Consolidated Financial Statements of

TERANGA GOLD CORPORATION

For the years ended December 31, 2016 and 2015

CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
DECEMBER 31, 2016
(in $000's of United States dollars, except per share amounts)

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and, where relevant, the choice of accounting principles. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditors, Ernst & Young LLP, have conducted an audit in accordance with generally accepted auditing standards, and their report follows.

Richard Young
President and Chief Executive Officer

Navin Dyal
Chief Financial Officer

Building a better
working world

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Teranga Gold Corporation

We have audited the accompanying consolidated financial statements of Teranga Gold Corporation, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Teranga Gold Corporation as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

February 22, 2017
Toronto, Canada

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the years ended December 31,	
	Note	**2016**	**2015**
Revenue	7	268,850	224,620
Mine operation expenses	8	(137,486)	(126,792)
Depreciation and amortization	9	(44,042)	(48,092)
Cost of sales		(181,528)	(174,884)
Gross Profit		**87,322**	**49,736**
Exploration and evaluation expenditures		(4,760)	(2,525)
Administration expenses	10	(8,973)	(10,835)
Corporate social responsibility expenses		(3,613)	(2,853)
Share-based compensation	35	(4,405)	(1,761)
Finance costs	11	(4,363)	(3,159)
Impairment charge	18	-	(90,000)
Net foreign exchange (losses)/gains		(2,589)	1,901
Other (expenses)/income	12	(7,401)	1,381
		(36,104)	**(107,851)**
Profit/(loss) before income tax		**51,218**	**(58,115)**
Income tax (expense)/recovery	13	(23,327)	2,502
Net profit/(loss)		**27,891**	**(55,613)**
Net profit/(loss) attributable to:			
Shareholders		23,109	(50,543)
Non-controlling interests		4,782	(5,070)
Net profit/(loss) for the year		**27,891**	**(55,613)**
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit for the year			
Change in fair value of available for sale financial asset, net of tax		(250)	-
Other comprehensive loss for the year		**(250)**	**-**
Total comprehensive income/(loss) for the year		**27,641**	**(55,613)**
Total comprehensive income/(loss) attributable to:			
Shareholders		22,859	(50,543)
Non-controlling interests		4,782	(5,070)
Total comprehensive income/(loss) for the year		**27,641**	**(55,613)**
Earnings/(loss) per share from operations attributable to the shareholders of the Company during the year			
- basic earnings/(loss) per share	27	0.06	(0.14)
- diluted earnings/(loss) per share	27	0.06	(0.14)

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,	
	Note	2016	2015
Current assets			
Cash and cash equivalents	33b	95,188	44,436
Trade and other receivables	14	9,882	15,701
Inventories	15	49,987	57,529
Other current assets	17	8,330	9,381
Available for sale financial assets	16	1,171	-
Total current assets		**164,558**	**127,047**
Non-current assets			
Inventories	15	121,245	106,898
Property, plant and equipment	19	185,404	193,426
Mine development expenditures	20	314,522	237,046
Deferred income tax assets	21	20,084	23,098
Other non-current assets	17	7,564	8,701
Total non-current assets		**648,819**	**569,169**
Total assets		**813,377**	**696,216**
Current liabilities			
Trade and other payables	22	47,409	62,545
Current income tax liabilities		19,834	8,685
Deferred revenue	24	21,353	19,155
Provisions	25	4,979	2,588
Total current liabilities		**93,575**	**92,973**
Non-current liabilities			
Borrowings	23	13,844	13,450
Deferred revenue	24	47,462	72,190
Provisions	25	29,494	28,236
Deferred income tax liabilities	21	1,185	-
Other non-current liabilities	22	10,884	11,098
Total non-current liabilities		**102,869**	**124,974**
Total liabilities		**196,444**	**217,947**
Equity			
Issued capital		496,326	385,174
Foreign currency translation reserve		(998)	(998)
Other components of equity		17,514	16,905
Retained earnings		90,903	67,794
Equity attributable to shareholders		**603,745**	**468,875**
Non-controlling interests		13,188	9,394
Total equity		**616,933**	**478,269**
Total equity and liabilities		**813,377**	**696,216**

The accompanying notes are an integral part of these consolidated financial statements

Approved by the Board of Directors

Alan Hill
Director

Alan Thomas
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	For the years ended December 31, 2016	2015
Issued capital			
Beginning of year		385,174	367,837
Shares issued from public and private offerings	26	112,788	17,454
Issued on exercise of stock options	35	198	-
Less: Share issue costs	26	(1,834)	(117)
End of year		496,326	385,174
Foreign currency translation reserve			
Beginning of year		(998)	(998)
End of year		(998)	(998)
Other components of equity			
Beginning of year		16,905	16,255
Equity-settled share-based compensation expense		918	650
Value of compensation cost associated with exercised options		(59)	-
Investment revaluation reserve on change in fair value of available for sale financial asset, net of tax		(250)	-
End of year		17,514	16,905
Retained earnings			
Beginning of year		67,794	118,337
Profit/(loss) attributable to shareholders		23,109	(50,543)
End of year		90,903	67,794
Non-controlling interest			
Beginning of year		9,394	14,464
Non-controlling interest - portion of profit/(loss) for the period		4,782	(5,070)
Non-controlling interest - acquisition of Gryphon	6	(988)	-
End of year		13,188	9,394
Total equity as at December 31		**616,933**	**478,269**

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	For the years ended December 31, 2016	2015
Cash flows related to operating activities			
Net profit/(loss) for the year		27,891	(55,613)
Impairment charge		-	90,000
Depreciation of property, plant and equipment	19	21,103	22,703
Depreciation of capitalized mine development costs	20	19,159	19,526
Inventory movements - non-cash	9	5,566	7,458
Capitalized deferred stripping - non-cash	9	(1,511)	(1,374)
Amortization of advanced royalties		2,557	1,892
Gain on sale of exploration rights		-	(400)
Amortization of intangibles		80	247
Amortization of deferred financing costs		690	793
Unwinding of discounts	11	975	951
Share-based compensation	35	4,405	1,761
Deferred gold revenue recognized	24	(22,530)	(22,653)
Deferred income tax expense/(recovery)	21	3,365	(11,219)
Loss on disposal of property, plant and equipment		32	84
Interest on borrowings		(1,307)	(459)
Increase in inventories		(11,333)	(14,164)
Changes in non-cash working capital other than inventories	33a	(4,413)	(9,099)
Net cash provided by operating activities		**44,729**	**30,434**
Cash flows related to investing activities			
Expenditures for property, plant and equipment	33c	(17,965)	(23,962)
Expenditures for mine development	33c	(34,532)	(23,545)
Acquisition of intangibles		(647)	(175)
Net cash from Gryphon acquisition	6	8,321	-
Investment in Gryphon common shares	6	(3,306)	-
Net cash used in investing activities		**(48,129)**	**(47,682)**
Cash flows related to financing activities			
Net proceeds from equity offering	26	55,890	17,337
Proceeds from stock options exercised	26	139	-
Repayment of borrowings	23	-	(4,192)
Draw-down from revolving credit facility	23	-	15,000
Financing costs paid		(296)	(2,025)
Interest paid on borrowings		(1,457)	(247)
Net cash provided by financing activities		**54,276**	**25,873**
Effect of exchange rates on cash holdings in foreign currencies		(124)	1
Net increase in cash and cash equivalents		**50,752**	**8,626**
Cash and cash equivalents at the beginning of year		**44,436**	**35,810**
Cash and cash equivalents at the end of year		**95,188**	**44,436**
Taxes paid		8,688	-

The accompanying notes are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Teranga Gold Corporation ("Teranga" or the "Company") is a Canadian-based gold company listed on the Toronto Stock Exchange (TSX: TGZ) and the Australian Securities Exchange (ASX: TGZ). Teranga is principally engaged in the production and sale of gold, as well as related activities such as exploration and mine development.

Teranga operates the Sabodala gold mine and is currently exploring its exploration permits which are in the process of consolidation and renewal.

As part of the Company's strategy to become a multi-jurisdictional gold producer with diversified production and cash flow, Teranga entered into two transactions in 2016.

In second quarter 2016, Teranga entered into an agreement with Miminvest SA ("Miminvest"), a privately-held company controlled by Mr. David Mimran, a director of Teranga, relating to the exploration, development and production of minerals in Côte d'Ivoire.

On October 13, 2016, Teranga acquired Gryphon Minerals Limited ("Gryphon") in an all share transaction. Gryphon's key asset is the Banfora gold project, a permitted, open pit gold project located in Burkina Faso, West Africa.

The address of the Company's principal office is 121 King Street West, Suite 2600, Toronto, Ontario, Canada M5H 3T9.

2. BASIS OF PREPARATION

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries and were approved by the Board of Directors on February 22, 2017.

Certain comparative amounts have been restated to conform to the current year's presentation.

b. Basis of presentation

All amounts in the consolidated financial statements and notes thereto are presented in United States dollars unless otherwise stated. The consolidated financial statements have been prepared on the basis of historical cost, except for equity settled share based payments that are fair valued at the date of grant and cash settled share based payments that are fair valued at the date of grant and each period end and certain other financial assets and liabilities that are measured at fair value.

c. Functional and presentation currency

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of all entities within the group is the United States dollar, which is also the Company's presentation currency.

d. Critical accounting judgments and key sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses and income during the period. These judgments, estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience. While management believes that these judgments, estimates and assumptions are reasonable, actual results may differ from the amounts included in the consolidated financial statements.

Judgments made by management in the application of IFRS that have significant effects on the consolidated financial statements and estimates with a significant risk of material adjustments, where applicable, are contained in the relevant notes to the financial statements. Refer to Note 5 for critical judgments in applying the entity's accounting policies, and key sources of estimation uncertainty.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Consolidation

The consolidated financial statements are prepared by consolidating the financial statements of Teranga Gold Corporation and its subsidiaries as defined in IFRS 10 "Consolidated Financial Statements". Refer to Note 32 for a material listing of the Company's controlled subsidiaries.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all inter-company balances and transactions between entities in the group, including any unrealized profits or losses, have been eliminated.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the fair value of net assets acquired at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the business combination.

Total comprehensive profit/(loss) is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

b. Business Combination

Businesses combinations are accounted for using the acquisition method.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values at the acquisition date, the day on which the Company obtains control, of the assets transferred to the Company, the liabilities assumed by the Company to former owners of the acquiree and the equity interests issued by the Company in exchange of control over the acquiree. The Company accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except as follows:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with International Accounting Standards ("IAS") 12 Income Taxes and IAS 19 Employee Benefits, respectively.

- Assets or disposal groups that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

- Liabilities or equity instruments related to share-based remuneration of the acquiree or share-based remuneration of the Company entered into to replace such arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment.

In cases where the sum of the consideration transferred, the amount of non-controlling interest in the acquiree and the fair value of equity interests in the acquiree held previously by the Company exceeds the net value of identifiable assets and liabilities at the acquisition date, goodwill is measured at the excess amount. A gain is recorded through the consolidated statements of income if the cost of the acquisition is less than the fair values of the identifiable net assets acquired.

c. Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

d. Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a remaining maturity of 90 days or less at the date of acquisition.

