TORO GOLD

Toro Gold Ltd

Annual Report 2017

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PRODUCER DEVELOPER EXPLORER

Toro Gold is a gold mining, exploration and development company that operates the Mako gold mine in Senegal and a portfolio of exploration projects across West Africa.

Established in 2009, the Company is led by the same team who discovered, developed and now operates the 1Moz reserve Mako Gold Mine. Mako came into production in January 2018 and will produce on average 137,000 ounces per year over the first 6 years of its current 8 year mine life.

As a full cycle operator with a proven track record of exploration and development success, Toro Gold maintains an ongoing commitment to exploration. Whilst the Company is seeking to expand the Mako mine life in the near term, it is also pursuing a longer term growth strategy of developing a portfolio of gold projects across multiple jurisdictions.

Chairman's Statement

I am delighted to give this update on what has been a transformational year at Toro Gold. It is with great pleasure that we announced the maiden gold production at the Mako mine in January – something we managed to achieve safely, ahead of schedule and below budget.

Very few companies get to successfully develop projects and bring them into production – and even fewer still that have made the initial Greenfields discovery some seven years earlier. This fantastic performance is a direct result of the dedication and professionalism of the management team who have worked with all our stakeholders to deliver this success.

With an excellent first quarter of operations under our belt, the operations team are now focussing on the optimization of the operations to hopefully extend the mine life, improve production and seek cost reductions.

We continue to implement our Environmental and Social commitments at the Mako mine and our initiative with Panthera in respect of the Niokola-Koba National Park is one which we hope will help to make a positive change to Senegal and its wildlife, both during and after the mine life. Focus remains on our local stakeholder commitments also – we have worked hard to ensure local communities and groups benefit from the development and we will continue this work in an open and engaged way.

Toro Gold was founded as an exploration company and we remain committed to exploration as a significant driver of value creation. The last year has seen the Company assessing the ability to extend the mine life at Mako in Senegal, as well as continuing our work in Côte d'Ivoire. More recently we have also been granted new exploration permits in Guinea – a country with significant prospectivity that has recently 're-opened' for business.

As a company we are now seeking to leverage off our success at Mako and build a multiple asset gold producer through both organic growth and the assessment of M&A opportunities.

I would like to finish by thanking all our stakeholders – from our partners in government in Senegal, Côte d'Ivoire and Guinea, to the local communities we operate in, to our investors, my fellow board members and all our staff across the company.

Adonis Pouroulis, Non-Executive Chairman

“There are no secrets to success: don't waste time looking for them. Success is the result of perfection, hard work, learning from failure, loyalty to those for whom you work, and persistence.

Colin Powell U.S. Politician

Mako Gold Mine

A successful construction and commissioning process

Following an 18 month construction period, the Mako Gold Mine achieved its first gold pour on 26th January 2018, ahead of schedule, under budget and with an excellent safety record.

Initial gold production was slated for 8th February 2018 with a total capital construction budget of US$158 million, including contingency and working capital. The construction team has been able to beat this construction schedule with first gold occurring some two weeks early and at a final capital cost below budget.

The safety statistics for the Mako Mine construction performed significantly better than construction industry benchmarks with a Lost Time Injury (LTI) Frequency Rate of only 0.59 LTIs for each one million hours worked – against the Australian 2012 construction benchmark of 4.7 LTIs per million hours worked.

Subsequent to the first gold pour, management focussed on the ramp up of operations to reach steady state production. During February, the Mako Mine completed a series of operational trials over a 7 day continuous period to confirm operational performance of the metallurgical plant and ensure its ability to meet and maintain design parameters. The performance tests were successfully completed, with the comminution circuit achieving the target grind size at forecast power consumption and circuit wear rates / consumable use, while metallurgical recoveries were in line with forecasts.

Gold pour at Mako mine

A seamless transition to operations

The transition from construction to operations went well with all aspects of the mine operating either in line or better than forecast. The operations team delivered an excellent first set of production results over the first three months of production and it was achieved safely with no LTIs recorded for the period.

Highlights over the first three months of operation included:

- Gold sales of 32,556 ounces at US$1,325 /oz slightly ahead of 32,270 oz target
- Mining operations have progressed according to plan delivering the planned ore tonnage and grade within contracted budget rates
- Mill throughput of 540kt at 2.34g/t Au versus the budget of 460kt at 2.49 g/t Au
- Better than forecast comminution abrasion characteristics and lower mill power consumption to achieve the target grind size of P(80) 125µm
- Improved metallurgical recoveries of 94.8 % against forecast of 91.3 %
- Senegalese employees constitute 88 % of the work force (including contractors) with over 60 % of the work force coming from the local Kedougou region
- Excellent Safety record with zero Lost Time Injuries

Open pit mining operations have been on-going since mid-2017 with pre-stripping of the open pit during the construction phase, and to date have progressed well with good performance from the mining contractor African Mining Services Senegal SARL (“AMSS”).

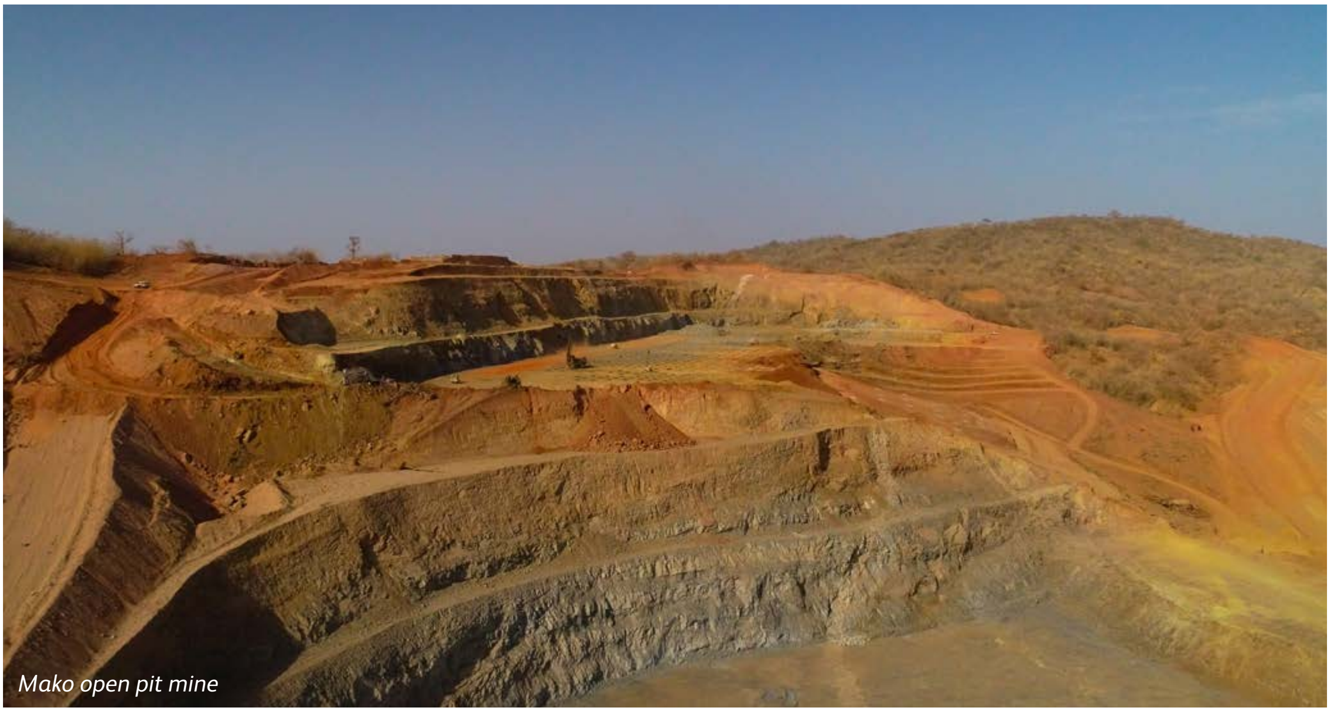
Grade control reconciliation to date shows good correlation with the forecast Reserve model with grade being better than forecast, tonnage slightly lower with the net position of contained gold at forecast levels.

Commissioning and ramp up of the processing plant progressed as planned with steady state production at name plate levels achieved from within a month after the first gold pour. Over the first three months of operations 540kt of ore were processed at a head grade of 2.34g/t Au against the budget of 460kt at 2.49g/t Au with the plant achieving its target grind size of $P_{(80)}$ 125µm while using approximately 6.5MW of power against the design of 8.4MW.

General observations of wear points throughout the comminution circuit indicate better than forecast liner life which have led to excellent availability of the plant.

Metallurgical recoveries were good over the first three months with recoveries at or above planned levels achieved over the period.

Total employment at the mine, inclusive of all subcontractors, is comprised of over 60 % from the Kedougou region and overall some 88 % of the total work force are Senegalese. Training and skills development of the local Senegalese workforce remains a focus to ensure that the mine continues to provide the maximum long-term benefit to both the local and national economy of Senegal.



Mako open pit mine

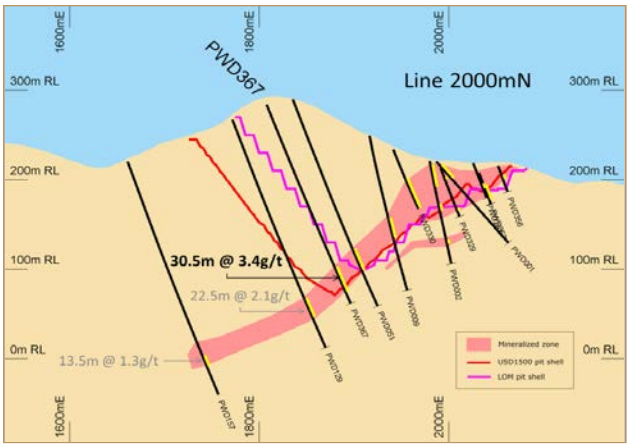
Exploration at Mako

After a two year pause in exploration drilling due to a focus on mine construction, the Company restarted exploration work on the Mako permit in early February 2018

The main objective of the ongoing drilling programmes is to investigate the potential to extend the mine life by further investigating the mineralised zone beneath the final pit design.

The potential for further Resource growth has been well understood by the Company which underpins management's confidence in the ability to add more ounces to the Mako mine inventory and ultimately the Reserve base. The drill programme is therefore targeting the down dip continuation of the main Petowal lode that forms the ore body in the South-West and Central portions of the main mineralised zone and where mineralisation is hosted by a felsic volcanic rock. In addition, some deeper drill holes will continue to investigate the potential for underground mining targets within a southwest plunging zone of mineralisation identified at SW Petowal and a steeply plunging zone at NE Petowal.

At the time of writing of this report, the 15,000 metre, 60 hole core programme is approximately 50 % complete, with 32 drill holes completed for 7,300 metres. Results have been received for twenty of those holes which demonstrate the down dip extension of the orebody and further, as seen during previous drilling campaigns, indicate that higher grade sections of drill holes are typified by intense bleaching, abundant pyrite and in places a well-developed shear fabric. The drill programme is planned to be completed during the second half of 2018 with a Resource update to follow thereafter.



Geological cross section of Petowal showing potential down dip continuation of the ore body

Exploration drilling on the Mako Permit

Sustainability

Corporate Approach

Toro Gold is fully committed to demonstrating good practice in the areas of social development, environmental protection, and health, safety and security. With the commencement of production at the Mako Gold Mine, the Company has reviewed and updated its corporate sustainability management system, with a focus on the following policy documents and initiatives:

Sustainability Performance Framework (formerly known as the Environmental and Social Performance Framework)

Originally drafted in 2011, the Sustainability Performance Framework ("SPF") governs the way Toro Gold operates with respect to social development, environmental protection, and health, safety and security. The SPF includes a series of business principles and commitments which are an integral part of the Company's business strategy. These are supported by a policy and set of performance standards, which identify key management requirements during operations. The full SPF can be found on Toro Gold's website (www.torogold.com).

Biodiversity Strategy

Originally drafted in 2013, the Biodiversity Strategy describes the Company's commitment and approach to managing biodiversity risks and impacts for the Mako Gold Mine in particular, and more broadly for other investments. The strategy takes a holistic, landscape-level approach, designed to achieve a 'no net loss' to biodiversity as a whole and an overall net gain for impacts to Critical Habitat.

