

SCHEME BOOKLET



GRYPHON
MINERALS LIMITED

In relation to a proposal from Teranga Gold Corporation (**Teranga**) to buy all of the issued shares in Gryphon Minerals Limited (**Gryphon**) that it does not already own.

VOTE IN FAVOUR

The Gryphon Directors unanimously recommend that you **vote in favour** of the Scheme in the absence of a Superior Proposal

FINANCIAL ADVISER

**MAXIT
CAPITAL**

LEGAL ADVISER

**KING & WOOD
MALLESONS**

Gryphon Minerals Limited
ACN 107 690 657

This is an important document and requires your immediate attention. You should read it carefully and in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser. If you have recently sold all your Gryphon Shares, please ignore this document.

IMPORTANT NOTICES

GENERAL

Shareholders are encouraged to read this Scheme Booklet in its entirety before making a decision as to how to vote on the Scheme Resolution to be considered at the Scheme Meeting.

PURPOSE OF SCHEME BOOKLET

The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which the Scheme will be considered and implemented (if approved) and to provide such information as is prescribed or otherwise material to the decision of Shareholders whether or not to approve the Scheme. This Scheme Booklet includes the explanatory statement required to be sent to Shareholders under Part 5.1 of the Corporations Act in relation to the Scheme.

RESPONSIBILITY FOR INFORMATION

The information contained in this Scheme Booklet (other than the Teranga Information and the Independent Expert's Report) has been prepared by Gryphon and is the responsibility of Gryphon. None of Teranga, its directors, officers or advisers assume any responsibility for the accuracy or completeness of the Gryphon Information.

The Teranga Information has been provided by Teranga and is the responsibility of Teranga. None of Gryphon, its directors, officers or advisers assume any responsibility for the accuracy or completeness of the Teranga Information.

KPMG Corporate Finance has prepared the Independent Expert's Report in relation to the Scheme contained in Annexure A and takes responsibility for that report. None of Gryphon, Teranga nor their respective directors, officers and advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

ASIC AND ASX

A copy of this Scheme Booklet was provided to ASIC under section 411(2) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with section 411(2) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the hearing on the Second Court Date. Neither ASIC nor its officers take any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor its officers take any responsibility for the contents of this Scheme Booklet.

COURT

The Court is not responsible for the contents of this Scheme Booklet and, in ordering that the Scheme Meeting be held, the Court does not in any way indicate that the Court has approved or will approve the terms of the

Scheme. An order of the Court under section 411(1) of the Corporations Act is not an endorsement of, or any other expression of opinion on, the Scheme.

FUTURE MATTERS AND INTENTIONS

Certain statements in this Scheme Booklet relate to the future. These statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Gryphon, Teranga or the Combined Group to be materially different from future results, performance or achievements expressed or implied by those statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, exchange rates, interest rates, the regulatory environment, the price of gold, anticipated costs and mining, operational and development risks. These statements only reflect views held as at the date of this Scheme Booklet.

Other than as required by law neither Gryphon, Teranga nor any other person gives any representation, assurance or guarantee that the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur. You are cautioned about relying on any such forward looking statements in this Scheme Booklet. Additionally, statements of the intentions of Teranga reflect Teranga's present intentions as at the date of this Scheme Booklet and may be subject to change.

NO INVESTMENT ADVICE

This Scheme Booklet does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation and particular needs of individual Shareholders. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Scheme or your Shares. Before making an investment decision in relation to the Scheme or your Shares, including any decision to vote for or against the Scheme, you should consider, with or without the assistance of a financial adviser, whether that decision is appropriate in the light of your particular investment needs, objectives and financial circumstances. If you are in any doubt about what you should do, you should consult your legal, financial or other professional adviser before making any investment decision in relation to the Scheme or your Shares.

GRYPHON ORE RESERVES AND MINERAL RESOURCES

The information in this Scheme Booklet that relates to the exploration results at the Banfora Gold Project is based on and fairly represents information which has been compiled by Mr Sam Brooks who is a member of the Australian Institute of Geoscientists. Mr Brooks has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Brooks is a full time employee of Gryphon and has consented to the inclusion of the matters in this Scheme Booklet

based on his information in the form and context in which it appears. This information was prepared and first disclosed under JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this Scheme Booklet that relates to the Mineral Resources at the Nogbele and Fourkoura Deposits, Burkina Faso is based on information compiled by Mr Sam Brooks who is a member of the Australian Institute of Geoscientists. Mr Brooks has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Brooks is a full time employee of Gryphon and has consented to the inclusion of the matters in this Scheme Booklet based on his information in the form and context in which it appears.

The information in this Scheme Booklet that relates to the mineral resources at the Stinger and Samavogo Deposits, Burkina Faso is based on information compiled by Mr Dmitry Pertel who is a member of the Australian Institute of Geoscientists. Mr Pertel has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Pertel is a full time employee of CSA Global Pty Ltd and has consented to the inclusion of the matters in this Scheme Booklet based on his information in the form and context in which it appears. This information was prepared and first disclosed under JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this Scheme Booklet that relates to Gryphon's Ore Reserves Estimate for the Banfora 2 Mtpa Heap Leach Operation (see section 4.2(a)) is based on information compiled by Mr Quinton de Klerk who is a member of the Australasian Institute of Mining and Metallurgy. Mr de Klerk has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr de Klerk is a full time employee of Cube Consulting Pty Ltd and has consented to the inclusion of the matters in this Scheme Booklet based on his information in the form and context in which it appears.

TERANGA MINERAL RESERVES AND MINERAL RESOURCES

The technical information contained in this Scheme Booklet relating to Teranga's open pit mineral reserve

estimates is based on, and fairly represents, information compiled by Mr William Paul Chawrun, P. Eng who is a member of the Professional Engineers Ontario, which is currently included as a "Recognised Overseas Professional Organisation" in a list promulgated by the ASX from time to time. Mr Chawrun is a full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101 – Standards of Disclosure for Mineral Projects (**NI 43-101**) of the Canadian Securities Administrators. Mr Chawrun has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Chawrun is a "Qualified Person" under NI 43-101. Mr Chawrun has consented to the inclusion in this Scheme Booklet of the matters based on his compiled information in the form and context in which it appears in this Scheme Booklet.

The technical information contained in this Scheme Booklet relating to Teranga's mineral resource estimates is based on, and fairly represents, information compiled by Ms Patti Nakai-Lajoie. Ms Nakai-Lajoie, P. Geo., is a Member of the Association of Professional Geoscientists of Ontario, which is currently included as a "Recognised Overseas Professional Organisation" in a list promulgated by the ASX from time to time. Ms Nakai-Lajoie is a full time employee of Teranga and is not "independent" within the meaning of NI 43-101. Ms Nakai-Lajoie has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Ms Nakai-Lajoie is a "Qualified Person" under NI 43-101. Ms Nakai-Lajoie has consented to the inclusion in this Scheme Booklet of the matters based on her compiled information in the form and context in which it appears in this Scheme Booklet.

The technical information contained in this Scheme Booklet relating to Teranga's underground mineral reserves estimates is based on, and fairly represents, information compiled by Mr Jeff Sepp, P. Eng who is a member of the Professional Engineers Ontario, which is currently included as a "Recognised Overseas Professional Organisation" in a list promulgated by the ASX from time to time. Mr Sepp is independent of Teranga and is a "Qualified Person" as defined in NI 43-101 and a "competent person" as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Sepp has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Sepp has consented to the inclusion in this Scheme Booklet of the matters based on his compiled information in the form and context in which it appears in this Scheme Booklet.

Teranga's disclosure of mineral reserve and mineral resource information is governed by NI 43-101 which incorporates the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the **CIM**) Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as may be amended from time to time by the CIM (**CIM Standards**). CIM definitions of the terms "mineral reserve", "proven mineral reserve", "probable mineral reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource", are substantially similar to the 2012 JORC Code corresponding definitions of the terms "ore reserve", "proved ore reserve", "probable ore reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource", respectively. Estimates of mineral resources and mineral reserves prepared in accordance with the 2012 JORC Code would not be materially different if prepared in accordance with the CIM definitions applicable under NI 43-101. There can be no assurance that those portions of mineral resources that are not mineral reserves will ultimately be converted into mineral reserves.

SHAREHOLDERS OUTSIDE AUSTRALIA

This Scheme Booklet complies with the disclosure requirements applicable in Australia, which may be different to those in other countries. This Scheme Booklet and the Scheme do not in any way constitute an offer of securities in any place where (or to any person who) it would not be lawful to make such an offer.

A Gryphon Shareholder who is recorded in the Register at the Record Date as having a registered address outside Australia, New Zealand and Canada will be a non-resident Gryphon Shareholder for the purposes of the Scheme. Non-resident Gryphon Shareholders should refer to section 3.9 of this Scheme Booklet to determine whether they are Ineligible Shareholders.

Ineligible Shareholders will not be able to receive Teranga CDIs or Teranga Shares under the Scheme. Instead, Ineligible Shareholders will receive the net proceeds from the sale of the Teranga Shares which they would have otherwise received. Ineligible Shareholders should refer to sections 3.9 and 7.4 for further information.

FINANCIAL INFORMATION

The financial information including the pro forma financial information relating to Gryphon included in this Scheme Booklet has been prepared, or derived from financial statements prepared, in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**) and is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

The financial information including the pro forma financial information relating to Teranga or the Combined Group included in this Scheme Booklet has been prepared, or derived from financial information prepared, in accordance with IFRS and is subject to Canadian auditing and auditor independence standards.

TAXATION IMPLICATIONS OF THE SCHEME

Section 9 provides a general outline of the Australian income tax, capital gains tax, GST and stamp duty consequences for Gryphon Shareholders who dispose of their Gryphon Shares to Teranga in accordance with the Scheme. It does not purport to be a complete analysis or to identify all potential tax consequences nor is it intended to replace the need for specialist tax advice in respect of the particular circumstances of individual Gryphon Shareholders.

Gryphon Shareholders who are subject to taxation outside Australia should also consult their tax adviser as to the applicable tax consequences of the Scheme in the relevant jurisdiction.

NOTICE TO CANADIAN SHAREHOLDERS

The Teranga Shares to be issued as part of the Scheme Consideration have not been qualified by a prospectus prepared and filed in accordance with Canadian securities laws. Those Teranga Shares will be issued pursuant to an exemption from the prospectus requirements of applicable securities laws of the provinces and territories of Canada under section 2.11 of National Instrument 45-106 and will generally not be subject to any resale restrictions under Canadian securities laws provided that (i) Teranga is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the proposed resale or other trade; (ii) the trade is not a control distribution (as defined under National Instrument 45-102); (iii) no unusual effort is made to prepare the market or to create a demand for the security that is the subject of the trade; (iv) no extraordinary commission or consideration is paid to a person or company in respect of the trade; (v) if the selling security holder is an insider or officer of the issuer, the selling security holder has no reasonable grounds to believe that the issuer is in default of securities legislation, and (vi) such holder is not a person or company engaged in or holding itself out as engaging in the business of trading securities or such trade is made in accordance with applicable dealer registration requirements or in reliance upon an exemption from such requirements. Gryphon Shareholders should consult with their own financial and legal advisors with respect to any restrictions on the resale of Teranga Shares issued as part of the Scheme Consideration. As a reporting issuer in Canada, Teranga is required to comply with Canadian statutory financial and other continuous and timely reporting requirements, including the requirement for certain insiders of Teranga to file reports with respect to trades of Teranga securities.

PRIVACY

Gryphon, Teranga and their respective registries or agents may collect personal information in the process of implementing the Scheme. The personal information may include the names, addresses, contact details and security holdings of Gryphon Shareholders and the names of persons appointed by Gryphon Shareholders as proxies, attorneys or corporate representatives at the Scheme Meeting. The collection of some of this personal information is required or authorised by the Corporations Act.

The primary purpose of collecting this personal information is to assist Gryphon in the conduct of the Scheme Meeting and to enable the Scheme to be implemented by Gryphon in the manner described in this Scheme Booklet. The personal information may be disclosed to Teranga's Share Registry, print and mail service providers, authorised securities brokers and any other service provider to the extent necessary to effect the Scheme. Some of these recipients are likely to be located in overseas countries, including Canada.

If the information outlined above is not collected, Gryphon may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme.

Gryphon Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact Gryphon's Share Registry on 1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia) if they wish to exercise these rights.

Gryphon Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of the matters outlined above.

NOTICE OF MEETING

The Notice of Scheme Meeting is set out in Annexure E.

NOTICE OF SECOND COURT DATE

At the Second Court Date, the Court will consider whether to approve the Scheme following the vote at the Shareholder Meeting.

Any Gryphon Shareholder may appear at the Second Court Date, expected to be 28 September 2016 at 1 Victoria Avenue, Perth, WA 6000.

Any Gryphon Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Gryphon a notice of appearance in the prescribed form, together with any affidavit that the Gryphon Shareholder proposes to rely on.

GRYPHON AND TERANGA WEBSITES

The content of Gryphon and Teranga's respective websites do not form part of this Scheme Booklet and Shareholders should not rely on their content.

Any references in this Scheme Booklet to a website is a textual reference for information only and no information in any website forms part of this Scheme Booklet.

SUPPLEMENTARY INFORMATION

If you have any questions or require further information please contact Gryphon's Chief Financial Officer on +61 (0)8 9287 4333. Gryphon Shareholders should consult their legal, financial or other professional adviser before making any decision regarding the Scheme.

In certain circumstances, Gryphon may provide additional disclosure to Gryphon Shareholders in relation to the Scheme after the date of this Scheme Booklet. To the extent applicable, Gryphon Shareholders should have regard to any such supplemental information in determining how to vote in relation to the Scheme.

EFFECT OF ROUNDING

Figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

INTERPRETATION

Capitalised terms and certain abbreviations used in this Scheme Booklet have the meanings set out in the Glossary at the back of this Scheme Booklet. The documents reproduced in the annexures to this Scheme Booklet may have their own defined terms, which are sometimes different from those in the Glossary.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Scheme Booklet. All numbers are rounded unless otherwise indicated.

Unless otherwise specified, all references to \$, A\$, AUD and cents are references to Australian currency.

All references to times in this Scheme Booklet are references to time in Perth, Western Australia, unless otherwise stated.

DATE

This Scheme book is dated 17 August 2016.



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IMPORTANT DATES

10:00am on 21 September 2016	Latest time and date for receipt of proxy forms for Scheme Meeting.
10:00am on 21 September 2016	Time and date for determining eligibility to vote at the Scheme Meeting.
10:00am on 23 September 2016	Gryphon Shareholders' meeting to vote on the Scheme.

If the Scheme is approved by Gryphon Shareholders

28 September 2016	Second Court Hearing for approval of the Scheme.
29 September 2016	Court order is lodged with ASIC and Scheme takes effect. Last day of trading in Gryphon Shares.
Close of trading on 29 September 2016	Suspension of Gryphon Shares from trading on ASX.
5:00pm on 6 October 2016	Record Date for determining entitlement to receive Scheme Consideration.
5:00pm on 6 October 2016	Deadline for receipt of Election Forms from Gryphon Shareholders.
13 October 2016	Implementation of the Scheme (Implementation Date) Issue of the Scheme Consideration.

All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and other Regulatory Authorities. Any changes to the above timetable (which may include an earlier Second Court Hearing) will be announced through ASX and notified on <http://www.asx.com.au/asx/statistics/announcements.do>. All references to time in this Scheme Booklet are references to Perth, Australia time.