When applicable, bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

e. Inventories

Gold bullion, gold in circuit and ore in stockpiles are physically measured or estimated and valued at the lower of cost and net realizable value. Cost represents the weighted average cost and includes direct costs and an appropriate portion of overhead costs, depreciation and amortization on property, plant and equipment used in the production process and depreciation and amortization of capitalized stripping costs. As ore is removed from inventory, costs are relieved based on the average cost per ounce in the stockpile.

By-product metals inventory on hand obtained as a result of the production process to extract gold are valued at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion, if any, and applicable costs to sell.

Materials and supplies are valued at the lower of cost and net realizable value. Any provision for obsolescence is determined by reference to specific inventory items identified. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss upon disposal.

f. Property, Plant and Equipment

Property, plant and equipment are measured on the historical cost basis less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment constructed by the Company includes the cost of materials, direct labour and borrowing costs where appropriate. Assets under construction and assets purchased that are not ready for use are capitalized under capital work in progress.

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

Depreciation

The depreciable amount of property, plant and equipment is depreciated over their useful lives of the asset commencing from the time the respective asset is ready for use. The Company uses the units-of-production ('UOP') method when depreciating mining assets which results in a depreciation charge based on the contained ounces of gold milled. Mining assets include buildings and property improvements, and plant and equipment.

The Company uses the straight-line method when depreciating office furniture and equipment, motor vehicles and mobile equipment.

Depreciation for each class of property, plant, and equipment is calculated using the following method:

Class of Property, Plant and Equipment	Method	Years
Buildings and property improvements	UOP	n/a
Plant and equipment	UOP	n/a
Office furniture and equipment	Straight-line	3 - 8 years
Motor vehicles	Straight-line	5 years
Mobile equipment	Straight-line	5 – 8 years

The assets' residual values, depreciation method and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Capital work in progress is not depreciated.

g. Exploration and Evaluation Expenditures and Mine Development Expenditures

Exploration and evaluation expenditures in relation to each separate area of interest are expensed in net profit within the consolidated statements of comprehensive income. Upon the determination of the technical feasibility and commercial viability of a project, further costs to develop the asset are recognized as mine development expenditures.

The development phase is determined to have commenced (i.e. the technical feasibility and commercial viability of extracting a mineral resource is considered to have occurred), when proven and probable reserves are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property.

Mine development expenditure assets comprise of costs incurred to secure the mining concession, acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortization of assets related to these activities. General and administrative costs are only included in exploration and evaluation costs where they are related directly to the operational activities in a particular area of interest. Upon reaching commercial production, these capitalized costs will be amortized using the units-of-production method over the estimated proven and probable reserves.

h. Deferred Stripping Activity

The cost of stripping activity in the production phase of surface mining will be recognized as an asset, only if, all of the following are met:

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

Once the cost associated with the stripping activity is deferred to asset, the cost or revalued amount will be amortized on a units of production basis in the subsequent period.

i. Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method is reviewed at the end of each annual reporting period with any changes in these accounting estimates being accounted for on a prospective basis.

j. Goodwill

Under the acquisition method of accounting, the costs of business combinations are allocated to the assets acquired and liabilities assumed based on the estimated fair value at the date of acquisition. The excess of the fair value of consideration paid over the fair value of the identifiable net assets acquired is recorded as goodwill, which is assigned

to the cash-generating unit ("CGU") or group of CGUs that are expected to benefit from the synergies of the business combination.

When there is goodwill, it is tested for impairment annually effective on November 1st unless there is an indication that goodwill is impaired and, if there is such an indication, goodwill will be tested for impairment at that time. For the purposes of impairment testing, goodwill is allocated to the Company's CGUs. The recoverable amount of a CGU is the higher of Value in Use ("VIU") and Fair Value Less Costs of Disposal ("FVLCD"). A goodwill impairment charge is recognized for any excess of the carrying amount of the unit over its recoverable amount. Goodwill impairment charges are not reversible.

As at December 31, 2016, the Company does not have any goodwill. There is no goodwill recognized in the preliminary purchase price allocation of the Gryphon acquisition.

k. Impairment of Long-lived Assets

At each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the FVLCD and the VIU. Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in net profit within the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in net profit within the statement of comprehensive income.

l. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in net profit within the statement of comprehensive income in the period in which they are incurred.

m. Employee Benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and long-term service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognized in respect of employee benefits are measured using the remuneration rate expected to apply at the time of settlement.

n. Deferred Revenue

Deferred revenue consists of payments received by the Company for future commitments to deliver payable gold at contracted prices. As deliveries are made, the Company will record a portion of the deferred revenue as sales. Refer to Note 24.

o. Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of past events for which it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the present value of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

p. Restoration and Rehabilitation

A provision for restoration and rehabilitation is recognized when there is a present obligation as a result of exploration, development and production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal or constructive obligation. Future restoration costs are reviewed at each reporting period and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

q. Income Tax

Current income tax

Current income tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. Current income tax is calculated on the basis of the law enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred income tax

Deferred income tax is recognized, in accordance with the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

r. Financial Instruments

Investments are recognized and derecognized on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit and loss.

- *Fair value through profit or loss*

Upon disposal of an investment, the difference in the net disposal proceeds and the carrying amount is charged or credited to net profit within the statement of comprehensive income.

- *Loans and receivables*

Trade and other receivables and loans that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest rate method less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the financial asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognized directly in other comprehensive income.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in net profit within the statement of comprehensive income immediately as the Company does not apply hedge accounting.

The fair value of derivatives is presented as a non-current asset or a non-current liability, if the remaining maturity of the instrument is more than twelve months and it is not expected to be realized or settled within twelve months and as a current asset or liability when the remaining maturity of the instrument is less than twelve months.

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

s. Available for sale Investments

Investments may be classified as an available for sale investment based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. Changes in market value, excluding other-than-temporary impairments, are recorded through other comprehensive income.

t. Share-based Payments

Stock option plan

The Company operates an equity-settled, share-based compensation plan for remuneration of its directors, management and employees.

The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options are granted. The fair value of the options is adjusted by the estimate of the number of options that are expected to vest as a result of non-market conditions and is expensed over the vesting period using an accelerated method of amortization.

Share-based compensation relating to stock options is charged to net profit within the consolidated statements of comprehensive income.

Restricted share units (RSUs)

The Company grants cash-settled awards in the form of RSUs to officers and certain employees of the Company.

Under the Company's RSU plan, each RSU granted has a value equal to the value of one Teranga common share. A portion of the RSUs vest equally over a three-year period and are settled in cash upon vesting. The RSU plan also includes a portion of RSUs that vest equally based on the Company's achievement of performance-based criteria over a three-year period.

RSUs are measured at fair value using the market value of the underlying shares at the date of the award grant. At each reporting period, the awards are re-valued based on the period-end share price with a corresponding charge to share-based compensation expense. RSUs that vest based on the achievement of performance conditions are revalued based on the current best estimate of the outcome of the performance condition at the reporting period. The cost of the award is recorded on a straight-line basis over the vesting period and is recorded within non-current liabilities on the consolidated statements of financial position, except for the portion that will vest within twelve months which is recorded within current liabilities. The expense for the award is recorded on a straight-line basis over the vesting period and is recorded within share-based compensation on the consolidated statements of comprehensive income.

Deferred share units (DSUs)

The Company grants cash-settled awards in the form of DSUs to directors of the Company.

Under the Company's DSU plan, each DSU granted has a value equal to the value of one Teranga common share. Directors have the option to elect to receive their Director compensation in the form of DSUs. These DSUs vest as they are granted. All remaining DSUs that are granted vest on the first anniversary of the grant date.

DSUs are measured at fair value using the market value of the underlying shares at the date of the grant of the award. At each reporting period, the awards are revalued based on the period-end share price with a corresponding charge to share-based compensation expense. The cost of the award is recorded on a straight-line basis over the vesting period and is recorded within current liabilities on the consolidated statements of financial position. The expense for the award is recorded on a straight-line basis over the vesting period and is recorded within share-based compensation on the consolidated statements of comprehensive income.

Fixed Bonus Plan Units (FBUs)

The Company operates a cash-settled, share-based compensation plan for certain management and employees.

The fair value of the FBUs granted is measured using the Black-Scholes option pricing model, taking into consideration the terms and conditions upon which the Units are granted. The fair value of the Units is adjusted by the estimate of the number of Units that are expected to vest as a result of non-market conditions and is expensed over the vesting period.

Share-based compensation relating to the Fixed Bonus Plan is charged to the consolidated statements of comprehensive income and revalued at the end of each reporting period based on the Black-Scholes valuation.

u. Revenue

Gold and silver bullion sales

Revenue is recognized when persuasive evidence exists that all of the following criteria are met:

- the shipment has been made;
- the significant risks and rewards of ownership of the product have been transferred to the buyer;
- neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the gold or silver sold, has been retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Interest income

Interest income is recognized in other expenses within the consolidated statements of comprehensive income.

v. Royalties

Royalties

Royalties, whether paid to the Government of Senegal or to third party interests, are based on gold sales and the liability is accrued as revenues are recognized. Royalties are separately reported as expenses and not deducted from revenue.

Advanced royalties

The Company is required to make payments related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the exploration licenses converted to mine licenses when the ore is processed through the Sabodala mill. The former Oromin Joint Venture Group ("OJVG") and Gora properties are subject to advanced royalties. The initial payment is accrued as a current and non-current liability and the advanced royalty is recorded within other current assets based on expected production from the properties over the next twelve months and the remaining amount is recorded within other non-current assets. The advanced royalty balance will be expensed through net profit based on actual production from the properties.

w. Earnings per Share

Basic earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary common shares outstanding during the financial period.

Diluted earnings or loss per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The dilutive effect of stock options is determined using the treasury stock method.

4. NEW STANDARDS AND INTERPRETATIONS

a. Standards, amendments and interpretations to existing standards that have been adopted by the Company

IAS 1, Presentation of Financial Statements ("IAS 1")

On January 1, 2016, the Company implemented certain amendments to IAS 1 which clarify guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statements of net income or loss and comprehensive income or loss, and which provide additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The implementation of amendments to IAS 1 had no impact to the Company's 2016 consolidated financial statements.

b. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

At the date of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 9, Financial Instruments ("IFRS 9")

In November 2009 and October 2010, the IASB issued the first phase of IFRS 9, Financial Instruments. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes a third measurement category for financial assets (fair value through other comprehensive income) and a single, forward-looking 'expected loss' impairment model. The adoption date for IFRS 9 is January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

The IASB has issued IFRS 15, Revenue from Contracts with Customers, which will replace IAS 11, Construction Contracts, and IAS 18, Revenue. The mandatory effective date of IFRS 15 is January 1, 2018 with early adoption permitted. IFRS 15 establishes a principle-based model to be applied to all contracts with customers in determining how and when revenue is recognized. IFRS 15 also requires entities to provide additional disclosures. The Company is currently evaluating the impact of adopting IFRS 15 in its consolidated financial statements in future periods.

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 which supersedes IAS 17 Leases and related interpretations. The new standard provides a single lessee accounting model which eliminates the distinction between operating and finance leases, by requiring lessees to recognize assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. The Company does not anticipate early adoption and plans to adopt the standard on its effective date of January 1, 2019. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements. At this point, the Company believes IFRS 16 will have minimal impact on the consolidated financial statements.

5. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following are critical judgments and estimations that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Ore reserves

Management estimates its ore reserves based upon information compiled by qualified persons as defined in accordance with the Canadian Securities Administrators' National Instrument 43-101 Standards for Disclosure for Mineral Projects requirements, which is similar to the Australasian standards. The estimated quantities of economically recoverable reserves are based upon interpretations of geological models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserve estimates can impact the carrying value of property, plant and equipment, mine development expenditures, provision for mine restoration and rehabilitation, the recognition of deferred tax assets, as well as the amount of depreciation and amortization charged to net profit within the consolidated statements of comprehensive income.

Units of production

Management estimates recovered ounces of gold in determining the depreciation and amortization of mining assets, including buildings and property improvements and certain plant and equipment. This results in a depreciation/amortization charge proportional to the recovery of the anticipated ounces of gold. The life of the asset is assessed annually and considers its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates and assumptions, including the amount of recoverable ounces of gold. The Company's units of production calculations are based on contained ounces of gold milled.

Mine restoration and rehabilitation provision

Management assesses its mine restoration and rehabilitation provision each reporting period. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent, the timing and the cost of rehabilitation activities, technological changes, regulatory change, cost increases, and changes in discount rates. Those uncertainties may result in actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability.

Impairment of non-current assets

Non-current assets are tested for impairment if there is an indicator of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset. Cash flows are discounted by an appropriate discount rate to determine the net present value. Management has assessed its CGUs as being all sources of mill feed through a central mill, which is the lowest level for which cash inflows are largely independent of other assets.

Production start date

Management assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Company considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to, the following:

- completion of a reasonable period of testing of the mine plant and equipment;
- ability to produce metal in saleable form; and
- ability to sustain ongoing production of metal.

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements or mineable reserve development. It is also at this point that depreciation/amortization commences.

Stripping costs in the production phase of a surface mine

Management assesses the costs associated with stripping activities in the production phase of surface mining. Deferred stripping is defined as the excess waste material moved above the average strip ratio to provide access to further quantities of ore that will be mined in future periods, which are estimated by management.

Taxes

Management is required to make estimations regarding the tax basis of assets and liabilities and related income tax assets and liabilities and the measurement of income tax expense and indirect taxes. This requires management to make estimates of future taxable profit or loss, and if actual results are significantly different than its estimates, the ability to realize any deferred tax assets or discharge deferred tax liabilities on the Company's consolidated statement of financial position could be impacted.

Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within the Company's control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims, that may result in such proceedings or regulatory or government actions that may negatively impact the Company's business or operations, the Company with assistance from its legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or assessing the impact on the carrying value of assets. Contingent assets are not recognized in the consolidated financial statements.

Determination of purchase price allocation

Business combinations require the Company to determine the identifiable asset and liability in fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities. This requires management to make judgements and estimates to determine the fair value, including the amount of mineral reserves and resources acquired, future metal prices, future operating costs, capital expenditure requirements and discount rates.

6. ACQUISITION

a. Acquisition of Gryphon

On October 13, 2016, Teranga completed the acquisition (the "Acquisition") of Gryphon Minerals Limited, by way of a scheme of arrangement (the "Scheme") under the Australian Corporations Act 2001 (Cth).

Pursuant to the Scheme, shareholders of Gryphon received an aggregate of 70,638,853 Teranga common shares or chess depository interests (CDIs) listed on the ASX (based on their election) on the basis of 0.169 Teranga common share or CDI for each Gryphon common share not already held by the Company. Each share was valued at C$1.032.

Gryphon's key asset is the 90 percent-owned Banfora gold project located in Burkina Faso, West Africa.

Management has determined that the acquisition of Gryphon was a business combination in accordance with the definition in IFRS 3, Business Combinations, and has accounted for the transaction in accordance with this standard. Accordingly, the acquisition cost has been allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. The Company used a discounted cash flow model to determine the fair value of Gryphon's identifiable assets and liabilities. Expected future cash flows were based on estimates of projected future revenues, production costs and capital expenditures. The purchase price allocation is preliminary due to the complexity of determining tax values for the purposes of calculating the deferred income taxes, continuing analysis of the salvage value of property, plant, and equipment and further work will be required to confirm the fair values of certain acquired assets and liabilities. The finalization of the purchase price allocation will be completed within 12 months of the acquisition date.

Since the date of acquisition to December 31, 2016, Gryphon has not recorded any revenue and incurred $1.2 million of expenditures and income tax expense of $0.4 million which are included in the consolidated statement of comprehensive income.

The following table presents the purchase price and the preliminary allocation of the purchase price to the assets and liabilities acquired. No goodwill has been recognized in the preliminary purchase price allocation.

Purchase Cost	
Shares issued to Gryphon shareholders	55,064
Replacement share appreciation rights ("SARs") to Gryphon employees	19
Total Acquisition Cost	**55,083**
Fair value of previously held interest	3,366
	58,449
Cash acquired with Gryphon	(8,321)
Consideration, net of cash acquired	**50,128**

Summary of Preliminary Purchase Price Allocation	
Assets	
Current assets	8,878
Non-current assets (excluding mine development)	2,687
Mine development costs	54,074
Total assets	**65,639**
Liabilities	
Current liabilities	7,343
Non-current liabilities	835
Total liabilities	**8,178**
Net assets acquired, before non-controlling interest	57,461
Non-controlling interest	988
Net assets acquired	**58,449**

7. REVENUE

	For the years ended December 31,	
	2016	**2015**
Gold sales - spot price	268,515	224,342
Silver sales	335	278
Total revenue	**268,850**	**224,620**

For the year ended December 31, 2016, 217,652 ounces of gold were sold including 22,500 ounces delivered to Franco Nevada Corporation ("Franco-Nevada") at an average realized price of $1,234 per ounce (2015: 193,218 ounces were sold, including 24,375 ounces delivered to Franco Nevada at an average price of $1,161 per ounce).

The Company realized cash proceeds from the sale of gold to Franco-Nevada equivalent to 20 percent of the spot gold price. Refer to Note 24.

The Company delivered all of its production to three customers in 2016 and four customers in 2015 as follows:

	For the years ended December 31,	
	2016	**2015**
Customer 1	198,368	41,301
Customer 2	42,320	151,520
Customer 3	28,162	28,315
Customer 4	-	3,484
Total revenue	**268,850**	**224,620**

8. MINE OPERATION EXPENSES

	For the years ended December 31,	
	2016	**2015**
Mine production costs	148,624	142,131
Royalties[(i)]	16,904	13,288
Regional administration costs	2,105	2,531
Capitalized deferred stripping	(18,492)	(14,547)
Inventory movements	(11,655)	(16,611)
Total Mine Operation Expenses	**137,486**	**126,792**

(i) Includes $1.0 million (2015: $0.3 million) of royalties to Axmin Inc. on account of their 1.5 percent net smelter royalty on the Gora deposit.

9. DEPRECIATION AND AMORTIZATION

	For the years ended December 31,	
	2016	**2015**
Depreciation and amortization	39,987	42,008
Inventory movements - depreciation	5,566	7,458
Capitalized deferred stripping - depreciation	(1,511)	(1,374)
Total Depreciation and Amortization	**44,042**	**48,092**

10. ADMINISTRATION EXPENSES

	For the years ended December 31,	
	2016	**2015**
Corporate office	7,418	7,721
Audit fees	380	468
Legal and other	1,088	2,391
Depreciation	87	255
Corporate Administration	**8,973**	**10,835**

11. FINANCE COSTS

	For the years ended December 31,	
	2016	**2015**
Interest and deferred financing costs on borrowings	1,997	1,252
Unwinding of discounts	975	951
Stocking fees	712	619
Bank charges	516	243
Other	163	94
Total finance costs	**4,363**	**3,159**

12. OTHER (INCOME)/EXPENSES

	For the years ended December 31,	
	2016	**2015**
Acquisition (i)	1,652	-
Gains on sale of exploration rights(ii)	-	(500)
Losses/(gains) on derivative instruments (iii)	2,155	(2,581)
Government of Senegal payments (iv)	1,033	1,973
Business process consulting	886	-
Business and other taxes (v)	1,339	-
Gryphon corporate office (vi)	407	-
Interest income and other income and expenses	(71)	(273)
Total other expenses / (income)	**7,401**	**(1,381)**

(i) Includes costs for legal, advisory and consulting related to the acquisition of Gryphon Minerals.

(ii) A settlement agreement was reached with a joint venture partner whereby Teranga relinquished its interest in the Garaboureya exploration permit in exchange for cash consideration of $0.5 million.

(iii) In February 2016, the Company entered into gold forward contracts with Société Générale to deliver 28,000 ounces with settlement dates from March to August 2016 at an average price of $1,201 per ounce. In February 2016, the Company also entered into zero cost collars with Macquarie Bank, which provided a floor price of $1,150 per ounce and provide exposure to the gold price of up to $1,312. These agreements covered 15,000 ounces of production between October and December 2016. During the year ended December 31, 2016, losses of $2.2 million were realized (2015: $2.6 million gain was realized on 28,000 ounces of gold forward sales contracts). As at December 31, 2016, there were no gold derivative contracts outstanding.

(iv) During the first quarter of 2016, the Company paid $1.0 million in prescribed fees (land registry and notary), related to the OJVG acquisition, to register its expanded Sabodala mining license area granted in July of 2015 which incorporated the Gora deposit area (45km), the former Sabodala mining license area (33km), and the Golouma mining license area (212km). In 2015, the Company made payments to the Government of Senegal related to registration duties as a result of the merger of the Golouma mining concession with the Company's existing Sabodala concession, net of a present value adjustment related to the social development fund, which reflects a change in the expected payment date from 2023 to 2029.

(v) Business taxes are calculated based on the gross value of fixed assets of the preceding year. In 2016, the Company paid $1.2 million in business tax. Other taxes of $0.1 million include tax on insurance premiums.

(vi) These expenditures relate to the transitional costs incurred since the acquisition date to maintain the regional Gryphon office located in Perth, Australia.

13. INCOME TAX EXPENSE/ (RECOVERY)

Current income tax is calculated using local tax rates on taxable income which is estimated in accordance with local statutory requirements. Where denominated in foreign currency, the tax basis of all assets and non-current intercompany loans recorded using historical exchange rates are translated to the functional currency using the period end exchange rate. As the CFA Franc moves against the US dollar, the Company's deferred tax balances will fluctuate due to changes in foreign exchange rates. The effective tax rate is also affected by non-deductible expenses and tax losses not benefitted in jurisdictions outside of Senegal.

For the year ended December 31, 2016, the Company recorded an income tax expense of $23.3 million, comprised of current income tax expense of $19.9 million and a deferred income tax expense of $3.4 million (2015: $2.5 million recovery, comprised of current income tax expense of $8.7 million and a deferred income tax recovery of $11.2 million).