Corporate Sustainability Report

In late 2017, Toro Gold began the process of developing its first Sustainability Report for the 2018 reporting year. The report will be aligned with the Global Reporting Initiative Sustainability Reporting Standards, which are a set of standards representing global best practices for reporting on a company's economic, environmental, and social impacts. The report is scheduled for publication during the first half of 2019.

Mako Gold Mine

The capacity of the Health, Safety, Environment, and Social ("HSES") Department was strengthened during the construction phase of the Mako Mine with the recruitment of an HSES Manager possessing over 10 years operational experience in West African gold mines. The Department has successfully retained all key HSES personnel as it transitioned to operations, thus maintaining the continuation of relationships with many and varied external stakeholders during a period of high activity and potential risk. The HSES Department now comprises 17 full-time professional staff. Department priorities during the reporting period included implementation of the Construction HSES management and monitoring plans, the fulfilment of all associated regulatory requirements and development of an Operational HSES management system.

A number of committees comprising representatives of the mine workforce have been established to support the development and implementation of HSES improvement programmes. This includes a Sustainability Working Group charged with the responsibility to integrate Toro Gold's SPF into operational practices.

The development of market gardens is a component of the Livelihood Restoration and Development Programme

Independent Assessment of Environmental and Social Performance

In May 2017, as part of the construction process, Toro Gold engaged Earth Systems to conduct an independent environmental and social performance review against the Company's Sustainability Performance Framework and the Environmental and Social Impact Assessment ("ESIA") commitments and permitting requirements. The review concluded:

- Project construction followed processes that safeguard environmental and social values;
- Key contractors are committed to ensuring PMC's environmental and social values are adhered to;
- Project construction did not present any new environmental and social challenges and the management measures as stated in the ESIA remained substantively relevant and accurate to Project development;
- Project appeared in conformance with Senegalese environmental and social laws; and,
- Livelihood restoration, social engagement, and biodiversity offset strategy development and implementation is exceptional.

Earth Systems was subsequently engaged to prepare a technical addendum to the ESIA, updating any specific management and monitoring measures to reflect the final 'as-built' Mine Plan.

In addition, as part of their own investment due diligence process, an investor in Toro Gold commissioned a qualified consulting group to undertake an independent technical evaluation of the Mako mine against the IFC's environmental and social Performance Standards, and assess the adequacy of the mine Environmental and Social Management System ("ESMS"). The technical evaluation was completed in February 2018 and concluded that excellent progress had been made in the preparation of the ESMS for the operational phase of the mine. The independent consultant further found that:

> An exceptional safety record was achieved through the construction phase and a robust occupational health and safety system is in place for the operations phase.

> Social license to operate continues to be excellent, and consultation processes are generally well managed.

Ecological monitoring activities by PMC Environmental team

Performance Monitoring

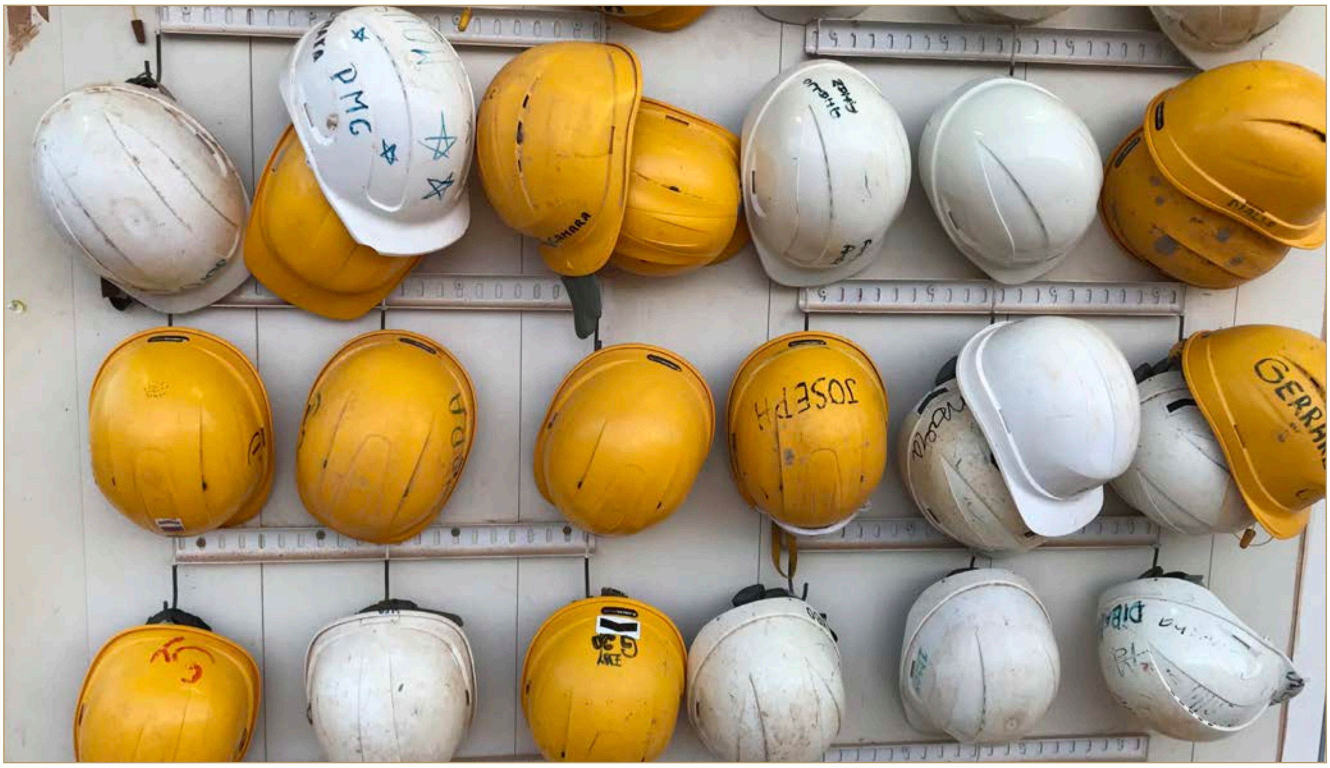
A comprehensive programme of baseline, ambient and discharge monitoring was maintained during the construction and commissioning period of the Mako Mine, encompassing physical, biological, and socio-economic indicators.

No major environmental or social incidents were recorded during the construction and commissioning period, and activities have remained compliant with relevant legislation and licensing commitments. Mine impacts have remained at acceptable levels and there have been no unforeseen impacts associated with the mine activities.

Statistics for 2017 construction activities of the Mako Gold Project are presented below in Table 1.

Table 1. Sustainability statistics, 2017

Monitoring indicator	Definition	2017 Result	Measurement Comparison[1]
Fatalities		0	0
Lost Time Injury Frequency Rate (LTIFR)	The number of occurrences of Lost Time Injury for each one million hours worked	0.59	4.7
Medical Treated Injury Frequency Rate (MTIFR)	The number of occurrences of Medically Treated Injuries for each one million hours worked	1.19	8.6
Major environmental incidents	On site: unconfined impact requiring long-term recovery (typically years); Off site: confined impact requiring medium-term recovery (one month or more)	0	0
Major community incidents	Very serious widespread social impacts; irreparable damage to highly valued structures/ items/ sites of cultural significance; Community fatality; Aggressive community reaction: stoppage of operation during negotiation; External arbitration required	0	0



1 Safe Work Australia, Construction sector, 2012

Significant Sustainability Programmes

Livelihood Restoration and Development Programme

While there was no requirement for physical resettlement, the development of the Mako Mine resulted in some low-levels of economic displacement, including the loss of fallow farm land, grazing land, areas of artisanal mining, and forestry resources. A comprehensive Livelihood Restoration Programme was developed in agreement with affected communities in 2016 to mitigate and compensate for these livelihood impacts. Key elements of the Programme include: access to irrigated market-gardening and fruit-tree orchards for commercial production, mechanised rain-fed agriculture, water and pasture for livestock, and veterinary services.

Introduction of solar powered irrigation at the market gardens

Programme implementation continued through 2017 with achievements made in the following areas:

- Market gardens operational in two of four affected villages, including installation of a solar-powered irrigation system, and 50 percent complete at the remaining sites;
- Orchards established and planting of improved varieties of fruit trees 50 percent complete;
- 'Permanent' year-round drinking water points operational for livestock in two pastoral areas;
- The distribution of small-scale equipment to 118 beneficiaries to enhance wet season agricultural production; and
- Support to the local federation of farmers in the establishment of a 40ha development area for wet season agriculture, including access to a commercial tractor and associated capacity building.

Capital and material investment in the livelihoods restoration programme is scheduled to be substantially complete by end-2018, with ongoing management and technical assistance to follow. A household socio-economic survey completed in January 2018, including women's and youth focus groups, confirmed that the Mako Mine had made a positive contribution to livelihood development including food security.

Social and Environmental Investment Fund

As part of our commitment to our local stakeholders, the Company has established an Investment Fund that will contribute to the social and economic development of communities in the broader intervention zone of the Mako Mine. We will contribute not less than 0.25 percent of nett sales revenues, and up to 0.5 percent, per annum to the Fund depending on prevailing gold prices.

The Company has collaborated with local authorities and civil society representatives in the development of an Investment Fund Strategy that details the approach and governance structure for implementation of the Fund. The approach aims to be complementary to local planning frameworks and development priorities and will prioritise investments that are sustainable, effective, measurable, and transparent. Sectoral investment priorities include:

- Access to community infrastructure and services;
- Conservation and biodiversity;
- Local capacity building and institutional development; and,
- Promotion of local economic development.

In 2017 key investment initiatives included:

- Elaboration of a forward-looking land use and development plan for the Municipality of Tomboronkoto;
- Implementation of an apprenticeship programme in partnership with the Kédougou Technical College that has thus far benefited 30 youths in electrical, mechanical, and civil construction trades;
- Bursary programme for 140 students from the Region of Kédougou to study at universities in Dakar; and,
- Various pilot initiatives in support of small enterprise development.

Numerous proposed investment projects have since been defined by local authorities, for investment in 2018.

Apprentices from Kedougo Technical College

Petowal Biodiversity Offset Programme

The Mako Mine is located in an area of high ecological value and the Company is committed to managing biodiversity in a scientifically sound, inclusive, and transparent manner. To mitigate the residual impact of the Mako Mine on biodiversity, Toro Gold is implementing the Petowal Biodiversity Offset Programme ("PBOP"). The PBOP encompasses areas within and adjacent to Niokolo-Koba National Park ("NKNP"), with the goal of achieving an overall net gain to biodiversity, including species protection and improved habitat connectivity.

The PBOP is being implemented through an innovative partnership between protected area authorities, communities, and NGOs based on integrated and participatory approaches to land-use planning. The design and implementation of the PBOP is guided by an Independent Advisory Panel comprising both national and international conservation and resource management experts.

The Mako Mine is located outside, but adjacent to, NKNP, a UNESCO World Heritage Site listed as 'in danger'. NKNP is the second largest national park in West Africa and is important for the conservation of numerous threatened and iconic species, including the African lion and Western chimpanzee. As part of the PBOP, Toro Gold is working in partnership with the Senegalese Department of National Parks and the NGO Panthera on a conservation programme in the southeast section of NKNP, encompassing an 1,800 km^2 intervention zone. The programme commenced in June 2017 with the goals of enhancing security, monitoring, and conservation management. Key outcomes of the programme since then include:

Ecological monitoring by rangers within the NKNP Intervention Zone

- Regular surveillance patrols to identify illegal activities in the park (e.g. poaching and illegal gold mining);
- Implementation of SMART technology to improve data gathering, storage, and analysis;
- Practical and theoretical training on patrol techniques, tactical manoeuvres, navigation and first aid;
- Provision of field equipment and materials to patrol teams;
- Establishment of a temporary command centre for the patrol team and upgrade of the principal access track into the intervention zone.

The PBOP also extends to areas outside the NKNP, in a community landscape largely contained within Tomboronkoto Commune. A feasibility assessment was completed by The Biodiversity Consultancy in early 2018 for this community component. The assessment confirmed it is technically feasible for the PBOP to achieve a net gain for all priority biodiversity, leaving the broad landscape in a better ecological state with the Mako Mine than it was before the mine. The achievement of these gains will require medium to long-term programmes, through life of mine (8 years) and potentially beyond, which integrate a range of conservation strategies, namely:

- Land use planning and land management;
- Livelihood development;
- Development of legal and policy frameworks;
- Community awareness; and,
- Community based enforcement.