LETTER FROM THE CHAIRMAN OF GRYPHON

Dear Shareholder

On 20 June 2016, Gryphon Minerals Limited (“Gryphon”) announced a proposal from Teranga Gold Corporation (“Teranga”) for Teranga to acquire all of the issued shares in Gryphon by way of a scheme of arrangement under Part 5.1 of the Corporations Act. Each Gryphon share will be acquired by Teranga in exchange for 0.169 Teranga CDIs or, if so elected, 0.169 Teranga shares.

The scheme is subject to a number of conditions, including court approval and the approval of Gryphon shareholders.

Your board considers that the scheme is in the best interests of Gryphon shareholders. The directors unanimously recommend that you vote in favour of the scheme in the absence of a superior proposal.

The key reasons for your directors’ recommendation of the scheme are set out in section 1.1 of this Scheme Booklet. In particular, the value of the scheme consideration to be received by shareholders if the scheme is approved represents a meaningful premium of 53% to the last prices at which Gryphon shares were traded prior to the board announcing the proposed transaction (based on the trading price of Teranga CDIs at the same time). By receiving Teranga CDIs or Teranga Shares, you can retain an economic exposure to the Banfora Gold Project (and Gryphon’s other assets) coupled with Teranga’s project development and mining expertise, financial standing and the benefits of its producing Sabodala gold project in Senegal.

Each director intends to vote for the scheme in relation to all Gryphon shares held or controlled by them at the time of the scheme meeting in the absence of a superior proposal. The independent expert, KPMG Corporate Finance, considers that, in the absence of a superior proposal, the scheme is fair and reasonable and therefore is in the best interests of shareholders. The full report of the independent expert is set out in Annexure A.

I encourage you to read this Scheme Booklet (including the report of the Independent Expert) carefully in full and, if required, to seek your own legal, financial or other professional advice.

At the scheme meeting, shareholders will be asked to approve the scheme. The scheme meeting will be held at 38 Station Street, Subiaco WA 6008, on 23 September 2016 commencing at 10:00am.

Your vote is important. I strongly encourage you to vote either by attending the scheme meeting in person or by completing and returning the accompanying proxy form so that it is received at the address shown on the proxy form by 10:00am on 21 September 2016.

Shareholders who have any questions relating to the scheme should contact Gryphon’s Chief Financial Officer on +61 (0)8 9287 4333 between 9:00am and 5:00pm (Perth, Australia time) Monday to Friday.

Yours sincerely



Mel Ashton
Chairman
Gryphon Minerals Limited



LETTER FROM THE PRESIDENT & CEO OF TERANGA

Dear Gryphon Shareholder

On behalf of Teranga's board of directors and management, I am pleased to write to you concerning the opportunity presented by our proposed acquisition of Gryphon.

The consideration offered by Teranga provides a premium of 53% to the 17 June 2016 closing price of Gryphon shares (based on the trading price of Teranga CDIs at the same time) and is an outstanding opportunity to consolidate two high quality gold assets into one multi-jurisdictional West African gold producer. Upon closing, the combined company will have 3.5 million ounces of proven and probable mineral reserves.¹ In addition, we will have the financial capabilities to fund the development of the Banfora project on an expedited basis and pursue the considerable exploration potential of the prospective land packages we will have in Burkina Faso, Senegal and Côte d'Ivoire.

Teranga has a strong value proposition through its Sabodala gold mine in Senegal, where we are setting a benchmark for responsible mining. Teranga's properties are located on a prospective West African gold belt and Teranga is uniquely positioned with the only gold mill in Senegal. Since 2009, Sabodala has produced more than 1.2 million ounces of gold and still has a large, long life, reserve base. Our life of mine cash flow is strong, driven by low cost production, providing us with the free cash flows to grow the Company. Our vision is to become a mid-tier West African gold producer and our acquisition of Gryphon is a significant step towards this goal.

The Gryphon and Teranga management teams have complementary skills that together create a company with proven expertise in exploration

through mine development and operations in West Africa.

While Gryphon had originally designed Banfora as a traditional carbon in leach (CIL) flowsheet, Banfora was redesigned into a heap leach operation in 2013 and 2014 to lower the project capital cost as the price of gold declined. We share Gryphon management's belief that, in the absence of financial constraints, there is greater value today in a fully optimised CIL flowsheet, particularly when combined with an active exploration program aimed at converting high-grade resources to reserves for which a CIL flowsheet provides much more flexibility in processing new discoveries. On a pro forma basis, the Combined Group will have US\$66.8 million in cash and cash equivalents and US\$15 million unused on the Teranga Revolving Credit Facility. In addition, it is anticipated that Sabodala will generate substantial free cash flow at current gold prices that will lead to increased financing flexibility and access to capital.

Therefore, while Teranga could, potentially, fund project construction of the Banfora Gold Project, changes in gold price and other macroeconomic variables, as well as potential construction cost overruns, make it prudent to supplement anticipated Sabodala cash flows with third party funding for these purposes.

Teranga believes a debt facility in the order of US\$50 million to US\$75 million should bridge any potential funding gap to complete the construction of the Banfora Gold Project and would be achievable in the current economic environment.

We are very excited about this transaction and its future potential. The combined group will

¹ For the pro forma purposes of this Scheme Booklet Teranga has utilised the most recent Gryphon Reserve Estimate for the Banfora Gold Project of 826,000 ounces (17.4 Mt at 1.5 g/t) based on a lower capital cost heap leach processing option (see section 4.2(a) for further details). However, as noted in Teranga's press release dated 19 June 2016 and re-confirmed herein, Teranga's preferred development path for the Banfora Gold Project will be based on an optimized CIL flowsheet. The pro forma Combined Group Proven and Probable Mineral Reserve estimate of 3.7 million ounces included in Teranga's 19 June 2016 press release was based on Gryphon's CIL feasibility study Mineral Reserve estimate of 1.05 million ounces (16.7 Mt at 1.95 g/t) issued in January 2013.

have a significant reserve base, our Sabodala operations are anticipated to produce, on average, approximately 207,000 ounces per year between 2016 and 2020.² The opportunity to bring the Banfora Gold Project into commercial production will only increase the combined group's production profile.

We are also very excited with the suite of exploration targets at the Banfora Gold Project, where there are a number of shallow oxide targets with potential for high grade gold mineralisation, and at the Golden Hill project, which is located on a prospective gold belt in Burkina Faso. On 20 July 2016, Gryphon completed a \$4.36 million placement pursuant to which Teranga subscribed for 5 percent of Gryphon's shares. The proceeds are being used to fast-track resource conversion at Banfora, complete optimisation studies and prepare the Banfora Gold Project for construction.

This transaction is unanimously supported by Gryphon's board of directors, who will vote their shares in favour of the transaction at the Gryphon shareholders' meeting on 23 September 2016, in the absence of a superior proposal. They see this is the way to best maximize the return to all stakeholders and create a company with a strong future. We encourage you to vote in favour of the Scheme Resolution.

This is a unique opportunity to create a growth oriented, mid-tier multi-jurisdictional gold producer in West Africa. We encourage you to vote in favour of the scheme of arrangement at the meeting and look forward to the closing of the transaction and to our future with you as a shareholder.

Yours sincerely,



Richard Young
President and Chief Executive Officer
Teranga Gold Corporation

² Details of Teranga's production targets for Sabodala for the calendar years 2016 to 2020 were initially published in Teranga's ASX announcements titled "Technical Report NI 43-101" and "Press Release - Technical Report" both dated 24 March 2016. Teranga confirms that all material assumptions underpinning the production target in these ASX announcements continue to apply and have not materially changed since that date. The production guidance is based on existing Proven and Probable Mineral Reserves.

SUMMARY

WHAT IS THE SCHEME?

The Scheme is a scheme of arrangement between Gryphon and Scheme Participants. If the Scheme becomes Effective, Teranga will acquire all Gryphon Shares that it does not already own and Gryphon will become a wholly owned Subsidiary of Teranga.

A “scheme of arrangement” is a statutory procedure that can be used to enable one company to acquire another company. It requires a vote in favour of the Scheme by the Requisite Majority of Gryphon Shareholders (other than Excluded Shareholders) at a meeting of Gryphon Shareholders as well as Court approval.

If you are a Gryphon Shareholder on the Record Date you will receive:

- 0.169 Teranga CDIs per Gryphon Share or, if so elected,
- 0.169 Teranga Shares per Gryphon Share.

The Scheme Resolution must be passed by Gryphon Shareholders (other than Excluded Shareholders) by the Requisite Majority, being:

- a majority in number (more than 50%) of Gryphon Shareholders who are present and voting either in person or by proxy, attorney or, in the case of corporate Shareholders, by corporate representative; and
- at least 75% of the total number of votes cast on the Scheme Resolution.

The Scheme is also subject to the satisfaction or waiver of the conditions summarised in section 3.4 and set out in full in clause 3 of the Scheme Implementation Agreement, which include approval by the Court.

The terms of the Scheme are set out in full in Annexure C.

WHAT SHOULD I DO?

You should read this Scheme Booklet carefully in its entirety and then vote by attending the Scheme Meeting or by appointing a proxy to vote on your behalf. Full details of who is eligible to vote and how to vote are set out in section 2.

Answers to various frequently asked questions are set out in section 2. If you have any additional questions in relation to this Scheme Booklet or the Scheme please consult your legal, financial or other professional adviser or contact Gryphon’s Chief Financial Officer on +61 (0)8 9287 4333 between Monday and Friday from 9:00 am to 5:00 pm (Perth, Australia time).

WHAT ARE THE CONDITIONS TO THE SCHEME?

The implementation of the Scheme is subject to a number of conditions as set out in the Scheme Implementation Agreement. A full copy of the Scheme Implementation Agreement is available on ASX’s website at www.asx.com.au and on Gryphon’s website at <http://www.gryphonminerals.com.au/index.php/en/investors-4/asx-announcements> As at the date of this Scheme Booklet, implementation of the Scheme remains conditional on:

- approvals from all relevant regulatory bodies such as ASIC, and ASX;
- Gryphon Shareholders’ approval of the Scheme at the Scheme Meeting by the Requisite Majority;
- no restraining order, injunction or other order or decision having been issued;
- Court approval of the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- approval for official quotation on the ASX of the Teranga CDIs to be issued pursuant to the Scheme;
- no “Gryphon Material Adverse Event” having occurred as stipulated in the Scheme Implementation Agreement (including a failure to secure renewal or extension of the Key Permits. Refer to section 3.4 for further details);
- no “Gryphon Prescribed Occurrence” having occurred as stipulated in the Scheme Implementation Agreement;
- the “Gryphon Representations and Warranties” being true and correct in all material respects;

- no “Teranga Material Adverse Event” having occurred as stipulated in the Scheme Implementation Agreement;
- no “Teranga Prescribed Occurrence” having occurred as stipulated in the Scheme Implementation Agreement;
- the “Teranga Representations and Warranties” being true and correct in all material respects; and
- Burkina Faso Mining Code Consent having been obtained.

HOW DO I VOTE?

If you are registered on the Register at 10:00am on 21 September 2016 as a Gryphon Shareholder, you will be entitled to vote on the Scheme Resolution at the Scheme Meeting. Registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

If Gryphon Shares are jointly held, only one of the joint Gryphon Shareholders is entitled to vote. If more than one joint Gryphon Shareholder votes, only the vote of the Gryphon Shareholder whose name appears first on the Register will be counted.

HOW TO VOTE IN PERSON

To vote in person at the Scheme Meeting, Gryphon Shareholders must attend the Scheme Meeting to be held at 38 Station Street, Subiaco WA 6008 on 23 September 2016 at 10:00am.

A Gryphon Shareholder who wishes to attend and vote at the Scheme Meeting in person will be admitted to the Scheme Meeting and given a voting card upon disclosure of their name and address at the point of entry.

Persons who are attending as an attorney should bring the original or a certified copy of the power of attorney to the Scheme Meeting, unless it has already been noted by Gryphon.

Persons who are attending as a corporate representative for a corporation must bring evidence of their appointment. The appointment must comply with section 250D of the Corporations Act.

An authorised corporate representative will be admitted to the Scheme Meeting and given a voting card upon providing written evidence of their appointment (including any authority under which it is signed), their name and address and the identity of their appointer, at the point of entry to the Scheme Meeting.

HOW TO VOTE BY PROXY

Your personalised proxy form for the Scheme Meeting accompanies this Scheme Booklet. Information setting out how you may vote by proxy is contained in the notice of meeting. If your proxy is signed by an attorney, please also enclose the authority under which the proxy is signed (or a certified copy of the authority).

Proxy forms may be lodged as follows:

Deliver the completed proxy form to Link Market Services Limited located at 1A Homebush Bay Drive, Rhodes NSW 2138.

Mail the completed proxy form to Gryphon Minerals Limited, C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia using the reply paid envelope.

Fax the completed proxy form to Link Market Services Limited on +61 2 9287 0309.

Send electronically by visiting <https://investorcentre.linkmarketservices.com.au/Login> logging in to the Link website using the holding details as shown on the proxy form, selecting ‘Voting’ and following the prompts.

Proxy forms, together with any power of attorney or authority under which the proxy form is signed, must be received no later than 10:00am on 21 September 2016 (48 hours prior to commencement of the Scheme Meeting). Proxy forms received after this time will be invalid.

A proxy will be admitted to the Scheme Meeting and given a voting card upon providing written evidence of their name and address at the point of entry to the Scheme Meeting. The sending of a proxy form will not preclude a Gryphon Shareholder from attending in person and voting at the Scheme Meeting. However, the Corporations Act specifies that the presence of a Gryphon Shareholder at a meeting suspends his or her proxy’s rights to speak and vote.

WHAT IS THE DIRECTORS' RECOMMENDATION?

Your Directors believe that the Scheme is in the best interests of Gryphon Shareholders and unanimously recommend that, in the absence of a Superior Proposal, Gryphon Shareholders vote in favour of the Scheme at the Scheme Meeting.

In reaching their recommendation, your Directors have assessed the Scheme having regard to the reasons to vote for, or against, the Scheme, as set out in this Scheme Booklet and Gryphon's current strategic plans.

Your Directors believe the offer represents an attractive price and provides an opportunity for Gryphon Shareholders to realise value for their Gryphon Shares in the near term which may not be achieved if the Scheme does not proceed.

Each of your Directors intends to vote the Gryphon Shares that they own or control as at the time of the Scheme Meeting, and will direct any Gryphon proxies placed at their discretion in favour of the Scheme in the absence of a Superior Proposal.

If a Superior Proposal emerges after the date of this Scheme Booklet, your Directors will carefully reconsider the Scheme and advise you of their recommendation.



1. MATTERS RELEVANT TO YOUR VOTE ON THE SCHEME

REASONS TO VOTE FOR THE SCHEME

1.	Your Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal.
2.	The Independent Expert has concluded that the Scheme is fair and reasonable and therefore is in the best interests of Gryphon Shareholders.
3.	The Scheme Consideration represents a significant premium to historical trading prices.
4.	You will gain exposure to Teranga's gold production, cash flows and significant resources.
5.	You will retain economic exposure to the Banfora Gold Project, with the benefit of Teranga's financial position and its project development and mining expertise and experience.
6.	Asset and geographic diversification will improve the overall risk profile of production and cash flows.
7.	Improved trading liquidity and capital markets access associated with the enhanced scale of the Combined Group.
8.	No Superior Proposal has emerged as at the date of this Scheme Booklet.
9.	Gryphon's share price may fall if the Scheme is not approved.
10.	No brokerage or stamp duty will be payable by you on the transfer of your Gryphon Shares.
11.	Gryphon Shareholders who are Australian residents for tax purposes can obtain CGT roll-over relief.

