



**Condensed Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2019 and 2018**



**AFRICAN GOLD GROUP, INC.  
NOTICE TO SHAREHOLDERS  
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**

**Responsibility for Consolidated Financial Statements**

The accompanying condensed interim consolidated financial statements for African Gold Group, Inc. for the three months ended March 31, 2019 and 2018 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial reporting (see note 1 to the condensed interim consolidated financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the condensed interim consolidated financial statements, management is satisfied that these condensed interim consolidated financial statements have been fairly presented.

**Auditors Involvement**

BDO Dunwoody LLP, Chartered Accountants, the external auditors of African Gold Group, Inc., have not audited or performed review procedures applicable to auditor review of condensed interim consolidated financial statements for the three months ended March 31, 2019 and 2018.

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

	<b>March 31,</b> <b>2019</b>	December 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 4)	\$ 31,686	\$ 31,191
Receivables	24,889	43,189
Prepaid expenses	1,461	3,403
Total current assets	58,036	77,783
Exploration and evaluation assets (Note 5)	23,640,120	23,624,076
Total assets	\$ 23,698,156	\$ 23,701,859
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 1,830,140	\$ 1,548,646
Total liabilities	1,830,140	1,548,646
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7(a))	57,560,682	57,485,752
Reserve - share based payments (Note 7(b))	503,328	503,328
Accumulated other comprehensive income	(6,903,280)	(7,464,066)
Accumulated deficit	(29,292,714)	(28,371,801)
Total shareholders' equity	21,868,016	22,153,213
Total liabilities and shareholders' equity	\$ 23,698,156	\$ 23,701,859

Going Concern (Note 2)  
Contingencies and Commitments (Note 8)  
Subsequent events (Note 11)

Approved on behalf of the Directors:  
"John Begeman"  
Director

"Stan Bharti"  
Director

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

**African Gold Group, Inc.****Condensed Interim Consolidated Statements of Operations and Comprehensive Loss**

(Expressed in U.S. Dollars)

(Unaudited)

	<b>Three months ended March 31, 2019</b>	Three months ended March 31, 2018
<b>Expenses</b>		
Administrative and general	\$ 78,844	\$ 103,871
Consulting and personnel costs	272,442	201,994
Foreign exchange loss/ (gain)	569,627	(756,366)
Net (loss) income for the period	\$ (920,913)	\$ 450,501
Foreign currency translation differences	560,786	(798,126)
Comprehensive (loss) for the year	\$ (360,127)	\$ (347,625)
Average weighted shares outstanding	48,021,393	47,944,356
Basic and diluted income (loss) from continuing operations per share	\$ (0.02)	\$ 0.01

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

**African Gold Group, Inc.**  
**Condensed Interim Consolidated Statements of Equity**  
(Expressed in U.S. Dollars)  
(Unaudited)

	Common Shares		Share Based Payments	Accumulated Other Comprehensive Income	Accumulated Deficit	Equity
	#	\$	\$	\$	\$	\$
<b>Balance, December 31, 2017</b>	47,944,342	57,485,752	653,767	(5,108,015)	(27,570,640)	25,460,864
Expiry of stock options (Note 7(c))	-	-	(124,444)	-	124,444	-
Foreign currency translation differences	-	-	-	(798,126)	-	(798,126)
Net income for the period	-	-	-	-	450,501	450,501
<b>Balance, March 31, 2018</b>	47,944,342	57,485,752	529,323	(5,906,141)	(26,995,695)	25,113,239
<b>Balance, December 31, 2018</b>	<b>47,944,342</b>	<b>57,485,752</b>	<b>503,328</b>	<b>(7,464,066)</b>	<b>(28,371,801)</b>	<b>22,153,213</b>
Shares for debt settlement (Note 7(b))	266,666	74,930	-	-	-	74,930
Foreign currency translation differences	-	-	-	560,786	-	560,786
Net (loss) for the period	-	-	-	-	(920,913)	(920,913)
<b>Balance, March 31, 2019</b>	<b>48,211,008</b>	<b>57,560,682</b>	<b>503,328</b>	<b>(6,903,280)</b>	<b>(29,292,714)</b>	<b>21,868,016</b>

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

**African Gold Group, Inc.****Condensed interim Consolidated Statements of Cash Flows**

(Expressed in US. Dollars)

(Unaudited)

	<b>Three months ended March 31, 2019</b>	Three months ended March 31, 2018
<b>CASH (USED IN) PROVIDED BY:</b>		
<b>OPERATING ACTIVITIES</b>		
Net (loss) income for period	\$ (920,913)	\$ 450,501
Items not involving cash:		
Shares for debt settlement (Note 7(b))	74,930	-
Foreign exchange loss (gain)	588,657	(791,838)
	<b>(257,326)</b>	<b>(341,337)</b>
Net change in non-cash working capital	<b>301,736</b>	<b>(42,027)</b>
	<b>44,410</b>	<b>(383,364)</b>
<b>INVESTING ACTIVITIES</b>		
Investment in exploration and evaluation assets	<b>(16,044)</b>	<b>(159,273)</b>
	<b>(16,044)</b>	<b>(159,273)</b>
Effect of foreign currency transaction on cash	<b>(27,871)</b>	<b>(6,288)</b>
CHANGE IN CASH DURING THE PERIOD	<b>495</b>	<b>(548,925)</b>
CASH, beginning of the period	<b>31,191</b>	<b>2,017,361</b>
CASH, end of the period	\$ <b>31,686</b>	\$ <b>1,468,436</b>