From a socio-economic perspective, there was a clear interest in an integrated conservation and livelihood programme, though recognising this will require substantial governance and capacity support to local land and resource management institutions.

Whilst the precise nature of the implementation approach will be subject to agreement with all partners, it is anticipated that there will be an embedded Programme Implementation Team with combined oversight from the local municipality and appropriate Toro Gold management and oversight structures. Priority actions in 2018 include establishment of the institutional structures to support programme implementation, including the mobilisation of a lead organisation for the Project Implementation Team.

The work programme will be multi-dimensional, multi-disciplinary, and complex. However, Toro Gold believes that it presents an excellent opportunity to demonstrate the potential of the public sector, community members, civil society, and private sector to work together in achieving sustainable outcomes for the long term.

Group exploration

Côte d'Ivoire

The Company has continued to explore the permits covered by our Joint venture with predictive Discovery during the 2017 – 2018 field season. A short summary of the work completed is given below.

Côte d'Ivoire exploration permit locations

Ferkessedougou North ("Ferke North")

A first pass RC drill testing programme was completed in March 2018 along sections of the 17km Leraba soil anomaly zone. 80 drill holes were completed in total for 4,989 metres.

A full analysis and geological interpretation of the Ferke North RC drilling programme results will take place in the second half of 2018 to assess the next phase of work.

Ferkessedougou

Some 800m of trenching and 21 RC holes for 1,300m of drilling were completed on the permit to test the 3.5km long Lomi soil anomaly. Geology exposed in trenches shows similarities with the Leraba trend in Ferke North. Laboratory analyses of the RC programme are pending.

Kokoumbo

Field work carried out in March-April 2018 identified a new zone of artisanal mining, down the side of the Kokoumbo hill over a zone 400m long and up to 200m wide across the hillside. Six grab samples of quartz-veined metavolcanics with abundant pyrite, pyrrhotite and arsenopyrite were analysed and returned encouraging results. The zone has now been mapped and sampled more fully. Re-interpretation of magnetic data and geology discerned from artisanal workings suggests an east to west strike and moderate southerly dip of the zone being targeted by artisanal miners.

Follow-up exploration plans include an Induced Polarisation survey covering the new zone of artisanal workings followed by a limited core drilling programme to test the zone.

Boundiali Permit

Following an RC and Core drilling campaign in 2017, further core drilling is planned during the second half of 2018.

Boundiali North Permit

Further to a permit application via a local Joint Venture partner, the Boundiali North permit, which is adjacent to the Boundiali permit, was awarded in Q1 2018.

Field work commenced in April 2018 with geomorphological mapping and selective pitting across the central part of the permit. The area targeted covers the northward extension of the Nyangboue Trend (or the southern continuation of the Syama-Sissingue Trend). Systematic sampling has commenced along East-West oriented lines spaced at 400m. The aim is to have completed first pass sampling ahead of the 2018 wet season.

Guinea

Three greenfields exploration permits in the Siguiri Basin were awarded to the Company on a direct application basis in December 2017. An administrative base has been established in Siguiri and a geological field team has been mobilised to commence first pass reconnaissance work on all three permits before the 2018 wet season.

Guinea exploration permit locations

Corporate

During the first half of 2018 the Company completed an equity placement and put in place a gold forward sale programme to support the cash flows from the Mako Mine.

During the first quarter of 2018, the Company raised £1.4 million through the completion of an ordinary share placement to existing shareholders. The placement was completed at a price of £1.50 / share and each subscriber benefited from a "make whole" provision, whereby should Toro Gold raise in excess of £715,000 before February 2019 at a price below £1.50 / share, each subscriber will be issued bonus shares for nil consideration, such that their £1.50 / share subscription price in 2018 matches the new, lower placement price.

The funds were raised to fund the continued exploration activities across the company.

Given the commencement of production from the Mako Mine in January 2018, the Company sought to take advantage of the rise in gold prices in early 2018. Accordingly, the Company entered into a 6 month hedge programme in April 2018, for a total of 24,800 oz. which were sold forward over the period May – October 2018 for an average realized price of US$1,327 / oz.

With construction and first gold production successfully completed in January 2018, the Company undertook a Board restructuring. Laurence Marsland, Mark Lynam and David Street have been appointed to the Board as Non-Executive Directors, as nominees of Resource capital Funds, QG Africa Ming LP and Tembo Capital respectively which were granted a right to appoint a Non-Executive Director as part of the equity funding for construction of the Mako Mine in 2016. Concurrently Mr Mark Connelly and Mr Martin Reed stepped down from their Board positions, having helped to oversee the successful development of the Mako mine. In addition, Mr John Howard Bills stepped down from his role as a director - however he remains with the Company in his role as Group Exploration Manager.

During the first half of 2018, the Company Chief Financial Officer Mr Gary Townsend, announced his retirement. A search for a replacement CFO has commenced with the aim of appointing a replacement during the second half of 2018.

Mako Gold Mine processing plant

Board and Management Biographies

The Board and Management team of Toro Gold has an established track record of successful discovery and development of projects across Africa – this encompasses technical capability from the exploration phase through to operations and corporately in fund raising and M&A transactions.

The mix of complimentary technical and corporate skills allied to excellent political and business relations across the continent means that Toro Gold can identify and develop projects across our operational footprint in Africa to create returns for our shareholders.

Board of Directors

Adonis Pouroulis *Non Executive Director*

Adonis is an entrepreneur whose expertise lies in the discovery, exploration and development of mineral resources including diamonds, precious / base metals, coal and oil and gas, and bringing these assets into production across the African continent.

Adonis qualified as a mining engineer from the University of Witwatersand in Johannesburg in 1991 and subsequently spent some time working in the South African gold mines before heading to the Former Soviet Union where he established the Koronia metal trading company in Moscow. In 1994, having returned to South Africa, Adonis founded Blue Diamond Mines that developed a diamond mining operation in Port Nolloth and brought it into full production. Seeing an opportunity to create a larger, international diamond company focused in Africa, he founded Petra Diamonds and in 1997 it became the first diamond company to be listed on London's AIM market with a market capitalisation at the time of just £10 million. He has since overseen Petra's development from an exploration base into London's largest quoted diamond mining group and one of the largest independent diamond producers in Africa today.

He has been influential in the founding, development and listing of a number of other natural resources companies and is involved with other private companies all of which are at varying stages of the value chain within the Pella Resources Group.

Martin Horgan *Chief Executive Officer & Executive Director*

A mining engineer by training, Martin has worked across numerous areas of the mining sector including as an engineer for Gold Fields in South Africa, for Steffen Robertson & Kirsten in the UK and RSA offices, at Barclays Capital and as Executive Director of BDI Mining Corp. At Barclays his responsibilities included the origination and execution of mining project finance and advisory business across the African and the Middle East regions, global responsibility for the technical appraisal and review of all investments, environmental and social compliance of the investments in line with international standards and the financial modelling of all transactions. As Executive Director of AIM listed BDI Mining, Martin was part of the team which negotiated the sale of the Company to Gem Diamonds in 2007 realising a record share price for the Group.

Boubacar Thera *International Business Development Manager and Executive Director*

Boubacar Thera is a mining administrator and lawyer, has been involved with francophone African countries since 1994. Prior to joining the Group in 2009 Mr Thera was appointed Manager and Chief Government Liaison Officer of AXMIN and African Selection Mining, and has previously acted as a consultant for other mining companies.

David Street *Non Executive Director*

David Street is one of the founders and a Principal of Tembo Capital, a mining private equity group which was established in 2014 and is focussed on Africa and other Emerging Markets.

Prior to joining Tembo, David was previously a Managing Director of Endeavour Financial, working on financial advisory mandates for mining companies, in addition to working with Endeavour Mining, a mid-tier African gold mining company, on its merger and acquisition activities. Previously, David enjoyed a 15 year career in natural resource banking at NM Rothschild & Sons, culminating in him becoming a Director of Rothschild and Head of Mining and Metals in 2003. David also spent two years with Société Générale as a Director in the Mining & Metals team.

David graduated with an MA (Hons) degree in Economics from the University of Cambridge in 1991

Laurence Marsland *Non Executive Director*

Mr. Marsland is a graduate of the Western Australia Institute of Technology where he completed a Bachelor of Applied Science in Mechanical Engineering. He attended the Stanford Sloan Fellows Program at the Stanford University Graduate School of Business where he completed a Master of Science in Management degree. Mr. Marsland is a Fellow of the Institution of Engineers Australia, a Chartered Professional Engineer and has thirty years of experience in mining project evaluation, development and implementation.

He spent a number of years with Minproc Limited in Australia and the USA. While in working for Minproc one of his assignments was as Project Manager and Construction Manager for Newmont Mining Company's Yanacocha Gold Project in northern Peru. His responsibilities included engineering, procurement and construction management, for the 10,000 tonnes per day gold heap leach project, located at 4,100 meters in the Peruvian Andes. After leaving Minproc he joined Laguna Gold Company where he was the Chief Executive Officer, President and a Director. He was responsible for day-to-day operation of the company and reporting to the board of directors. While at Laguna he was involved in securing a listing on the Toronto Stock Exchange and completing financings to fund development of exploration projects in Central America.

Prior to joining Gabriel Resources Limited in January 2000, he was consulting to various junior mining companies assisting them with project development. As Vice President Project Development at Gabriel he relocated to Romania and was responsible for managing development of the Rosia Montana project which included preparation of a definitive feasibility study that contemplated development of the project at a throughput of 20 million tonnes per annum. In February 2002 he joined Navan Mining PLC as CEO and a Director. Although having been refinanced Navan was a "turn around" situation and operating under extremely difficult financial circumstances. Despite offers to refinance the company, it was placed into administrative receivership by the major creditor at the end of 2002.

Post Navan he partnered with Dundee Precious Metals to bid for purchase of the Bulgarian assets of Navan. The bid was successful and, while being based in Bulgaria, he has assumed the role as Executive Vice President and Chief Operating Officer of Dundee Precious Metals Inc. After leaving Dundee Precious Metals in early 2009, he founded a private company incorporated to pursue resource development opportunities and has undertaken various consulting roles related to project development within the mining industry.

Mark Lynam *Non Executive Director*

With a mechanical engineering degree from University College Dublin Mark began his career in the mining industry with Anglo American Corporation at Western Deep Levels gold mine, before joining the management training program at Anglo American Corporation. He gained extensive experience in gold and currency hedging within the gold division, becoming Vice President Treasury of AngloGold Limited, responsible for the groups treasury, including credit ratings, hedging, bank debt and capital market funding in the South African and international markets. As finance manager for AngloGold Ashanti's African operations, he dealt with tax and mining agreement negotiations with African states. He served on the boards of several of the groups operational mining and international holding companies, the Rand Refinery and Rand Mutual Assurance Limited. After leaving AngloGold Ashanti in 2013, he served for a year as Interim CEO at Rand Refinery Limited and now serves on the Investment Policy Committee at Professional Provident Society Investments Limited.

Robert Sinclair *Non Executive Director*

Mr Sinclair is the Managing Director of Artemis Trustees Limited, founded by him in 2001. He has over 47 years' experience in finance and accountancy, of which 36 years have been in the Guernsey finance industry. Mr Sinclair has extensive experience in all aspects of offshore trusts, corporate entities and financial planning. He is a director of, and acts for, a number of mining and exploration companies, including Chariot Oil & Gas Limited (which is listed on AIM) and was formerly a director of Vallar PLC, Vallares PLC and which are admitted to the Official List and to trading on the London Stock Exchange, and Chromex Mining PLC which was also listed on AIM. Mr Sinclair is Chairman of Schroder Oriental Income Fund Limited and a director of Picton Property Income Limited which are admitted to the Official List and to trading on the London Stock Exchange, and Sirius Real Estate Limited and Secure Property and Investments plc which are listed on AIM. He is a fellow of the Institute of Chartered Accountants of England and Wales and a Member of the Institute of Chartered Accountants of Scotland and is resident in Guernsey.

Management Team

Martin Horgan *Chief Executive Officer* See page 16

Boubacar Thera *International Business Development Management* See page 16

Howard Bills Group *Exploration Manager*

An exploration geologist by training, Howard has spent the last 35 years working predominately in gold and diamond exploration across the African continent undertaking work for BP Minerals, SRK Consulting, SAMAX and AXMIN. Over the years, Howard has developed an in-depth knowledge of a broad range of exploration techniques and the application of these to mineral exploration in the tropics.