Reasons to vote for the Scheme are discussed in more detail in section 1.1 of this Scheme Booklet.

1. MATTERS RELEVANT TO YOUR VOTE ON THE SCHEME (CONTINUED)

REASONS NOT TO VOTE FOR THE SCHEME

1.	You may disagree with the Independent Expert and your Directors and believe that the Scheme is not in your interests.
2.	If the Scheme proceeds you will no longer be a Gryphon Shareholder and your economic exposure to the development of the Banfora Gold Project will be diminished.
3.	The tax consequences of transferring your Gryphon Shares pursuant to the Scheme may not be optimal for your financial position.
4.	You may consider that there is potential for a Superior Proposal to be made.
5.	The Scheme may be subject to conditions that you consider unacceptable.
6.	The exact value of the Scheme Consideration upon implementation of the Scheme is not certain.
7.	As a shareholder in the Combined Group you will be subject to a number of risks to which Gryphon is not currently exposed.
8.	You will be exposed to differences between applicable corporations and securities laws.

Reasons why you may not want to vote for the Scheme are discussed in more detail in section 1.2 of this Scheme Booklet.

1.1 REASONS TO VOTE FOR THE SCHEME

(a) Your Directors unanimously recommend that you vote for the Scheme in the absence of a Superior Proposal

Your Directors believe that the Scheme is in the best interests of Gryphon Shareholders and unanimously recommend that, in the absence of a Superior Proposal, Gryphon Shareholders vote in favour of the Scheme at the Scheme Meeting.

In reaching their recommendation, your Directors have assessed the Scheme having regard to the reasons to vote for, or against, the Scheme (as set out in this Scheme Booklet), and Gryphon's current strategic plans.

Your Directors believe the offer represents attractive value for Gryphon Shares.

Each of your Directors intends to vote the Gryphon Shares that they own or control at the time of the Scheme Meeting, and will direct any Gryphon proxies placed at their discretion, in favour of the Scheme in the absence of a Superior Proposal.

If a Superior Proposal emerges after the date of this Scheme Booklet, your Directors will carefully reconsider the Scheme and advise you of their recommendation.

The interests of your Directors and the number and description of Gryphon Shares held by or on behalf of your Directors are set out in section 10.2.

In considering whether to vote for the Scheme, your Directors encourage you to:

- carefully read the whole of this Scheme Booklet (including the Independent Expert's Report);
- consider the choices available to you as outlined in section 3.6;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- consult your legal, financial or other professional adviser.

(b) The Independent Expert has concluded that the Scheme is fair and reasonable and therefore is in the best interests of Gryphon Shareholders

The Independent Expert, KPMG Corporate Finance, has concluded that the "the Scheme is fair and reasonable and therefore is in the best interests of Gryphon Shareholders, in the absence of a superior proposal".

The Independent Expert has assessed the value of a Gryphon Share, inclusive of a premium for control, as between \$0.11 to \$0.18 per Gryphon Share, which compares with the Independent Expert's assessment of the value of the Scheme Consideration of between \$0.12 and \$0.16 per Gryphon Share (based on a fundamental valuation of Teranga and the notional aggregate net assets of the Combined Group following the implementation of the Scheme).

A copy of the Independent Expert's Report is included in Annexure A.

Your Directors encourage you to read the Independent Expert's Report in its entirety.

(c) The Scheme Consideration represents a significant premium to historical trading prices

If the Scheme is implemented, each Gryphon Share will be exchanged for 0.169 Teranga CDIs or, if so elected, 0.169 Teranga Shares.

The Scheme Consideration (in the form of Teranga CDIs) issued to Gryphon Shareholders if the Scheme becomes Effective represents a substantial premium of approximately:

- 53% over the closing price of Gryphon Shares on the ASX on the Pre-Announcement Date;
- 90% to the VWAP of Gryphon Shares in the six months up to and including the Pre-Announcement Date;
- 57% to the VWAP of Gryphon Shares in the three months up to and including the Pre-Announcement Date; and
- 54% to the VWAP of Gryphon Shares in the one month up to and including the Pre-Announcement Date,

1. MATTERS RELEVANT TO YOUR VOTE ON THE SCHEME (CONTINUED)

in each case by reference to the last traded price of Teranga CDIs on ASX on the Pre-Announcement Date.

(d) You will gain exposure to Teranga's gold production, cash flows and significant resources

Gryphon Shareholders will collectively hold approximately 15% of the Combined Group immediately following the successful implementation of the Scheme.³

Teranga is an existing West African gold producer with an operating mine in Senegal.

Gryphon Shareholders will gain immediate economic exposure to Teranga's gold production and the associated cash flows this generates. For the year ended 31 December 2016, Teranga is forecast to produce 200,000 – 215,000 ounces of gold at a cash cost of US\$600 – 650 per ounce and an all-in sustaining cost of US\$900 – 975 per ounce. Gryphon Shareholders will become shareholders of a multi-jurisdiction, mid-tier gold producer.

Gryphon Shareholders will also gain exposure to Teranga's Mineral Reserve and Mineral Resource base. The Combined Group will have Proved Mineral Reserves and Probable Mineral Reserves of 3.5 million ounces, Measured Mineral Resources and Indicated Mineral Resources of 7.4 million ounces and Inferred Mineral Resources of 1.6 million ounces (all on an attributable basis).

(e) You will retain economic exposure to the Banfora Gold Project, with the benefit of Teranga's financial position and its project development and mining expertise and experience

The Teranga management, mining and technical teams bring a track record of mine development and disciplined operating capabilities which could enhance the value of the Banfora Gold Project and reduce the risks associated with its development.

Further, the Combined Group is expected to have, on a pro forma basis as at 31 March 2016, cash and cash equivalents of approximately US\$66.8 million⁴ and unused debt capacity of US\$15 million which, in addition to continued cash flow from operations, will allow the Combined Group substantial flexibility for the future development of the Banfora Gold Project.

In addition, you will retain an economic exposure to the exploration projects of Gryphon and gain economic exposure to Teranga's exploration projects.

(f) Asset and geographic diversification improves overall risk profile of production and cash flows

Your Directors believe that the Combined Group will benefit from an improved risk profile driven by increased portfolio scale, operating and geographic diversification and stronger free cash flows, resulting in an overall increase in investor interest.

³ Assuming that there are no Ineligible Shareholders, that Teranga does not acquire any additional Gryphon Shares outside of the Scheme and the exercise by Tablo Corporation (controlled by Mr David Mimran) of its pre-emptive rights to maintain its pro-rata interest in Teranga at approximately 13.4% post-implementation of the Scheme (refer to section 6.4 for more detail).

⁴ On the basis of cash and cash equivalents of Teranga (\$53.5 million) and Gryphon (\$8.1 million) less change of control costs (\$4.5 million in aggregate) plus proceeds from Tablo Corporation's equity placement (\$10.1 million) (refer to section 6.5 for more detail).

(g) Improved trading liquidity and capital markets access associated with the enhanced scale of the Combined Group

Gryphon Shareholders will benefit from Teranga's enhanced share market liquidity and capital markets access, and a market capitalisation scale which is expected to lead to increased interest from institutional investors and a greater following by the analyst community.

(h) No Superior Proposal has emerged as at the date of this Scheme Booklet

The Gryphon Board's unanimous recommendation that Gryphon Shareholders vote in favour of the Scheme is given subject to no Superior Proposal emerging. As at the date of this Scheme Booklet, no other proposal has emerged. However, there remains the possibility that a third party may make a Superior Proposal prior to the Scheme Meeting.

The Scheme Implementation Agreement includes terms which prevent Gryphon from seeking an alternative proposal from a third party in certain circumstances (see section 10.13 for more details).

The Scheme Implementation Agreement does not prevent a third party from making an alternative proposal and does not prevent the Directors from responding to an unsolicited written proposal if necessary to discharge their duties. However, under the Scheme Implementation Agreement, Gryphon is required to make a payment of \$805,000 to Teranga if certain events occur, for example, a third party acquires an interest of at least 50% of Gryphon or the Gryphon Board publicly recommends that a Superior Proposal is in the best interests of Shareholders (see section 10.13 for more details).

Your Directors will notify Gryphon Shareholders if a Superior Proposal is received before the Scheme Meeting.

(i) Gryphon's share price may fall if the Scheme is not approved

The trading price of a Gryphon Share rose by 22% following the announcement of the Scheme on the Announcement Date (based on the closing price of Gryphon Shares on ASX on the Pre-Announcement Date and on the Announcement Date).

Your Directors believe that if the Scheme is not approved and no Superior Proposal emerges it is likely that the trading price of Gryphon Shares will fall to below the level at which it has been trading since the Scheme was announced (although this is difficult to predict with any degree of certainty).

(j) No brokerage or stamp duty will be payable on the transfer of your Gryphon Shares

You will not incur any brokerage or stamp duty on the transfer of your Gryphon Shares to Teranga under the terms of the Scheme.

(k) Gryphon Shareholders who are Australian residents for tax purposes can obtain CGT roll-over relief

Gryphon Shareholders who are Australian residents for tax purposes and who would otherwise realise a capital gain on the disposal of their Gryphon Shares in return for the Scheme Consideration should generally be able to obtain capital gains tax (CGT) "scrip-for-scrip" roll-over relief.

You should refer to section 9 for further details in relation to the Australian tax consequences of the Scheme.

1. MATTERS RELEVANT TO YOUR VOTE ON THE SCHEME (CONTINUED)

1.2 POSSIBLE REASONS NOT TO VOTE FOR THE SCHEME

(a) You may disagree with the Independent Expert and your Directors and believe that the Scheme is not in the best interests of Shareholders

You may hold a different view to your Directors and the Independent Expert and believe that the Scheme Consideration is inadequate.

(b) If the Scheme proceeds you will no longer be a Gryphon Shareholder and your economic exposure to the development of the Banfora Gold Project will be diminished

Under the Scheme you will receive 0.169 Teranga CDIs or, if so elected, 0.169 Teranga Shares per Gryphon Share. If the Scheme is implemented, you will no longer participate to the same extent in the future performance of Gryphon. While you will retain economic exposure to the potential upside that may result from the development of the Banfora Gold Project as a result of being a holder of Teranga Shares or Teranga CDIs, you will not participate in the potential “upside” (if any) to the same extent that may result from being a Gryphon Shareholder.

(c) The tax consequences of transferring your Gryphon Shares pursuant to the Scheme may not be optimal for your financial position

Implementation of the Scheme may have tax consequences for you. A general guide to the Australian taxation implications of the Scheme is set out in section 9. This guide is expressed in general terms and you should seek professional advice regarding the tax consequences applicable to your circumstances.

(d) You may consider that there is potential for a Superior Proposal to be made

You may believe that there is a possibility that a Superior Proposal could emerge in the foreseeable future. However, for the reasons noted below, your Directors consider that the possibility of a Superior Proposal emerging is low:

- Since the announcement of the Scheme on the Announcement Date and up to the date of this Scheme Booklet, the Directors have not received or become aware of any Superior Proposal.

- The Scheme is a result of a 9 month engagement process with Teranga involving the provision of publicly available presentation materials, as well as a non-exclusive due diligence period. During the course of this process no alternative proposals that could be considered superior were received by Gryphon.

- The Scheme Implementation Agreement prohibits Gryphon from soliciting any Competing Proposal, although Gryphon may respond to a Competing Proposal if the Directors determine that failing to do so would be likely to constitute a breach of their fiduciary or statutory duties, as discussed in section 10.13.

(e) The Scheme may be subject to conditions that you consider unacceptable

The implementation of the Scheme is subject to a number of conditions, summarised in section 3.4 and set out in the Scheme Implementation Agreement. A full copy of the Scheme Implementation Agreement is available on ASX’s website at www.asx.com.au and on Gryphon’s website at <http://www.gryphonminerals.com.au/index.php/en/investors-4/asx-announcements>. The status of the conditions is discussed in section 3.4.

(f) The exact value of the Scheme Consideration upon implementation of the Scheme is not certain

The exact value of the Scheme Consideration that would be realised by Gryphon Shareholders upon implementation of the Scheme is not certain, as it is dependent on the price at which Teranga Shares will trade on the TSX (and potentially also foreign currency exchange rates from time to time), and on the price at which Teranga CDIs will trade on ASX.

Following the implementation of the Scheme, the price at which Teranga Shares or Teranga CDIs trade may rise or fall based on a number of factors, including broad market conditions, general investor sentiment and the financial and operational performance of the Combined Group. If the price of Teranga Shares or Teranga CDIs falls, the value of those Teranga Shares or Teranga CDIs received by Gryphon Shareholders as Scheme Consideration will decline in value.

In addition, the Sale Agent will be issued with Teranga Shares attributable to Ineligible Shareholders and will be seeking to sell those Teranga Shares on the TSX as soon as reasonably practicable following the Implementation Date. It is possible that any such sales may exert downward pressure on the Combined Group's share price in the period following the Implementation Date.

(g) As a shareholder in the Combined Group you will be subject to a number of risks to which Gryphon is not currently exposed

If the Scheme becomes effective, Scheme Participants (other than Ineligible Shareholders) will be issued the Scheme Consideration in the form of either Teranga CDIs or Teranga Shares and may therefore be subject to certain risks which Gryphon is not currently exposed to, including:

- Mining operations – Teranga's mining operations are subject to risks and hazards normally encountered in such activities, which could result in property damage, personal injury or death, environmental pollution and potential legal liability;
- Borrowings – although it is not highly geared, as of 30 June 2016, Teranga has drawn debt of US\$15 million from a US\$30 million Teranga Revolving Credit Facility with Société Générale. Gryphon has no borrowings and therefore there is a risk associated with repayment obligations that Gryphon is not currently exposed to;
- Streaming arrangement – Teranga completed a streaming deal with Franco Nevada Corporation on 16 January 2014. Teranga is required to provide 22,500 ounces of gold over the first 6 years and then 6% of future gold production. This increases Gryphon Shareholders' exposure to further borrowings. To date, Teranga has successfully met all annual repayment obligations under this streaming arrangement;
- Foreign countries and mining risks – Teranga's exploration, development and production activities are currently conducted in Senegal. Consequently, Teranga's

operations are exposed to various levels of political, economic and other risks and uncertainties;

- Labour and employment matters – production at Teranga's mining operations is dependent upon the efforts of Teranga's employees and Teranga's relations with its unionised and non-unionised employees;
- Property interests – Teranga has certain obligations in order to acquire and maintain title to some of its current properties and to meet certain requirements. No guarantee can be given that Teranga will be in a position to comply with all such conditions and obligations, or to require third parties to comply with their obligations with respect to such properties; and
- Hedging – Teranga has entered into gold hedging arrangements of up to 5,000 ounces per month for not more than 12 months and there is no assurance that such arrangements will be successful.

Further details of some of the risks associated with an investment in the Combined Group are set out in section 8.3. Gryphon Shareholders are encouraged to read this section carefully and in its entirety.

(h) You will be exposed to differences between applicable corporations and securities laws

Gryphon is incorporated in Australia and listed on ASX, while Teranga is incorporated in Canada with a primary listing on the TSX and a secondary listing on ASX. If the Scheme becomes Effective, Gryphon Shareholders (other than Ineligible Shareholders) whose rights are currently governed by the laws of Australia, the ASX Listing Rules and Gryphon's constitution will become holders of Teranga CDIs or Teranga Shares. The rights of holders of Teranga Shares will be governed by the Canada Business Corporations Act, securities laws of certain provinces of Canada, the TSX Company Manual and Teranga's constituent documents.