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

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

For the three months ended March 31, 2019 and 2018

(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 is a gold exploration and development company engaged in the exploration and development of properties located in West Africa. The Company’s assets include mining licenses located in Mali and Burkina Faso, West Africa. The Company shares are listed on the TSX Venture Exchange trading under the symbol “AGG”. 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**

These condensed interim consolidated financial statements, have been prepared in US dollars, in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). The policies applied in these condensed interim consolidated financial statements are based on International Financial Reporting Standards (“IFRS”) issued and outstanding as at March 31, 2019. The policies as set out in the Company’s Annual Consolidated Financial Statements for the twelve months ended December 31, 2018 were consistently applied to all periods.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 27, 2019.

**2. GOING CONCERN**

These condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Accordingly, the condensed interim 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 condensed interim consolidated financial statements.

The Company reported a net loss of \$920,913 for the three months ended March 31, 2019 and a cashflow from operations of \$44,410. At March 31, 2019, the Company has working capital deficiency of \$1,772,104. At present, the Company has no producing properties and consequently has no current operating income or cash flows.

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.

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

For the three months ended March 31, 2019 and 2018

(Expressed in U.S. Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES**

The unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2018. These new standards and changes did not have any material impact on the Company's condensed consolidated financial statements.

**New accounting standards**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

**IFRS 16, Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determined that at January 1, 2019 and March 31, 2019, the Company had no leases that were required to be accounted for under IFRS 16.

Standards and amendments to be adopted:

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at banks and on hand earn interest at floating interest rates based on daily deposit rates. The Company had in cash \$31,686 as at March 31, 2019 and \$31,191 at December 31, 2018. The Company had no cash equivalents at March 31, 2019 or December 31, 2018.



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

For the three months ended March 31, 2019 and 2018

(Expressed in U.S. Dollars)

**5. EXPLORATION AND EVALUATION ASSETS**

As at March 31, 2019, the exploration and evaluation assets were \$23,640,120 (December 31, 2018 – 23,624,076). The Mali concessions for Kobada were \$23,624,076 (December 31, 2018 – \$23,624,076) and the Burkina Faso claims for Madougou were \$Nil (December 31, 2018 - \$Nil).

**Mali Concessions**

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

The three exploration permits consist of:

- (i) The Bagoë-West Concession, which comprises 183 sq. km of land located in the Sikasso Region,
- (ii) The Bagoë-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 km<sup>2</sup>. 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.

<b>Kobada</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Opening balance	\$ 23,624,076	\$ 22,767,183
Drilling and feasibility study	-	293,055
Site maintenance	3,502	65,034
Camp	12,542	145,660
Assays and sampling	-	60,765
Technical report	-	105,335
Permits	-	187,044
Ending balance	\$ 23,640,120	\$ 23,624,076

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

For the three months ended March 31, 2019 and 2018

(Expressed in U.S. Dollars)

**6. 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) 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 CDN\$25,000 totaling CDN\$75,000 for the three months ended March 31, 2019 (March 31, 2018 - CDN\$75,000). As of March 31, 2019, \$125,000 (December 31, 2018 - \$50,000) was owed to F&M.
- b) As at March 31, 2019, consulting services of \$30,000 (March 31, 2018 - \$30,000) were provided to the Company by a company owned by a director. Unpaid fees of \$200,000 (December 31, 2018 - \$170,000) were included in accounts payable and accrued liabilities.
- c) Included in accounts payables as at March 31, 2019 is \$100,000 owed to Aberdeen International Inc. Stan Bharti and Ryan Ptolemy, a director and an officer of the Company, are also a director and officers of Aberdeen International Inc.
- d) 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:

	<b>Three months ended March 31, 2019</b>	Three months ended March 31, 2018
Wages and short-term employee benefits	\$ 157,437	\$ 179,510

**7. 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.

On April 15, 2019, the Company received TSX Venture Exchange approval to consolidate its common shares. Each new common shares of the Company for every 7.5 existing common shares of the Company. The consolidation of common shares have been reflected retrospectively in these condensed interim consolidated financial statements (Note 11).