	For the years ended December 31,	
	2016	**2015**
Current income tax expense	19,962	8,717
Deferred tax expense / (recovery)	3,365	(11,219)
Total income tax expense / (recovery)	**23,327**	**(2,502)**

The Company's provision for income taxes differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to income before income taxes as a result of the following:

	For the years ended December 31,	
	2016	**2015**
Income (loss) before income taxes	51,219	(58,115)
Statutory tax rates	26.5%	26.5%
Income tax expense (recovery) computed at statutory tax rates	13,573	(15,401)
Impact of foreign tax rates	1,071	1,845
Non-deductible items	1,302	1,781
Income (loss) not subject to tax	-	(8,660)
Foreign tax credits	(66)	(721)
Impairment of goodwill	-	10,444
Tax Settlement	-	1,878
Change in foreign exchange rates	1,286	5,046
Recognition of exploration expenditures	37	(1,778)
Unrecognized deferred tax assets	5,531	3,064
Other	593	-
Provision for income taxes	**23,327**	**(2,502)**

14. TRADE AND OTHER RECEIVABLES

	As at December 31, 2016	As at December 31, 2015
Current		
Trade receivables (i)	426	625
Value added tax ("VAT") recoverable (ii)	7,819	13,187
Other receivables (iii)	1,637	1,889
Total trade and other receivables	**9,882**	**15,701**

(i) Trade receivables relate to gold and silver shipments made prior to year end that were settled after year end.

(ii) Value added tax ("VAT") is levied at a rate of 18 percent on supply of goods and services and is recoverable on the majority of purchases in Senegal. Non-recoverable value added tax is expensed to net profit. In February 2016, the Company received an exemption for the payment and collection of refundable VAT. This exemption is governed by an amendment to the Company's mining convention and expires on May 2, 2022. The balance at end of December 31, 2016 primarily relates to VAT amounts paid prior to February 2016.

(iii) Other receivables primarily include receivables from suppliers for services, materials and utilities used at the Sabodala gold mine, a $0.1 million receivable related to the sale of exploration rights (2015: $0.4 million) and $0.1 million of Canadian sales tax refunds as at December 31, 2016 (2015: $0.1 million).

15. INVENTORIES

	As at December 31, 2016	As at December 31, 2015
Current		
Gold bullion	1,563	1,948
Gold in circuit	5,600	4,075
Ore stockpile	9,452	18,845
Total gold inventories	**16,615**	**24,868**
Diesel fuel	1,509	1,881
Materials and supplies	29,978	28,981
Goods in transit	1,885	1,799
Total other inventories	**33,372**	**32,661**
Total current inventories	**49,987**	**57,529**
Non-current		
Ore stockpile	121,245	106,898
Total inventories	**171,232**	**164,427**

16. AVAILABLE FOR SALE FINANCIAL ASSETS

	Amount
Balance at January 1, 2016	**-**
Tawana Resources shares acquired	1,481
Change in fair value of available for sale financial asset during period	(247)
Foreign exchange loss	(63)
Balance at December 31, 2016	**1,171**

In conjunction with the acquisition of Gryphon, the Company holds 13,505,000 shares of Tawana Resources NL ("Tawana Resources"). The Tawana Resources shares are classified as available for sale financial assets and are revalued to prevailing market prices at period end.

17. OTHER ASSETS

	As at December 31, 2016	As at December 31, 2015
Current		
Prepayments (i)	3,110	4,129
Security deposit (ii)	-	1,500
Advanced royalty (iii)	2,702	3,338
Financial derivative assets	-	41
VAT certificates held (iv)	2,518	373
Total other current assets	**8,330**	**9,381**
Non-current		
Advanced royalty (iii)	6,609	8,530
Intangible assets	955	171
Total other non-current assets	**7,564**	**8,701**
Total other assets	**15,894**	**18,082**

(i) As at December 31, 2016, prepayments include $2.7 million (2015 - $3.2 million) of advances to vendors and contractors and $0.4 million for insurance (2015 - $0.9 million).

(ii) The security deposit represented security for payment under a maintenance contract. As part of the contract renewal completed in June 2016, the security deposit requirement was removed and replaced with trade credit insurance. As a result, the balance of $1.5 million, which was previously restricted, was classified within cash and cash equivalents.

(iii) As at December 31, 2016, the Company has recorded $2.7 million in other current assets and $6.6 million in other non-

current assets as advanced royalty payments to the Government of Senegal. In total, the Company had recorded $10.0 million related to the OJVG in 2014 and $4.2 million related to the Gora deposit in the first quarter of 2015. The advanced royalties are expensed to net profit based on actual production from the former OJVG and Gora deposits. During the year ended December 31, 2016, the Company expensed $2.6 million as amortization of OJVG and Gora advanced royalties (2015: $1.9 million). The advanced royalty recorded within other current assets is based on the expected production from the OJVG and Gora deposits over the next year and the remaining balance is recorded within other non-current assets. Refer to Note 22.

(iv) At December 31, 2016, the Company held $2.5 million of VAT refunds in the form of VAT certificates. These certificates are highly liquid and are convertible into cash at local banks or may be issued directly to the Company's suppliers to reduce future VAT collections or other taxes payable by the Company.

18. IMPAIRMENT OF GOODWILL AND OTHER LONG-LIVED ASSETS

In 2016, no impairment charges or reversal of previously impaired assets were recorded.

For the year ended December 31, 2015 impairment losses of $77.9 million (net of tax effects) were recognized in the Consolidated Statements of Comprehensive Income. The key trigger for the impairment test was primarily the effect of changes in the future estimate of gold prices. The impairment charge was used first to reduce the carrying value of the goodwill which arose during the purchase of the OJVG and then pro-rata against the remaining assets of CGU based on carrying values of property, plant and equipment and mine development expenditures, provided that the impairment did not reduce the carrying amount of any asset below its FLVCD.

The following impairment losses were recognized:

	2015
Property, plant and equipment	19,352
Mine development expenditures	28,872
Goodwill	41,776
Gross Impairment Charge	**90,000**
Deferred income tax impact	(12,056)
Net Impairment Charge	**77,944**

With the exception of goodwill charges, impairment losses booked will be tested in future periods for possible reversal when an event or change in circumstance indicates the impairment may have reversed. If it has been determined that the impairment has reversed, the carrying amount of the asset must be increased to its recoverable amount to a maximum of the carrying value that would have been determined had no impairment loss been recognized in prior periods.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings and property improvements	Plant and equipment	Office furniture and equipment	Motor vehicles	Mobile equipment	Capital work in progress	Subtotal	Banfora Expenditures	Total
Cost									
Balance as at January 1, 2015	**45,035**	**261,200**	**2,231**	**3,031**	**83,173**	**4,727**	**399,397**	**-**	**399,397**
Additions	33	8,732	24	-	2,474	25,842	37,105	-	**37,105**
Disposals	-	(394)	(30)	-	(1)	-	(425)	-	**(425)**
Other	-	34	-	-	-	-	34	-	**34**
Transfer	6,035	6,882	253	788	-	(13,958)	-	-	**-**
Balance as at December 31, 2015	**51,103**	**276,454**	**2,478**	**3,819**	**85,646**	**16,611**	**436,111**	**-**	**436,111**
Acquisition of Gryphon								989	
Additions	14	724	34	-	-	17,146	17,918	16	**17,934**
Disposals	-	-	-	(117)	(173)	-	(290)	(43)	**(333)**
Transfer to Mine development expenditures	-	-	-	-	-	(5,786)	(5,786)		**(5,786)**
Transfer(i)	(4,068)	17,656	253	3,552	6,649	(24,042)	-		**-**
Balance as at December 31, 2016	**47,049**	**294,834**	**2,765**	**7,254**	**92,122**	**3,929**	**447,953**	**962**	**448,915**
Accumulated depreciation and impairment charges									
Balance as at January 1, 2015	**21,446**	**119,600**	**1,798**	**2,340**	**55,780**	**-**	**200,964**	**-**	**200,964**
Disposals	-	(315)	(19)	-	-	-	(334)	-	**(334)**
Impairment charges	3,111	16,241	-	-	-	-	19,352	-	**19,352**
Depreciation expense	1,892	12,269	231	376	7,935	-	22,703	-	**22,703**
Balance as at December 31, 2015	**26,449**	**147,795**	**2,010**	**2,716**	**63,715**	**-**	**242,685**	**-**	**242,685**
Disposals	-	-	-	(84)	(173)	-	(257)	(20)	**(277)**
Depreciation expense	1,886	10,131	267	964	7,723	-	20,971	132	**21,103**
Balance as at December 31, 2016	**28,335**	**157,926**	**2,277**	**3,596**	**71,265**	**-**	**263,399**	**112**	**263,511**
Net book value									
Balance as at December 31, 2015	**24,654**	**128,659**	**468**	**1,103**	**21,931**	**16,611**	**193,426**	**-**	**193,426**
Balance as at December 31, 2016	**18,714**	**136,908**	**488**	**3,658**	**20,857**	**3,929**	**184,554**	**850**	**185,404**

(i) Transfers to correct distribution of previously allocated work in progress to the appropriate sub-asset classes within property, plant and equipment.

Additions made to property, plant and equipment during the year ended December 31, 2016 relate primarily to expenditures for the mill optimization project and sustaining capital.

Depreciation of property, plant and equipment was $21.1 million for the year ended December 31, 2016 (2015: $22.7 million).

In 2015, as part of an impairment review of asset carrying values, a charge of $19.4 million was recorded in relation to Property, Plant and Equipment (see note 18).

20. MINE DEVELOPMENT EXPENDITURES

	Mine reserve development costs	Deferred stripping assets	Acquisition of Gryphon	Total
Cost				
Balance as at January 1, 2015	**295,945**	**89,829**	**-**	**385,774**
Additions incurred during the period	8,804	15,921	-	24,725
Balance as at December 31, 2015	**304,749**	**105,750**	**-**	**410,499**
Acquisition of Gryphon	-	-	54,074	54,074
Additions incurred during the period	15,406	20,002	1,367	36,775
Transfer from Property, plant and equipment	5,786	-	-	5,786
Balance as at December 31, 2016	**325,941**	**125,752**	**55,441**	**507,134**
Accumulated depreciation and impairment charges				
Balance as at January 1, 2015	**72,596**	**52,459**	**-**	**125,055**
Depreciation expense	13,840	5,686	-	19,526
Impairment charges	23,538	5,334	-	28,872
Balance as at December 31, 2015	**109,974**	**63,479**	**-**	**173,453**
Depreciation expense	15,751	3,408	-	19,159
Balance as at December 31, 2016	**125,725**	**66,887**	**-**	**192,612**
Carrying amount				
Balance as at December 31, 2015	**194,775**	**42,271**	**-**	**237,046**
Balance as at December 31, 2016	**200,216**	**58,865**	**55,441**	**314,522**

	As at December 31, 2016	As at December 31, 2015
Capitalized mine development additions		
Deferred stripping costs	20,002	15,921
Capitalized mine development - Gora	-	1,863
Capitalized mine development - Golouma	2,296	1,272
Capitalized mine development - Kerekounda	3,035	-
Capitalized reserve development - sustaining	8,441	4,855
Capitalized reserve development - growth	1,367	-
Other	1,634	814
Total capitalized mine development additions	**36,775**	**24,725**

Mine development expenditures are related to the Sabodala deposit, Gora satellite deposit, and development costs for the former OJVG deposits. The acquisition of Gryphon resulted in additional development costs related to the Nogbele and Dierisso exploration permits in Burkina Faso.

