



Interim Condensed Consolidated Financial Statements of

**TERANGA GOLD CORPORATION**

For the three and nine months ended September 30, 2016

(unaudited)

## **TABLE OF CONTENTS**

### **CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

### **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

### **CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

### **CONSOLIDATED STATEMENTS OF CASH FLOWS**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

1.	GENERAL INFORMATION.....	5
2.	SIGNIFICANT ACCOUNTING POLICIES .....	5
3.	REVENUE .....	6
4.	COST OF SALES.....	6
5.	ADMINISTRATION EXPENSES .....	7
6.	FINANCE COSTS .....	7
7.	OTHER (INCOME) / EXPENSES .....	7
8.	INCOME TAX.....	7
9.	TRADE AND OTHER RECEIVABLES.....	8
10.	INVENTORIES.....	8
11.	AVAILABLE FOR SALE FINANCIAL ASSETS.....	8
12.	OTHER ASSETS .....	9
13.	PROPERTY, PLANT AND EQUIPMENT.....	10
14.	MINE DEVELOPMENT EXPENDITURES.....	11
15.	TRADE AND OTHER PAYABLES .....	12
16.	BORROWINGS.....	12
17.	DEFERRED REVENUE .....	13
18.	PROVISIONS.....	13
19.	EARNINGS PER SHARE (EPS).....	14
20.	COMMITMENTS FOR EXPENDITURES .....	14
21.	CASH FLOW INFORMATION .....	14
22.	FINANCIAL INSTRUMENTS .....	14
23.	SHARE BASED COMPENSATION .....	16
24.	RELATED PARTY TRANSACTIONS .....	19
25.	ACQUISITION OF GRYPHON MINERALS.....	19
26.	COMPARATIVE FINANCIAL STATEMENTS.....	20

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
THIRD QUARTER 2016  
(unaudited, in \$000's of United States dollars, except per share amounts)

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

		Three months ended September 30,		Nine months ended September 30,	
	Note	2016	2015	2016	2015
Revenue	3	60,316	37,830	213,076	166,385
Cost of sales	4	(37,748)	(33,018)	(138,506)	(125,618)
<b>Gross profit</b>		<b>22,568</b>	<b>4,812</b>	<b>74,570</b>	<b>40,767</b>
Exploration and evaluation expenditures		(735)	(48)	(3,659)	(1,782)
Administration expenses	5	(1,867)	(2,141)	(5,416)	(7,934)
Corporate social responsibility expenses		(802)	(727)	(2,834)	(1,937)
Share-based compensation	23	(1,394)	(384)	(4,943)	(1,752)
Finance costs	6	(1,118)	(789)	(3,455)	(2,186)
Net foreign exchange (losses)/gains		(1,054)	472	(2,903)	2,154
Other income/(expenses)	7	684	20	(7,213)	2,050
		<b>(6,286)</b>	<b>(3,597)</b>	<b>(30,423)</b>	<b>(11,387)</b>
<b>Profit before income tax</b>		<b>16,282</b>	<b>1,215</b>	<b>44,147</b>	<b>29,380</b>
Income tax (expense)/income	8	(4,105)	846	(14,764)	(5,510)
<b>Net profit</b>		<b>12,177</b>	<b>2,061</b>	<b>29,383</b>	<b>23,870</b>
Net profit attributable to:					
Shareholders		10,437	1,567	24,395	21,281
Non-controlling interests		1,740	494	4,988	2,589
<b>Net profit for the period</b>		<b>12,177</b>	<b>2,061</b>	<b>29,383</b>	<b>23,870</b>
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		110	(1)	110	-
<b>Other comprehensive income/(loss) for the period</b>		<b>110</b>	<b>(1)</b>	<b>110</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>12,287</b>	<b>2,060</b>	<b>29,493</b>	<b>23,870</b>
Total comprehensive income attributable to:					
Shareholders		10,547	1,567	24,505	21,281
Non-controlling interests		1,740	493	4,988	2,589
<b>Total comprehensive income for the period</b>		<b>12,287</b>	<b>2,060</b>	<b>29,493</b>	<b>23,870</b>
<b>Earnings per share from operations attributable to the shareholders of the Company during the period</b>					
- basic earnings per share	19	0.03	0.00	0.06	0.06
- diluted earnings per share	19	0.03	0.00	0.06	0.06

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
 THIRD QUARTER 2016  
 (unaudited, in \$000's of United States dollars, except per share amounts)

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		As at September 30, 2016	As at December 31, 2015
	Note		
<b>Current assets</b>			
Cash and cash equivalents	21b	57,871	44,436
Trade and other receivables	9	14,050	15,701
Inventories	10	41,402	57,529
Other current assets	12	7,231	9,381
Available for sale financial assets	11	3,416	-
<b>Total current assets</b>		<b>123,970</b>	<b>127,047</b>
<b>Non-current assets</b>			
Inventories	10	123,124	106,898
Property, plant and equipment	13	187,492	193,426
Mine development expenditures	14	254,176	237,046
Deferred income tax assets		22,225	23,098
Other non-current assets	12	7,383	8,701
<b>Total non-current assets</b>		<b>594,400</b>	<b>569,169</b>
<b>Total assets</b>		<b>718,370</b>	<b>696,216</b>
<b>Current liabilities</b>			
Trade and other payables	15	61,792	62,545
Current income tax liabilities	8	13,994	8,685
Deferred revenue	17	23,511	19,155
Provisions	18	5,151	2,588
<b>Total current liabilities</b>		<b>104,448</b>	<b>92,973</b>
<b>Non-current liabilities</b>			
Borrowings	16	13,762	13,450
Deferred revenue	17	50,723	72,190
Provisions	18	30,089	28,236
Other non-current liabilities	15	10,732	11,098
<b>Total non-current liabilities</b>		<b>105,306</b>	<b>124,974</b>
<b>Total liabilities</b>		<b>209,754</b>	<b>217,947</b>
<b>Equity</b>			
Issued capital		385,331	385,174
Foreign currency translation reserve		(998)	(998)
Other components of equity		17,712	16,905
Retained earnings		92,189	67,794
<b>Equity attributable to shareholders</b>		<b>494,234</b>	<b>468,875</b>
Non-controlling interests		14,382	9,394
<b>Total equity</b>		<b>508,616</b>	<b>478,269</b>
<b>Total equity and liabilities</b>		<b>718,370</b>	<b>696,216</b>

