD&A the Company had 15,375,000 stock options outstanding.

#### **RISK FACTORS**

The Company's recorded value of its mineral properties is based on historical costs that expect to be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through the mining operations or by sale. The Company is in an industry that is exposed to a number of risks and uncertainties, including:

##### **Fair value and foreign exchange risk**

The carrying amount of cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximates their fair value because of the short-term maturities of these items. The Company has operations in Canada, Barbados and West Africa and as such, transactions are settled in local currencies or the United States Dollar. Given this scenario, AGG's operating businesses and financial reporting results and cash flows are exposed to risks associated with foreign currency fluctuations.

##### **Price Volatility**

Any future earnings will be directly related to the price of precious and base metals. Such prices fluctuate over time and are affected by numerous factors beyond the control of the Company.

**Political and Economic Risk**

The Company's operations in West Africa are affected by West Africa's unpredictable and potentially unstable political and economic environment. Although the environment has been relatively stable in recent years, there is the risk that this situation could deteriorate and adversely affect the Company's operations.

**Environmental**

Operations, development and exploration projects could potentially be affected by environmental laws and regulations of the country in which activities are undertaken. The environmental standards continue to change and the global trend is to a longer, more complex process. Although the Company continuously reviews environmental matters and undertakes to comply with changes as expeditiously as possible, there is no assurance that existing or future environmental regulations will not materially adversely affect AGG's financial conditions, liquidity or results of operations.

Certain environmental issues, such as storm events, storage seepage, dust and noise emissions, while having been assessed and strategies based on best practices have been adopted, there can be no assurance an unforeseen event will occur which could have a material effect on the viability of the Company's business and affairs.

**Licences and Permits, Laws and Regulations**

The Company's exploration activities, require permits and approvals from various government authorities, and are subject to extensive federal, state and local laws and regulations governing prospecting, development, production, transportation, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more time consuming and costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no assurance that the Company will be able to maintain or obtain all necessary licences, permits and approvals that may be required to explore and develop its properties, commence construction or to operate its mining facilities.

The costs and potential delays associated with obtaining or maintaining the necessary authorizations and licences and complying with these authorizations, licences and applicable laws and regulations could stop or materially delay or restrict the Company from proceeding with the exploration of its mineral properties. Any failure to comply with applicable laws, regulations, authorizations or licences, even if inadvertent, could result in interruption or termination of exploration, development or mining operations or logistics operations, or material fines, penalties or other liabilities that could have a material adverse effect on the Company's business, reputation, properties, results of operations, financial condition, prospects or community relations. Claims, lawsuits and injunctions may be brought by parties looking to prevent the Company from advancing its projects. The Company can make no assurance that it will be able to maintain or obtain all of the required mineral licences and authorizations on a timely basis, if at all.

**Mineral Resource and Mineral Reserve Estimates May be Inaccurate**

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the control of the Company. Such estimates are a subjective process, and the accuracy of any mineral resource or mineral reserve estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of mineral recovery from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect on the Company's financial position and results of operations.



### **Title to Properties**

The acquisition of title to resource properties is a very detailed and time-consuming process. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

### **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.

### **Competition**

The Company competes with many other mining companies that have substantially greater resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

### **Dependence on Outside Parties**

The Company has relied upon consultants, engineers and others, and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

### **Share Price Fluctuations**

The market price of securities of many companies, particularly exploration stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

### **Conflicts of Interest**

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting such participation.

### **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.

**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 of the consolidated financial statements, the Company may be required to obtain additional financing for working capital and continued exploration and development of its properties.

**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, short-term investments, 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 and short-term investments is minimized by depositing with only reputable financial institutions. Management has reviewed the receivable balances and determined that the balances are collectible as they are Harmonized Sales Tax (HST) rebates from the Government of Canada; accordingly, there have been no allowance for doubtful accounts recorded.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Management is often required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of AGG. A comprehensive discussion of AGG's significant accounting policies is contained in note 3 to the condensed interim consolidated financial statements.

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. Should the Company be unable to continue as a going concern, amounts realized from disposal of its assets (primarily its mining properties) on a liquidation basis may be significantly less than their carrying amounts.

Management continues to pursue various alternatives, including private placements, to raise capital. It is not possible to determine with certainty the success or adequacy of this or other initiatives.

The following is a discussion of the accounting estimates that are critical in determining AGG's financial results:

**Impairment**

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



There are a few circumstances that would warrant a test for impairment of deferred exploration expenditures, which include: the expiry of the right to explore, substantive expenditure on further exploration is not planned, exploration for and evaluation of the mineral resources in the area have not led to discovery of commercially viable quantities, and/or sufficient data exists to show that the carrying amount of the asset is unlikely to be recovered in full from successful development or by sale. If information becomes available suggesting impairment, the amount capitalized is written off in the consolidated statement of comprehensive income (loss) during the period the new information becomes available.

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

### **Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

There were no significant changes to the Company's internal control over its financial reporting for the year ended December 31, 2017, which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

As of December 31, 2017, the Company evaluated its disclosure controls and procedures and internal control over financial reporting. These evaluations were carried out under the supervision of the Company's chief executive officer and chief financial officer. Based on these evaluations, the chief executive officer and chief financial officer concluded that the design and operation of these internal controls and procedures and internal control over financial reporting was effective.

### **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.



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.