Depreciation of capitalized mine development of $19.2 million was expensed as cost of sales for the year ended December 31, 2016 (2015: $19.5 million).

As part of an impairment review of asset carrying values, a charge of $28.9 million was recorded in relation to Mine Development Expenditures as at December 31, 2015.

21. DEFERRED INCOME TAX ASSETS/(LIABILITIES)

The deferred income tax assets balance reported on the balance sheet is comprised of the following temporary differences:

	As at December 31, 2016	As at December 31, 2015
Deferred income tax assets		
Unrealized foreign exchange	20,173	17,718
Mining and property plant and equipment	-	5,449
Deferred income tax liabilities		
Mining and property, plant, and equipment	(21)	-
Other	(68)	(69)
Net deferred tax assets	**20,084**	**23,098**

The deferred income tax liabilities balance reported on the balance sheet and relating to the Banfora gold project is comprised of the following temporary differences:

	As at December 31, 2016	As at December 31, 2015
Deferred income tax liabilities		
Unrealized foreign exchange	114	-
Mining and property plant and equipment	1,071	-
Deferred income tax liabilities	**1,185**	**-**

Unrecognized Deferred Tax Assets

Deferred income tax assets such as tax loss carry-forwards, property, plant and equipment, share issuance costs are recognized as assets to the extent that the realization of the related tax benefit through future taxable profits is probable.

	For the years ended December 31	
	2016	2015
Deferred income tax assets not recognized		
Share issuance and transaction costs	710	468
Loss carry forwards	19,121	15,051
Property, plant and equipment	809	769
Other	1,588	818
Deferred income tax assets not recognized	**22,228**	**17,106**

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes on the unremitted earnings of certain subsidiaries as these amounts will not be distributed in the foreseeable future. Unremitted earnings totalled $372,279 at December 31, 2016.

As at December 31, 2016, the tax losses not recognized by the Company and their associated expiry dates are as follows:

		For the years ended December 31,	
	Expiry Date	2016	2015
Tax losses - gross			
Canada	2030 - 2036	69,035	54,594
Mauritius	2017 - 2020	1,973	3,980
Ivory Coast	2021	5	-
Australia	Indefinitely	1,764	-
		72,777	58,574

22. TRADE AND OTHER PAYABLES

	As at December 31, 2016	As at December 31, 2015
Current		
Trade payables [i]	14,593	22,903
Sundry creditors and accrued expenses	17,618	14,900
Government royalties [ii]	2,637	11,054
Amounts payable to Republic of Senegal [iii] [iv] [vii]	11,927	13,155
Contingent consideration [vi]	634	533
Total current trade and other payables	**47,409**	**62,545**
Non-Current		
Amounts payable to Republic of Senegal [v]	7,954	7,565
Contingent consideration [vi]	2,930	3,533
Total other non-current liabilities	**10,884**	**11,098**
Total trade and other payables	**58,293**	**73,643**

(i) Trade payables are comprised of obligations by the Company to suppliers of goods and services. Terms are generally 30 to 60 days.

(ii) Government royalties are accrued based on the mine head value of the gold and related substances produced at a rate of 5 percent of sales, which was 1,640 million XOF (2015: 6,635 million XOF). During the fourth quarter of 2016, the Company transitioned to the payment of government royalties one quarter in arrears. During the year ended December 31, 2016, royalty payments totalling $21.0 million for 2015 and the first nine months of 2016 were made to the Republic of Senegal (2015: $11.0 million paid for 2014 royalties).

(iii) A reserve payment is payable to the Republic of Senegal based on $6.50 for each ounce of new reserves until December 31, 2012. As at December 31, 2016, $1.9 million remains accrued as a current liability.

(iv) The Company has agreed to advance accrued dividends to the Republic of Senegal in relation to its interest in Sabodala Gold Operations. For the year ended December 31, 2016, $7.8 million has been accrued based on net sales revenue for each of the twelve months ended December 31, 2013 and December 31, 2014. No additional amounts are owing beyond 2014.

(v) The Company agreed to establish a social development fund which involves making a payment of $15.0 million to the Republic of Senegal at the end of the operational life of the Sabodala mine. It is recorded at its net present value of $8.0 million.

(vi) The Company acquired Badr's 13 percent carried interest in the former OJVG for cash consideration of $7.5 million and further contingent consideration which will be based on realized gold prices and increases to the former OJVG's mining reserves through 2020, of which $3.8 million was accrued upon finalization of the purchase price allocation in 2014. As at December 31, 2016, $0.6 million has been recorded as a current liability and $2.9 million has been recorded as a non-current liability and is recorded at its net present value (2015: $0.5 million in current liabilities and $3.5 million in non-current liabilities).

(vii) Pursuant to the completion of the acquisition of the OJVG in 2014, the Company is required to make initial payments totalling $10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the former OJVG. As at December 31, 2016, $2.3 million remains to be paid and has been accrued as a current liability.

23. BORROWINGS

	As at December 31, 2016	As at December 31, 2015
Non-Current		
Revolving credit facility	15,000	15,000
Deferred financing costs	(1,156)	(1,550)
Total borrowings	**13,844**	**13,450**

a. Senior Secured Revolving Credit Facility

In June 2016, the Company completed an extension of its $30.0 million Revolver Facility with Société Générale ("Revolver Facility"). The Revolver Facility matures on September 30, 2019, with the available amount decreasing to

$15.0 million on June 30, 2018. The Revolver Facility carries an interest rate of LIBOR plus 4.65 percent with any unused facility amounts subject to a commitment fee of 1.6 percent. As at December 31, 2016, $15.0 million was drawn on the Revolver Facility.

The Revolver Facility is subject to covenants that require the Company to maintain a current ratio of not less than 1.10:1; total debt to EBITDA of not greater than 2:1; historic debt coverage ratio of greater than 2.5:1 and a tangible net worth of not less than $300 million. The Company was compliant with all covenants during the year.

24. DEFERRED REVENUE

	Amount
Balance as at January 1, 2015	**113,998**
Amortization of deferred revenue	(22,653)
Balance as at December 31, 2015	**91,345**
Amortization of deferred revenue	(22,530)
Balance as at December 31, 2016	**68,815**

	As at December 31, 2016	As at December 31, 2015
Current	21,353	19,155
Non-Current	47,462	72,190
Total deferred revenue	**68,815**	**91,345**

On January 15, 2014, the Company completed a streaming transaction with Franco-Nevada. The Company is required to deliver 22,500 ounces annually of gold over the first six years followed by 6 percent of production from the Company's existing properties in Senegal, thereafter, in exchange for a deposit of $135.0 million.

For ounces of gold delivered to Franco-Nevada under the streaming transaction, Franco-Nevada pays the Company cash at the prevailing spot price of gold at the date of delivery on 20 percent of the ounces delivered. For the remaining 80 percent of the ounces delivered to Franco-Nevada, the deferred revenue balance is drawn down based on the prevailing spot price for gold. Once the deferred revenue has been drawn down to $nil, the Company will record sales of 20 percent of spot price, equal to the cash payments, for 6 percent of ounces produced.

For accounting purposes, the agreement is considered a contract for the future delivery of gold ounces at the contracted price. The up-front $135.0 million payment is accounted for as a prepayment of yet-to-be delivered ounces under the contract and is recorded as deferred revenue.

During the year ended December 31, 2016, the Company delivered 22,500 ounces of gold to Franco-Nevada (2015: 24,375 ounces) and recorded revenue of $28.1 million, consisting of $5.2 million received in cash proceeds, $0.4 million in accounts receivable and $22.5 million recorded as a reduction of deferred revenue. (2015: revenue of $28.3 million, consisting of $5.6 million received in cash proceeds and $22.7 million recorded as a reduction of deferred revenue).

25. PROVISIONS

	As at December 31, 2016	As at December 31, 2015
Current		
Employee benefits (i)	2,227	1,847
Cash settled share-based compensation (iii)	2,752	741
Total current provisions	**4,979**	**2,588**
Non-Current		
Mine restoration and rehabilitation (ii)	27,414	26,962
Employee benefits (i)	891	837
Cash settled share-based compensation (iii)	1,189	437
Total non-current provisions	**29,494**	**28,236**
Total provisions	**34,473**	**30,824**

(i) The current provisions for employee benefits include $1.2 million accrued vacation and $1.0 million long service leave entitlements for the period ended December 31, 2016 (2015 - $1.0 million and $0.7 million). The non-current provisions for employee benefits include $0.9 million accrued vacation (2015 - $0.8 million).

(ii) The rehabilitation provision represents the present value of rehabilitation costs relating to the mine which are expected to be incurred up to 2029, the current end of mine estimate. The provision has been created based on estimates and assumptions which management believes are a reasonable basis to estimate future liability. The estimates are reviewed regularly to take into account any material changes to the rehabilitation work required. In 2015 an updated study was performed by a third party which resulted in an undiscounted provision of $26.5 million. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. The discount rate used in the calculation of the provision as at December 31, 2016 was 0.8 percent (2015: 1.1 percent).

(iii) The provision for cash settled share-based compensation represents the amortization of the fair value of the fixed bonus plan units and the amortization of the fair value of the RSUs and DSUs. Please see Note 35 for further details.

26. ISSUED CAPITAL

	Number of shares	Amount
Balance as at January 1, 2015	**352,801,091**	**367,837**
Private placement issuance	39,200,000	17,454
Less: Share issue costs	-	(117)
Balance as at January 1, 2016	**392,001,091**	**385,174**
Issued to Gryphon shareholders (i)	70,638,853	55,064
Private placement issuance - October 13	9,671,625	7,541
Equity offering issuance - November 21	34,655,000	27,108
Private placement issuance - November 21	29,500,000	23,075
Stock option exercised	247,347	198
Less: Share issue costs	-	(1,834)
Balance as at December 31, 2016	**536,713,916**	**496,326**

(i) Refer to Note 6 for details of the Gryphon acquisition.

In 2015, the Company completed a non-brokered private placement with Mr. David Mimran, the CEO of Grands Moulins d'Abidjan and Grands Moulins de Dakar, one of the largest producers of flour and agri-food in West Africa. Pursuant to the terms of the Offering, Tablo Corporation ("Tablo"), a Mimran family company, was issued 39,200,000 common shares of Teranga at a price of C$0.58 per common share for gross proceeds of $17.5 million.

On October 13, 2016, Tablo exercised its pre-emptive participation right, pursuant to a Voting and Investor Rights Agreement with Teranga dated October 14, 2015, to subscribe for 9,671,625 Teranga common shares (the "Private

Placement"). The issuance price to Tablo was C$1.0322 per share, being the 5-day volume weighted average price of Teranga common shares as of close of business on October 12, 2016. The Teranga common shares issued to Tablo were subject to a customary four month hold period.

On November 21, 2016, the Company completed a previously announced equity offering (the "Offering") to a syndicate of underwriters on a bought deal basis to purchase 32,500,000 common shares, with an additional 2,155,000 common shares from a partially exercised over-allotment option, at a price of C$1.05 per share for gross proceeds of approximately C$36.4 million. Concurrently, the Company completed a non-brokered private placement with Tablo, to purchase 29,500,000 shares at the same price of C$1.05 per share for gross proceeds of approximately C$31.0 million. Net proceeds were C$64.9 million ($48.4 million) after consideration of underwriter fees and expenses totaling approximately C$2.5 million ($1.8 million).