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

**Approved by the Board of Directors**

Alan Hill  
 Director

Alan Thomas  
 Director

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
 THIRD QUARTER 2016  
 (unaudited, in \$000's of United States dollars, except per share amounts)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Nine months ended September :	
	2016	2015
<b>Issued capital</b>		
Beginning of period	385,174	367,837
Issued on exercise of stock options	157	-
End of period	385,331	367,837
<b>Foreign currency translation reserve</b>		
Beginning of period	(998)	(998)
End of period	(998)	(998)
<b>Other components of equity</b>		
Beginning of period	16,905	16,255
Equity-settled share-based compensation reserve	697	522
Investment revaluation reserve on change in fair value of available for sale financial asset, net of tax	110	1
End of period	17,712	16,778
<b>Retained earnings</b>		
Beginning of period	67,794	118,337
Profit attributable to shareholders	24,395	21,281
End of period	92,189	139,618
<b>Non-controlling interest</b>		
Beginning of period	9,394	14,464
Non-controlling interest - portion of profit for the period	4,988	2,589
End of period	14,382	17,053
<b>Total equity as at September 30</b>	<b>508,616</b>	<b>540,288</b>

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
THIRD QUARTER 2016  
(unaudited, in \$000's of United States dollars, except per share amounts)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

		Three months ended September 30,		Nine months ended September 30,	
	Note	2016	2015	2016	2015
<b>Cash flows related to operating activities</b>					
Net profit for the period		12,177	2,061	29,383	23,870
Depreciation of property, plant and equipment	13	5,070	4,842	15,920	16,600
Depreciation of capitalized mine development costs	14	4,450	2,982	14,176	14,706
Inventory movements - non-cash	4	141	803	5,626	5,151
Capitalized deferred stripping - non-cash	4	(271)	(176)	(1,136)	(1,165)
Amortization of advanced royalties	4	518	349	2,200	1,105
Unrealized (gains)/losses on derivative instruments	7	(1,476)	-	465	-
Amortization of intangibles		19	12	59	234
Amortization of deferred financing costs		111	215	575	490
Unwinding of discounts	6	228	221	762	727
Share-based compensation	23	1,394	384	4,943	1,752
Deferred gold revenue recognized	17	(6,025)	(5,090)	(17,111)	(17,757)
Deferred income tax expense/(recovery)	8	161	(985)	874	2,960
Loss on disposal of property, plant and equipment		-	-	32	84
Increase in inventories		(8,527)	(9,326)	(4,719)	(11,655)
Changes in non-cash working capital other than inventories	21a	5,285	(4,513)	6,307	(16,423)
<b>Net cash provided by/(used in) operating activities</b>		<b>13,255</b>	<b>(8,221)</b>	<b>58,356</b>	<b>20,679</b>
<b>Cash flows related to investing activities</b>					
Investment in Gryphon Minerals Limited common shares		(3,306)	-	(3,306)	-
Expenditures for property, plant and equipment		(3,465)	(8,541)	(15,643)	(16,778)
Expenditures for mine development		(5,934)	(4,712)	(23,242)	(18,510)
Acquisition of intangibles		(92)	(15)	(265)	(87)
<b>Net cash used in investing activities</b>		<b>(12,797)</b>	<b>(13,268)</b>	<b>(42,456)</b>	<b>(35,375)</b>
<b>Cash flows related to financing activities</b>					
Proceeds from stock options exercised		86	-	139	-
Repayment of borrowings	16	-	-	-	(4,192)
Draw-down from revolving credit facility			15,000	-	15,000
Financing costs paid		(17)	(2,001)	(263)	(2,001)
Interest paid on borrowings		(306)	-	(1,166)	(43)
<b>Net cash (used in)/provided by financing activities</b>		<b>(237)</b>	<b>12,999</b>	<b>(1,290)</b>	<b>8,764</b>
Effect of exchange rates on cash holdings in foreign currencies		(488)	-	(1,175)	1
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(267)</b>	<b>(8,490)</b>	<b>13,435</b>	<b>(5,931)</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>58,138</b>	<b>38,369</b>	<b>44,436</b>	<b>35,810</b>
<b>Cash and cash equivalents at the end of period</b>		<b>57,871</b>	<b>29,879</b>	<b>57,871</b>	<b>29,879</b>

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 Stock 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 eight exploration permits covering approximately 1,000km<sup>2</sup> in Senegal, comprising the regional land package that is surrounding the Company's Sabodala gold mine.

On October 13, 2016, Teranga closed the transaction to acquire Gryphon Minerals Limited ("Gryphon"). Gryphon's key asset is the Banfora gold project ("Banfora"), a permitted, high grade, open pit gold project located in Burkina Faso, West Africa. Refer to Note 25.

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

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **a. Statement of compliance**

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Since the interim condensed consolidated financial statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2015.

The interim condensed consolidated financial statements were approved by the Board of Directors on October 27, 2016.