As well as being involved in a number of discoveries across Africa, Howard has worked on mineral exploration projects in SE Asia and South America and while with SRK Consulting he was involved in various pre- and feasibility studies worldwide as well as preparing 43.101 documents and independent reports for stock exchange listings and private placements .

Prior to co-founding Toro Gold with Martin Horgan in 2009 Howard was Exploration Manager for AXMIN and General Manager of AXMIN's local operating company in the Central African Republic. Howard managed the discovery of the 3Moz Passendro gold project from grassroots to completion of the pre-feasibility study.

Gary Townsend *Chief Financial Officer*

Gary is a Fellow of the Institute of Chartered Accountants and a Chartered Taxation Adviser. For the majority of the last 20 years he has worked for major gold mining companies in Africa in senior financial roles. From 1996 to 2004, he was Group Financial Controller of Ashanti Goldfields where he was in charge of structuring the finance department in order to accommodate several acquisitions including that of SAMAX. Within this role Gary was also integral in setting up and running the internal budgetary and reporting systems dealing with the Group's seven mining operations across Africa, mitigating tax liabilities and helping to refinance the Group prior to the Company being sold to Anglo Gold in June 2004.

Gary has also held positions as Chief Financial Officer and Company Secretary at Guinor Gold (which was subsequently sold to Crew Gold for US$350m following a raising of US$130m in equity and project finance to fund mine expansion) and more recently Horizonte Minerals Plc where he dealt with all financial aspects required for the operations in London, Peru and Brazil.

Glen Armstrong *Senior Environmental and Social Performance Advisor*

An environmental scientist and public health specialist by training, Glen has over 30 years' experience in environmental management and social development, much of it International, having worked extensively across Africa, Latin America and South East Asia as well as Europe.

As Managing Director of Aspinwall and Company he led one of the UK's leading and most respected consultancies before joining IFC as head of its Environmental and Social Development team in Washington DC, responsible for environmental and social analysis of all its investments worldwide. After moving back to the UK he continued as an advisor to IFC and the World Bank during which he played a key role in facilitating the Equator Principles. In 2003 he co-founded Sustainable Finance Ltd providing E&S risk management services to over 40 major Banks globally before the Company was acquired by PWC in 2008. Since 2008 he has acted as an advisor to a range of organisations.

Paul Cannon *Environmental and Social Performance Manager*

Paul is an environmental and social specialist with over 15 years' experience integrating environmental and social sustainability into the design and implementation of work plans and projects. Over the last 10 years he has worked in the West African mining sector as both a consultant and within industry. This has included site-based accountability for environmental and social performance and the facilitation of permitting processes for new projects.

Previously he worked as an environmental and social consultant in Australia and Asia . During this time he successfully managed projects for the private sector, government and development agencies (including World Bank, Asian Development Bank, Agence Française de Développement, UNIDO, UNHabitat and DANIDA). Much of his work has been undertaken in the natural resource development sector, particularly associated with impact assessment, baseline studies, and management and monitoring planning for large infrastructure projects in the mining and energy sectors.

Russell White *Mako Project Manager*

Russell White has almost 30 years' experience in mineral processing including 14 years in mine commissioning and operations and 13 years in consulting engineering as Process Engineer and Project Design, and Commissioning Manager for firms such as Ausenco, Lycopodium and BHP Engineering. Russell has gained significant experience in African gold development through his work on numerous West African gold projects – Prior to his role as Design and Study Manager at Endeavour's Agbaou, Hounde and Nzema Sulphide gold projects, he fulfilled the role of Design and Commissioning Manager at Teranga's Sabodala gold operation in Senegal. More recently he has designed and managed the installation of crushing circuits at the Nzema and Tabakoto projects for Endeavour Mining.

Adrian Defreitas *Mako General Manager*

Mr. De Freitas is a mining engineer with over 35 years of experience in the industry. Prior to joining Toro Gold, Mr. De Freitas was General Manager of the Youga open pit and CIL gold mine in Burkina Faso, Endeavour Mining Corporation's first operating mine, and was a member of the operational management team that supported the growth of the company from a single asset to a multiple operating mine business producing 500,000 ounce per year within a six year period. Prior to joining Endeavour, Mr. De Freitas held senior operational, technical and business development positions with Katanga Mining Ltd at its Kolwezi operations in the DRC and at several of AngloGold Ashanti's operations in sub-Saharan Africa. Mr. De Freitas is a Chartered Engineer with a degree in Mining Engineering from the Imperial College of Science and Technology and cut his teeth in the industry on the Zambian Copper-belt

Report of the Directors

Report of the Directors for the year ended 31 December 2017

The Directors present their report together with the Group financial statements for the year ended 31 December 2017. There is no ultimate controlling party as the Company has a large number of shareholders; the most significant shareholdings as at the date of signing are held by QG Africa Mining (30 %), Tembo Capital (27 %) and Resource Capital Funds (27 %).

Principal Activity

Toro Gold Limited is a gold exploration and development company focused on sub-Saharan Africa. The Group completed the construction of the Mako gold mine with a first gold pour in January 2018. In addition, the Group has a portfolio of interests in exploration projects in Cote d'Ivoire and Gabon.

Results & Dividends

The results for the year are set out on page 24.
The Directors do not recommend the payment of a dividend (2016: Nil).

Directors

Adonis Pouroulis

Martin Horgan

Robert Sinclair

Howard Bills (resigned 30 January 2018)

Boubacar Thera

Mark Connelly (resigned 30 January 2018)

Martin Reed (resigned 30 January 2018)

Laurence Marsland (appointed 30 January 2018)

Mark Lynam (appointed 11 June 2018)

David Street (appointed 11 June 2018)

Key Performance Indicators

The key performance indicators of the Group are as follows:

	2017 US$'000	2016 US$'000
Cash at bank (including restricted cash)	**36,201**	4,748
Payments in respect of intangible assets and property, plant and equipment for the year	**104,333**	35,768

Financial Instruments

Details of the use of financial instruments by the Group and financial risk management are set out in note 19 to the financial statements.

Events after the Reporting Date

See note 28 for further information.

Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements for the Group in accordance with applicable Guernsey law and regulations.

Guernsey legislation requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

The Directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

International Accounting Standard 1 requires that the financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on a going concern basis unless, having assessed the ability of the Group to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative to do so.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure the financial statements comply with The Companies (Guernsey) Law 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement as to disclosure of information to auditors

Each of the Directors, who were all members of the Board at the time of approving the financial statements, confirms that having made enquiries of fellow Directors:

- so far as the Directors are aware, there is no relevant information of which the Company's Auditors are unaware; and
- they have taken all the steps that ought to have been taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next annual general meeting.

By order of the Board

Artemis Secretaries Limited

Secretary

Date: *16th July 2018*

Independent Auditor's Report to Members of Toro Gold Limited

Opinion

We have audited the financial statements of Toro Gold Limited (the "Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the Consolidated statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to Members of Toro Gold Limited (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Parent Company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

BDO LLP

Chartered Accountants

55 Baker Street

London

W1U 7EU

Date: *16th July 2018*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income
for the year ended 31 December 2017

	Note	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Other administrative expenses	7	**(4,396)**	(2,921)
Share based payments		**(1,693)**	(342)
Total administrative expenses		**(6,089)**	(3,263)
Exploration costs expensed	12	**(64)**	(96)
Total operating expenses		**(6,153)**	(3,359)
Loss from operations	5	**(6,153)**	(3,359)
Finance income	8	**33**	638
Finance expense	8	**(2,874)**	(1,760)
Loss for the year before taxation		**(8,994)**	(4,481)
Taxation expense	9	**(42)**	(28)
Loss and other comprehensive loss for the year		**(9,036)**	(4,509)
Loss and other comprehensive loss for the year attributable to:			
Owners of the parent		**(9,033)**	(4,506)
Non-controlling interest		**(3)**	(3)
		(9,036)	(4,509)
Loss per share attributable to owners of the parent:			
Basic and diluted (US$)	10	**(0.10)**	(0.10)

The notes on pages 28 to 52 form part of these financial statements.

Consolidated statement of financial position
as at 31 December 2017

	Note	As at 31 December 2017 US$'000	As at 31 December 2016 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**221,640**	101,334
Intangible assets	12	**5,113**	3,034
Derivative financial assets*	15	**-**	2,138
Total non-current assets		**226,753**	106,506
Current assets			
Ore stockpile inventory		**1,370**	-
Trade and other receivables	14	**283**	2,367
Derivative financial assets*	15	**90**	-
Cash and cash equivalents	16	**36,201**	4,748
Total current assets		**37,944**	7,115
Total assets		**264,697**	113,621
LIABILITIES			
Current liabilities			
Trade and other payables	17	**25,999**	16,265
Loans and borrowings	18	**11,905**	-
Current tax liabilities		**25**	31
Total current liabilities		**37,929**	16,296
Non-current liabilities			
Loans and borrowings	18	**80,676**	-
Derivative financial liabilities	18	**10,543**	-
Decommissioning provision	20	**7,076**	-
Total non-current liabilities		**98,295**	-
Total liabilities		**136,224**	16,296
Net assets		**128,473**	97,325
EQUITY AND RESERVES			
Share capital	21	**1,420**	1,019
Share premium	21	**180,524**	142,434
Share based payments reserve		**7,511**	5,818
Retained losses		**(60,947)**	(51,914)
Equity attributable to the owners of the parent		**128,508**	97,357
Non-controlling interest		**(35)**	(32)
Total equity		**128,473**	97,325

*refer to Note 2.

The financial statements were approved and authorized for issue by the Board of Directors on 16th July 2018 and were signed on its behalf by:

Martin Horgan
Director

The notes on pages 28 to 52 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2017

	Note	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Operating activities			
Loss for the year		**(9,036)**	(4,509)
Add:			
Depreciation of property, plant and equipment		**-**	24
Share based payments		**1,693**	342
Movement in fair value of derivatives	8	**2,048**	(638)
Interest income	8	**(33)**	-
Interest and other finance expense	8	**-**	1,760
Foreign exchange loss	8	**826**	-
Taxation expense	9	**42**	28
Operating loss before changes in working capital		**(4,460)**	(2,993)
Movement in inventories		**(1,370)**	-
Movement in receivables		**152**	32
Movement in payables		**272**	(99)
Cash outflow from operating activities before tax		**(5,406)**	(3,060)
Interest received	8	33	-
Corporation tax paid		**(47)**	(19)
Net cash outflow from operating activities		**(5,420)**	(3,079)
Investing activities			
Payments in respect of intangible assets		**(2,098)**	(13,050)
Payments in respect of property, plant and equipment (including interest capitalised of US$2,183,000 in 2017)		**(102,235)**	(22,718)
Increase in restricted cash	16	**(5,000)**	-
Purchase of financial assets (gold options)		**-**	(1,500)
Cash outflow used in investing activities		**(109,333)**	(37,268)
Financing activities			
Issue of ordinary shares, net of issue costs		**38,424**	36,667
Proceeds from borrowings, net of transaction costs	24	**102,782**	9,949
Repayment of borrowings	18	**-**	(2,000)
Payments of transaction costs (deferred) related to borrowings		**-**	(1,653)
Interest paid on borrowings		**-**	(171)
Net cash inflow from financing activities		**141,206**	42,792
Net change in cash and cash equivalents		**26,453**	2,445
Cash and cash equivalents at the start of the year		**4,748**	2,303
Cash and cash equivalents at the end of the year	16	**31,201**	4,748
Restricted cash		**5,000**	-
	16	**36,201**	4,748

Refer to note 23 for material non cash transactions.