Although some of the material differences between Australian company law and ASX Listing Rules and applicable Canadian corporate and

1. MATTERS RELEVANT TO YOUR VOTE ON THE SCHEME (CONTINUED)

securities laws and the TSX Company Manual rules as they relate to Gryphon and Teranga, respectively, could be viewed as advantageous to Gryphon Shareholders, others could be viewed as disadvantageous to Gryphon Shareholders.

Further details on rights attaching to Teranga Shares and the differences between applicable corporate and securities laws, listing rules, and other relevant laws, can be found in Annexure B.

1.3 OTHER RELEVANT CONSIDERATIONS

(a) The Scheme may be implemented even if you vote against it.

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majority of Gryphon Shareholders and by the Court. If this occurs, your Gryphon Shares will be transferred to Teranga and you will receive 0.169 Teranga CDIs or, if so elected, 0.169 Teranga Shares per Gryphon Share even though you did not vote on, or voted against, the Scheme.

(b) Costs

Gryphon has incurred significant costs in responding to the proposed Scheme and revisions of that proposal to the point that it is capable of being submitted to Gryphon Shareholders as a scheme of arrangement for their consideration. These costs include negotiations with Teranga, retention of advisers, provision of information to Teranga, facilitating Teranga's access to due diligence, engagement of the Independent Expert and preparation of this Scheme Booklet.

If the Scheme is implemented, these costs will effectively be met by Teranga as the ultimate controller of Gryphon following Implementation of the Scheme. If the Scheme is not implemented and if no Superior Proposal emerges and is completed, Gryphon expects to incur total costs of approximately \$800,000 which will be paid in the 2016/2017 financial year.



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2. Q&A

This Scheme Booklet contains detailed information regarding the Scheme. The following section provides summary answers to some questions you may have and will assist you to locate further detailed information in this Scheme Booklet.

THE SCHEME AT A GLANCE

What is the Scheme?

The Scheme is a scheme of arrangement between Gryphon and Scheme Participants. If the Scheme becomes Effective Teranga will acquire all Gryphon Shares that it does not already own and Gryphon will become a wholly owned Subsidiary of Teranga.

A “scheme of arrangement” is a statutory procedure that can be used to enable one company to acquire another company. It requires a vote in favour of the Scheme by a Requisite Majority of Gryphon Shareholders (other than Excluded Shareholders) at a meeting of Gryphon Shareholders and Court approval.

The terms of the Scheme are set out in full in Annexure C.

What do your Directors recommend?

Your Directors unanimously consider that the Scheme is in the best interests of Gryphon Shareholders and recommend that you vote in favour of the Scheme in the absence of a Superior Proposal. The basis for this recommendation is set out in section 1.1.

Section 1.2 includes a summary of the possible reasons not to vote for the Scheme.

How do your Directors intend to vote?

Each Gryphon Director who owns or controls Gryphon Shares at the time of the Scheme Meeting intends to vote in favour of the Scheme in the absence of a Superior Proposal.

What is the Independent Expert’s conclusion?

The Independent Expert has concluded that, in the absence of a superior proposal, the Scheme is fair and reasonable and therefore is in the best interests of Gryphon Shareholders.

The Independent Expert has assessed the value of a Gryphon Share, inclusive of a premium for control, as between \$0.11 to \$0.18 per Gryphon Share, which compares with the Independent Expert’s assessment of the value of the Scheme Consideration of between \$0.12 and \$0.16 per Gryphon Share (based on a fundamental valuation of Teranga and the notional aggregate net assets of the Combined Group following the implementation

of the Scheme). The Independent Expert’s Report is set out in full in Annexure A.

What are the prospects of receiving a Superior Proposal?

Since the Scheme was announced, no Superior Proposal has emerged. Given the time that has elapsed since the Scheme was announced on 20 June 2016, your Directors’ view is that a Superior Proposal is unlikely to emerge prior to the Scheme Meeting.

What should I do?

You should read this Scheme Booklet carefully in its entirety and then vote by attending the Scheme Meeting or by appointing a proxy to vote on your behalf. Full details of who is eligible to vote and how to vote are set out in sections 3.7 and 3.8.

WHAT YOU WILL RECEIVE UNDER THE SCHEME

What will I receive if the Scheme becomes Effective?

If the Scheme is approved and implemented, Gryphon Shareholders (other than Ineligible Shareholders) will receive 0.169 Teranga CDIs or, if so elected by completing the Election Form, 0.169 Teranga Shares for each Gryphon Share you hold on the Record Date.

Ineligible Shareholders will receive cash instead of the Scheme Consideration. The entitlements of Ineligible Shareholders under the Scheme are described in more detail in section 7.4.

What is a Teranga CDI?

A Teranga CDI or Chess Depository Interest is a security quoted on ASX that represents a beneficial entitlement to one Teranga Share. Teranga CDIs are not listed and will not be tradeable on the TSX.

Teranga Shares represented by Teranga CDIs will be held by CDN, a wholly owned Subsidiary of ASX, on behalf of the holders of Teranga CDIs.

As a holder of a Teranga CDI, you will have the same right to receive any distributions or dividends paid by Teranga to Teranga Shareholders from time to time.

Holders of Teranga CDIs will be able to direct CDN to cast votes in a particular manner on their behalf at a general meeting of Teranga Shareholders or they will be able to require CDN to appoint the holder as proxy to exercise the votes attaching to the Teranga Shares represented by the holder’s Teranga CDIs.

Holders of Teranga CDIs may convert their Teranga CDIs into the underlying Teranga Shares listed on the TSX.

Section 7.3(b) provides further information in relation to Teranga CDIs.

How do I make an election?

Gryphon Shareholders (other than Ineligible Shareholders) can elect to receive the Scheme Consideration in the form of either Teranga CDIs or Teranga Shares.

If you do not make an election, you will be deemed to have elected to receive the Scheme Consideration in the form of Teranga CDIs.

If you wish to make an election, you should complete the Election Form accompanying this Scheme Booklet and return the Election Form in accordance with the instructions on that form.

The deadline for receipt of the Election Form is 5:00pm on 6 October 2016.

Can I choose to receive cash instead of Teranga CDIs or Teranga Shares?

No. There is no option for Gryphon Shareholders to elect to receive cash instead of the Scheme Consideration. However, once you have received the Scheme Consideration, you may sell some or all of your Teranga CDIs or Teranga Shares on ASX or the TSX respectively.

Alternatively, you may elect to sell your existing Gryphon Shares on ASX for cash before the Effective Date.

What will I receive if the Scheme is not approved by the Requisite Majority at the Scheme Meeting?

If the Scheme is not approved by the Requisite Majority, you will not receive any consideration and you will retain your Gryphon Shares.

When will I receive the Scheme Consideration?

If you are a Gryphon Shareholder (other than an Excluded Shareholder or an Ineligible Shareholder) on the Record Date, you will be issued your Scheme Consideration on the Implementation Date.

On the Implementation Date, you will be sent a holding statement in relation to the Teranga CDIs or, if elected, a share certificate in respect of the Teranga Shares, that are issued to you as Scheme Consideration.

If you are an Ineligible Shareholder, you will be paid the cash you are entitled to receive from the Sale

Agent in Canadian dollars no more than 20 Business Days after the Implementation Date.

How will fractional entitlements be treated under the Scheme?

When the calculation of the number of Teranga CDIs (or Teranga Shares, if so elected) to be issued to a Gryphon Shareholder would result in the issue of a fraction of a Teranga CDI (or Teranga Share), the fractional entitlement will be rounded down to the nearest whole number of Teranga CDIs (or Teranga Shares).

Do I need to do or sign anything to transfer my Gryphon Shares?

No. If the Scheme becomes effective, Gryphon will automatically have authority to sign a transfer instrument on behalf of Scheme Participants.

When can I start trading my Teranga CDIs or Teranga Shares?

Once you have received the Scheme Consideration, you can trade your Teranga CDIs on ASX.

If you elect to receive Teranga Shares as Scheme Consideration and wish to trade the Teranga Shares, you will need to instruct a stockbroker who is able to execute trades on the TSX.

What are the Australian tax consequences of the Scheme?

Section 9 provides a general outline of the Australian income tax, capital gains tax, GST and stamp duty consequences for Scheme Participants who dispose of their Gryphon Shares in accordance with the Scheme.

Based on the summary of Australian taxation implications contained in section 9, any capital gain made by a Gryphon Shareholder who is an Australian resident may be eligible for scrip-for-scrip rollover relief.

You should consult with your own tax adviser regarding the tax consequences of disposing of your Gryphon Shares in accordance with the Scheme in light of current tax laws and your particular circumstances.

Will I have to pay brokerage fees or stamp duty?

No brokerage fees or stamp duty will be payable by Gryphon Shareholders on the transfer of their Gryphon Shares under the Scheme, or the receipt by Gryphon Shareholders of the Scheme Consideration.

If you dispose of your Gryphon Shares before the Record Date, or dispose of your Teranga CDIs or

Teranga Shares after the Implementation Date, brokerage fees may be payable.

In respect of the Teranga Shares sold by the Sale Agent on behalf of Ineligible Shareholders, brokerage fees will be deducted from the proceeds of the sale before the cash proceeds are remitted to Ineligible Shareholders.

VOTING TO APPROVE THE SCHEME

When and where will the Scheme Meeting be held?

The Scheme Meeting will be held at 10:00am on 23 September 2016 at 38 Station Street, Subiaco WA 6008.

Am I entitled to vote at the Scheme Meeting?

If you are registered as a Gryphon Shareholder on the Share Register at 10:00am on 21 September 2016 and you are not an Excluded Shareholder, you will be entitled to vote at the Scheme Meeting.

What vote is required to approve the Scheme?

For the Scheme to proceed, votes “in favour of” the Scheme Resolution at the Scheme Meeting must be received from a Requisite Majority of Gryphon Shareholders that are entitled to vote. A Requisite Majority is:

- a majority in number (more than 50%) of Gryphon Shareholders, who are present and voting either in person or by proxy, attorney or, in case of corporate Gryphon Shareholders, by corporate representative); and
- at least 75% of the total number of votes cast on the Scheme Resolution.

It is also necessary for the Court to approve the Scheme before it can become Effective.

What choices do I have as a Gryphon Shareholder?

As a Gryphon Shareholder you have the following choices:

- You can vote in person or by proxy at the Scheme Meeting;
- You can elect not to vote at the Scheme Meeting; or
- You can sell your Gryphon Shares on ASX. If you sell your Gryphon Shares on ASX you may incur brokerage costs.

Should I vote?

Voting is not compulsory. However, your Directors believe that the Scheme is important to Gryphon Shareholders and your Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal.

How do I vote?

You may vote in person by attending the Scheme Meeting to be held at 10:00am on 23 September 2016. Alternatively, you may vote by completing and lodging the proxy form that is enclosed with this Scheme Booklet. The proxy form can be lodged in person, by mail, by fax or sent electronically by visiting <https://investorcentre.linkmarketservices.com.au/Login>, selecting ‘Voting’ and following the prompts to lodge your vote.

You can also vote by appointing a corporate representative (if you are a corporate shareholder) or an attorney.

Full details of how to vote and how to lodge a proxy form, corporate representative appointment or power of attorney are set out on page 7.

What happens if I do not vote, or I vote against the Scheme?

The Scheme may not be approved at the Scheme Meeting. If this occurs the Scheme will not proceed, you will not receive the Scheme Consideration and you will remain a Gryphon Shareholder.

However, if the Scheme is approved and implemented your Gryphon Shares will be transferred to Teranga and you will receive the Scheme Consideration for your Gryphon Shares even if you did not vote or you voted against the Scheme.

What happens if the Scheme is not approved at the Scheme Meeting or is not approved by the Court?

If the Scheme is not approved by a Requisite Majority of Gryphon Shareholders at the Scheme Meeting or the Scheme is not approved by the Court:

- Gryphon will remain listed on ASX;
- you will retain your Gryphon Shares;
- you will not receive the Scheme Consideration; and
- you will remain exposed to the risks of Gryphon, including the risks discussed in section 8.2.

Your Directors believe that if the Scheme is not implemented then the trading price of Gryphon Shares is likely to fall.

Before the Scheme Meeting, Gryphon estimates that it will have incurred or committed transaction costs of approximately \$800,000 in relation to the Scheme. Those costs will be payable by Gryphon regardless of whether or not the Scheme is approved and becomes Effective.

If the Scheme does not proceed you will retain your Gryphon Shares. Your Directors intend to continue to operate Gryphon as a listed public company carrying on the business of exploring and developing West African gold projects under the leadership of the current senior management. The Gryphon Board has not formed any plans to make any significant changes to the business of Gryphon, redeploy any of its operating assets or change or affect the future employment of the present employees of Gryphon.

When will the result of the Scheme Meeting be known?

The results of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting and will be announced to ASX once available. The results will also be published on www.gryphonminerals.com.au soon after the Scheme Meeting.

OTHER

Can I keep my Gryphon Shares?

If the Scheme is implemented, your Gryphon Shares will be transferred to Teranga. This will happen even if you did not vote or you voted against the Scheme.

What happens if a Superior Proposal emerges?

If a Superior Proposal is received this will be announced to ASX and your Directors will carefully consider the proposal and advise you of their recommendation.

Are any other approvals required?

The Scheme must be approved by the Court in addition to being approved by a Requisite Majority of Gryphon Shareholders. If the Scheme is approved by a Requisite Majority of Shareholders at the Scheme Meeting, Gryphon will apply to the Court for approval of the Scheme. The Court hearing is expected to be held on 28 September 2016 (although this may change). Further details of the approval process are set out in section 3.

Is the Scheme subject to any conditions?

Implementation of the Scheme is subject to a number of conditions summarised in section 3.4 and set out in full in the Scheme Implementation Agreement. A full copy of the Scheme Implementation Agreement is available on ASX's website at www.asx.com.au and on Gryphon's website at <http://www.gryphonminerals.com.au/index.php/en/>.

Do I need to do or sign anything to transfer my Gryphon Shares?

No. If the Scheme becomes Effective, Gryphon will automatically have authority to sign a transfer document on behalf of Scheme Participants.

You should be aware that, if you are a Scheme Participant, you will be deemed to have warranted to Gryphon, and authorised Gryphon to warrant to Teranga on your behalf, that

- all of your Gryphon Shares are fully paid and free from all encumbrances (for example, mortgages or other security interests); and
- you have full power and capacity to transfer your Gryphon Shares to Teranga.

What if I have further questions about the Scheme?

If you have any further questions about the Scheme please contact Gryphon's Chief Financial Officer on +61 8 9287 4333 between 9:00 am to 5:00 pm (Perth, Australia time) Monday to Friday, or visit the website www.gryphonminerals.com.au.

3. Details of the Scheme

3.1 Overview

On 20 June 2016, Gryphon announced that it had entered into a Scheme Implementation Agreement with Teranga under which, subject to the satisfaction or waiver of a number of conditions, Gryphon agreed to propose the Scheme to Gryphon Shareholders. A copy of the Scheme Implementation Agreement is set out in Gryphon's announcement to the ASX on 20 June 2016 (<http://www.gryphonminerals.com.au/index.php/en/investors-4/asx-announcements>) and a summary of the key terms of the Scheme Implementation Agreement is included in section 10.13.