#### **b. Basis of presentation**

All amounts included in these interim condensed consolidated financial statements have been presented in United States dollars unless otherwise stated. The interim condensed consolidated financial statements have been prepared on the basis of historical cost, except for certain financial assets and liabilities that are measured at fair value as disclosed elsewhere in the notes to the financial statements. The interim condensed consolidated financial statements have been prepared based on the Company's accounting policies set out in Note 3 of the annual audited consolidated financial statements for the year ended December 31, 2015.

In 2016, in order to better align costs with industry peers, the Company has reclassified regional administration costs directly relating to cost of sales activities from administration expenses to cost of sales and corporate social responsibility ("CSR") costs to a separate line on the consolidated statements of comprehensive income. The prior year figures have been adjusted to conform to the current year's presentation. Refer to Notes 4 and 5.

#### **c. New standards, interpretations and amendments thereof, adopted by the Company**

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's Audited Consolidated Financial Statements for the year ended December 31, 2015, and there have been no new standards or interpretations adopted which have had an impact on the accounting policies, financial position or performance of the Company.

#### **d. Future accounting policies not yet adopted**

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The future accounting policies not yet adopted are consistent with those disclosed in the Company's Audited Consolidated Financial Statements for the year ended December 31, 2015.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
 THIRD QUARTER 2016  
 (unaudited, in \$000's of United States dollars, except per share amounts)

### 3. REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Gold sales - spot price	60,180	37,773	212,818	166,177
Silver sales	136	57	258	208
<b>Total revenue</b>	<b>60,316</b>	<b>37,830</b>	<b>213,076</b>	<b>166,385</b>

For the three months ended September 30, 2016, 45,161 ounces of gold were sold at an average realized price of \$1,333 per ounce, including 5,625 ounces delivered to Franco Nevada Corporation ("Franco Nevada") (2015: 33,982 ounces were sold at an average realized price of \$1,112 per ounce, including 5,625 ounces delivered to Franco Nevada). For the nine months ended September 30, 2016, 171,129 ounces of gold were sold at an average realized price of \$1,244 per ounce, including 16,875 ounces delivered to Franco Nevada (2015: 140,279 ounces were sold at an average realized price of \$1,185 per ounce, including 18,750 ounces delivered to Franco Nevada).

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 17.

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Customer 1	29,779	-	159,395	-
Customer 2	23,006	31,467	32,292	144,188
Customer 3	7,531	6,363	21,389	22,197
<b>Total revenue</b>	<b>60,316</b>	<b>37,830</b>	<b>213,076</b>	<b>166,385</b>

### 4. COST OF SALES

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Mine production costs	36,104	33,707	108,701	104,057
Capitalized deferred stripping - cash	(3,113)	(2,047)	(13,717)	(11,832)
Capitalized deferred stripping - non-cash	(271)	(176)	(1,136)	(1,165)
Depreciation and amortization - deferred stripping assets	761	508	1,725	5,117
Depreciation and amortization - property, plant and equipment and mine development expenditures	8,758	7,252	28,270	26,026
Royalties <sup>(i)</sup>	3,174	1,942	11,428	8,315
Amortization of advanced royalties	518	349	2,200	1,105
Regional administration costs	355	509	1,406	1,795
Inventory movements - cash	(8,679)	(9,829)	(5,997)	(12,951)
Inventory movements - non-cash	141	803	5,626	5,151
<b>Total cost of sales</b>	<b>37,748</b>	<b>33,018</b>	<b>138,506</b>	<b>125,618</b>

- (i) Includes royalties to Axmin Inc. on account of their 1.5 percent net smelter royalty on the Gora deposit. During the three and nine months ended September 30, 2016, the Company incurred \$0.1 million and \$0.8 million of Axmin royalties, respectively (2015: \$42 thousand and \$42 thousand).



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
 THIRD QUARTER 2016  
 (unaudited, in \$000's of United States dollars, except per share amounts)

## 5. ADMINISTRATION EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Corporate office	1,678	1,458	4,281	5,545
Audit fees	52	115	238	412
Legal and other	115	543	830	1,741
Depreciation	22	25	67	236
<b>Total administration expenses</b>	<b>1,867</b>	<b>2,141</b>	<b>5,416</b>	<b>7,934</b>

## 6. FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Interest and deferred financing costs on borrowings	439	330	1,640	648
Unwinding of discounts	228	221	762	727
Stocking fees	185	128	533	473
Bank charges	203	65	392	172
Other	63	45	128	166
<b>Total finance costs</b>	<b>1,118</b>	<b>789</b>	<b>3,455</b>	<b>2,186</b>

## 7. OTHER (INCOME) / EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Acquisition <sup>(i)</sup>	815	-	1,219	-
Losses/(gains) on derivative instruments <sup>(ii)</sup>	(215)	-	2,669	(1,770)
Business process consulting	-	-	886	-
Mine license registration fees <sup>(iii)</sup>	-	-	1,033	-
Business taxes and recoveries <sup>(iv)</sup>	(1,300)	-	1,200	-
Interest income	(13)	(20)	(26)	(49)
Other income and expenses <sup>(v)</sup>	29	-	232	(231)
<b>Total other (income)/expenses</b>	<b>(684)</b>	<b>(20)</b>	<b>7,213</b>	<b>(2,050)</b>

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

(ii) 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. The company also entered into zero cost collars with Macquarie Bank, which provide a floor price of \$1,150 per ounce and provide exposure to the gold price of up to \$1,312. Based on the fair value of these contracts at September 30, 2016, hedge gain of \$0.2 million and hedge loss of \$2.7 million were recorded for the three and nine months ended September 30, 2016 (2015: nil and \$1.8 million gain). Refer to Note 15.