The notes on pages 28 to 52 form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2017

Group	Share capital US$'000	Share premium US$'000	Share based payments US$'000	Retained losses US$'000	Equity attributable to owners of parent US$'000	Non-controlling interest US$'000	Total US$'000
Balance as at 1 January 2016	392	80,622	6,990	(47,408)	40,596	(29)	40,567
Total comprehensive loss for the year	-	-	-	(4,506)	(4,506)	(3)	(4,509)
Issue of capital	370	36,657	-	-	37,027	-	37,027
Issue costs	-	(374)	-	-	(374)	-	(374)
Share options exercised	14	-	-	-	14	-	14
Transfer on exercise of options	-	1,514	(1,514)	-	-	-	-
Conversion of loan and interest	243	24,015	-	-	24,258	-	24,258
Share based payments	-	-	342	-	342	-	342
Balance as at 31 December 2016	**1,019**	**142,434**	**5,818**	**(51,914)**	**97,357**	**(32)**	**97,325**
Total comprehensive loss for the year	-	-	-	(9,033)	(9,033)	(3)	(9,036)
Issue of capital	400	39,600	-	-	40,000	-	40,000
Issue costs	-	(1,576)	-	-	(1,576)	-	(1,576)
Share based payments	1	66	1,693	-	1,760	-	1,760
Balance as at 31 December 2017	**1,420**	**180,524**	**7,511**	**(60,947)**	**128,508**	**(35)**	**128,473**

The following describes the nature and purpose of each reserve within shareholders' equity:

Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value and amounts transferred from the share based payment reserve on exercise of options
Share based payments reserve	Reserve in respect of share based payments, net of amounts transferred to share premium on exercise of options
Retained losses	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income
Non-controlling interest	Represents a 30 % shareholding in Toro Gold Gabon Limited and Toro Gold Gabon SARL

The notes on pages 28 to 52 form part of these financial statements.

Notes to the consolidated financial information

1 General information

Toro Gold Limited ("Toro Gold" or the "Company") is a company incorporated and domiciled in Guernsey with registration number 50076. The Group's administrative and registered office is at Trafalgar Court, Admiral Park, Guernsey GY1 3EL. The nature of the Group's operations and its principal activities are set out in the Directors' Report.

2 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial information are set out below. This financial information has been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union (IFRS). The adoption of all of the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to the operations and effective for annual reporting periods beginning on 1 January 2017 are reflected in this financial information.

The preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial information, are disclosed in note 3

Reclassification

The directors have reconsidered the presentation of derivative financial assets that was shown as at 31 December 2016. Accordingly, US$2,138,000 has now been presented as a non-current asset instead of a current asset. This reclassification has had no effect on profit or net assets but has increased non-current assets as at 31 December 2016 by US$2,138,000 and reduced current assets as at that date by an equivalent amount.

New accounting standards

The following new standards and amendments to standards are mandatory for the first time for the Group for financial year beginning 1 January 2017. The implementation of these standards did not have a material effect on the Group.

Standard	Effective date	Impact on initial application
Annual Improvements to IFRSs (2014 - 2016 Cycle)	1 Jan 2017	No impact
IAS 12 (Amendment) – Recognition of deferred tax assets for unrealised losses	1 Jan 2017	No impact
IAS 7 (Amendment) – Disclosure initiative	1 Jan 2017	No impact

Accounting policies (continued)

Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of this financial information which have not been adopted early:

Standard	Description	Effective date
IFRS 9	Financial Instruments	1 Jan 2018
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018
IFRS 2	Amendment – Classification and measurement of share based payment transactions	1 Jan 2018*
IFRS 16	Leases	1 Jan 2018
IFRS22	Foreign currency transactions and advance consideration	1 Jan 2018*
IFRS 4	Amendment – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 Jan 2018

**Not yet been endorsed by the European Union at the date that this financial information was approved and authorised for issue by the Board.*

IFRS 15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognize revenue and how much revenue to recognize. The core principle is that an entity recognizes revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group commenced gold sales in 2018 and will prepare their 2018 accounts in accordance with this standard.

IFRS 16 introduces a single lease accounting model. This standard requires lessees to account for all leases under a single on-balance sheet model. Under the new standard, a lessee is required to recognize all lease assets and liabilities on the balance sheet; recognize amortization of leased assets and interest on lease liabilities over the lease term; and separately present the principal amount of cash paid and interest in the cash flow statement. Management are currently assessing the impact of this standard as certain contracts for services, such as mining contractor arrangements, can give rise to lease arrangements.

IFRS 9 "Financial instruments" addresses the classification and measurement of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Management are currently assessing the standard's full impact, but do not expect a material change.

Going concern

Having prepared forecasts and projections based on current expected revenues, expenditures and financial commitments for a period of at least 12 months from the date of these financial statements, the Directors believe that the Group will be able to meet its obligations as they fall due, and accordingly have adopted the going concern basis for the preparation of these financial statements.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

Basis of consolidation

Where the Company has control, either directly or indirectly, over another entity or business, it is classified as a subsidiary. Control exists when the Company has power over an investee, exposure to variable returns and the ability to use its power to effect those returns. The consolidated financial information presents the result of the Company and its subsidiaries (the "Group") as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full.

Joint operations

The group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. The group classifies its interests in joint arrangements as a joint operation where it has both the rights to assets and obligations of the joint arrangement.

The Group accounts for its interests in joint operations by recognizing its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

Functional and presentation currency

The functional currency of the Company and its subsidiaries is US Dollars and the Group has adopted US Dollars as its presentation currency.

Foreign currencies

In the accounts of individual Group companies, Toro translates foreign currency transactions into the functional currency at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in currencies other than US Dollar are translated at the year-end exchange rate with any exchange gain or loss going to profit or loss.

Intangible assets

Intangible assets comprise capitalised costs associated with acquiring, exploring and evaluating the Group's mineral properties. When a decision is made to proceed to development, the related expenditures will be transferred to property, plant and equipment. This transfer is based on the Board's assessment of the project feasibility and the existence of an approved mining convention. Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the Group, the related costs are written off.

These assets are not amortised but are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost.

Depreciation is provided on all items of property, plant and equipment (except for development costs in respect of assets under construction) so as to write off the carrying value of an item, less its estimated residual value, on a straight-line basis over the expected useful economic life of that item as follows:

Buildings and infrastructure (in mining properties and development costs)	- 10% per annum
Plant and equipment	- 25% per annum
Vehicles	- 25% per annum
Office equipment	- 25% per annum

Where the economic benefit of assets is consumed but those assets are utilised on the Mako development project the depreciation is capitalised as part of development costs. The estimated useful lives, residual values and depreciation method are reassessed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Accounting policies (continued)

Mine property and development costs include exploration and evaluation costs transferred on development of an exploration property. Prior to reclassification, exploration and evaluation assets are assessed for impairment and any impairment loss is recognised immediately in the statement of comprehensive income. Mine development costs are not amortized during the development phase but are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable, at least at each balance sheet date. A mining and development property is considered to be capable of operating in a manner intended by management when it commences commercial production. The criteria used to assess the point at which commercial production begins includes factors such as the complexity of a plant and its location. The group considers various relevant criteria to assess when the mine construction project is substantially complete and ready for its intended use and moves into the production stage. Some of the criteria would include but are not limited to the following:

- The level of capital expenditure compared to construction cost estimates;
- Completion of a reasonable period of testing of the mine plant and equipment;
- The ability to produce gold in saleable form; and
- The ability to sustain commercial levels of gold production including throughout rates, recovery rates and resulting production.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction and development costs ceases and subsequent costs are either regarded as inventory or expensed, except for capitalisable costs related to subsequent mining asset additions or improvements, open cast stripping, mine development or ore reserve development.

The group records strategic spare parts within property, plant and equipment and depreciates such assets based on its depreciation policy. Ore stockpiles and consumables established or acquired during the construction phase and forecast to be utilized during the period prior to commercial production are capitalized within property, plant and equipment.

Revenue generated during the period prior to commercial production is recorded in the income statement. The group records a charge to mining and processing costs equivalent to the revenue earned on such production and records a reduction in mine development costs, reflecting the contribution towards the costs of development of such revenues.

Upon commencement of commercial production a development property is transferred to a mining property and will be depreciated on a unit-of-production basis.

Impairment of assets

Intangible assets (exploration and evaluation costs)

Intangible exploration and appraisal assets are reviewed regularly for indicators of impairment following the guidance in IFRS 6 'Exploration for and Evaluation of Mineral Resources' and tested for impairment where such indicators exist.

In accordance with IFRS 6 the Group considers the following facts and circumstances in their assessment of whether the Group's exploration assets may be impaired:

- whether the period for which the Group has the right to explore in a specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- whether substantive expenditure on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- whether exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable deposits and the Group has decided to discontinue such activities in the specific area; and
- whether sufficient data exists to indicate that although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

If any such facts or circumstances are noted, the Group, as a next step, perform an impairment test in accordance with the provisions of IAS 36. In such circumstances the aggregate carrying value of the mining exploration and assets is compared against the expected recoverable amount of the cash generating unit. The recoverable amount is the higher of value in use and the fair value less costs to sell.

Property, plant and equipment

The carrying amounts of mine development costs and other property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the consolidated statement of total comprehensive income and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in the prior years.

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Group's cash-generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairments are recognised in the consolidated statement of total comprehensive income to the extent that the carrying amount exceeds the assets recoverable amount. The revised carrying amounts are amortised in line with the Group's accounting policies.

Share - based payments

Where equity settled share awards are granted to employees or directors, the fair value of the awards at the date of grant is charged to the consolidated statement of total comprehensive income over the vesting period. Non-market 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 recognised over the vesting period is based on the number of awards that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the awards granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market 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 awards are modified before they vest, the increase in the fair value of the awards, measured immediately before and after the modification, is also charged to the consolidated statement of total comprehensive income over the remaining vesting period.

Where the terms and conditions of awards are modified such that non-market based performance conditions are amended, the cumulative share based payment charges are adjusted in the year to reflect the revised assessment of the number of awards expected to vest and the associated vesting period.

Where equity instruments are granted to persons other than employees for goods received or services rendered, the consolidated statement of total comprehensive income is charged with the fair value of goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Financial instruments

Financial assets

Financial assets consist of cash at bank, trade and other receivables, and derivative financial assets.

Trade and other receivables are non-derivative financial assets that are initially recognised at fair value and subsequently carried at amortised cost.

Cash and cash equivalents include cash in hand and short-term deposits with original maturities of three months or less.

Derivative financial assets are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of total comprehensive income. Fair value includes assessment of counterparty credit risk when significant.

Financial liabilities

Financial liabilities are classified into one of two categories, trade and other payables and other financial liabilities. Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Other financial liabilities comprise of derivative financial liabilities and borrowings. Derivative financial liabilities are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of total comprehensive income.

Borrowings are recognised initially at fair value, which equates to the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Royalty instruments issued with a term loan as part of a single funding arrangement are classified as derivative instruments and initially recorded at fair value and deducted from the initial fair value of the term loan instrument as a transaction cost (see above).

Accounting policies (continued)

Subsequently, the royalty derivative liability is recorded at fair value through profit and loss with changes in fair value recorded in finance income or expense.

The Group accounts for convertible debt as compound instruments. Where the embedded conversion feature qualifies as equity, the proceeds received from convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not convert. The remainder of the proceeds, representing the embedded option to convert the liability into equity of the Company, is included in equity. Issue costs are apportioned between the liability and equity components of the convertible debt where appropriate based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

For convertible debts where the embedded conversion feature qualifies as a derivative liability, the proceeds from the convertible debt are allocated between the debt liability and the derivative liability components. The derivative liability is initially measured at fair value and the residual amount is assigned to the debt liability component. Issue costs are apportioned between the debt liability and derivative liability components based on their relative carrying amounts at the date of issue. The portion relating to the derivative liability is charged to the consolidated statement of total comprehensive income.

Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity. The derivative liability is remeasured to fair value at each reporting date with changes in the fair value recognized in the consolidated statement of total comprehensive income.

Share capital

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 a financial asset. The Company's ordinary shares are classified as equity instruments.

Transaction costs that are directly attributable to equity issues are recorded as a reduction in share premium.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale which, in the case of mineral properties, is when they are capable of commercial production. Exploration and evaluation stage assets are generally not considered to meet the qualifying criteria. All other borrowing costs are charged to the consolidated statement of total comprehensive income, as incurred.

Decommissioning provision

The Group recognizes future rehabilitation costs in the financial statements. The net present value of estimated future rehabilitation costs is capitalised within property, plant and equipment on initial recognition. Rehabilitation will generally occur on closure or after closure of a mine. Initial recognition is at the time of the construction or disturbance occurring and thereafter as and when additional construction or disturbances take place. Annual increases in the provision due to the unwinding of the discount are recognised in the statement of comprehensive income as finance costs in the period in which they are incurred. The present value of additional disturbances and changes in the estimate of the rehabilitation liability are recorded to mining assets against an increase/decrease in the rehabilitation provision. The rehabilitation asset is amortised on a unit of production basis. Rehabilitation projects undertaken, included in the estimates, are charged to the provision as incurred. Environmental liabilities, other than rehabilitation costs, which relate to liabilities arising from specific events, are expensed when they are known, probable and may be reasonably estimated.