The Company is authorized to issue an unlimited number of common shares with no par value. Holders of common shares are entitled to one vote for each common share on all matters to be voted on by shareholders at meetings of the Company's shareholders. All dividends which the Board of Directors may declare shall be declared and paid in equal amounts per share on all common shares at the time outstanding. There are no pre-emptive, redemption or conversion rights attached to the common shares. All common shares, when issued, are and will be issued as fully paid and non-assessable shares without liability for further calls or to assessment.

27. EARNINGS PER SHARE (EPS)

	For the years ended December 31,	
	2016	**2015**
Basic EPS (US$)	0.06	(0.14)
Diluted EPS (US$)	0.06	(0.14)
Basic EPS:		
Net profit/(loss) used in the calculation of basic EPS	23,109	(50,543)
Weighted average number of common shares for the purposes of basic EPS ('000)	416,747	360,211
Effect of dilutive share options ('000)	1,248	-
Weighted average number of common shares outstanding for the purpose of diluted EPS ('000)	417,995	360,211

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 11.6 million and 15.5 million shares relating to share options that were anti-dilutive for the years ended December 31, 2016 and December 31, 2015, respectively.

28. COMMITMENTS FOR EXPENDITURES

As at December 31, 2016, the Company had the following payments due on contractual obligations and commitments:

Payments Due By Period (US$ millions)					
	Total	**< 1 year**	**1-3 years**	**4-5 years**	**>5 years**
Revolving Line of Credit (i)	15.0	-	15.0	-	-
Franco-Nevada gold stream (ii)	68.8	21.6	47.2	-	-
Exploration commitments (iii)	10.8	3.4	7.4	-	-
Purchase obligations for supplies and services (iv)	2.4	2.4	-	-	-
Capital commitments (v)	3.1	3.1	-	-	-
Total	**100.1**	**30.5**	**69.6**	**-**	**-**

(i) In 2015, the Company secured a $30.0 million Revolver Facility of which $15.0 million was drawn at December 31, 2016.

(ii) On January 15, 2014, the Company completed a gold stream transaction with Franco-Nevada Corporation. The Company is required to deliver 22,500 ounces annually over the first six years followed by 6 percent of production from the Company's existing properties, including those of the OJVG, thereafter, in exchange for a deposit of $135.0 million. The commitment estimate assumes a gold price of $1,200 per ounce.

(iii) Reflects the exploration permits, licenses and drilling contracts committed to by the Company. The exploration commitments represent the amounts the Company is required to spend to remain eligible for the renewal of permits beyond the current validity period, for permits on which management intends to continue exploration activities. The Company may elect to allow certain permits to expire and is not required to spend the committed amount per respective permit. The Company will not incur any penalties for not meeting the financial requirement for additional validity period tenure.

(iv) Purchase obligations for supplies and services - includes commitments related to maintenance and explosives services contracts.

(v) Capital commitments - Purchase obligations for capital expenditures include only those items where binding commitments have been entered into.

Sabodala Gold Operations ("SGO"), Sabodala Mining Company ("SMC") and the Oromin Joint Venture Group ("OJVG") Operating Commitments

The Company has the following operating commitments in respect of the SGO, SMC and the OJVG:

- Pursuant to the Company's Mining Concession, a royalty of 5 percent is payable to the Republic of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date for SGO.

- Pursuant to the completion of the acquisition of the OJVG, the Company is required to make initial payments totaling $10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the exploration licenses converted to mine licenses when the ore is processed through the Sabodala mill. The initial payment is to be used to finance social projects in the mine site region, which are determined by the Republic of Senegal and will be paid either directly to suppliers for the completion of specific projects or to specified ministries of the Republic of Senegal. An additional payment will become payable when the actual cumulative production from the OJVG, net of mining royalties, multiplied by the Company's weighted average gold prices, multiplied by 1 percent, exceeds the initial payments.

- Pursuant to the Company's Mining Concession, $1.2 million is payable annually for community projects and infrastructure to support local communities surrounding the Company's operations and social development of local authorities in the surrounding Kedougou region.

- In addition to the Company's corporate social responsibility spending, Teranga has agreed to establish a social development fund which includes making a payment of $15.0 million to the Republic of Senegal at the end of the mine operational life. As at December 31, $8.0 million was accrued which is the discounted value of the $15.0 million future payment.

- With the recommencement of drilling activities at Niakafiri, the Company is required to make a dividend prepayment of $2.7 million to the Republic of Senegal. Refer to Note 39.

- $350 thousand is payable annually for training of Directorate of Mines and Geology officers and Mines Ministry and $30 thousand is payable annually for logistical support of the territorial administration of the region for SGO.

- $250 thousand is payable annually for a forestry protocol to the Ministry of Environment for the period of 5 years, beginning April 2014.

- On May 1, 2016 SGO entered into a commitment with local communities around its Gora deposit to provide annual social assistance funding in the amount of $150 thousand for the initial year, and $200 thousand for each successive year over a five year period, which is the anticipated operating life of the Gora deposit.

- $112 thousand is payable annually as institutional support for the exploration licenses.

29. CONTINGENT ASSET

On October 28, 2015, Gryphon entered into an option agreement (the "Agreement") with Kanosak (Barbados) Ltd ("Kanosak"), a subsidiary of Algold Resources Ltd. ("Algold") and Algold whereby Kanosak had the right to acquire the Tijirit and Akjoujt exploration licenses (the "Licenses"). In consideration of granting the Agreement, 1,666,666 common shares of Algold were issued to Gryphon and were subsequently sold.

In March 2016, Gryphon received notice that Kanosak had exercised its option to acquire 100% of Gryphon's interest in the Licenses. Gryphon received a further 8,700,000 shares in Algold bringing the total number of shares held to 10,366,666, which have been subsequently sold.

Pursuant to the Agreement, Gryphon is also entitled to the following milestone payment:

a. C$1.5 million, payable at the option of Algold either in cash or Algold common shares upon the earlier of:

   i. the date that is 90 days after Algold announces that there is an NI 43-101 compliant mineral resource (of any one or more categories of measured, indicated or inferred) of 500,000 ounces on a gold equivalent ounces basis at any of the Licenses or combination thereof; and

   ii. the later of the following two dates:

      (1) the date which falls on the 15 month anniversary of the Agreement; and

      (2) the date on which Algold receives, from the Mauritanian authorities, the documents evidencing the renewal of the licenses with respect to the tenements subject to the Agreement.

30. CONTINGENT LIABILITIES

Settled and outstanding tax assessments

In April 2016, the Company received a withdrawal of the 2011 tax assessment for all but $1.0 million, which remains in dispute. No amounts were accrued relating to this matter.

31. EXPLORATION LICENSES AND JOINTLY CONTROLLED OPERATIONS AND ASSETS

The Company has exploration licenses and is an investee in the following jointly controlled operations and assets:

Name of venture	Principal activity	Interest 2016 %
Sabodala Mining Company[(i)]		
Dembala Berola	Gold exploration	100
Massakounda	Gold exploration	100
Bransan	Gold exploration	100
Heremakono[(ii)]	Gold exploration	100
Sounkounkou[(ii)]	Gold exploration	100
Bransan Sud	Gold exploration	100
Sabodala Ouest	Gold exploration	100
Saiansoutou	Gold exploration	100
Boss Gold Sarl[(iii)]		
Boutouanou	Gold Exploration - Jointly Controlled	51
Diabatou	Gold Exploration - Jointly Controlled	51
Foutouri	Gold Exploration - Jointly Controlled	51
Kankandi	Gold Exploration - Jointly Controlled	51
Tyara	Gold Exploration - Jointly Controlled	51
Tyabo	Gold Exploration - Jointly Controlled	51
Boss Minerals Sarl[(iii)]		
Baniri	Gold Exploration - Jointly Controlled	51
Intiedougou	Gold Exploration - Jointly Controlled	51
Mougue	Gold Exploration - Jointly Controlled	51
Gryphon Minerals Burkina Faso Sarl[(iv)]		
Dierisso	Gold Exploration	100
Nianka	Gold Exploration	100
Nogbele	Gold Exploration	100
Zeguedougou	Gold Exploration	100
Teranga Exploration (Ivory Coast) Sarl[(v)]		
Dianra	Gold Exploration	100
Guitry	Gold Exploration	100
Mahapleu	Gold Exploration	100
Tissalé	Gold Exploration	100
Sangaredougou	Gold Exploration	100

(i) As at December 31, 2016, 3 of the 8 exploration permits held by Sabodala Mining Company were current. SMC has filed applications with the relevant Senegalese authorities to consolidate and renew its exploration permits, including those which have expired.

(ii) The joint venture partner of the exploration license has elected to take a 1.5 percent net smelter royalty on all currently identified targets including the Gora project in exchange for its fully participatory 20 percent interest. The joint venture partner retains a 20 percent participatory right for any new exploration targets identified or to elect the royalty.

(iii) Interests in Boss Gold Sarl and Boss Minerals Sarl were inherited as part of the acquisition of Gryphon on October 13, 2016. Teranga is the operator of the ventures and has the right to earn a further 19% interest upon delivery of a bankable feasibility study regarding a potential deposit within any of the permits comprising the joint ventures. At that point, Boss

must participate on a pro-rata basis for all costs associated with the development of the project or default to 1.5 percent net smelter royalty interest. In addition, upon attaining a 70 percent equity interest, Teranga has the option to acquire a further 10 percent interest in the joint venture upon payment of AUD$2.5 million dollars within 60 days of delivery of the relevant feasibility study.

(iv) Sanembaore Sarl holds a one percent net smelter royalty on Banfora production.

(v) A 3 percent net smelter royalty is owing to Miminvest SA pursuant to the terms of an exploration agreement.

32. CONTROLLED ENTITIES

The significant mining and exploration entities of Teranga are listed below.