(iii) During the first quarter, the Company paid \$1.0 million in prescribed fees (land registry and notary), related to the Oromin Joint Venture Group ("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).

(iv) Business taxes are calculated based on the gross value of fixed assets of the preceding year. The amount recorded during the third quarter represents the reversal of a previous accrual totalling \$1.3 million.

(v) Expenses in 2016 consist primarily of write-offs of aged receivables.

## 8. INCOME TAX

On May 2, 2015, the Company's tax holiday in Senegal ended and the Company has recorded a current income tax expense on taxable income earned in its Senegalese entities since that date at a rate of 25 percent. Current income tax is calculated using local tax rates on taxable income which is estimated in accordance with local statutory requirements and is denominated in the Senegalese currency (CFA Franc). The tax basis of all assets and non-current intercompany loans are recorded using historical exchange rates and translated to the functional currency using the period end exchange rate, and as a result the Company's deferred tax balances will fluctuate due to changes in foreign exchange rates. The consolidated effective tax rate is also affected by non-deductible expenses and tax losses not benefitted in jurisdictions outside of Senegal.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
THIRD QUARTER 2016  
(unaudited, in \$000's of United States dollars, except per share amounts)

For the three months ended September 30, 2016, the Company recorded income tax expense of \$4.1 million (2015: \$0.8 million recovery), comprised of current income tax expense of \$3.9 million and deferred income tax expense of \$0.2 million (2015: \$0.1 million expense and \$0.9 million recovery, respectively). For the nine months ended September 30, 2016, the Company recorded income tax expense of \$14.8 million (2015: 5.5 million), comprised of current income tax expense of \$13.9 million and deferred income tax expense of \$0.9 million (2015: \$2.5 million and \$3.0 million, respectively).

## 9. TRADE AND OTHER RECEIVABLES

	As at September 30, 2016	As at December 31, 2015
<b>Current</b>		
Trade receivables <sup>(i)</sup>	503	625
Value added tax ("VAT") recoverable <sup>(ii)</sup>	11,293	13,187
Other receivables <sup>(iii)</sup>	2,254	1,889
<b>Total trade and other receivables</b>	<b>14,050</b>	<b>15,701</b>

- (i) Trade receivables relate to gold and silver shipments made prior to quarter-end that were settled after quarter-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 VAT 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 our mining convention and expires on May 2, 2022.  
(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: \$nil) and \$0.1 million of Canadian sales tax refunds as at September 30, 2016 (2015: \$0.2 million).

## 10. INVENTORIES

	As at September 30, 2016	As at December 31, 2015
<b>Current</b>		
Gold bullion	2,966	1,948
Gold in circuit	4,694	4,075
Ore stockpile	1,331	18,845
<b>Total gold inventories</b>	<b>8,991</b>	<b>24,868</b>
Diesel fuel	1,518	1,881
Materials and supplies	29,323	28,981
Goods in transit	1,570	1,799
<b>Total other inventories</b>	<b>32,411</b>	<b>32,661</b>
<b>Total current inventories</b>	<b>41,402</b>	<b>57,529</b>
<b>Non-current</b>		
Ore stockpile	123,124	106,898
<b>Total inventories</b>	<b>164,526</b>	<b>164,427</b>

## 11. AVAILABLE FOR SALE FINANCIAL ASSETS

	Amount
Balance at January 1, 2016	-
Private placement - Gryphon shares	3,306
Change in fair value of available for sale financial asset during period	64
Foreign exchange gain	46
<b>Balance at September 30, 2016</b>	<b>3,416</b>

On July 19, 2016, the Company acquired a 5 percent interest in Gryphon by way of a placement (the "Gryphon Placement"). Through the Gryphon Placement, Teranga subscribed for 21.2 million fully paid ordinary shares of Gryphon for total consideration of approximately \$3.3 million. The shares have been classified as available for sale in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". As a result of the Gryphon Placement, Teranga owned approximately 5 percent of Gryphon's issued shares as at September 30, 2016.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
 THIRD QUARTER 2016  
 (unaudited, in \$000's of United States dollars, except per share amounts)

For the three months ended September 30, 2016, as a result of the change in fair value of the available for sale financial asset, a gain of \$64 thousand, net of tax of \$nil, was recognized in Other Components of Equity.

On October 13, 2016 Teranga completed the 100 percent acquisition of Gryphon. Refer to Note 25a.

## 12. OTHER ASSETS

	As at September 30, 2016	As at December 31, 2015
<b>Current</b>		
Prepayments <sup>(i)</sup>	3,536	4,129
Security deposit <sup>(ii)</sup>	-	1,500
Advanced royalty <sup>(iii)</sup>	2,662	3,338
Financial derivative assets	-	41
VAT certificates held <sup>(iv)</sup>	1,033	373
<b>Total other current assets</b>	<b>7,231</b>	<b>9,381</b>
<b>Non-current</b>		
Advanced royalty <sup>(iii)</sup>	7,006	8,530
Intangible assets	377	171
<b>Total other non-current assets</b>	<b>7,383</b>	<b>8,701</b>
<b>Total other assets</b>	<b>14,614</b>	<b>18,082</b>

- (i) As at September 30, 2016, prepayments include \$2.2 million (2015 - \$3.2 million) of advances to vendors and contractors and \$1.3 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 September 30, 2016, there is \$2.7 million in other current assets and \$7.0 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 three and nine months ended September 30, 2016, the Company has expensed \$0.5 million and \$2.2 million as amortization of the OJVG and Gora advanced royalties, respectively (2015: \$0.3 million and \$1.1 million). The advanced royalty recorded within other current assets is based on the expected production from the OJVG and Gora deposits over the next 12 months and the remaining balance is recorded within other non-current assets. Refer to Note 15.
- (iv) At September 30, 2016, the Company held \$1.0 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.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
 THIRD QUARTER 2016  
 (unaudited, in \$000's of United States dollars, except per share amounts)