Taxation

Income tax expense represents the sum of the current tax and deferred tax charge for the year.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

Deferred tax is calculated at the tax rates that have been enacted or substantially enacted and are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to the statement of total comprehensive income, except when it relates to items charged or credited direct to equity, in which case the deferred tax is also dealt within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Inventories

Inventories include materials and stores and gold inventories (ore stockpile, gold in process and gold ore) and are stated at the lower of cost or net realizable value.

Costs of gold inventories include all costs incurred up until production of an ounce such as mining costs, milling costs and directly attributable mine general and administrative costs but exclude transport costs, refining costs and royalties. Cost of ore stockpiles include costs incurred up to the point of stockpiling, such as mining and grade control costs, but exclude future costs of production. Ore extracted is allocated to stockpiles based on estimated grade, with grades below defined cut-off levels treated as waste and expensed.

Net realizable value is based on estimated contained gold, market gold prices applicable to the expected realization of the inventory, and estimated costs to complete production and bring the product to sale.

Stores and materials consist of consumable stores and are valued at weighted average cost after appropriate impairment of redundant and slow moving items. Consumable stock for which the group has substantially all the risks and rewards of ownership are brought onto the statement of financial position as current assets.

Stripping costs

Stripping costs incurred during the development phase of the mine as part of the initial pit stripping are capitalized as mine development costs within property, plant and equipment. Stripping costs incurred after production commences are capitalized if and only if all of the following are met:

- it is probable that future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the Group;
- the component of the ore body for which access has been improved can be identified; and
- the costs relating to the stripping activity associated with that component or components can be measured reliably.

Once determined that any portion of the stripping costs should be capitalized, the average life of mine stripping ratio for the component of the ore body is used to determine the portion of stripping costs that should be capitalized. Costs capitalized as stripping assets are depreciated on a unit of production basis, with reference to the estimated gold reserves from the relevant ore body or component.

3 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Exploration and evaluation costs

The Group capitalises exploration and evaluation costs (note 12) until it is capable of determining whether its exploration efforts were successful and the project is capable of entering development and production, and such assets are assessed for indicators of impairment under IFRS 6 (see accounting policy note 2) to determine if there are conditions suggesting that the carrying amount may exceed the recoverable value thereof. This assessment involves judgement and included assessment of the Group's strategic plans, the progress and results of exploration activity in the year and the status of licences and remaining term to expiry amongst other factors. Certain licences expired during the period and subsequent to year end and applications have been submitted for renewal of the relevant licences which the Group expects to be approved in due course.

The carrying amount of capitalised exploration and evaluation costs as at 31 December 2017 was US$5,113,000 (2016: US$3,034,000).

Judgment was required regarding the point at which the Mako project previously held in exploration and evaluation costs was considered economically and technically feasible for development. This status was considered to have been achieved in 2016 following the receipt of an approved mining concession.

Accounting policies (continued)

Mine development cost carrying values

The Group assessed the carrying value of property, plant and equipment, which substantially relates to the Mako project under development, for impairment. In forming its assessment, which required judgment, the Group considered the economic model to determine a recoverable value. The value in use assessment of the mine includes key estimates and judgments including gold price, ore reserves and future production, operating and capital costs and the risk adjusted discount rate. The economic model demonstrates significant headroom and is modelled at US$1,276 per oz gold price throughout the life of mine. An 11% reduction in gold prices would be required to reduce the net present value to the carrying value of the asset. In forming its conclusion that the asset is recoverable, the Directors considered the independent Competent Person's Report on the mineral reserves and resources, the economic model and the valuations implied by the equity funding received in the year.

Share-based payments

The Group determines the fair value of equity-settled share-based payments, using valuation techniques and models which are significantly affected by the assumptions used. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately. The methods and assumptions applied, and valuations models used are disclosed in note 22.

Deferred transaction costs in 2016

The Group had incurred US$2,086,000 of deferred transaction costs as at 31 December 2016 in respect of the Project Finance debt facilities disclosed in note 18. Judgment was required in recognising the costs as assets, however the treatment was considered appropriate given the expectation that the facility would be completed and drawn in 2017. Following the completion of the agreement and drawdown of the facility in 2017, these costs have now been accounted for in accordance with the Group's policy on borrowing costs.

Fair value of financing instruments

The Group determines the fair value of gold options (note 15) based on valuations provided by the counterparty banks. The Group determines the fair value of royalty instruments issued as part of funding arrangements using valuation techniques and models which are significantly affected by the assumptions used. The methods and assumptions applied, and valuations models used, together with sensitivity analysis for the key assumptions are disclosed in note 19.

Judgement was required in determining the fair value of shares issued in lieu of fees as detailed in note 21.

Decommissioning provision

The Group's decommissioning provision is based on the net present value of management's best estimates of future rehabilitation costs. Judgement is required in establishing the disturbance and associated rehabilitation costs at the year end, timing of costs, discount rates and inflation. In forming estimates of the cost of rehabilitation which are risk adjusted the Group assessed the Environmental Management Plan and reports provided by independent experts. The costs have been escalated at an inflation rate of 2% and discounted at nominal US Treasury Bill rates ranging from 1.76% to 2.4%. Actual costs incurred in future periods could differ materially from the estimates and changes to environmental laws and regulations, life of mine estimates, inflation rates and discount rates could affect the carrying amount of the provision.

The carrying amount of the rehabilitation obligations for the group at 31 December 2017 was US$7,076,000 (2016: Nil).

Contractor mobilisation and establishment costs

The Group incurred contractor mobilization and establishment costs during the year of US$4,092,000 in respect of the mining contract for the Mako Gold operation. Payment for these costs was deferred for 12 months and the company has the option to settle this liability in cash or through the issue of Toro Gold shares. The Company has commenced discussions with the contractor on the mode of settlement and has treated these costs as a cash liability at 31 December 2017 having considered all relevant facts and circumstances.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

Ore stockpile inventory

The Group determines the value of stockpiles based on measured stockpile tonnes and estimated grades, plant recoveries, costs incurred and the costs to completion. As the Company has not commenced commercial production at the Mako Gold operation, judgement was required in determining the value of ore stockpiles. Stockpile quantities included in the valuation has been based on total stockpile at the end of the period adjusted for ore expected to be used to commission the plant and reflects management's best estimates of the duration of the commissioning period and expected plant throughput rates.

4. Segment information

Toro is engaged in gold exploration and development, and information is presented mainly on a geographical basis to the Board of Directors and senior management for the purposes of resource allocation and the assessment of segment performance. The Group has three reportable segments comprising Senegal, Cote D'Ivoire and corporate activities.

31 December 2017	Senegal US $ '000	Cote D'Ivoire $ '000	Corporate $ '000	Total $ '000
Other administrative expenses	-	-	(4,396)	(4,396)
Share based payments	-	-	(1,693)	(1,693)
Exploration costs expensed	-	-	(64)	(64)
Loss from operations	-	-	(6,153)	(6,153)
Finance income	-	-	33	33
Finance expense	-	-	(2,874)	(2,874)
Taxation expense	-	-	(42)	(42)
Loss after tax	-	-	(9,036)	(9,036)
Additions to non-current assets	121,848	1,459	-	123,307
Total assets	226,223	4,558	33,916	264,697
Total liabilities	(40,757)	(38)	(95,429)	(136,224)

31 December 2016	Senegal US $ '000	Cote D'Ivoire US $ '000	Corporate US $ '000	Total US $ '000
Other administrative expenses	-	-	(2,921)	(2,921)
Share based payments	-	-	(342)	(342)
Exploration costs expensed	-	-	(96)	(96)
Loss from operations	-	-	(3,359)	(3,359)
Finance income	-	-	638	638
Finance expense	-	-	(1,760)	(1,760)
Taxation expense	-	-	(28)	(28)
Loss after tax	-	-	(4,509)	(4,509)
Additions to non-current assets	48,423	1,909	-	50,332
Total assets	102,180	3,153	8,288	113,621
Total liabilities	(15,738)	(7)	(551)	(16,296)

Accounting policies (continued)

5 Loss from operations

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
The loss from operations is stated after:		
Share based payments	**1,693**	342
Depreciation	**-**	24
Auditor's remuneration:		
audit of the Group and subsidiary financial statements	**127**	80
non-audit services		
– Corporate advisory	**258**	-
– Taxation	**73**	50

6 Employment costs

		Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
(a)	**Employment costs, including directors**		
	Wages and salaries	**7,594**	5,043
	Social security costs	**335**	433
	Share based payments	**1,693**	342
		9,622	5,818
	Less employment costs capitalised	**(6,240)**	(3,618)
	Net expense (including share based payments)	**3,382**	2,200

Included in staff costs are amounts which have been capitalised within property, plant and equipment and intangible assets – exploration and evaluation costs.

		Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
(b)	Key management remuneration		
	Wages and salaries	**1,891**	1,746
	Share based payments	**1,429**	53
		3,320	1,799

Key management comprises the directors and 4 (2015: 3) members of senior management across the parent and subsidiary companies.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

7 Expenses by nature

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Wages and salaries, including directors	**1,502**	1,649
Social security costs	**187**	209
Administration services	**171**	83
Legal and professional fees	**1,544**	149
Travel and related costs	**164**	95
Loss on Foreign Exchange	**-**	191
Rent and rates	**178**	181
Communications	**121**	85
Other costs	**529**	279
Total	**4,396**	2,921

8 Finance income and expense

Finance Income

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Fair value gain on derivatives (see notes 15 and 19)	**-**	638
Interest income	**33**	-
Total	**33**	638

Finance expense

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Fair value loss on derivatives (see notes 18 and 19)	**2,048**	-
Interest and other finance expense (see note 18)	**-**	1,760
Net foreign exchange loss	**826**	-
Total	**2,874**	1,760

Accounting policies (continued)

9 Taxation

The Company is tax resident in Guernsey, where corporate profits are taxed at zero percent. The Group's subsidiary companies which are incorporated in Guernsey are also taxed at zero percent. The Group's subsidiary companies in Australia, Senegal and Gabon are taxed at 30%. The Group's subsidiary in Mauritius is taxed at an effective rate of 3%. The Group's subsidiary Toro Technical Services Limited is a United Kingdom resident company where profits earned on providing management services are taxed at 20% (2016: 20%).

No taxable charge arose in the year in Senegal (2016: Nil).

Factors affecting the tax charge for the year

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in Guernsey applied to losses for the year are as follows:

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Loss on ordinary activities for the year before tax	**(8,994)**	(4,481)
Loss on ordinary activities for the year at the standard rate of corporation tax in Guernsey of 0% (2016: 0%)	-	-
Difference in overseas tax rates	**40**	26
Disallowable expenses	**2**	2
Total taxation charge	**42**	28

The Company had tax losses carried forward on which no deferred tax asset is recognized. Deferred tax assets were not recognised as there is insufficient certainty regarding the timing of future profits against which these assets could be utilised.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

10 Loss per share

Basic and diluted loss per share is calculated as follows:

	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Loss attributable to owners of the parent (US$'000)	**(9,033)**	(4,506)
Weighted average number of ordinary shares in issue (in thousands)	**92,243**	43,414
Basic/diluted loss per share (US$)	**(0.10)**	(0.10)

Potentially dilutive share awards are detailed in note 22, however these do not have any dilutive impact as the Group reported losses for the years ended 31 December 2017 and 31 December 2016.

11 Property, plant and equipment

	Mine property and development US$'000	Machinery and other equipment US$'000	Vehicles US$'000	Total US$'000
Cost				
At 1 January 2016	**922**	**1,820**	**788**	**3,530**
Additions	37,992	335	392	38,719
Transfers	61,014	93	-	61,107
At 31 December 2016	**99,928**	**2,248**	**1,180**	**103,356**
Additions	119,231	1,395	602	121,228
At 31 December 2017	**219,159**	**3,643**	**1,782**	**224,584**
Depreciation				
At 1 January 2016	**176**	**667**	**597**	**1,440**
Charge	89	358	135	582
At 31 December 2016	**265**	**1,025**	**732**	**2,022**
Charge	245	498	179	922
At 31 December 2017	**510**	**1,523**	**911**	**2,944**
Net book value				
At 31 December 2017	**218,649**	**2,120**	**871**	**221,640**
At 31 December 2016	**99,663**	**1,223**	**448**	**101,334**
At 31 December 2015	**746**	**1,153**	**191**	**2,090**

Net book value of assets under construction at 31 December 2017 is US$218,223,000 (2016: US$98,992,000) including amounts transferred from deferred exploration and evaluation costs in 2016. Assets under construction are not being depreciated. Additions to mine property and development costs for the year ended 31 December 2017 include capitalized borrowing costs of US$6,707,000 (2016: Nil) and decommissioning asset of US$7,076,000 (2016: Nil).