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

For the three months ended March 31, 2019 and 2018

(Expressed in U.S. Dollars)

**7. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS (continued)**

	Number of shares	\$
<b>Balance as of December 31, 2018</b>	<b>47,944,342</b>	<b>57,485,752</b>
Shares for debt	266,666	74,930
<b>Balance as of March 31, 2019</b>	<b>48,211,008</b>	<b>57,560,682</b>

**b) Share transaction**

On March 5, 2019, pursuant to an engagement agreement entered into with an arm's length service provider, the Company issued 266,666 common shares of the Company at a deemed price of \$0.375 per common share in full and final settlement of the CDN\$100,000 owing to the service provider. The common shares will be subject to a statutory hold period of four months and one day from the date of issuance.

**c) Stock Options**

On April 15, 2019, the Company received TSX Venture Exchange approval to consolidate its common shares. Each new common shares of the Company for every 7.5 existing common shares of the Company. The consolidation of options have been reflected retrospectively in these condensed interim consolidated financial statements (Note 11).

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 4,821,100 (December 31, 2018 - 4,794,434) 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.

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.

On February 20, 2018, 166,667 options expired and on October 22, 2018, 66,667 options expired.

As at March 31, 2019, the Company had the following stock options outstanding:

<b>Date of Grant</b>	<b>Stock Options (#)</b>	<b>Exercise Price (CDN\$)</b>	<b>Expiry Date</b>
July 17, 2014	200,000	1.13	July 17, 2019
February 29, 2016	146,666	0.45	February 28, 2021
August 10, 2017	1,636,667	0.45	August 9, 2022
	<u>1,983,333</u>		

**AFRICAN GOLD GROUP, INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the three months ended March 31, 2019 and 2018  
(Expressed in U.S. Dollars)

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**7. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS (continued)**

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

	Weighted Average Options	Weighted Average Exercise Price (CDN\$)
<b>Outstanding - December 31, 2018</b>	1,983,333	0.53
<b>Outstanding - March 31, 2019</b>	1,983,333	0.53
<b>Vested - March 31, 2019</b>	1,983,333	

For the three months ended March 31, 2018, no options expired. For the year ended December 31, 2018, 233,334 options expired.

**d) Warrants**

On April 15, 2019, the Company received TSX Venture Exchange approval to consolidate its common shares. Each new common shares of the Company for every 7.5 existing common shares of the Company. The consolidation of warrants have been reflected retrospectively in these condensed interim consolidated financial statements (Note 11).

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
Apr 24/17	9,976,959	\$ 0.90	24-Apr-20
Apr 24/17	454,222	\$ 0.68	24-Apr-19
<b>Balance December 31, 2018</b>	<b>10,431,181</b>		
<b>Balance March 31, 2019</b>	<b>10,431,181</b>		

For the three months ended March 31, 2019, no warrants expired or were exercised. A total of 5,964,124 warrants expired during the year ended December 31, 2018.

On April 24, 2017, the Company closed a private placement of 9,976,959 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\$0.90 per share for a period of thirty-six months from the closing date.

The Company issued 454,222 compensation warrants for financial advisory services completed in connection with the offering. Each compensation warrant entitles the holder to acquire one unit at CDN\$0.68 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.

**8. CONTINGENCIES AND COMMITMENTS**

**Management Commitments**

The Company is party to certain management contracts. These contracts require payments of approximately CDN\$1,272,000 (December 31, 2018 – CDN\$2,146,000) 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\$905,000 (December 31, 2018 - \$1,368,000) pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these condensed interim consolidated financial statements.

## **9. 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 three months ended March 31, 2019. 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.

## **10. 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 condensed interim 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 periods 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.

**AFRICAN GOLD GROUP, INC.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended March 31, 2019 and 2018

(Expressed in U.S. Dollars)

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**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

*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.

*Interest Rate Risk*

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

*Commodity Price Risk*

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

**Liquidity Risk**

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

At March 31, 2019, AGG had a cash balance of \$31,686 and current liabilities of \$1,830,140. 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.

**Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in its cash and cash equivalents and receivables. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. Concentration of credit risk exists with respect to the Company's cash and cash equivalents as substantially the entire amount is held at a single major Canadian financial institution. Credit risk on cash and cash equivalents is minimized by depositing with only reputable financial institutions. Management has reviewed the receivable balances and determined that the balances are collectible as they are Harmonized Sales Tax (HST) rebates from the Government of Canada; accordingly, there have 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 condensed interim 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.

**AFRICAN GOLD GROUP, INC.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended March 31, 2019 and 2018

(Expressed in U.S. Dollars)

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**11. SUBSEQUENT EVENTS**

On April 4, 2019, the Company received a CDN\$240,000 loan from 2227929 Ontario Inc.

On April 15, 2019, the Company received TSX Venture Exchange approval to consolidate its common shares. Each new common shares of the Company for up to every 7.5 existing common shares of the Company. The principal effects of the consolidation is that the number of shares of the Company issued and outstanding is reduced from 361,582,671 existing common shares as of the date hereof to 48,211,008 new common shares. The consolidation of common shares, options and warrants have been reflected retrospectively in these condensed interim consolidated financial statements.

On April 24, 2019, 454,222 warrants with an exercise price of \$0.68 expired.