**13. PROPERTY, PLANT AND EQUIPMENT**

	Buildings and property improvements	Plant and equipment	Office furniture and equipment	Motor vehicles	Mobile equipment	Capital work in progress	Total
<b>Cost</b>							
Balance as at January 1, 2015	45,035	261,200	2,231	3,031	83,173	4,727	399,397
Additions	33	8,732	24	-	2,474	25,842	37,105
Disposals	-	(394)	(30)	-	(1)	-	(425)
Other	-	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
Additions	-	666	24	-	-	15,114	15,804
Disposals	-	-	-	(117)	(173)	-	(290)
Transfer to Mine development expenditures	-	-	-	-	-	(5,786)	(5,786)
Transfer <sup>(i)</sup>	(4,592)	15,572	187	3,552	5,286	(20,005)	-
Balance as at September 30, 2016	46,511	292,692	2,689	7,254	90,759	5,934	445,839
<b>Accumulated depreciation and impairment charges</b>							
Balance as at January 1, 2015	21,446	119,600	1,798	2,340	55,780	-	200,964
Disposals	-	(315)	(19)	-	-	-	(334)
Impairment charges	3,111	16,241	-	-	-	-	19,352
Depreciation expense	1,892	12,269	231	376	7,935	-	22,703
Balance as at December 31, 2015	26,449	147,795	2,010	2,716	63,715	-	242,685
Disposals	-	-	-	(84)	(173)	-	(257)
Depreciation expense	1,497	7,749	218	706	5,749	-	15,919
Balance as at September 30, 2016	27,946	155,544	2,228	3,338	69,291	-	258,347
<b>Net book value</b>							
Balance as at December 31, 2015	24,654	128,659	468	1,103	21,931	16,611	193,426
Balance as at September 30, 2016	18,565	137,148	461	3,916	21,468	5,934	187,492

(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 nine months ended September 30, 2016 relate mainly to expenditures for the mill optimization project and sustaining capital.

Depreciation of property, plant and equipment was \$5.1 million for the three months ended September 30, 2016 (2015: \$4.8 million) and \$15.9 million for the nine months ended September 30, 2016 (2015: \$16.6 million).

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
 THIRD QUARTER 2016  
 (unaudited, in \$000's of United States dollars, except per share amounts)

**14. MINE DEVELOPMENT EXPENDITURES**

	Development and exploration costs	Deferred stripping assets	Total
<b>Cost</b>			
<b>Balance as at January 1, 2015</b>	<b>295,945</b>	<b>89,829</b>	<b>385,774</b>
Additions incurred during the period	8,804	15,921	24,725
<b>Balance as at December 31, 2015</b>	<b>304,749</b>	<b>105,750</b>	<b>410,499</b>
Additions incurred during the period	10,667	14,853	25,520
Transfer from Property, plant and equipment	5,786	-	5,786
<b>Balance as at September 30, 2016</b>	<b>321,202</b>	<b>120,603</b>	<b>441,805</b>
<b>Accumulated depreciation and impairment charges</b>			
<b>Balance as at January 1, 2015</b>	<b>72,596</b>	<b>52,459</b>	<b>125,055</b>
Depreciation expense	13,840	5,686	19,526
Impairment charges	23,538	5,334	28,872
<b>Balance as at December 31, 2015</b>	<b>109,974</b>	<b>63,479</b>	<b>173,453</b>
Depreciation expense	12,451	1,725	14,176
<b>Balance as at September 30, 2016</b>	<b>122,425</b>	<b>65,204</b>	<b>187,629</b>
<b>Carrying amount</b>			
<b>Balance as at December 31, 2015</b>	<b>194,775</b>	<b>42,271</b>	<b>237,046</b>
<b>Balance as at September 30, 2016</b>	<b>198,777</b>	<b>55,399</b>	<b>254,176</b>

	As at September 30, 2016	As at December 31, 2015
<b>Capitalized mine development additions</b>		
Deferred stripping costs	14,853	15,921
Capitalized mine development - Gora	-	1,863
Capitalized mine development - Golouma	2,396	1,272
Capitalized mine development - Kerekounda	1,137	-
Capitalized reserve development	5,587	4,855
Other	1,547	814
<b>Total capitalized mine development additions</b>	<b>25,520</b>	<b>24,725</b>

Mine development expenditures represent capitalized deferred stripping costs, development costs in relation to the various deposits and capitalized reserve development.

Depreciation of capitalized mine development of \$4.5 million was expensed as cost of sales for the three months ended September 30, 2016 (2015: \$3.0 million) and \$14.2 million for the nine months ended September 30, 2016 (2015: \$14.7 million).