	Country of Incorporation	Percentage owned 2016
Controlled entities consolidated		
Teranga Gold B.V.I. Corporation	British Virgin Islands	100
Sabodala Gold (Mauritius) Limited	Mauritius	100
Teranga Gold (Australia) Pty Ltd. (formerly Gryphon Minerals Ltd)	Australia	100
Teranga Gold (Ivory Coast) Corporation	Canada	100
Subsidiaries of Sabodala Gold (Mauritius) Limited:		
Sabodala Mining Company SARL	Senegal	100
Sabodala Gold Operations SA	Senegal	90
Subsidiaries of Teranga Gold (Australia) Pty Ltd.		
Gryphon Minerals Burkina Faso Pty Ltd.	Australia	100
Gryphon Minerals West Africa Pty Ltd.	Australia	100
Boss Minerals Pty Ltd.	Australia	51
Askia Gold Pty Ltd.	Australia	51
Subsidiary of Gryphon Minerals Burkina Faso Pty Ltd.		
Loumana Holdings Ltd.	Mauritius	100
Subsidiary of Gryphon Minerals West Africa Pty Ltd.		
Gryphon Minerals Burkina Faso Sarl	Burkina Faso	100
Subsidiary of Boss Minerals Pty Ltd		
Boss Minerals Sarl	Burkina Faso	100
Subsidiary of Askia Gold Pty Ltd.		
Boss Gold Sarl	Burkina Faso	100
Subsidiary of Loumana Holdings Ltd.		
Société Minière Gryphon SA	Burkina Faso	89.8
Subsidiary of Teranga Gold (Ivory Coast) Corporation		
Teranga Exploration (Ivory Coast) Sarl	Ivory Coast	100

33. CASH FLOW INFORMATION

a. Change in working capital

	For the years ended December 31,	
	2016	**2015**
Changes in working capital other than inventory		
Increase in trade and other receivables	(715)	(13,766)
Decrease in other assets	6,224	1,251
Decrease in trade and other payables	(22,171)	(5,466)
Decrease in provisions	(568)	(294)
Increase in current income taxes payable	12,817	9,176
Net change in working capital other than inventory	**(4,413)**	**(9,099)**

b. Cash balance subject to liquidity covenant

As part of the streaming transaction with Franco-Nevada, the Company is required to maintain a minimum consolidated cash balance of $15.0 million.

c. Investing activities

For the year ended December 31, 2016, expenditures for property, plant and equipment consists of $17.9 million related to the Sabodala gold mine (2015: $24.0 million) and $34 thousand related to the Banfora gold project (2015: $nil). For the year ended December 31, 2016, expenditures for mine development consists of $32.9 million related to the Sabodala gold mine (2015: $23.5 million) and $1.6 million related to the Banfora gold project (2015: $nil).

34. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a. Categories of financial instruments

As at December 31, 2016 and 2015, the Company's financial instruments consisted of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

The following table illustrates the classification of the Company's financial instruments, as at December 31, 2016 and 2015:

	As at December 31, 2016	**As at December 31, 2015**
Financial assets:		
Cash and cash equivalents	95,188	44,436
Loans and receivables		
Trade and other receivables	9,882	15,701
Financial derivative assets	-	41
Other assets		
Available-for-sale financial assets	1,171	-
Financial liabilities:		
Other financial liabilities at amortized cost		
Trade and other payables	62,234	74,821
Current income tax liabilities	19,834	8,685
Borrowings	13,844	13,450

The Company's financial assets (excluding those acquired in the Gryphon acquisition) have been pledged as collateral for the Senior Secured Revolving Credit Facility.

b. Commodity market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including foreign exchange rates and commodity prices.

c. Foreign currency risk management

The Company has certain financial instruments denominated in CFA Franc, EUR, CAD, AUD and other currencies. Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to the CFA Franc, EUR, CAD, AUD and other currencies may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which are denominated in the CFA Franc, EUR, CAD, AUD and other currencies.

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities are as follows:

	Financial Assets		Financial Liabilities	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
CFA Franc (XOF)	8,646	13,819	59,745	64,861
EUR	11,149	663	709	1,433
CAD	3,248	590	6,272	1,532
AUD	402	43	2,485	484
Other	1	1	27	644

Foreign currency sensitivity analysis

The Company is mainly exposed to CFA Franc, EUR, CAD and AUD. Based on the Company's currency exposures relating to foreign currency denominated monetary items, a 10% appreciation of the US dollar against the applicable foreign currencies would have resulted in the following gains/(losses) at December 31, 2016:

	Financial Assets		Financial Liabilities	
	As at December 31, 2016	**As at December 31, 2015**	**As at December 31, 2016**	**As at December 31, 2015**
10% Strengthening of functional currency				
CFA Franc (XOF) Impact				
Gain or (loss)	(865)	(1,382)	5,975	6,486
EUR Impact				
Gain or (loss)	(1,115)	(66)	71	143
CAD Impact				
Gain or (loss)	(325)	(59)	627	153
AUD Impact				
Gain or (loss)	(40)	(4)	249	48

d. Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in the market interest rates. The Company has exposure to interest rate risk relating to its bank balances and external borrowings.

The following table illustrates the classification of the Company's financial instruments which are exposed to interest rate risk as at December 31, 2016 and 2015:

	As at of December 31, 2016	As at of December 31, 2015
Financial assets		
Cash and cash equivalents	95,188	44,436
Financial liabilities		
Borrowings	13,844	13,450

The Company's interest rate on its borrowings is calculated at LIBOR plus 4.65 percent margin on the Senior Secured Revolving Credit Facility.

Interest rate sensitivity analysis

If interest rates had been higher or lower by 50 basis points and all other variables were held constant, the profit and net assets would increase or decrease by:

	Financial Assets		Financial Liabilities	
	As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
Profit or (loss)	331	190	(75)	(38)

e. Credit risk management

The Company's credit risk is primarily attributable to cash, cash equivalents and derivative financial instruments. The Company does not have any significant credit risk exposure as cash and cash equivalents are held in low risk jurisdictions. The Company has adopted a strategy to minimize its credit risk by substantially investing in sovereign debt issued by Canadian government agencies, Canadian Provinces and the Federal Government of Canada.

The Company does not have significant credit risk exposure on accounts receivable as gold sales are executed with either AAA rated banking institutions or established gold metal merchants with access to significant credit lines. Gold production is sold into the spot market and proceeds from the sale are deposited into the Company's bank account.

The Company is exposed to the credit risk of Senegalese and French banks that disburse cash on behalf of its Senegal subsidiaries. The Company manages its Senegalese and French bank credit risk by centralizing custody, control and management of its surplus cash resources at the corporate office and only transferring money to its subsidiary based on immediate cash requirements, thereby mitigating exposure to Senegalese banks. The Company's current balances held in Burkina Faso and Côte d'Ivoire are not currently significant.

f. Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company monitors its risk of a shortage using projected cash flows and by monitoring the maturity of both its financial assets and liabilities.

Cash flow forecasting is performed in the operating entity of the group and combined by the Company's finance group. The Company's finance group monitors the liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom in its accounts so that the Company does not breach any of its covenants. Surplus cash held by the Corporate office is invested in short-term investments issued by Canadian banks and in sovereign debt issued by Canadian Agencies, Provinces and the Federal Governments of Canada.

Liquidity tables

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company will be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Due on demand	Due one to three months	Due between three months to one year	Due one to five years	Due over five years
Financial Liabilities						
December 31, 2016						
Non-interest bearing	-	34,491	-	22,471	7,793	-
Variable interest rate instruments	5.51%	-	-	-	15,000	-
Fixed interest rate instruments	3.08%	1,850	-	-	-	-
Fixed interest rate instruments	7.50%	-	634	-	3,207	-
Fixed interest rate instruments	5.00%	-	-	-	-	15,000
Total		**36,341**	**634**	**22,471**	**26,000**	**15,000**
December 31, 2015						
Non-interest bearing	-	41,316	2,764	16,976	7,793	-
Variable interest rate instruments	5.34%	-	-	-	15,000	-
Fixed interest rate instruments	3.08%	-	925	925	-	-
Fixed interest rate instruments	7.50%	-	534	-	3,840	-
Fixed interest rate instruments	5.00%	-	-	-	-	15,000
Total		**41,316**	**4,223**	**17,901**	**26,633**	**15,000**

Management considers that the Company has adequate current assets and forecasted cash flow from operations to manage liquidity risk arising from settlement of current and non-current liabilities.

g. Fair value of financial instruments

The Company's trade and other receivables, and trade and other payables are carried at amortized cost, which approximates fair value. Cash and cash equivalents and available-for-sale financial assets are measured at fair value. Borrowings are based on discounted future cash flows using discount rates that reflect current market conditions for this financial instrument with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

Financial instruments carried at amortized cost on the consolidated statement of financial position are as follows:

	As at December 31, 2016		As at December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial derivative assets	-	-	41	41
Financial liabilities				
Borrowings	13,844	12,914	13,450	13,824

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

The Company values financial instruments carried at fair value using quoted market prices, where available. Quoted market prices (unadjusted) in active markets represent a Level 1 valuation. When quoted market prices in active markets are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The following table outlines financial assets and liabilities measured at fair value in the consolidated statement of financial position and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

	As at December 31, 2016			As at December 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets						
Cash and cash equivalents	95,188	-	-	44,436	-	-
Available-for-sale financial assets	1,171	-	-	-	-	-
Total	**96,359**	-	-	**44,436**	-	-
Financial Liabilities						
Borrowings	-	13,844	-	-	13,450	-
Cash settled share-based compensation	3,777		164	1,063		115
Total	**3,777**	**13,844**	**164**	**1,063.00**	**13,450**	**115**

35. SHARE BASED COMPENSATION

The share-based compensation expense for the year ended December 31, 2016 totaled $4.4 million (2015: $1.8 million).

a. Incentive Stock Option Plan

The Incentive Stock Option Plan (the "Plan") authorizes the Directors to grant options to purchase shares of the Company to directors, officers, employees and consultants of the Company and its subsidiaries.

The vesting of options is determined by the Board of Directors at the date of grant. The term of options granted under the Plan is at the discretion of the board of directors, provided that such term cannot exceed ten years from the date the option is granted.

Each employee share option is convertible into one ordinary share of Teranga on exercise. No amounts are paid or payable by the recipient upon receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry subject to the terms of the Plan.

During the years ended December 31, 2016 and 2015, a total of 4,141,841 and 3,855,000 common share stock options, respectively, were granted to officers and employees. The exercise price of new stock options granted current year was determined using a volume weighted average trading price of the Company's shares for the 5-day period ended on the grant date.

In 2015, 7,746,600 common share stock options related to the acquisition of Oromin expired with no options exercised prior to the expiry.

The following stock options were outstanding as at December 31, 2016:

Option series	Number	Grant date	Expiry date	Exercise price (C$)	FV at grant date (C$)
Granted on November 26, 2010	5,320,000	26-Nov-10	26-Nov-20	3.00	1.19
Granted on December 3, 2010	1,200,000	03-Dec-10	03-Dec-20	3.00	1.19
Granted on February 9, 2011	675,000	09-Feb-11	09-Feb-21	3.00	0.99
Granted on April 27, 2011	25,000	27-Apr-11	27-Apr-21	3.00	0.80
Granted on June 14, 2011	317,500	14-Jun-11	14-Jun-21	3.00	0.94
Granted on August 13, 2011	360,000	13-Aug-11	13-Aug-21	3.00	0.82
Granted on December 20, 2011	1,075,000	20-Dec-11	20-Dec-21	3.00	0.61
Granted on February 24, 2012	500,000	24-Feb-12	24-Feb-22	3.00	0.37
Granted on February 24, 2012	225,000	24-Feb-12	24-Feb-22	3.00	1.26
Granted on June 5, 2012	50,000	05-Jun-12	05-Jun-22	3.00	0.17
Granted on September 27, 2012	600,000	27-Sep-12	27-Sep-22	3.00	0.93
Granted on October 9, 2012	600,000	09-Oct-12	06-Oct-22	3.00	1.01
Granted on October 31, 2012	80,000	31-Oct-12	31-Oct-22	3.00	0.52
Granted on October 31, 2012	140,000	31-Oct-12	31-Oct-22	3.00	0.18
Granted on December 3, 2012	200,000	03-Dec-12	03-Dec-22	3.00	0.61
Granted on February 23, 2013	50,000	23-Feb-13	23-Feb-23	3.00	0.42
Granted on May 14, 2013	40,000	14-May-13	14-May-23	3.00	0.06
Granted on June 3, 2013	120,000	03-Jun-13	03-Jun-23	3.00	0.04
Granted on May 1, 2014	50,000	01-May-14	01-May-24	3.00	0.10
Granted on March 31, 2015	2,250,000	31-Mar-15	31-Mar-20	0.64	0.35
Granted on March 31, 2015	1,266,821	31-Mar-15	31-Mar-20	0.64	0.30
Granted on March 31, 2016	3,687,051	31-Mar-16	31-Mar-21	0.67	0.35
Granted on August 2, 2016	91,125	02-Aug-16	11-Aug-21	1.07	0.64
Granted on September 12, 2016	23,030	12-Sep-16	12-Sep-21	1.26	0.57

As at December 31, 2016, approximately 34.7 million (2015: 23.7 million) options were available for issuance under the Plan.