Deferred exploration and evaluation costs of US$61,107,000 were transferred to property, plant and equipment during 2016 (refer note 12) in respect of the Mako project. For the year ended 31 December 2017 US$913,000 (2016: US$558,000) of the depreciation charge has been capitalised within mine property and development and US$9,000 has been capitalised within exploration and evaluation costs.

Accounting policies (continued)

12 Intangible assets

	Exploration and evaluation costs US$'000
Cost	
At 1 January 2016	**52,528**
Additions during the year	11,613
Transfers	(61,107)
At 31 December 2016	**3,034**
Additions during the year	2,079
At 31 December 2017	**5,113**

Additions in 2017 and 2016 included expenditure on the Group's joint operation in Cote d'Ivoire. In March 2015 the Company signed an agreement with Predictive Discovery Limited ("PDI") under which Toro Gold can earn up to a 90% interest in PDI's Cote d'Ivoire subsidiary on the completion of certain milestones. The joint operation is an exploration project in Cote d'Ivoire. Toro Gold's participating interest at 31 December 2017 is 65% (2016: 51%) upon achieving a minimum exploration spend thresholds. Exploration costs since the attainment of the 65% interest in February 2017 is being co-funded 65% by Toro and 35% by Predictive Discovery Limited. The arrangement is considered to represent a joint arrangement based on the terms of the agreement, notwithstanding the existing equity shareholding as decisions about the relevant activities require the unanimous consent of the parties. As such, the Group recognises its costs incurred on the exploration project.

Exploration and evaluation costs amounting to U$64,000 were expensed during the year (2016: US$96,000). These related to expenditures on projects considered to be of no further commercial value to the Group.

Following the Board's assessment of the feasibility of the Mako project and decision to proceed to development, and the receipt of the necessary permits, including the award of the Mining Concession in July 2016, deferred exploration and evaluation costs of US$61,107,000 were transferred to property, plant and equipment.

The remaining exploration and evaluation costs relate to projects in Senegal and Cote d'Ivoire. As the projects are not yet in production no amortisation has been charged for the year ended 31 December 2017 (2016: Nil).

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

13 Investments

Details of the investments in which the Group and the Company (unless indicated) holds 50 % or more of the nominal value of any class of share capital at 31 December 2017, excluding dormant entities, are as follows:

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
Bambuk Minerals Limited a company incorporated in Mauritius	Ordinary shares	100 %	Exploration company
Mako Exploration Company S.A. a company incorporated in Senegal	Ordinary shares	100 %	Exploration company
Toro Technical Services Limited a company incorporated in the United Kingdom	Ordinary shares	100 %	Services company
Toro Gold Equatorial Limited a company incorporated in Guernsey	Ordinary shares	100 %	Exploration company
Toro Gold Gabon Limited a company incorporated in Guernsey	Ordinary shares	70 %	Exploration company
Toro Gold Gabon SARL a company incorporated in Gabon	Ordinary shares	70 %	Exploration company
Petowal Mining Company S.A. a company incorporated in Senegal	Ordinary shares	90 %	Mining company
Toro Gold Pty Limited a company incorporated in Australia	Ordinary shares	100 %	Services company
Predictive Discovery CI SARL a company incorporated in Cote D'Ivoire	Ordinary shares	65 %	Exploration company

The Mako project assets and liabilities in Senegal were held by Mako Exploration Company S.A. in 2016 and have been transferred to Petowal Mining Company S.A. in 2017.

14 Other receivables

	As at 31 December 2017 US$'000	As at 31 December 2016 US$'000
Deferred finance transaction costs (note 3)	-	2,086
Prepayments	**175**	134
Other receivables	**108**	147
	283	2,367

Accounting policies (continued)

15 Derivative financial assets

	As at 31 December 2017 US$'000	As at 31 December 2016 US$'000
Assets at fair value through profit and loss	90	2,138
	90	**2,138**

Derivative financial assets of US$90,000 at 31 December 2017 (2016: US$2,138,000) represent the fair value of put options purchased by the Company in November 2016 as part of a gold price hedging strategy. The Company paid a premium of US$1.5 million for 31,490 ounces of gold at a strike price of US$1, 100 per ounce with maturities ranging from March 2018 to December 2018.

The fair value loss on the derivative financial asset during the year ended 31 December 2017 was US$2,048,000 (2016: Gain of US$638,000). Potential sensitivity of results to changes in gold prices exists as the fair value of the derivative financial asset is impacted by changes in gold prices and maturity. The gold price increase from the beginning of the year to 31 December 2017 by 13 % and the reduction in the time to maturity of the options resulted in the associated derivative financial asset decreasing in fair value by 96 %. The fair value was determined based on valuations provided by the counterparty.

16 Cash and cash equivalents

	As at 31 December 2017 US$'000	As at 31 December 2016 US$'000
Analysis by currency		
US Dollar balance	**33,062**	2,096
CFA Franc balance	**2,480**	766
Sterling balance	**458**	673
Euro balance	**152**	1,011
Australian Dollar balance	**49**	202
	36,201	4,748

Cash and cash equivalents include restricted cash of US$5,000,000 in a Cost Overrun Reserve Account in accordance with the conditions of the Taurus Debt facility (see note 18). The Company may only withdraw amounts from this account with the prior consent of Taurus.

17 Trade and other payables

	As at 31 December 2017 US$'000	As at 31 December 2016 US$'000
Trade payables	**18,979**	14,819
Accruals	**7,020**	1,446
	25,999	16,265

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

17 Trade and other payables (continued)

Trade payables and accruals arise in different currency amounts, as set out below.

	As at 31 December 2017 US$'000	As at 31 December 2016 US$'000
CFA Franc balance	**16,530**	3,716
British Pound Sterling (GBP)	**821**	441
United States Dollars (USD)	**7,574**	10,165
Euro (EUR)	**465**	21
Australian Dollar (AUD)	**609**	1,922
	25,999	16,265

Included within trade and other payables is US$23,180,000 (2015: US$15,751,000) in respect of capital expenditure items which are included in note 11 and 12 but adjusted when recognizing cash payments in the consolidated statement of cash flows. Trade and other payables also include US$4,092,000 that the Company has the option to settle in cash or through the issuance of equity. The Company anticipates the amount being settled based on consideration of current facts and circumstances

18 Other financial liabilities

(a) Derivative financial liabilities

	As at 31 December 2017 US$'000	As at 31 December 2016 US$'000
Liabilities at fair value through profit or loss	**10,543**	-
	10,543	-

The US$110 million Taurus Debt Facility entered into by the Group in 2017 (see note 18b) provides that the Company pay Taurus a royalty of 1.1 % on gross gold proceeds on gold production up to 1.4 million ounces. The royalty payable is considered to represent a derivative financial instrument and therefore accounted for at fair value through profit or loss.

On initial recognition the fair value of royalty payable has been recorded as a deduction against the carrying value of the Taurus term loan (18(b)) and is being amortised over the term of the loan using the effective interest rate method. Subsequent movements in fair value will be charged to the consolidated statement of comprehensive income. The Group assessed the fair value of the royalty at inception and year end and no significant change in the liability was considered to exist.

The fair value was determined using the Company's Life of Mine forecast gold production, future gold prices based on assessment of broker gold price forecasts and a discount rate of 6 % to reflect a market participants assessment of the risk associated with the royalty. The royalty liability includes production forming part of the Life of Mine plan, comprising proven and probable reserves of 1.03 million ounces and excludes potential conversion of resources to reserves as the fair value associated with such production is considered immaterial to a market participant at present given the inherent uncertainties associated with such resource conversion.

A 10 % increase in the forecast gold price would increase the liability by US$1,220,000, a 10 % increase/decrease in the discount rate would decrease/increase the liability by US$218,000.

Accounting policies (continued)

18 Other financial liabilities (continued)

(a) Loans and borrowings

	Taurus Bridge Loan Facility US$'000	Taurus Debt Facility US$'000	Total US$'000
At 1 January 2017	-	-	-
Drawdowns	40,000	70,000	110,000
Transfer of Bridge Loan	(40,000)	40,000	-
Un-amortised finance costs	-	(17,419)	(17,419)
At 31 December 2017	**-**	**92,581**	**92,581**
Current	-	11,905	11,905
Non-current	-	80,676	80,676
At 31 December 2017	**-**	**92,581**	**92,581**

2016

In June 2015 Toro signed a secured Convertible Bridge Loan Agreement for US$15million with its three largest shareholders, RCF, Tembo and Macquarie Bank (the "Lenders"). Interest was at 10 % per annum and the loan was repayable by 4 June 2016. In February 2016 the Convertible Bridge Loan was increased from US$15 million to US$25 million on existing terms with maturity extended from 4 June 2016 to 5 August 2016.

The Lenders had the option to convert the loan into new ordinary shares under certain conversion events at conversion prices dependent on the conversion event. The Lenders could also elect to have any fees and interest payable under the Agreement to be satisfied by the issue of new ordinary shares.

The loan agreement provided for the following conversion prices:

- At £1.25 per share in the event of change of control of the Company or of ownership of the Mako project
- In all other events, at £1.00 per share until an equity raising has been completed or at the price per share paid in the last equity raising that was completed

The different conversion share prices would not result in the Company issuing a fixed number of its equity shares for a fixed amount of cash therefore the conversion option qualified as an embedded derivative liability. At inception and at 31 December 2015, management believed, based on all available information, that the most probable event would be a cash repayment to Macquarie with the remainder of the loan being converted before maturity into equity as part of the next equity raise to fund the Mako mine construction. The conversion was therefore expected to be at market price on the conversion date and the derivative liability had no value.

On maturity the Company repaid US$2 million of the loan (plus interest) in cash and the remaining US$23 million (plus interest) was converted into equity. Refer to note 21 for details.

Interest and other finance expense on the convertible debt during the year ended 31 December 2016 was US$1,760,000 reflecting the coupon interest rate and previously unamortised transaction costs

2017

Taurus Bridge Loan

In January 2017 the Company entered into and fully drew down a US$40 million Secured Bridge Finance Facility with Taurus, a specialist mining fund. Interest was payable at 9 % per annum and repayable on the earlier of:

(i) 30 September 2017; and

(ii) The first utilisation of the US$100 million Project Finance facility with Taurus.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

In September 2017, the Bridge Loan was transferred to the Taurus Debt Facility (see below). Interest and other finance costs on the Bridge Loan during the year ended 31 December 2017 of US$4,101,000 has been capitalized as part of Property, Plant and Equipment.

Taurus Debt Facility

In May 2017 the Group entered into a US$100 million Project Term Loan Facility with Taurus in respect of the construction of the Mako Gold Mine in Senegal. The facility was increased by US$10 million to US$110 million in October 2017 and was fully drawn down at 31 December 2017. Interest is fixed at 9 % per annum with interest paid quarterly in arrears and the loan is repayable in eight semi-annual instalments commencing 30 September 2018 and ending 31 March 2022. Additionally, a royalty of 1.1 % is payable on gross gold proceeds on gold production up to 1.4 million ounces to Taurus. Refer to note 18a.

Finance costs relating to the Taurus Debt Facility and deducted from the carrying value of the liability includes fees and transactions costs of US$7,701,000 and the initial fair value of the royalty payable to Taurus valued at US$10,543,000. Interest and other finance costs on the facility during the year ended 31 December 2017 of US$2,606,000, comprising of interest payable to Taurus of US$1,781,000 and amortised finance costs of US$825,000, has been capitalized as part of Property, Plant and Equipment.

19 Financial risk management

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group'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 this financial information.

The significant accounting policies regarding financial instruments are disclosed in note 2.

There have been no substantive changes in the Group'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 this note.