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
 THIRD QUARTER 2016  
 (unaudited, in \$000's of United States dollars, except per share amounts)

**15. TRADE AND OTHER PAYABLES**

	As at September 30, 2016	As at December 31, 2015
<b>Current</b>		
Trade payables <sup>(i)</sup>	12,735	22,903
Sundry creditors and accrued expenses	15,986	14,900
Government royalties <sup>(ii)</sup>	19,764	11,054
Amounts payable to Republic of Senegal <sup>(iii) (iv) (vii)</sup>	12,208	13,155
Financial derivative liabilities	465	-
Contingent consideration <sup>(vi)</sup>	634	533
<b>Total current trade and other payables</b>	<b>61,792</b>	<b>62,545</b>
<b>Non-Current</b>		
Amounts payable to Republic of Senegal <sup>(v)</sup>	7,855	7,565
Contingent consideration <sup>(vi)</sup>	2,877	3,533
<b>Total other non-current liabilities</b>	<b>10,732</b>	<b>11,098</b>
<b>Total trade and other payables</b>	<b>72,524</b>	<b>73,643</b>

- (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 (11,551 million XOF). Beginning in 2015, the Company had anticipated transitioning to quarterly payments of royalties, however that transition has been deferred. For the nine months ended September 30, 2016, \$2.2 million was paid on account of royalties owing for the first quarter 2015. The balance of 2015 royalties owing will be paid over the remainder of 2016 and 2017.
- (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 September 30, 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. As at September 30, 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 on sales occurring 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. It is recorded at its net present value of \$7.9 million.
- (vi) The Company acquired Badr Investment Ltd.'s ("Badr") 13 percent carried interest in the OJVG for cash consideration of \$7.5 million and further contingent consideration which will be based on realized gold prices and increases to the OJVG's mining reserves through 2020, of which \$3.8 million was accrued upon finalization of the purchase price allocation in 2014. In the second quarter of 2016, \$0.5 million was paid with respect to reserve additions made in 2015. As at September 30, 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 OJVG. As at September 30, 2016, \$2.6 million remains to be paid and has been accrued as a current liability.

**16. BORROWINGS**

	As at September 30, 2016	As at December 31, 2015
<b>Non-Current</b>		
Revolving credit facility	15,000	15,000
Deferred financing costs	(1,238)	(1,550)
<b>Total borrowings</b>	<b>13,762</b>	<b>13,450</b>

**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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
 THIRD QUARTER 2016  
 (unaudited, in \$000's of United States dollars, except per share amounts)

unused facility amounts subject to a commitment fee of 1.6 percent. As at September 30, 2016, \$15.0 million was drawn on the Revolver Facility for working capital needs.

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 quarter.

## 17. DEFERRED REVENUE

	Amount
<b>Balance as at January 1, 2015</b>	<b>113,998</b>
Amortization of deferred revenue	(22,653)
<b>Balance as at December 31, 2015</b>	<b>91,345</b>
Amortization of deferred revenue	(17,111)
<b>Balance as at September 30, 2016</b>	<b>74,234</b>

	As at September 30, 2016	As at December 31, 2015
Current	23,511	19,155
Non-Current	50,723	72,190
<b>Total deferred revenue</b>	<b>74,234</b>	<b>91,345</b>

During the three months ended September 30, 2016, the Company delivered 5,625 ounces of gold to Franco-Nevada and recorded revenue of \$7.5 million, consisting of \$1.5 million received in cash proceeds and \$6.0 million recorded as a reduction of deferred revenue. (2015: 5,625 ounces delivered, revenue of \$6.4 million, consisting of \$1.3 million received in cash proceeds and \$5.1 million recorded as a reduction of deferred revenue).

During the nine months ended September 30, 2016, the Company delivered 16,875 ounces of gold and recorded revenue of \$21.4 million, consisting of \$3.8 million received in cash proceeds, \$0.5 million in accounts receivable and \$17.1 million recorded as a reduction of deferred revenue (2015: 16,875 ounces delivered, revenue of \$22.2 million, consisting of \$4.0 million received in cash proceeds, \$0.4 million in accounts receivable and \$17.8 million recorded as a reduction of deferred revenue).

## 18. PROVISIONS

	As at September 30, 2016	As at December 31, 2015
<b>Current</b>		
Employee benefits (i)	1,821	1,847
Cash settled share-based compensation (iii)	3,330	741
<b>Total current provisions</b>	<b>5,151</b>	<b>2,588</b>
<b>Non-Current</b>		
Mine restoration and rehabilitation (ii)	27,803	26,962
Employee benefits (i)	861	837
Cash settled share-based compensation (iii)	1,425	437
<b>Total non-current provisions</b>	<b>30,089</b>	<b>28,236</b>
<b>Total provisions</b>	<b>35,240</b>	<b>30,824</b>

- (i) For the period ended September 30, 2016, the provisions for employee benefits include \$0.9 million of accrued vacation and \$0.9 million long service leave entitlements (2015 - \$1.0 million and \$0.7 million). The non-current provisions for employee benefits include \$0.9 million of accrued vacation (2015 - \$0.8 million).

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
 THIRD QUARTER 2016  
 (unaudited, in \$000's of United States dollars, except per share amounts)

- (ii) The rehabilitation provision represents the present value of rehabilitation costs relating to the Sabodala mine which are expected to be incurred up to 2029, the current end of mine estimate. The provision has been recorded based on estimates and assumptions which management believe are a reasonable basis to estimate future liability. The estimates are reviewed regularly to account for any material changes to the rehabilitation work required. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation work required that will reflect market conditions at the relevant time.
- (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 23 for further details.

## 19. EARNINGS PER SHARE (EPS)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Basic EPS (US\$)	0.03	0.00	0.06	0.06
Diluted EPS (US\$)	0.03	0.00	0.06	0.06
Basic EPS:				
Net profit used in the calculation of basic EPS	10,437	1,567	24,395	21,281
Weighted average number of common shares for the purposes of basic EPS ('000)	392,145	352,801	392,068	352,801
Effect of dilutive share options ('000)	3,175	378	2,648	189
Weighted average number of common shares outstanding for the purpose of diluted EPS ('000)	395,320	353,179	394,716	352,990

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 11.7 million and 15.5 million shares relating to share options that were anti-dilutive for the periods ended September 30, 2016 and September 30, 2015, respectively.