3.2 Effect of the Scheme

If the Scheme is implemented:

- (a) Teranga will acquire all of the Gryphon Shares that it does not already own;
- (b) Gryphon Shareholders (other than Excluded Shareholders and Ineligible Shareholders) will receive the Scheme Consideration in respect of each Gryphon Share they hold on the Record Date; and
- (c) Gryphon will become a Subsidiary of Teranga and subsequently be de-listed from ASX.

3.3 Scheme Consideration

If the Scheme is implemented, Gryphon Shareholders (other than Excluded Shareholders and Ineligible Shareholders) will receive the Scheme Consideration of 0.169 Teranga CDIs or, if so elected, 0.169 Teranga Shares per Gryphon Share. On the Implementation Date, you will be issued the Scheme Consideration in respect of each Share held by you as at the Record Date.

From the date of issue, the Teranga CDIs (or, if elected, Teranga Shares) received as Scheme Consideration will rank equally in all respects with the existing Teranga CDIs or Teranga Shares (as the case may be) and will be fully paid and free from any encumbrance.

Holding statements detailing your holding of Teranga CDIs (or share certificates in the case of Teranga Shares) are expected to be sent to you on or soon after the Implementation Date.

Ineligible Shareholders should refer to section 7.4 for details about the timing for payment of the consideration they will receive.

Gryphon Shareholders (including Ineligible Shareholders) should refer to section 7 for further details about the Scheme Consideration.

3.4 Conditions of the Scheme

The implementation of the Scheme is subject to the following Conditions Precedent:

- (a) Before 5:00pm on the Business Day before the Second Court Date:
 - (i) ASIC issues or provides such consents, approvals, modifications or exemptions, or does such other acts which the parties agree are reasonably necessary or desirable to implement the Scheme;
 - (ii) ASX issues or provides such consents, approvals, waivers or does such other acts which the parties agree are reasonably necessary to implement the Scheme;
 - (iii) TSX conditionally approves the listing of the Teranga Shares to be issued pursuant to the Scheme, subject only to the satisfaction by Teranga of customary listing conditions of the TSX (which shall not include a requirement to obtain approval by Teranga Shareholders); and
 - (iv) all other regulatory approvals required to implement the Scheme being granted or obtained and those regulatory approvals not being withdrawn, cancelled, revoked or varied in a manner that is materially adverse to the parties;

- (b) Gryphon Shareholders approve the Scheme at the Scheme Meeting by the Requisite Majority;
- (c) As at 8:00am on the Second Court Date, no temporary restraining order, preliminary or permanent injunction or other order or decision has been issued or made by any court of competent jurisdiction or any Regulatory Authority, and there is no other legal restraint or prohibition, preventing the consummation of any aspect of the Transaction on the Implementation Date;
- (d) The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (e) The Independent Expert provides a report to Gryphon that concludes that the Scheme is in the best interests of Gryphon Shareholders and the Independent Expert not withdrawing or adversely modifying that conclusion before 8:00am on the Second Court Date;
- (f) The Teranga CDIs to be issued pursuant to the Scheme have, before 8:00am on the Second Court Date, been approved for official quotation on the ASX;
- (g) No Gryphon Material Adverse Event occurs between the date of this agreement and 8:00am on the Second Court Date (including a failure to secure renewal or extension of the Key Permits – refer below for further details);
- (h) No Gryphon Prescribed Occurrence occurs between the date of this agreement and 8:00am on the Second Court Date;
- (i) The Gryphon Representations and Warranties given by Gryphon pursuant to the Scheme Implementation Agreement are true and correct in all material respects as at the date of this agreement and as at 8:00am on the Second Court Date;
- (j) No Teranga Material Adverse Event occurs between the date of this agreement and 8:00am on the Second Court Date;
- (k) No Teranga Prescribed Occurrence occurs between the date of this agreement and 8:00am on the Second Court Date;
- (l) The Teranga Representations and Warranties given by Teranga pursuant to the Scheme Implementation Agreement are true and correct in all material respects as at the date of this agreement and as at 8:00am on the Second Court Date; and
- (m) Teranga receiving written evidence (in a form satisfactory to it, acting reasonably) that Burkina Faso Mining Code Consent has been obtained, on terms acceptable to Teranga acting reasonably.

As at the date of this Scheme Booklet, neither Gryphon nor Teranga is aware of any reason why the Conditions Precedent will not be satisfied.

Teranga has notified Gryphon that it has obtained the necessary approval from the TSX in relation to the conditional listing of the Teranga Shares to be issued pursuant to the Scheme, and so the Condition Precedent in paragraph (a)(iii) above is satisfied.

In relation to the Condition Precedent in paragraph (g) above that no Gryphon Material Adverse Event occurs before 8:00am on the Second Court Date, it should be noted that a failure to secure the renewal or extension of the Key Permits by 8:00am on the Second Court Date would constitute a Gryphon Material Adverse Event. The Key Permits are the Wahgnion Exploitation Licence, the Nogbele Exploration Permit and the Nianka Exploration Permit.

The Wahgnion Exploitation Licence expires in August 2016. Under Article 53 of the Burkina Faso Mining Code 2015, a two year extension for the period to begin development and production activities can be obtained via a joint decree of the Burkina Faso Ministers of Mines and of Finance. Gryphon will shortly submit an application to extend the Wahgnion Exploitation Licence.

The Nogbele Exploration Permit and the Nianka Exploration Permit each expired on 8 July 2016. The renewal process involves removing the areas which are currently subject to the Wahgnion Exploitation Licence from the exploration permit areas. Gryphon has submitted a formal application under Article 42 of the Burkina Faso Mining Code 2015 for the renewal of all exploration permits at Banfora with new lease boundaries.

On the basis of Gryphon's extensive discussions with the relevant authorities in Burkina Faso, Gryphon has no reason to believe that the extension to the Wahgnion Exploitation Licence and the renewal of the Nogbele Exploration Permit and the Nianka Exploration Permit will not be received. In particular, senior representatives from both Gryphon and Teranga have met with the Minister of Mines of Burkina Faso and received verbal assurance that the extension to the Wahgnion Exploitation Licence and the renewal of the Nogbele Exploration Permit and the Nianka Exploration Permit would be received. However, there can be no guarantee that the renewal and extensions will be received by Gryphon from the relevant authorities in Burkina Faso or that they will be received before the Second Court Date.

In relation to the Condition Precedent in paragraph (m) above, there remains significant doubt as to whether consent is required under the Burkina Faso Mining Code. Formal in-country advice on the matter is currently being obtained by Teranga. Teranga is required, under clause 3.2.2 of the Scheme Implementation Agreement, to waive the condition if it determines or becomes satisfied, acting reasonably and in good faith, that such consent is not required.

3.5 Key steps to implement the Scheme

The key steps to implement the Scheme are as follows:

- (a) Gryphon Shareholders will vote on whether to approve the Scheme at the Scheme Meeting. Each Gryphon Shareholder (other than Excluded Shareholders) who is registered on the Register at 10:00am on 21 September 2016 is entitled to vote at the Scheme Meeting.
- (b) If the Scheme is approved by the Requisite Majority at the Scheme Meeting, Gryphon will apply to the Court to approve the Scheme on the Second Court Date (expected to be 28 September 2016). Section 3.17 contains details on this procedure. The Corporations Act and the relevant Court rules provide a procedure for Gryphon Shareholders to oppose the approval by the Court of the Scheme.
- (c) If the Court approves the Scheme, and all conditions to the Scheme have been satisfied or waived, Gryphon will lodge with ASIC an office copy of the Court order approving the Scheme. Gryphon expects to lodge this with ASIC on or before 29 September 2016.
- (d) With effect from the start of the Business Day following the day on which the office copy of the Court order is lodged with ASIC, Gryphon Shares will be suspended from trading on ASX.
- (e) On the Implementation Date:
 - (i) all of the Gryphon Shares held by Scheme Participants at 7:00 pm on the Scheme Record Date will be transferred to Teranga and, in exchange, each Scheme Participant (other than Ineligible Shareholders) will be issued the Scheme Consideration. The Scheme Record Date is currently expected to be 6 October 2016;
 - (ii) Gryphon will register all transfers of Gryphon Shares to Teranga; and
 - (iii) shortly thereafter, documents of title to Teranga CDIs and Teranga Shares will be sent to Gryphon Shareholders (except Ineligible Shareholders) in respect of the Scheme Consideration to which the holder of Gryphon Shares is entitled.

After the Scheme has been implemented, Gryphon will apply for termination of the official quotation of Gryphon Shares on ASX and to have itself removed from the official list of the ASX.

3.6 Your choices as a Gryphon Shareholder

As a Gryphon Shareholder you have the following choices:

- (a) you can vote at the Scheme Meeting in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative;
- (b) you can elect not to vote at the Scheme Meeting; or
- (c) you can sell your Gryphon Shares on ASX. If you sell your Gryphon Shares on ASX you may incur brokerage costs. If the Scheme becomes Effective, Gryphon Shares will cease trading on

ASX at close of trading on the Effective Date. Accordingly, you can sell your Gryphon Shares on market at any time before the close of trading on the day that the Scheme becomes Effective (although normal brokerage and other expenses on sale may be incurred).

3.7 How to vote

Gryphon Shareholders can vote in either of two ways:

- (a) by attending the Scheme Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- (b) by appointing a proxy to attend and vote on their behalf.

See page 7 for full details on how to vote.

3.8 Eligibility to vote

The time for determining eligibility to vote at the Scheme Meeting is 10:00am on 21 September 2016. Only those Gryphon Shareholders (other than Excluded Shareholders) entered on the Gryphon Register at that time will be entitled to attend and vote at the Scheme Meeting.

3.9 Ineligible Shareholders

If you are a Gryphon Shareholder whose address shown in the Gryphon Register is in an Ineligible Jurisdiction, Teranga will not issue Teranga Shares or Teranga CDIs to you. In other words, if your address shown in the Gryphon Register at 5:00pm on the Record Date is in a jurisdiction (other than Australia, New Zealand and Canada) that Teranga determines, acting reasonably, does not permit the issue of the Teranga Shares or Teranga CDIs to you either unconditionally or after compliance with terms that Teranga reasonably regards as acceptable and practical, you will not be eligible to receive the Scheme Consideration.

The number of Teranga Shares or Teranga CDIs that would otherwise have been issued to you under the Scheme will be issued to the Sale Agent as Teranga Shares. Teranga will procure that, as soon as reasonably practicable and in any event not more than 20 Business Days after the Implementation Date, the Sale Agent sells those Teranga Shares in such manner, or such financial market, at such price and on such other terms as the Sale Agent determines in good faith, and remits the proceeds of such sale to you in Canadian dollars, net of costs.

3.10 Determination of persons entitled to the Scheme Consideration

To establish the identity of the Scheme Participants, dealings in Gryphon Shares will only be recognised by Gryphon if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Gryphon Shares as at 5:00pm on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 5:00pm on the Record Date at the place where the Register is kept.

3.11 Scheme Record Date

Those Gryphon Shareholders (other than Excluded Shareholders) on the Register on the Record Date, being 5:00pm on the fifth Business Day following the Effective Date, will be entitled to receive the Scheme Consideration in respect of the Gryphon Shares they hold as at the Record Date.

3.12 Register

Gryphon must register any registrable transmission applications or transfers of the Gryphon Shares received on or before 5:00pm on the Record Date.

3.13 No disposals after Effective Date

If the Scheme becomes Effective, you may not dispose of any Gryphon Shares after the Effective Date. Any dealings in Gryphon Shares after this time will not be recognised.

3.14 Maintenance of the Register

For the purpose of determining entitlements to the Scheme Consideration, Gryphon will maintain the Register until the Scheme Consideration has been issued to the Scheme Participants and Teranga has been entered in the Register as the holder of all the Gryphon Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

3.15 Deemed warranty on transfer of Gryphon Shares to Teranga

Under the terms of the Scheme each Scheme Participant is deemed to have warranted to Teranga that all of their Gryphon Shares will, at the date of the transfer, be fully paid and free from all encumbrances (such as mortgages and other security interests) and that they have full power and capacity to transfer their Gryphon Shares (including any rights and entitlements attaching to those Gryphon Shares) to Teranga. See clause 2.12 of the Scheme in Annexure C. Gryphon undertakes that it will provide the warranty to Teranga as agent and attorney of each Gryphon Shareholder. You should ensure that your Gryphon Shares are free of any such mortgages or security interests.

Gryphon Shareholders should be aware that, to the extent that this warranty is untrue in respect of their Gryphon Shares, and their Gryphon Shares are not transferred under the Scheme free from all encumbrances, they may be liable to compensate Teranga for any damage caused to those parties resulting from such encumbrance.

3.16 Deed Poll

On 15 August 2016, Teranga executed the Deed Poll under which Teranga agreed, subject to the Scheme becoming Effective, to issue and provide to Scheme Participants the Scheme Consideration on the Implementation Date. A summary of the key terms of the Deed Poll is set out in section 10.15. A copy of the Deed Poll is also included in Annexure D.

3.17 Court approval

On 16 August 2016, the Court made the requisite orders that the Scheme Meeting be convened and that this Scheme Booklet be despatched to Gryphon Shareholders. The orders made by the Court convening the Scheme do not constitute an endorsement of, or any other expression of opinion on, the Scheme or this Scheme Booklet.

Gryphon will apply to the Court for an order approving the Scheme if the Scheme is approved by the Requisite Majority at the Scheme Meeting. The Court has discretion as to whether to grant the orders approving the Scheme, even if the Scheme is approved by the Requisite Majority.

Each Gryphon Shareholder and, with the Court's permission, any other interested person has the right to appear at the Second Court Hearing.

The Corporations Act and the *Federal Court (Corporations) Rules* 2000 provide a procedure for Gryphon Shareholders to oppose the approval by the Court of the Scheme. If you wish to oppose the approval of the Scheme at the Second Court Hearing you may do so by filing with the Court and serving on Gryphon a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing. With leave of the Court, you may also oppose the approval of the Scheme by appearing at the Second Court Hearing and applying to raise any objections you may have at the hearing. Gryphon should be notified in advance of an intention to object. The date for the Second Court Hearing is currently scheduled to be 28 September 2016, though an earlier date may be sought. Any change to this date will be announced through ASX and notified on Gryphon's website (<http://www.gryphonminerals.com.au/index.php/en/>).

3.18 Taxation implications

A general guide to the Australian taxation implications of the Scheme for Gryphon Shareholders is set out in section 9. This guide is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any Gryphon Shareholder.

3.19 Suspension of trading

Gryphon will apply to ASX for suspension of trading in Gryphon Shares on ASX after close of trading on the day the Scheme becomes Effective. Following final implementation of the Scheme Gryphon will request ASX to remove it from the official list of ASX.

4. Information on Gryphon

4.1 Introduction

Gryphon is an ASX listed company focused on advancing its 100%-owned Banfora Gold Project in Burkina Faso, as well as a pipeline of new and exciting projects in West Africa.

Gryphon is an Australian public company, limited by shares, that was admitted to the official list of ASX on 22 April 2004.

Gryphon is a 'disclosing entity' for the purposes of the Corporations Act and is therefore subject to regular reporting obligations under the Corporations Act and the ASX Listing Rules. See section 4.8 for further information.

In addition to the information about Gryphon contained in this section, the Independent Expert's Report in Annexure A contains further detailed information on Gryphon.

4.2 Overview of projects



Figure 1: Location of Gryphon's projects

(a) Banfora Gold Project, Burkina Faso (100%)

The Banfora Gold Project is located in the south-west of Burkina Faso, West Africa. Burkina Faso is one of the largest gold producers in Africa and is located on some of the world's most prolific greenstone belts (accounting for 22% of West Africa's greenstone belt exposure). The country is already host to a number of producing mines and this is anticipated to increase given the prospectivity and strong Government support for the mining industry.