Principal financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises, are as follows:

	As at 31 December 2017 US$'000	As at 31 December 2016 US$'000
Loans and receivables at amortised cost		
Trade and other receivables	**108**	147
Cash and cash equivalents	**36,201**	4,748
Financial assets at fair value through profit or loss		
Derivative financial assets	**90**	2,138
Financial liabilities held at amortised cost		
Trade and other payables	**25,999**	16,265
Loans and borrowings	**92,581**	-
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities	**10,543**	-

Accounting policies (continued)

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and retains ultimate responsibility for them.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Liquidity Risk

The main financial risk facing the Group is the availability of adequate funding. In keeping with similar sized exploration groups, its continued future operations depend on the ability to raise sufficient working capital. The Group finances itself through the issue of equity share capital and borrowings. Management monitors its cash and funding requirements through the use of ongoing cash forecasts.

Cash is held on short term deposits so that it is readily available for the payment of liabilities.

Credit Risk

Credit risk is the risk that a counterparty fails to discharge its obligations in respect of a financial instrument. The Group has no significant financial assets except for cash and cash equivalents.

In relation to its cash and cash equivalents, the Group has to manage its currency exposures and the credit risk associated with the credit quality of the financial institutions in which the Group maintains its cash resources. The Group ensures that cash balances are held with reputable financial institutions within the countries in which it operates.

Currency Risk

Foreign exchange risk arises because the Group is operating in parts of the world where the primary currency is not US Dollars and therefore foreign exchange risk arises on transactions entered into in a currency other than the functional currency of US Dollars.

The Group primarily settles its liabilities in CFA, Sterling, US Dollars, Euros or Australian Dollars. Trade and other payables by currency are set out in note 17. The impact of a 10 % favourable movement in the US dollar would result in a foreign exchange gain of approximately US$1,843,000 and a 10 % adverse movement would result in a corresponding loss. Cash balances by currency as at 31 December 2017 are set out in note 16. The impact of a 10 % favourable movement in the US Dollar would lead to a foreign exchange gain of approximately US$314,000, and a 10 % adverse movement would lead to a corresponding loss.

The Group has no formal policy in respect of foreign exchange risk. Currency exposure is reviewed on an ad hoc basis. Unrealised gains and losses arising on the translation of monetary assets and liabilities arising in currencies other than the US Dollar are included within the consolidated statement of comprehensive income.

Capital

The Group seeks to maintain sufficient capital to enable its growth and safeguard its ability to continue as a going concern in order to provide returns for shareholders and to fund exploration opportunities.

Fair Value

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available fair values have been calculated as set out in note 18.

The fair value of financial instruments carried at amortised cost with a maturity of less than one year approximates to their book values.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

Financial Instruments Hierarchy

Derivative financial assets and liabilities are measured at fair value on initial recognition and then subsequently re-measured at fair value by reference to valuation models and the probability of outcome scenarios and categorised as level 3 measurements:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3) Level 3 fair value measurements:

Level 3 fair value measurements:

Derivative financial assets	As at 31 December 2017 US$'000	As at 31 December 2016 US$'000
At 1 January 2017	**2,138**	-
Additions	**-**	1,500
Fair value adjustment (note 8)	**(2,048)**	638
	90	2,138

Derivative financial liabilities	As at 31 December 2017 US$'000	As at 31 December 2016 US$'000
At 1 January 2017	**-**	-
Additions	**10,543**	-
	10,543	-

The fair value of the derivative financial asset on gold options is based on the valuation provided by the instrument's counterparty.

The fair value of royalty payable to Taurus in note 18 was based on a discounted cashflow model using the Company's Life of Mine forecast gold production, future gold prices based on analyst forecasts and a discount rate that reflects the liability. The fair value change between inception and 31 December 2017 was not significant.

20 Decommissioning provision

	US$'000
At 1 January 2017	**-**
Additions during the year	7,076
At 31 December 2017	**7,076**

The provision relates to the estimated mine closure and rehabilitation costs for the Mako Gold project in Senegal. The Group makes provision for future costs of rehabilitating and decommissioning based on discounted cash flows and the provision represents the present value of expected rehabilitation costs based on disturbance incurred at 31 December 2017.

Accounting policies (continued)

21 Share capital

As at 31 December 2017, the total issued share capital of Toro Gold is comprised of 103,736,183 ordinary shares. The shares have a nominal value of £0.01 per ordinary share. The Company's authorised share capital is unlimited:

	Number of ordinary shares	Share capital US$'000	Share Premium US$'000	Total US$'000
At 1 January 2016	**24,558,340**	**392**	**80,622**	**81,014**
Issue of capital, net of issue costs	27,840,048	370	36,283	36,653
Shares issued for loan and interest conversion	18,222,318	243	24,015	24,258
Shares issued on exercise of options	1,115,500	14	-	14
Transfer on exercise of share options	-	-	1,514	1,514
At 31 December 2016	**71,736,206**	**1,019**	**142,434**	**143,453**
Issue of capital, net of issue costs	32,026,977	401	38,090	38,491
At 31 December 2017	**103,736,183**	**1,420**	**180,524**	**181,944**

In May 2017, the Company as part of the overall funding for the construction of the Petowal Gold Mine, issued 31,976,977 new ordinary shares at a price of £1(US$1.25) per share to QG Africa Mining LP for net proceeds of US$38,424,000. Toro also issued 50,000 shares during 2017 to a consultant for services provided to the Company. The fair value was determined to be £1 per share.

In August 2016, Toro Gold Limited completed a private placement of 27,840,048 ordinary shares at £1.00 per share for net cash proceeds of US$36,653,000. The Company also issued a total of 18,222,318 shares at £1.00 per share to Resource Capital Funds (RCF) and Tembo Capital on conversion of the principal and interest on the US$23 million Convertible Bridge Loan entered into in June 2015. In 2016, Toro also issued 1,115,500 shares at £0.01 for options exercised during the year. US$1,514,000 of cumulative share based payment reserve in respect of these options was reclassified to share premium on exercise of the options.

As at 31 December 2017 there were options and warrants in issue over 4,682,500 (2016: 4,410,500) shares.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

22 Share based payments

(a) Share Options

In 2012 the Company continued to operate the 'Toro Gold Option Plan (established in 2009). The Plan gives the Directors discretion to grant options up to a maximum of 10 % of the Company's issued share capital and provides that the exercise price to be not less than the Market Value at the date of grant. No option shall be exercisable before the expiration of six months from the date of grant when half of the share options become exercisable with the remainder of the share options becoming exercisable after twelve months. No option is exercisable more than five years after the date of grant. 285,000 options at an exercise price of £3.75 per share were granted in February 2012 and 120,000 options at an exercise price of £4.75 per share were granted in November 2012 under the scheme. 227,000 of the options granted in February and 80,000 of the options granted in November were cancelled in 2014.

In April 2014 the Company implemented a scheme that awarded share options to certain directors and employees of the Company. These equity settled options have an exercise price of £0.01p per share and vest on completion of certain non-market performance conditions as determined by the Board, and are capable of being exercised up to 10 years from grant. The options carried no market performance conditions. No options were granted under the scheme in the year ended 31 December 2017 (2016: 130,000) and no options issued under the scheme were exercised during the year (2016: 1,115,000).

In February 2015, the Company granted 500,000 equity settled options to Tembo Capital for advisory services. The options have an exercise price of £1.50 per share and have all vested as at 31 December 2017 (2016: 200,000). The profit and loss charges were determined based on the fair value of the equity instrument as the fair value of the services could not readily be determined.

In November 2016 the Company implemented an employee incentive scheme that awarded share options to certain directors and employees of the Company. The equity settled options have an exercise price of £0.05p per share and vest on completion of certain non-market performance conditions as determined by the Board, and are capable of being exercised up to 10 years from grant. There are no market performance conditions. 395,000 options were granted under the scheme in the year ended 31 December 2017 (2016: 3,083,000).

In total, the Company granted 395,000 options during the year ended 31 December 2017(2016: 3,213,000). No options were exercised during the year (2016: 1,115,000) and 98,000 options expired during the year (2016: 96,000). The total fair value of options issued during the year was US$454,000 (2016: US$3,547,000).

At 31 December 2017 a total of 4,682,500 (2016: 4,385,000) options were outstanding of which 610,000 (2016: 298,000) were exercisable. The weighted average remaining contractual life of the options in issue as at 31 December 2017 was 6.99 years with a range of exercise prices from £0.01 to £1.50.

Options outstanding were valued at grant date using the Black-Scholes model using the following inputs:

Date of grant	Share price	Exercise price	Expected volatility	Expected life	Risk free rate	Expected dividends	Estimated fair value
February 2012	£3.00	£3.75	100 %	5 years	1.07 %	0 %	£1.93
November 2012	£3.50	£4.75	100 %	5 years	0.68 %	0 %	£2.20
April 2014	£1.50	£0.01	89 %	5 years	1.82 %	0 %	£1.34
February 2015	£1.00	£1.50	64 %	4 years	1.08 %	0 %	£0.35
July 2016	£1.00	£0.01	64 %	3 years	0.22 %	0 %	£0.89
November 2016	£1.00	£0.05	64 %	5 years	0.68 %	0 %	£0.86
September 2017	£1.00	£0.05	70 %	4 years	0.66 %	0 %	£0.86

Judgment was required in determining the Company's share price, the volatility rate and expected life of the options. In respect of the grants in 2017 and 2016 the share price was determined with reference to equity placings for cash. Volatility rates were determined with reference to listed peer companies and the expected life was estimated by management. Judgment was required in assessing the number of options expected to vest, based on progress against non-market performance conditions.

Accounting policies (continued)

(b) Warrants

The Company did not issue any warrants during 2017 (2016: Nil) and no warrants were exercised (2016: Nil). 25,000 warrants lapsed during the year (2016: Nil). There were no warrants outstanding at 31 December 2017 (2016: 25,000).

The warrants outstanding at 31 December 2016 were valued using the Black-Scholes model using the following inputs:

Date of grant	Share price	Exercise price	Expected volatility	Expected life	Risk free rate	Expected dividends	Estimated fair value
February 2014	£1.50	£3.00	87 %	3 years	0.16 %	0 %	£0.54

23 Material non cash transactions

	As at 31 December 2017 US$'000	As at 31 December 2016 US$'000
Investing and financing activities:		
Convertible Bridge Loan converted into shares	-	23,000
Loan fees and interest converted into shares	-	1,258
Bridge Facility extinguished with Debt Facility drawdown	**40,000**	-
Non-cash Capitalised Interest	**4,524**	-
Capitalised decommissioning asset	**7,076**	-
Deferred exploration and evaluation costs transferred to property, plant and equipment	-	61,107

24 Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

The Group's liabilities arising from financing activities consist of loans and borrowings (note 18)

			NON-CASH CHANGES			
	As at 1 January 2017 US$'000	Financing cash flows US$'000	Fair value of royalty (note 18a) US$'000	Finance costs amortised US$'000	Other changes US$'000	As at 31 December 2017 US$'000
Loans and borrowings (note 18b)	-	102,782	(10,543)	825	(483)	**92,581**
	-	102,782	(10,543)	825	(483)	**92,581**

Other changes include finance costs accruals and payments made in prior years.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

25 Contingent liabilities and commitments

As at 31 December 2017, the Group had capital commitments of US$8,753,000 (2015: US$65,589,000). The Group had no contingent liabilities.

26 Commitments under operating leases

As at 31 December 2017, the Group had commitments under non-cancellable operating leases as set out below:

	Land and buildings 2017 US$'000	Land and buildings 2016 US$'000
Payments due:		
Within one year	**187**	116
In two to five years	**187**	-
	374	116

27 Related party transactions

Pursuant to an agreement dated 7 April 2009, Artemis Trustees Limited, a company of which Mr Robert Sinclair is a Director and ultimately a shareholder, was appointed by the Company to provide administration and secretarial services. Fees are chargeable on a time spent basis, calculated by reference to time, work type and skills involved in providing the services. Fees invoiced during the year totalled US$83,000 (2016: US$83,000) of which US$23,000 was outstanding at the year end and paid in February 2018.

PilotHole Pty Limited (PilotHole) is a company where Martin Reed is a Director. PilotHole did not provide any consultancy services or receive any payment in respect of consultancy services from Toro during the year ended 31 December 2017 (2016: US$17,000).

Refer to notes 18 and 21 for financing transactions with shareholders including participation in the private placing, conversion and repayment of loan notes.

Refer to note 5 for key management remuneration.

28 Events after the reporting date

In March 2018, Toro Gold Limited completed a private placement of 948,327 ordinary shares at £1.50 (US$2.13) per share for gross proceeds of US$2 million.

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