The estimated fair value of share options is amortized over the period in which the options vest which is normally three years. For those options which vest on single or multiple dates, either on issuance or on meeting milestones (the "measurement date"), the entire fair value of the vesting options is recognized immediately on the measurement date.

Of the 18,945,527 common share stock options issued and outstanding as at December 31, 2016, 4,225,291 are unvested of which 4,187,791 vest over a three-year period and 37,500 vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized based on the best estimate of outcome of achieving our results.

As at December 31, 2016, 11,627,500 and 7,318,027 share options had a contractual life of ten years and five years at issuance, respectively.

Fair value of stock options granted

The fair value at the grant date was calculated using the Black-Scholes option pricing model with the following assumptions:

	For the years ended December 31,	
	2016	2015
Grant date share price	C$0.73-C$1.27	C$0.64
Weighted average fair value of awards	C$0.36	C$0.33
Exercise price(i)	C$0.67-$1.26	C$0.64
Range of risk-free interest rate	0.52%-0.60%	0.55%-0.77%
Volatility of the expected market price of share(ii)	67%-71%	66.71%-67.28%
Expected life of options (years)	3.0	3.5-5.0
Dividend yield	0%	0%
Forfeiture rate	5%	5%-50%

(i) Represents the 5-day volume-weighted average price of the Company's shares on the Toronto Stock Exchange for the period ending on the grant date.

(ii) For the twelve months ended December 31, 2016, volatility was determined using the 3-year average historical volatility of the Company's share price. For the twelve months ended December 31, 2015, volatility was determined using the existing historical volatility information of the Company's share price combined with the industry average for comparable-size mining companies, due to a lack of sufficient historical information for the Company.

Movements in share options during the year

The following reconciled the share options outstanding at the beginning and end of the year:

	Number of options	Weighted average exercise price
Balance as at January 1, 2015	**21,470,489**	**C$2.54**
Granted during the period	3,855,000	C$0.64
Forfeited during the period	(2,039,724)	C$3.00
Expired during the period	(7,746,600)	C$1.73
Balance as at December 31, 2015	**15,539,165**	**C$2.42**
Granted during the period	4,141,841	C$0.68
Forfeited during the period	(488,132)	C$0.74
Exercised during the period(i)	(247,347)	C$0.65
Balance as at December 31, 2016	**18,945,527**	**C$2.10**
Number of options exercisable - December 31, 2015	12,670,177	
Number of options exercisable - December 31, 2016	14,720,236	

(i) The weighted average share price at the time of the option exercises was C$1.12.

b. Fixed Bonus Plan

The Fixed Bonus Plan authorizes the Directors to grant Fixed Bonus Plan Units ("Units") to officers and employees of the Company and its subsidiaries in lieu of participating in the Stock Option Plan. Each Unit entitles the holder upon exercise to receive a cash payment equal to the closing price of a common share of Teranga on the Toronto Stock Exchange ("TSX") on the business day prior to the date of exercise, less the exercise price. Units may be exercised at any time from the date of vesting to the date of their expiry subject to the terms of the Plan. Units are not transferable or assignable.

The exercise price of each Unit is determined by the Board of Directors at the date of grant but in no event shall be less than the five-day weighted average closing price of the common shares as reported on the TSX for the period ended on the business day immediately preceding the day on which the option was granted.

The vesting of the Units is determined by the Board of Directors at the date of grant. The term of Units granted under the Fixed Bonus Plan is at the discretion of the board of directors, provided that such term cannot exceed ten years from the date that the Units are granted.

As at December 31, 2016, a total of 1,797,500 Units were outstanding (2015: 1,660,000 Units). During the year ended December 31, 2016, 137,500 Units were granted to one employee and no Units were forfeited or exercised.

As at December 31, 2016, there were 1,797,500 Units outstanding that were granted on August 8, 2012, March 31, 2015, and March 31, 2016 with expiry dates ranging from March 31, 2020 through to February 24, 2022. Of the 1,797,500 Units outstanding as at December 31, 2016, 1,360,000 Units have an exercise price of C$3.00, 300,000 Units have exercise price of C$0.64 and 137,500 Units have an exercise price of C$0.67. The total outstanding Units have fair values of C$0.14 per Unit at December 31, 2016. The total fair value of the Units at December 31, 2016 is $0.2 million (December 31, 2015: $0.1 million).

The estimated fair values of the Units are amortized over the period in which the Units vest. Of the 1,797,500 Units issued, 1,567,281 Units were vested at December 31, 2016 with the remaining Units to be fully vested by March 31, 2019.

Fair value of Units granted

The fair value of units granted was calculated using Black-Scholes option pricing model with the following assumptions:

	For the years ended December 31,	
	2016	**2015**
Share price at the end of the period	C$0.82	C$0.49
Weighted average fair value of vested awards	C$0.14	C$0.10
Exercise price (i)	C$0.64 - C$3.00	C$0.64 - C$3.00
Range of risk-free interest rate	0.73%-1.11%	0.48%-0.73%
Volatility of the expected market price of share (ii)	65.49%	66.71%-68.3%
Expected life of options (years)	2.0-4.0	2.0-5.0
Dividend yield	0%	0%
Forfeiture rate	5%-50%	5%-50%

(i) Represents the 5-day volume-weighted average price of the Company's shares on the Toronto Stock Exchange for the period ending on the grant date.

(ii) For the twelve months ended December 31, 2016, volatility was determined using the 3-year average historical volatility of the Company's share price. For the twelve months ended December 31, 2015, volatility was determined using the existing historical volatility information of the Company's share price combined with the industry average for comparable-size mining companies, due to a lack of sufficient historical information for the Company.

c. RSUs

The Company introduced a RSU Plan for employees during the second quarter of 2014. RSUs are not convertible into Company stock and simply represent a right to receive an amount of cash (subject to withholdings), on vesting, equal to the product of i) the number of RSUs held, and ii) the volume weighted average trading price of the Company's shares for the five trading days prior to such date. RSUs will generally vest as to 50 percent in thirds over a three-year period and as to the other 50 percent, in thirds upon satisfaction of annual production and cost targets.

During the twelve months of 2016, 6,140,338 RSUs were granted at a price of C$0.67 per unit and 1,029,223 RSUs were forfeited (2015: 3,055,000 RSUs granted, 479,410 forfeited). As of December 31, 2016 a total of 7,667,588 RSU's were outstanding of which 4,455,201 units were vested. As at December 31, 2016, $1.7 million of current RSU liability and $1.0 million of non-current RSU liability have been recorded in the consolidated financial statement of financial position (2015: $0.4 million and $0.3 million in current and non-current RSU liability respectively).

d. DSUs

The Company introduced a DSU Plan for non-executive directors during the second quarter of 2014. DSUs represent a right for a non-executive director to receive an amount of cash (subject to withholdings), on ceasing to be a director of the Company, equal to the product of (i) the number of DSUs held, and (ii) the volume weighted average trading price of the Company's shares for the five trading days prior to such date.

The Company granted 675,000 DSUs during the year ended December 31, 2016 at a price of C$0.67 per unit. Of the 1,920,000 DSUs outstanding at December 31, 2016, 1,747,500 DSUs were vested and no units were cancelled. As at December 31, 2016, $1.1 million of current DSU liability has been recorded in the consolidated financial statement of financial position (2015: $0.4 million).

36. SEGMENT REPORTING

The Company has one reportable operating segment as defined under IFRS 8 Operating Segments.

Geographical information

The Company has one operating mine in the Republic of Senegal. With the acquisition of Gryphon, the Company now has a development project in Burkina Faso.

The following table discloses the Company's revenue by location:

	For the years ended December 31	
	2016	**2015**
Republic of Senegal – Sabodala revenue from gold and silver sales	268,850	224,620
Republic of Senegal – Sabodala interest income	27	43
Canada	24	-
Total	**268,901**	**224,663**

The following is an analysis of the Company's non-current assets by location:

	As at December 31, 2016	As at December 31, 2015
Republic of Senegal - Sabodala	584,616	562,169
Burkina Faso - Banfora	56,509	-
Other	7,694	7,000
Total	**648,819**	**569,169**

37. KEY MANAGEMENT PERSONNEL COMPENSATION

The Company considers key members of management to include the President and CEO and officers.

The remuneration of the key members of management includes 6 members during the year ended December 31, 2016 and 5 members during the year ended December 31, 2015. The remuneration during the years ended December 31, 2016 and 2015 is as follows:

	Short term benefits			Cash settled share based payments - value vested during the period	Equity settled share based payments - value vested during the period	
	Salary and Fees	Non-Cash Benefits	Cash Bonus (i)	RSUs	Options	Total
For the year ended December 31, 2016						
Compensation	1,586	13	71	711	312	**2,693**
For the year ended December 31, 2015						
Compensation	1,405	10	611	276	460	**2,762**

(i) The amount is based on the cash payment made during the year.

38. RELATED PARTY TRANSACTIONS

a. Transactions with key management personnel

During the year ended December 31, 2016, there were transactions totaling $0.1 million between the Company and director-related entities.

b. Exploration agreement with Miminvest SA

The Company entered into an exploration agreement with a related party, Miminvest SA ("Miminvest"), to identify and acquire gold exploration stage mining opportunities in Côte d'Ivoire. Miminvest is a company established to invest in gold and natural resources in West Africa and is controlled by the Mimran family and Mr. David Mimran, a director and the largest shareholder of Teranga. Miminvest holds five existing exploration permits, representing 1,838 km^2 in Côte d'Ivoire.

Under the terms of the exploration agreement, a separate entity was created and is wholly owned and funded by Teranga. Miminvest transferred into the entity its permits and in exchange retain a net smelter royalty interest of 3 percent and will provide ongoing in-country strategic advice. As at December 31, 2016, Teranga owed Miminvest $0.5 million for all direct and reasonable costs associated with exploration work related to the transferred permits. The entire amount was paid in the first quarter of 2017. Furthermore, the entity will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest permits.

39. SUBSEQUENT EVENTS

On May 31, 2013, the Company signed an agreement with the Republic of Senegal to advance approximately $13.2 million of accrued dividends in respect of its 10 percent minority interest between 2013 and 2015. In 2013, the Company made a dividend prepayment of $2.7 million, with a further dividend prepayment of $2.7 million required with the recommencement of drilling activities on the western side of the Niakafiri deposit, which occurred on February 7, 2017. A total of $7.8 million was accrued at December 31, 2016 (see note 22).