The Banfora Gold Project is 100% owned and includes exploration licenses covering over 1,000 square kilometres and a mining licence that covers 89 square kilometres. These licences are located in a major gold district where world class gold deposits such as Tongon (4.2 Million oz Au), Syama (5 Million oz Au mined & 6.5 Million oz Au in resources) and Morila (6.5 Million oz Au) are also found. The Banfora Gold Project has an enviable location being easily accessible by road in close proximity to the regional town of Banfora and the major city of Bobo-Dioulasso. In addition, an existing hydro-power supply source and substation is located less than 100 kilometres to the south of the project site in Côte d'Ivoire, which can potentially be used to power future mining expansion and development.

Mineral Resources and Ore Reserves

The Banfora Gold Project is a significant undeveloped gold resource in West Africa and is one of only a few new large scale greenfields discoveries in the world.

The Mineral Resources released in Gryphon's ASX announcement dated 4 February 2014 are shallow with 90% above 150 metres vertical depth and they remain open at depth and along strike. The Ore Reserves for the heap leach operation (announced to ASX by Gryphon on 4 August 2014) are also shallow with an average vertical pit depth of 50 metres across the deposits, with maximum depths at the Nogbele North pit and Samavogo south of close to 100 metres.

The current Mineral Resource Estimate for the Banfora Gold Project reported at the 0.3g/t, 0.5g/t, 1.0g/t & 1.5g/t lower cut offs are as stated in the following table:

Banfora Gold Project Mineral Resource Estimate at 30 June 2015:

Lower cut off g/t	Measured			Indicated			Total Measured + Indicated			Inferred		
	Tonnes Mt	Grade g/t Au	Gold Moz	Tonnes Mt	Grade g/t Au	Gold Moz	Tonnes Mt	Grade g/t Au	Gold Moz	Tonnes Mt	Grade g/t Au	Gold Moz
0.3	9.5	1.1	0.35	76.2	1.2	2.9	85.8	1.2	3.2	19.2	1.1	0.70
0.5	6.7	1.4	0.31	60.5	1.4	2.7	67.2	1.4	3.0	15.9	1.3	0.66
1.0	3.1	2.3	0.23	28.8	2.1	1.9	31.9	2.1	2.2	7.8	1.9	0.47
1.5	2.0	2.9	0.18	16.1	2.8	1.4	18.0	2.8	1.6	3.8	2.6	0.32

Note: Refer to ASX release on 4 February 2014. Gryphon confirms that it is not aware of any new information or data that materially affects the information in the said announcement and all material assumptions and technical parameters underpinning the Mineral Resource Estimate continue to apply.

Ore Reserve Estimate for Banfora 2Mtpa Heap Leach Operation at 30 June 2015:

Area	Oxidation	Cut-off Au g/t	Proved			Probable			Total		
			Tonnes Mt	Grade Au g/t	Au koz	Tonnes Mt	Grade Au g/t	Au koz	Tonnes Mt	Grade Au g/t	Au koz
Nogbele	Oxide	0.3-0.4	2.4	1.1	88	4.8	1.1	166	7.2	1.1	253
	Transition	0.5-0.6	0.8	1.4	38	1.2	1.4	55	2.1	1.4	93
	Fresh	0.5-0.7	0.8	2.0	51	1.1	2.1	72	1.9	2.1	123
Fourkoura	Oxide	0.4	-	0.0	-	0.8	1.1	28	0.8	1.1	28
	Transition	0.6	-	0.0	-	0.5	1.6	25	0.5	1.6	25
	Fresh	0.9	-	0.0	-	0.5	2.0	33	0.5	2.0	33
Samavogo	Oxide	0.5	-	0.0	-	1.1	1.7	59	1.1	1.7	59
	Transition	0.6	-	0.0	-	0.5	1.9	33	0.5	1.9	33
	Fresh	0.7	-	0.0	-	1.3	2.3	92	1.3	2.3	92
Stinger	Oxide	0.4	-	0.0	-	1.4	1.5	67	1.4	1.5	67
	Transition	0.7	-	0.0	-	0.3	1.9	16	0.3	1.9	16
	Fresh	1.1	-	0.0	-	0.1	2.7	5	0.1	2.7	5
Total	Oxide		2.4	1.1	88	8.0	1.2	320	10.4	1.2	407
	Transition		0.8	1.4	38	2.5	1.6	128	3.3	1.5	166
	Fresh		0.8	2.0	51	2.9	2.2	202	3.7	2.1	252
Grand total			4.0	1.4	176	13.4	1.5	650	17.4	1.5	826

Note: Refer to ASX release on 4 August 2014. Gryphon confirms that it is not aware of any new information or data that materially affects the information in the said announcement and all material assumptions and technical parameters underpinning the Reserve Estimate continue to apply.

The cut-off grades used in the estimation of the Banfora Ore Reserves shown above are the non-mining, break-even gold grades taking into account mining recovery and dilution, metallurgical recovery, site operating costs, royalties and revenues. For reporting of Ore Reserves the calculated cut-off grades were rounded to the first decimal gram per tonne of gold. The cut-off grades vary depending on the material type and the pit location.

The grades and metal stated in the Ore Reserves Estimate released in Gryphon's ASX announcement dated 4 August 2014 include estimates for mining recovery and dilution. The Ore Reserve Estimate is reported within the open pit designs prepared as part of the feasibility study. Contained within the pit designs on which the Ore Reserves are based is a total of 59.4 Mt of waste material, resulting in an average waste:ore strip ratio of 3.4:1.

Outside the currently defined and evaluated deposits, the Banfora Gold Project area remains highly prospective for further discoveries.

(b) **Golden Hill Project, Burkina Faso (51%, earning 80%)**

The Golden Hill Project is considered particularly prospective as it is located within the highly mineralised Houndé Greenstone Belt in Burkina Faso. This belt hosts the majority of the high grade discovered gold ounces in Burkina Faso, including Semafo's recently discovered Siou Deposit plus the high grade Yaramoko deposit being developed by Roxgold. The belt also hosts Semafo's Mana Mine and Endeavour Mining's Houndé deposit. The Golden Hill Project straddles the same structure and stratigraphy that host these high grade deposits.

The other parties to the Golden Hill Project Joint Venture are Boss Resources Limited (ACN 116 834 336) (**Boss**) and two subsidiaries of Boss, Askia Gold Pty Ltd (ACN 138 993 656) (**Askia**) and Boss Minerals Pty Ltd (ACN 158 713 949) (**Boss Minerals**). Gryphon owns 51% of the operating entity, Boss Minerals SARL, which in turn owns the tenements the subject of the Golden Hill Project.

Further, under the terms of a Shareholders and Earn-in Agreement between the parties, Gryphon is entitled to acquire up to 80% of the shares in Boss Minerals and Askia in exchange for funding development of the Golden Hill Project and Gourma Gold Project.

(c) **Gourma Gold Project, Burkina Faso (51%, earning 80%)**

The Gourma Project includes approximately 60 km of a gold-bearing crustal shear which has received very little modern exploration. The Gourma Project is located within the Fada N'Gourma Greenstone Belt, 250 km east of Ouagadougou and only 80 km south-southwest of Niger's largest gold deposit, the 50,000 ounce per annum Samira Hill gold mine. The Gourma Project consists of six contiguous permits (Diabatou, Tyara, Foutouri Boutouanou, Tyabo and Kankandi)⁵ that cover a total area of approximately 1,300 km². It is accessible from the south off the Fada N'Gourma-Kantchari highway via a well maintained gravel road and from the west via a gravel road from the town of Gayeri.

The other parties to the Gourma Gold Project Joint Venture are Boss, Askia and Boss Minerals. Gryphon owns 51% of the operating entity, Boss Minerals SARL, which in turn owns the tenements the subject of the Gourma Gold Project.

Further, under the terms of a Shareholders and Earn-in Agreement between the parties, Gryphon is entitled to acquire up to 80% of the shares in Boss Minerals and Askia in exchange for funding development of the Golden Hill Project and Gourma Gold Project.

4.3 Directors and senior management

The current directors of Gryphon are:

- Mel Ashton – Non-Executive Chairman

⁵ The Tyabo and Kankandi permits are subject to transfer from Cluff Mining Burkina Sarl. The Foutouri and Tyara permits are the subject of exceptional renewal applications.

- Stephen Parsons – Managing Director
- Didier Murcia AM – Non-Executive Director
- Bruce McFadzean – Non-Executive Director

The current senior managers of Gryphon are:

- Steven Zaninovich – Chief Operating Officer
- Michael Naylor – Chief Financial Officer
- Carl Travaglini – Company Secretary/Financial Controller

If the Scheme does not proceed, the current senior management of Gryphon will remain. If the Scheme is approved, the intentions of Teranga in relation to employees generally is set out in section 6.2.

4.4 Gryphon securities

As at 15 August 2016, being the latest practicable date prior to finalisation of this Scheme Booklet, there were 422,796,447 Gryphon Shares, 16,390,000 Performance Rights and 4,737,341 Share Appreciation Rights on issue.

4.5 Financial information

(a) Basis of preparation

The following section summarises certain historical financial information about Gryphon for the year ended 30 June 2015, as well as the half year period ended 31 December 2015 and the period of nine months ended 31 March 2016. The financial information set out in this section is a summary only and is prepared for the purposes of this Scheme Booklet. The 2015 financial report was audited by BDO Audit (WA) Pty Ltd and an unmodified audit report was issued. The 2015 half year financial report was reviewed by BDO Audit (WA) Pty Ltd and an unmodified review report was issued. The financial information for the nine months ended 31 March 2016 has not been reviewed or audited by Gryphon's auditor.

Full financial statements for Gryphon for the financial year ended 30 June 2015 and the half year ended 31 December 2015 were released to ASX and are available free of charge on <http://www.asx.com.au/> or by requesting a copy from Gryphon's Chief Financial Officer on +61 (08) 9287 4333.

(b) Consolidated income statement

Below is a summary of Gryphon's audited consolidated income statement for the full year ended 30 June 2015, Gryphon's audit reviewed consolidated income statement for the half year ended 31 December 2015, and Gryphon's unaudited consolidated income statement for the nine months ending 31 March 2016.

	30 Jun 2015 A\$'000 Audited	31 Dec 2015 A\$'000 Reviewed	31 March 2016 A\$'000 Unaudited
Revenue			
Revenue from continuing operations	824	208	290
Other income	1,398	192	1,260
	2,222	400	1,550
Expenses			
Administration expense	(1,018)	(472)	(712)
Consultancy expense	(389)	(176)	(266)
Employee benefits expense	(1,962)	(864)	(1,207)
Share based payment expense	(285)	79	(17)
Occupancy expense	(243)	(120)	(179)
Compliance and regulatory expense	(197)	(60)	(63)
Insurance expense	(178)	(50)	(76)
Depreciation expense	(753)	(417)	(523)

	30 Jun 2015 A\$'000 Audited	31 Dec 2015 A\$'000 Reviewed	31 March 2016 A\$'000 Unaudited
Interest expense	-	(1)	(2)
Exploration and evaluation expense	(12,727)	(3,063)	(5,016)
Fixed assets written off	(437)	(52)	(52)
Foreign exchange gain	1,446	(168)	(304)
	(16,743)	(5,364)	(8,417)
Loss before income tax	(14,521)	(4,964)	(6,867)
Income tax expense	-	-	-
Loss after income tax	(14,521)	(4,964)	(6,867)
Other comprehensive income			
Exchange difference on translation of foreign operations	135	105	125
Changes in the fair value of financial assets	(2,566)	(312)	(248)
Other comprehensive loss	(2,431)	(207)	(123)
Total comprehensive loss	(16,952)	(5,171)	(6,990)
Loss for the period is attributable to:			
Non-controlling interest	(24)	(38)	(65)
Members of Gryphon Minerals Ltd	(14,497)	(4,926)	(6,802)
	(14,521)	(4,964)	(6,867)
Total comprehensive loss for the period is attributable to:			
Non-controlling interest	(24)	(38)	(65)
Members of Gryphon Minerals Ltd	(16,928)	(5,133)	(6,925)
	(16,952)	(5,171)	(6,990)
Basic loss per share (cents)	(3.6)	(1.2)	(1.7)

(c) **Consolidated balance sheet**

Below is a summary of Gryphon's audited consolidated balance sheet as at 30 June 2015, Gryphon's audit reviewed consolidated balance sheet as at 31 December 2015, and Gryphon's unaudited consolidated balance sheet as at 31 March 2016.

	30 Jun 2015 A\$'000 Audited	31 Dec 2015 A\$'000 Reviewed	31 March 2016 A\$'000 Unaudited
ASSETS			
Current assets			
Cash and cash equivalents	18,453	12,883	10,636
Trade and other receivables	928	315	420
Inventory	23	23	16
Total current assets	19,404	13,221	11,072
Non-current assets			
Trade and other receivables	267	283	257
Financial assets	540	418	1,550
Property, plant and equipment	2,878	2,564	2,417
Exploration and evaluation expenditure	5,139	6,066	5,377
Total non-current assets	8,824	9,331	9,601
Total Assets	28,228	22,552	20,673
LIABILITIES			
Current liabilities			
Trade and other payables	2,917	2,526	2,784
Total current liabilities	2,917	2,526	2,784
Non-current liabilities			

	30 Jun 2015 A\$'000 Audited	31 Dec 2015 A\$'000 Reviewed	31 March 2016 A\$'000 Unaudited
Provisions	420	385	337
Total non-current liabilities	420	385	337
Total liabilities	3,337	2,911	3,121
Net Assets	24,891	19,641	17,552
EQUITY			
Contributed equity	229,014	229,014	229,021
Reserves	7,531	7,245	7,426
Accumulated losses	(210,859)	(215,785)	(218,035)
Equity attributable to the members of Gryphon Minerals Ltd	25,686	20,474	18,412
Non-controlling interest	(795)	(833)	(860)
Total equity	24,891	19,641	17,552

(d) **Consolidated cash flow statement**

Below is a summary of Gryphon's audited consolidated cash flow statement for the full year ended 30 June 2015, Gryphon's audited reviewed consolidated cash flow statement for the half year ended 31 December 2015, and Gryphon's unaudited consolidated cash flow statement for the nine months ending 31 March 2016:

	30 Jun 2015 A\$'000 Audited	31 Dec 2015 A\$'000 Reviewed	31 March 2016 A\$'000 Unaudited
Cash flows from operating activities			
Payments for exploration and evaluation	(13,504)	(3,416)	(5,672)
Refunded exploration and evaluation expense	541	-	-
Payments to administration suppliers and employees	(3,658)	(1,802)	(2,555)
Interest received	857	237	324
Interest paid	-	(1)	(2)
Proceeds from R&D grant	1,005	-	-
Net cash used in operating activities	(14,759)	(4,982)	(7,905)
Cash flows from investing activities			
Payments for exploration farm-ins	(1,326)	(926)	(238)
Purchase of property, plant and equipment	(263)	(49)	(62)
Refund on deposit paid on equipment	500	385	385
Payments for tenement acquisitions	(12)	-	-
Refund of tenement fees	7	2	2
Net cash used in investing activities	(1,094)	(588)	83
Net decrease in cash and cash equivalents	(15,853)	(5,570)	(7,822)
Cash and cash equivalents at the beginning of the year	34,306	18,453	18,453
Cash and cash equivalents at the end of the year	18,453	12,883	10,636

4.6 Material changes in Gryphon's financial position

To the knowledge of your Directors, and except as disclosed elsewhere in this Scheme Booklet, the financial position of Gryphon has not materially changed since 31 December 2015 other than:

- As at 30 June 2016, Gryphon's cash position had decreased to \$9,280,154,⁶ and

⁶ Since 30 June 2016, Gryphon has raised \$4.4 million through a placement of 21.2 million Gryphon Shares to Teranga. On 9 August 2016, Gryphon sold its shares in Algold Resources Limited for US\$2.6 million which has increased its cash position by this amount.