## 20. COMMITMENTS FOR EXPENDITURES

The Company has entered into capital purchase obligations related to various projects. As at September 30, 2016, total future purchase obligations related to these projects were approximately \$0.5 million.

## 21. CASH FLOW INFORMATION

### a. Change in working capital

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
<b>Changes in working capital other than inventory</b>				
Increase in trade and other receivables	(24)	(5,252)	(5,075)	(8,089)
Decrease in other assets	15	2,372	6,952	1,763
Increase/(decrease) in trade and other payables	1,534	(1,772)	(382)	(12,646)
Increase/(decrease) in provisions	2	-	(616)	(1)
Increase in current income taxes payable	3,758	139	5,428	2,550
<b>Net change in working capital other than inventory</b>	<b>5,285</b>	<b>(4,513)</b>	<b>6,307</b>	<b>(16,423)</b>

### b. Cash balance subject to liquidity covenant

As part of the streaming transaction with Franco-Nevada, a minimum cash balance financial covenant of \$15.0 million is required.

## 22. 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 September 30, 2016, 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, other than cash and cash equivalents, as at September 30, 2016 and December 31, 2015:



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
 THIRD QUARTER 2016  
 (unaudited, in \$000's of United States dollars, except per share amounts)

	As at September 30, 2016	As at December 31, 2015
<b>Financial assets:</b>		
Loans and receivables		
Trade and other receivables	14,050	15,701
Other assets		
Available-for-sale financial assets	3,416	-
<b>Financial liabilities:</b>		
Other financial liabilities at amortized cost		
Trade and other payables	77,279	74,821
Borrowings	13,762	13,450

**b. Fair value of financial instruments**

The Company's trade and other receivables, and trade and other payables are substantially carried at amortized cost, which approximates fair value. Cash and cash equivalents and available-for-sale financial assets are measured at fair value. 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 balance sheets are as follows:

	As at September 30, 2016		As at December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial liabilities</b>				
Borrowings	13,762	15,000	13,450	15,000

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 or whose fair value is disclosed elsewhere in the financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

	As at September 30, 2016			As at December 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial Assets</b>						
Cash and cash equivalents	57,871	-	-	44,436	-	-
Available-for-sale financial assets	3,416	-	-	-	-	-
<b>Total</b>	<b>61,287</b>	<b>-</b>	<b>-</b>	<b>88,872</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>						
Borrowings	-	13,762	-	-	13,450	-
Cash settled share-based compensation	-	4,442	313	-	1,063	115
<b>Total</b>	<b>465</b>	<b>18,204</b>	<b>313</b>	<b>-</b>	<b>14,513</b>	<b>115</b>

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
 THIRD QUARTER 2016  
 (unaudited, in \$000's of United States dollars, except per share amounts)

---

### 23. SHARE BASED COMPENSATION

Share-based compensation expense for the three months and nine months ended September 30, 2016 totalled \$1.4 million and \$4.9 million, respectively (2015: \$0.4 million and \$1.8 million).

#### a. Incentive Stock Option Plan

During the three months ended September 30, 2016, 114,155 stock options were granted, 141,626 stock options were forfeited and 93,114 stock options were exercised.

During the nine months ended September 30, 2016, 4,141,841 stock options were granted at exercise prices between C\$0.73-C\$1.27, 448,132 stock options were forfeited and 247,347 stock options were exercised. The exercise price of new stock options granted during the current year was determined using a volume weighted average trading price of the Company's shares for the 5-day period ending on the grant date.

	Number of options	Weighted average exercise price
<b>Balance as at January 1, 2015</b>	<b>21,470,489</b>	<b>C\$2.54</b>
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
<b>Balance as at December 31, 2015</b>	<b>15,539,165</b>	<b>C\$2.41</b>
Granted during the period	4,141,841	C\$0.68
Forfeited during the period	(448,132)	C\$0.74
Exercised during the period	(247,347)	C\$0.65
<b>Balance as at September 30, 2016</b>	<b>18,985,527</b>	<b>C\$2.10</b>
Number of options exercisable - December 31, 2015	12,670,177	
Number of options exercisable - September 30, 2016	14,136,843	

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
 THIRD QUARTER 2016  
 (unaudited, in \$000's of United States dollars, except per share amounts)

The following stock options were outstanding as at September 30, 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	540,000	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	0.64
Granted on March 31, 2015	1,266,821	31-Mar-15	31-Mar-20	0.64	0.64
Granted on March 31, 2016	3,687,051	31-Mar-16	31-Mar-21	0.67	0.67
Granted on August 2, 2016	91,125	02-Aug-16	11-Aug-21	1.07	1.07
Granted on September 12, 2016	23,030	12-Sep-16	12-Sep-21	1.26	1.26

As at September 30, 2016, approximately 20.2 million (2015: 19.8 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 18,985,527 common share stock options issued and outstanding as at September 30, 2016, 14,136,843 are vested, 4,811,184 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 management's best estimate of outcome of achieving desired results.

As at September 30, 2016, 11,667,500 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 grant date fair value of options granted during the nine months ended September 30, 2016 was calculated using the Black-Scholes option pricing model with the following assumptions:

	Nine months ended September 30,	
	2016	2015
Grant date share price	C\$0.67-\$1.26	C\$0.64
Weighted average fair value of awards	C\$0.36	C\$0.33
Exercise price <sup>(i)</sup>	C\$0.73-C\$1.27	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 <sup>(ii)</sup>	67%-71%	67%
Expected life of options (years)	3.0	3.5-5.0
Dividend yield	0%	0%
Forfeiture rate	5%	5%

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
 THIRD QUARTER 2016  
 (unaudited, in \$000's of United States dollars, except per share amounts)

- (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 nine months ended September 30, 2016, volatility was determined using the 3-year average historical volatility of the Company's share price. For the nine months ended September 30, 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.