- As at 30 June 2016, Gryphon's investments in listed shares had a market value of \$3,846,603.⁷

4.7 Recent share price history

The latest recorded price of Gryphon Shares on ASX on the Pre-Announcement Date was \$0.135. The latest recorded price of Gryphon Shares on ASX was A\$0.210 on 15 August 2016, being the last practicable date prior to finalisation of this Scheme Booklet.

The following chart shows the closing price of Gryphon Minerals Shares on ASX over the past 12 months, to the Announcement Date.



As at the Announcement Date:

- the 10 day VWAP of Gryphon Shares was \$0.134;
- the highest recorded trading price of Gryphon Shares in the previous 3 months was \$0.17; and
- the lowest recorded trading price of Gryphon Shares in the previous 3 months was \$0.067.

The current price of Gryphon Shares on ASX can be obtained from the ASX website (www.asx.com.au) or <http://www.gryphonminerals.com.au/index.php/en/>.

4.8 Publicly available information

As an ASX listed company and a “disclosing entity” for the purposes of section 111AC(1) of the Corporations Act, Gryphon is subject to regular reporting and disclosure obligations. Broadly these require it to announce price sensitive information to ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information. Gryphon's most recent announcements are available from its website <http://www.gryphonminerals.com.au/index.php/en/investors-4/asx-announcements>. Further announcements concerning Gryphon will continue to be made available on this website after the date of this Scheme Booklet.

ASX maintains files containing publicly available information about entities listed on their exchange. Gryphon's files are available for inspection at ASX during normal business hours and are available on the ASX website (www.asx.com.au).

Additionally, copies of documents lodged with ASIC in relation to Gryphon may be obtained from or inspected at an ASIC service centre. Please note ASIC may charge a fee in respect of such services.

⁷ This figure includes Gryphon's shares in Algold Resources Limited which as at 30 June 2016 were valued at A\$3,481,968. These shares were sold on 9 August 2016 for US\$2.6 million.

The following documents are available for inspection free of charge prior to the Scheme Meeting during normal business hours at the registered office of Gryphon:

- Gryphon's constitution;
- Gryphon's annual report for the financial year ended 30 June 2015;
- Gryphon's public announcements; and
- Gryphon's interim report for the period ended 31 December 2015.

The annual and interim reports and public announcements are also available at <http://www.gryphonminerals.com.au/index.php/en/investors-4/asx-announcements>.

4.9 Further information

For the risks associated with the Scheme, refer to section 8. In particular, section 8.2 outlines the risks to Gryphon if the Scheme does not proceed.

5. Information on Teranga

5.1 Responsibility for information

The information in this section 5 of the Scheme Booklet has been prepared by Teranga. The information concerning Teranga and the intentions, views and opinions contained in this section 5 are the responsibility of Teranga. Information presented below is based on prior public disclosure of Teranga included within its March 2016 AIF, the Sabodala Technical Report prepared in accordance with NI 43-101, and Teranga's 2015 Annual Report, all of which are available on Teranga's profile on the SEDAR website at www.sedar.com on Teranga's page on the ASX company announcements platform at www.asx.com.au and on Teranga's website at www.terangagold.com.

Gryphon and Gryphon's Directors and officers do not assume any responsibility for the accuracy or completeness of this information.

All dollar figures presented below are in US dollars unless otherwise indicated.

5.2 Overview of Teranga

Teranga is a Canada based gold mining company, which is dual-listed on the TSX and ASX. Teranga was incorporated in the fall of 2010 to acquire the Sabodala Gold Project from a publicly listed company. Teranga took over operational control of the Sabodala Gold Project on 23 November 2010, and its initial public offering was completed on 7 December 2010.

Teranga's producing gold mine is located within the Sabodala ML, which covers an area of 291 km² and is located approximately 650 km east of the capital of Senegal, Dakar, within the West African Birimian geological belt in Senegal, and about 90 km from major gold mines in Mali. The Sabodala mill was the first, and remains the only, large-scale gold processing facility to come into operation in Senegal. Since Teranga's acquisition of the Sabodala Gold Project, it has produced over 1 million ounces of gold. In 2016, Teranga expects to produce between 200,000 and 215,000 ounces of gold⁸.

In addition to the Sabodala ML, Teranga holds one of the largest gold exploration land positions in Senegal with a direct or majority controlling joint venture interest in the Regional Land Package which surrounds its Sabodala gold mine. The Regional Land Package comprises an area of approximately 1,000 km² and is located on the same geographical gold belt that runs through Mali and Senegal where more than 50 million ounces of gold resources have been discovered, including three discoveries of greater than 5 million ounces.

As of 31 December 2015, the expanded Sabodala ML had 4.4 million ounces of Measured and Indicated Resources including 2.6 million ounces in proven and probable reserves and a further 0.9 million ounces of Inferred Resources. Full details of Teranga's reserves and resources are set out in the Mineral Reserves and Resources statement in section 5.3. In total, Teranga has increased its reserve base by 80% since its IPO after netting out production. A significant multiyear reserve development program is underway to add high-grade mill feed and low grade heap leach feed to the reserve base, which should allow Teranga to further increase future annual production at attractive cash margins.

Teranga's significant investment in corporate social responsibility has helped in establishing a mutually beneficial partnership with the regional and local levels of government. The strengthening of this relationship is expected to continue and to generate positive outcomes for the local and regional population in terms of agriculture and food security, youth education and training, health care and long term employment.

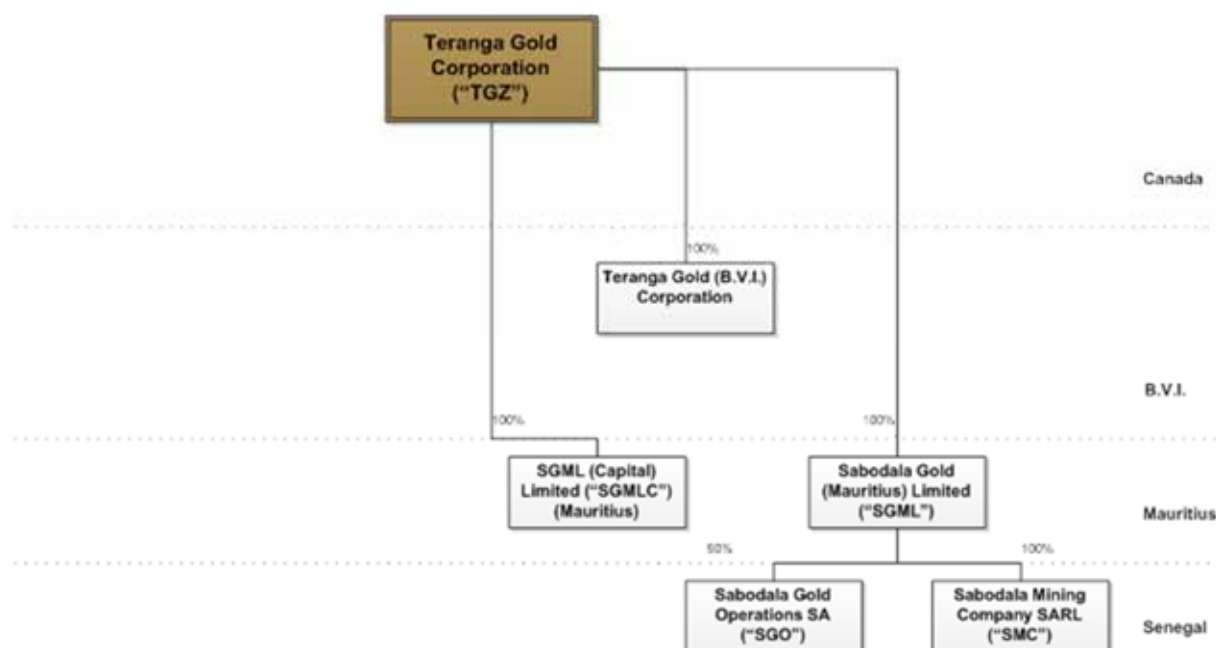
5.3 Teranga's business

(a) Corporate Structure

Teranga was incorporated on 1 October 2010 under the *Canada Business Corporations Act*. Teranga has five material subsidiaries, including two key Senegalese operating companies: SGO, which holds the Sabodala ML and operates the Sabodala gold mine and mill, and SMC which holds, directly or via joint venture, the Regional Land Package.

⁸ Details of Teranga's production targets for Sabodala for the calendar year 2016 were published in Teranga's ASX announcements titled "Technical Report NI 43-101" and "Press Release - Technical Report" both dated 24 March 2016. Teranga confirms that all material assumptions underpinning the production targets in these ASX announcements continue to apply and have not materially changed since that date. The production guidance is based on existing Proven and Probable Mineral Reserves.

Set out below is a chart reflecting the organisational structure of Teranga and each of its material subsidiaries, as well as the percentage of ownership and jurisdiction of incorporation of each such subsidiary.



(1) The Government of Senegal holds the remaining 10% of SGO, and of the 90% held by SGML, 0.5% is held by certain nominee directors thereof in accordance with the requirements of applicable Senegalese laws.

(b) **Recent Developments**

In May 2013, Teranga executed a series of agreements (referred to as the **Global Investment Agreement**) with the Government of Senegal which, among other matters, allowed its Senegalese operating company SGO, to incorporate non-contiguous satellite deposits into its Sabodala ML. The agreement was reflected in an amendment to the Sabodala Mining Convention.

On 4 October 2013, Teranga completed the acquisition of Oromin Explorations Ltd. (**Oromin**), a Canadian gold mining company listed on the TSX. Oromin held a 43.5% participating interest in a joint venture, OJVG. OJVG held a 90% interest in a Senegalese operating company (the Government of Senegal owned the remaining 10%) which held the Golouma Mining License, which is contiguous with the Sabodala ML.

In December 2013, the Gora deposit, located within an existing exploration permit held by SMC, became the first satellite deposit incorporated in the Sabodala ML, with a perimeter of 45km². At that time, the Gora deposit had reported measured and indicated resources of 370,000 oz (2.32 Mt at 5.00 g/t Au), inclusive of 290,000 oz of proven and probable reserves (1.89 Mt at 4.74 g/t Au).

On 15 January 2014, Teranga completed a \$135 million stream transaction with Franco Nevada Corporation (**Franco Nevada**) to fund its acquisition of the balance of OJVG that Teranga did not already own, and retire half of Teranga's then US\$60 million loan facility with Macquarie Bank Limited. Pursuant to the Gold Stream Transaction, Franco Nevada pre-purchased a fixed annual amount of gold from SGO: (i) 22,500 oz for the first six years of the agreement; and (ii) thereafter, 6% of future gold production. In addition to the initial deposit amount of \$135 million, Franco Nevada pays 20% of spot price of gold for each oz delivered (for an effective 4.8% royalty). Concurrent with the Gold Stream Transaction, Teranga acquired the balance of the interests in the OJVG (56.5%) for \$112.5 million, thereby consolidating Teranga's interests in the Sabodala region and increasing the size of its areas under mine license from 33m² to 246km² and more than doubling Teranga's reserve base.

On 7 April 2015, Teranga negotiated amendments to the Sabodala Mining Convention to combine the Sabodala ML, the Golouma Mining License (formerly held by OJVG) and the Gora Project into an expanded and consolidated mine license area of 291.2km², which also incorporated the material commitments set out in the Global Investment Agreement.

In July 2015, Teranga entered into the US\$30.0 million Teranga Revolving Credit Facility. The Teranga Revolving Credit Facility bears an annual interest rate of LIBOR plus 4.65% which matures on 30 June

2019 and is currently drawn down by US\$15.0 million. The unused portions of Teranga Revolving Credit Facility are subject to an annual commitment fee of 1.6%.

On 29 January 2016, SGO received a Presidential Decree formally extending the term of the expanded Sabodala ML to 26 January 2025.

On 13 July 2016, Teranga entered into the Côte d'Ivoire JVA pursuant to which Teranga will acquire a 100% interest in four exploration permits in the Republic of Côte d'Ivoire held by Miminvest, an entity controlled by a Teranga Director, Mr David Mimran. The four permits cover an area of 1,461.7km². Under the terms of the Côte d'Ivoire JVA, a wholly-owned Ivorian subsidiary of Teranga will be established into which Miminvest will transfer title to the permits. In exchange for its 100% interest in the four permits Teranga shall fund all exploration costs, while Miminvest shall retain a 3% net smelter royalty over each of the permits. There is no minimum annual work commitment under the terms of the Côte d'Ivoire JVA and Teranga anticipates limited spending during 2016.

(c) **Mission, Vision & Strategy**

Teranga has established the following mission, vision and strategy to guide its business objective of creating shareholder value.

Vision

Teranga's vision is to become a pre-eminent mid-tier gold producer in West Africa.

Mission

Teranga's mission is to create value for all of its stakeholders through responsible mining.

Strategy

To increase long-term sustainable cash flows, Teranga has a three-pronged strategy focused on achieving: (i) reserve growth; (ii) production growth; and (iii) margin expansion.

- **(i) Reserve growth:** the first component of the Teranga's growth strategy focuses on increasing reserves through converting Mineral Resources to Mineral Reserves, making large-scale discoveries and acquiring existing deposits. Teranga continues to seek ways to leverage its unique advantage as the only gold producer with a full-scale operating mill and related infrastructure in Senegal and for other opportunities, such as the acquisition of Gryphon and the Côte d'Ivoire JVA, to add other high quality West African gold assets to Teranga's portfolio..
- **(ii) Production growth:** the second component of Teranga's growth strategy is focused on maximising throughput to Teranga's process facilities by increasing process capacity through high return initiatives that leverage Teranga's existing asset base. Major growth opportunities and capital projects are evaluated using a minimum after-tax internal rate of return target to govern Teranga's capital allocation and investment decisions.
- **(iii) Margin expansion:** the third component of Teranga's growth strategy is to improve cash margins through productivity improvements and cost savings.

Overall, Teranga's focus is on increasing profitable production to maximise free cash flow.

(d) **Sabodala Gold Project**

The Sabodala ML has an initial term extending to January 2025. Thereafter, it is renewable for successive five year terms, based on anticipated mine life and ongoing regulatory compliance.

Pursuant to the Sabodala Mining Convention, SGO is required to pay a 5% gross production royalty to the Government of Senegal; invest \$1,200,000 per annum in social development programs within the region; contribute \$350,000 per annum for training of officers of the Directorate of Mines and Geology and Ministry of Mines; and contribute \$30,000 per annum for logistical support of the territorial administration of the region. In addition: (i) \$250,000 is payable annually pursuant to a forestry protocol with the Ministry of Environment for a period of five years ending in 2019; (ii) \$925,000 for additional reserves payable in 2016; (iii) institutional support amounts for exploration licenses (approximately \$100,000 estimated for 2016); and (iv) with the commencement of mining at the Gora pit in July 2015,

\$200,000 is payable annually for each production year up to a maximum of \$1,000,000 for community projects located around the Gora deposit.