**b. Fixed Bonus Plan Units ("Units")**

As at September 30, 2016 a total of 1,797,500 Fixed Bonus Plan Units were outstanding (December 31, 2015: 1,660,000 Units). During the nine months ended September 30, 2016, 137,500 Units were granted to one employee and no Units were forfeited or exercised. The fair value of the Units granted is measured using the Black-Scholes option pricing model, taking into consideration the terms and conditions upon which the Units are granted. The Units are revalued at the end of each reporting period based on the period end share price.

As at September 30, 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 September 30, 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 at September 30, 2016 in the range of C\$0.12 to C\$0.65 per Unit. The total fair value of the Units at September 30, 2016 is \$0.3 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, 1,495,094 units were vested at September 30, 2016 with the remaining units to be fully vested by March 31, 2019.

**Fair value of Units**

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

	Nine months ended September 30, 2016
Share price at the end of the period	C\$1.17
Weighted average fair value of awards	C\$0.12-C\$0.65
Exercise price	C\$0.64 - C\$3.00
Range of risk-free interest rate	0.51%-0.62%
Volatility of the expected market price of share	64%
Expected life of options (years)	2.0-4.0
Dividend yield	0%
Forfeiture rate	5%-50%

**c. Restricted Stock Units ("RSUs")**

The Company introduced a RSU Plan for employees during the second quarter of 2014. RSUs represent a right for an employee 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 the vesting date. RSUs 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. 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 vested awards are re-valued based on the period-end share price with a corresponding charge to share-based compensation expense.

During the nine months ended September 30, 2016, 6,140,338 RSUs were granted at an average price of C\$0.67 per unit and 895,850 RSUs were forfeited (2015: 2,917,500 RSUs granted and 90,000 forfeited). As of September 30, 2016 a total of 7,800,922 RSUs were outstanding of which 3,395,347 units were vested. As at September 30, 2016, \$1.9 million of current RSU liability and \$1.1 million of non-current RSU liability have been recorded in the consolidated statements of financial position (2015: \$0.4 million and \$0.3 million in current and non-current RSU liability, respectively).

**d. Deferred Stock Units ("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. DSUs 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 vested awards are re-valued based on the period-end share price with a corresponding charge to share-based compensation expense.

During the nine months ended September 30, 2016, 1,575,000 DSUs were vested, 675,000 DSUs were issued and none were cancelled. Of the 1,920,000 DSUs outstanding at September 30, 2016, 1,575,000 were vested. As at September 30, 2016, \$1.4 million of current DSU liability has been recorded in the consolidated financial statement of financial position (2015: \$0.4 million).

**24. RELATED PARTY TRANSACTIONS**

**a. Equity interests in related parties**

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 29 of the audited annual consolidated financial statements of the Company for the year ended December 31, 2015.

**b. Transactions with key management personnel**

During the three and nine months ended September 30, 2016, there were transactions totalling \$10 thousand and \$45 thousand, respectively, between the Company and a director-related entity. No loans were made to directors or director-related entities during the period.

**c. Royalty agreement with Miminvest SA**

The Company entered into a royalty 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 David Mimran, a director and the largest shareholder of Teranga. Miminvest holds four existing exploration permits, representing 1,380 km<sup>2</sup> in Côte d'Ivoire.

Under the terms of the royalty agreement, a separate entity will be created and be wholly owned and funded by Teranga. Miminvest will transfer 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. Teranga will reimburse Miminvest for all direct and reasonable costs associated with exploration work related to all transferred permits. Furthermore, the entity will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest permits.

**25. ACQUISITION OF GRYPHON MINERALS**

**a. Implementation of Scheme of Arrangement**

On October 13, 2016, Teranga implemented the previously announced 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 Australian Securities Exchange ("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.

Gryphon's key asset is the 90 percent-owned Banfora gold project, a permitted, high grade, open pit gold project located in Burkina Faso, West Africa.

The trading of the Gryphon shares on the ASX was suspended on September 29, 2016, and Gryphon has applied for the termination of the official quotation of Gryphon shares on the ASX and the removal of Gryphon from the official list of the ASX.

Management has determined that the acquisition of Gryphon was a business combination in accordance with the definition in IFRS 3, Business Combinations, and will account for the transaction in accordance with this standard. As a result of the recent timing of the Acquisition, the Company has not completed its preliminary analysis of the fair values of the assets acquired and the liabilities assumed.

**b. Tablo Corporation Private Placement**

On October 13, 2016, the Company announced that Tablo Corporation ("Tablo"), controlled by Mr. David Mimran, exercised its pre-emptive participation right, pursuant to a Voting and Investor Rights Agreement with Teranga dated

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
THIRD QUARTER 2016  
(unaudited, in \$000's of United States dollars, except per share amounts)

---

October 14, 2015, to subscribe for 9,671,625 Teranga common shares (the "Private Placement"), representing 13.69 percent of Teranga's common shares and CDIs issued under the Scheme (calculated on a non-diluted basis). Following the completion of the Private Placement, Tablo held a total of 63,376,260, or 13.41 percent, of Teranga's issued and outstanding common shares (calculated on a non-diluted basis and post issuance of the Teranga common shares and CDIs issued on the Scheme and 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 will be subject to a customary four month hold period.

## **26. COMPARATIVE FINANCIAL STATEMENTS**

The comparative interim condensed consolidated financial statements have been reclassified from the interim condensed consolidated financial statements previously presented to conform to the presentation of the 2016 interim condensed consolidated financial statements in accordance with IFRS.