Following the completion of the acquisition of OJVG, Teranga is also required to make initial payments totalling \$10.0 million related to the waiver of the right for the Government of Senegal to acquire an additional equity interest in the Senegalese subsidiary of OJVG. As at 30 June 2016 US\$7.1 million has already been contributed to the Government of Senegal under this commitment.

Accessibility

The Sabodala Gold Project (including the Golouma and Gora projects) is accessible from Dakar by sealed road, to the regional centre of Tambacounda and then via a good all-weather sealed road, 230km southeast to Kédougou, then 96km of sealed and laterite-surfaced roads which access the villages of Faloumbo and Sabodala. A 1,250m sealed, public airstrip, capable of handling light to medium sized aircraft, lies at the north end of the Sabodala ML.

Local Resources, Personnel and Infrastructure

The main mining camp is located approximately 3km from the mine and 2km from the plant and is designed to house up to 960 employees. A separate camp has been constructed at Bransan for exploration personnel and is designed to accommodate 50 persons. A significant proportion of the personnel involved in the mining operations have been sourced from the local villages, surrounding regions and Dakar.

Teranga provides for the majority of its own infrastructure needs. Power is generated at the site using low speed, heavy fuel oil generators. A 30MW 5-unit engine heavy fuel oil power plant was originally constructed, and subsequently expanded to 36MW with the mill expansion by SGO in 2012. Water supply to service the processing plant and mine comprises three surface water storage dams from local catchment areas. These dams are designed to store adequate water from seasonal rainfall events to provide for all production needs on a year-round basis. There are sufficient waste disposal areas and tailings storage areas. Existing port facilities at Dakar are utilized for unloading of all equipment, spares and consumables for the mine.

Geology and Mineralisation

The Sabodala ML and the surrounding Regional Land Package are located in the 2,213 Ma to 2,198 Ma age Kedougou-Kenieba Inlier which lies within the Paleoproterozoic age Birimian Terrane of the West African Craton. The permits straddle two major divisions of the Inlier – the volcanic-dominated Mako Supergroup to the west, and the sediment-dominated Diale-Dalema Supergroup to the east. The Sabodala, Masato and Gora deposits and western portions of Teranga's Faleme and Near Mine projects are hosted in the Mako belt volcanics. The Mako Supergroup consists mainly of tholeiitic basalts and andesitic lavas (massive and pillowed flows) with minor komatitic units interbedded with volcanoclastic sediments (pyroclastic banded tuffs and agglomerates), quartzite and chert as well as ultramafics, dolerites and gabbros. The Diale and Dalema Supergroup are characterized by folded sandstones and siltstones interbedded with calc-alkaline ash and lapilli tuffs that are more pelitic and siliceous in the Diale Supergroup and more calcareous in the Dalema Supergroup.

The Mako and Diale-Dalema supracrustal sequences are intruded by a series of variably deformed granitoid intrusions that range in age from 2,160 Ma to 2,000 Ma. These include the Karkadian Batholith which bounds the Mako Belt to the west, and several major large stocks in the central Mako Belt in the project areas. Northeast trending intermediate to felsic and later, post-tectonic mafic dykes are present throughout the region, the latter forming prominent linear magnetic features. Felsic and intermediate composition dykes are often spatially associated with shear zones hosting gold mineralization, and locally are host to significant gold mineralization themselves.

Principal structures on the Sabodala property form a steeply west-northwest dipping, north-northeast trending shear zone network which has previously been referred to as the "Sabodala Shear Zone". This includes the Niakafiri, and Masato shear zones, which are high strain zones developed in altered ultramafic units. There are also shear zones that are linked to them by north to northwest trending splays. These include the "Ayoub's Thrust", which is focused along the ultramafic sill that lies on the west side (hanging wall) of the Sabodala deposit.

Mineralisation is generally associated with highly strained steeply dipping north-northeast or east-west trending shear zones, quartz-carbonate-sericite-tourmaline-pyrite shear veins, highly altered quartz-carbonate-albite-pyrite zones, and often spatially associated with felsic and mafic dykes.

Exploration Status

Teranga has adopted a three-phase exploration approach for the Sabodala Gold Project. Phase 1 includes target generation and consists of airborne geophysics, surface geochemistry, geological mapping, and rotary air blast drilling and trenching. This work has been largely completed and Teranga's future exploration programs will be focused on Phase 2 and Phase 3.

Phase 2 and Phase 3 have the objective of increasing Mineral Resources and Mineral Reserves within the Sabodala Gold Project. Phase 2, prioritizing and ranking, includes identifying targets and ordering them depending on their potential of hosting economic mineralization and Phase 3, target testing, includes trenching and reverse circulation and diamond drilling within the areas of significant mineralisation.

(e) Mining Operations

Mineral Resources

Mineral Resources were estimated for the Sabodala Gold Project and are shown below. Mineral Resources are reported inclusive of Mineral Reserves. The effective date of the estimate is 31 December 2015.

There have been no revisions to the resource models for 2015, except for adjustments due to mining depletion, minor revisions from infill drilling at Niakafiri Southwest and Maki Medina, remodelling of mineralization at Niakafiri Main, and conversion from a sectional model to a block model at Diadiako. For estimating 2015 Mineral Resources, Teranga has implemented a new reporting procedure, which includes the use of open pit shells to constrain open pit resources and reporting underground resources separately.

Open Pit and Underground Mineral Resources Summary as at 31 December 2015

Deposit	Domain	Measured			Indicated			Measured and Indicated			Inferred		
		Tonn es	Grad e	Au	Tonn es	Grad e	Au	Tonn es	Grad e	Au	Tonn es	Grad e	Au
		('000s)	(g/t Au)	('000 s)	('000 s)	(g/t Au)	('000 s)	('000s)	(g/t Au)	('000 s)	('000 s)	(g/t Au)	('000 s)
Sabodala	Open Pit	13,74 2	1.13	497	6,488	1.59	332	20,23 0	1.28	829	2,525	1.23	100
	Underground				1,631	3.65	191	1,631	3.65	191	460	3.60	53
	Combined	13,74 2	1.13	497	8,119	2.01	524	21,86 1	1.45	1,021	2,985	1.60	153
Gora	Open Pit	466	4.55	68	1,083	6.11	213	1,549	5.64	281	53	4.95	8
	Underground				315	5.14	52	315	5.14	52	59	4.83	9
	Combined	466	4.55	68	1,398	5.89	265	1,864	5.56	333	113	4.88	18
Niakafiri Main	Open Pit	4,909	1.33	210	7,222	0.98	228	12,13 1	1.12	438	2,472	1.09	87
	Underground										184	2.51	15
	Combined	4,909	1.33	210	7,222	0.98	228	12,13 1	1.12	438	2,656	1.19	102
Niakafiri West	Open Pit										2,566	1.29	107
	Underground										90	2.82	8
	Combined										2,656	1.34	115
Soukhoto	Open Pit										550	1.46	26
	Underground												
	Combined										550	1.46	26
Diadiako	Open Pit										178	1.27	7
	Underground										663	2.89	61
	Combined										841	2.54	69
Subtotal Sabodala ML	Open Pit	19,11 7	1.26	776	14,79 3	1.62	773	33,91 0	1.42	1,548	8,344	1.25	335
	Underground				1,947	3.89	243	1,947	3.89	243	1,456	3.14	147
	Combined	19,11 7	1.26	776	16,74 0	1.89	1,016	35,85 7	1.55	1,792	9,800	1.53	482
Masato	Open Pit	5,894	0.79	150	22,61 7	1.16	844	28,51 1	1.08	994			
	Underground				1,163	2.75	103	1,163	2.75	103	1,984	2.85	182
	Combined	5,894	0.79	150	23,78 0	1.24	947	29,67 4	1.15	1,097	1,984	2.85	182
Golouma	Open Pit				6,800	2.98	653	6,800	2.98	653	88	2.46	7
	Underground				2,134	4.09	280	2,134	4.09	280	854	3.66	100
	Combined				8,934	3.25	933	8,934	3.25	933	942	3.55	107

Deposit	Domain	Measured			Indicated			Measured and Indicated			Inferred		
		Tonn es	Grad e	Au	Tonn es	Grad e	Au	Tonne s	Grad e	Au	Tonn es	Grad e	Au
		('000s)	(g/t Au)	('000 s)	('000 s)	(g/t Au)	('000 s)	('000s)	(g/t Au)	('000 s)	('000 s)	(g/t Au)	('000 s)
Kerekounda	Open Pit				1,255	4.28	173	1,255	4.28	173			
	Underground				499	4.88	78	499	4.88	78	235	5.70	43
	Combined				1,755	4.45	251	1,755	4.45	251	235	5.70	43
Maki Medina	Open Pit				2,112	1.22	83	2,112	1.22	83	114	0.81	3
	Underground				109	2.71	10	109	2.71	10	85	2.54	7
	Combined				2,221	1.30	93	2,221	1.30	93	199	1.55	10
Niakafiri SW	Open Pit				770	0.81	20	770	0.81	20	30	0.67	1
	Underground												
	Combined				770	0.81	20	770	0.81	20	30	0.67	1
Niakafiri SE	Open Pit				4,439	0.98	140	4,439	0.98	140	162	0.96	5
	Underground				73	2.60	6	73	2.60	6	16	2.64	1
	Combined				4,512	1.01	146	4,512	1.01	146	177	1.11	6
Kinemba	Open Pit				24	1.06	1	24	1.06	1	91	0.95	3
	Underground										56	2.52	5
	Combined				24	1.06	1	24	1.06	1	147	1.55	7
Kobokoto	Open Pit				842	1.02	28	842	1.02	28	335	0.86	9
	Underground												
	Combined				842	1.02	28	842	1.02	28	335	0.86	9
Koulouqwinde	Open Pit										230	1.42	11
	Underground										60	2.67	5
	Combined										290	1.68	16
Kourouloulou	Open Pit				96	11.51	36	96	11.51	36	22	6.71	5
	Underground				59	9.15	18	59	9.15	18	86	13.58	38
	Combined				156	10.61	53	156	10.61	53	108	12.18	42
Kouroundi	Open Pit				67	0.93	2	67	0.93	2	42	0.74	1
	Underground												
	Combined				67	0.93	2	67	0.93	2	42	0.74	1
Koutouniokollo	Open Pit										85	1.58	4
	Underground										22	2.54	2
	Combined										108	1.78	6
Mamasato	Open Pit				560	1.45	26	560	1.45	26	305	1.25	12
	Underground										42	2.32	3
	Combined				560	1.45	26	560	1.45	26	347	1.38	15
Sekoto	Open Pit										485	0.89	14
	Underground										25	2.11	2
	Combined										510	0.95	16
Subtotal Somigol ML	Open Pit	5,894	0.79	150	39,584	1.58	2,005	45,478	1.47	2,155	1,989	1.16	74
	Underground				4,038	3.81	495	4,038	3.81	495	3,465	3.48	387
	Combined	5,894	0.79	150	43,622	1.78	2,500	49,516	1.66	2,650	5,454	2.63	462
Total Sabodala + Somigol	Open Pit	25,011	1.15	926	54,377	1.59	2,777	79,388	1.45	3,703	10,333	1.23	409
	Underground				5,985	3.84	738	5,985	3.84	738	4,921	3.38	534
	Combined	25,011	1.15	926	60,362	1.81	3,516	85,373	1.62	4,441	15,254	1.92	944

Notes for Mineral Resources Summary:

- CIM definitions were followed for Mineral Resources.*
- Open pit oxide Mineral Resources are estimated at a cut-off grade of 0.35 g/t Au, except for Gora at 0.48 g/t Au.*
- Open pit transition and fresh rock Mineral Resources are estimated at a cut-off grade of 0.40 g/t Au, except for Gora at 0.55 g/t Au.*
- Underground Mineral Resources are estimated at a cut-off grade of 2.00 g/t Au.*
- Measured Resources at Sabodala include stockpiles which total 9.2 Mt at 0.77 g/t Au for 229,000 oz.*
- Measured Resources at Gora include stockpiles which total 0.1 Mt at 1.30 g/t Au for 6,000 oz.*
- Measured Resources at Masato include stockpiles which total 5.9 Mt at 0.79 g/t Au for 150,000 oz.*
- High grade assays were capped at grades ranging from 1.5 g/t Au to 110 g/t Au.*
- The figures above are "Total" Mineral Resources and include Mineral Reserves.*
- Open pit shells were used to constrain open pit resources.*
- Mineral Resources are estimated using a gold price of US\$1,450 per ounce.*
- Sum of individual amounts may not equal due to rounding.*

Refer to Teranga's ASX releases on 24 March 2016, titled "Technical Report NI 43-101" and "Press Release – Technical Report". Teranga confirms that it is not aware of any new information or data that materially affects the information in the announcements and all material assumptions and technical parameters underpinning the Mineral Resources Summary continue to apply.

Mineral Reserves

The Mineral Reserve estimate as of 31 December 2015 and the location of the reserves are shown below. Open pit Mineral Reserve estimates were prepared for the Sabodala, Gora, Niakafiri Main, Masato, Golouma West, Golouma South, Kerekounda, Maki Medina, Niakafiri SE, and Niakafiri SW deposits. Underground Mineral Reserves were prepared for the Golouma West 1, Golouma West 2, Golouma South, and Kerekounda deposits.

The Proven and Probable Mineral Reserves for the deposits are based on only that part of the Measured and Indicated Resources that falls within the designed final pit limits. As there were no Measured Resources in the Masato, Golouma, Kerekounda, Maki Medina, Niakafiri SE, and Niakafiri SW models, only Indicated Mineral Resources were included in the Mineral Reserve estimate.

Open Pit and Underground Mineral Reserves Summary

Deposits	Proven			Probable			Proven and Probable		
	Tonnes (Mt)	Grade (g/t)	Au (Moz)	Tonnes (Mt)	Grade (g/t)	Au (Moz)	Tonnes (Mt)	Grade (g/t)	Au (Moz)
Sabodala	1.57	1.57	0.08	2.33	1.36	0.10	3.90	1.44	0.18
Gora	0.31	4.94	0.05	1.15	4.74	0.17	1.46	4.78	0.22
Niakafiri Main	4.06	1.23	0.16	3.41	0.94	0.10	7.47	1.10	0.26
Subtotal ML	5.95	1.52	0.29	6.88	1.71	0.38	12.83	1.62	0.67
Masato	-	-	-	21.41	1.06	0.73	21.41	1.06	0.73
Golouma West	-	-	-	3.23	1.96	0.20	3.23	1.96	0.20
Golouma South	-	-	-	1.27	3.09	0.13	1.27	3.09	0.13
Kerekounda	-	-	-	0.79	3.44	0.09	0.79	3.44	0.09
Maki Medina	-	-	-	0.90	1.17	0.03	0.90	1.17	0.03
Niakafiri SE	-	-	-	1.12	1.09	0.04	1.12	1.09	0.04
Niakafiri SW	-	-	-	0.37	0.92	0.01	0.37	0.92	0.01
Subtotal SOMIGOL	-	-	-	29.08	1.32	1.23	29.08	1.32	1.23
Subtotal Open Pit	5.95	1.52	0.29	35.96	1.39	1.61	41.92	1.41	1.90
Golouma West 1	-	-	-	0.62	6.07	0.12	0.62	6.07	0.12
Golouma West 2	-	-	-	0.45	4.39	0.06	0.45	4.39	0.06
Golouma South	-	-	-	0.47	4.28	0.06	0.47	4.28	0.06
Kerekounda	-	-	-	0.61	4.95	0.10	0.61	4.95	0.10
Subtotal Underground	0.00	0.00	-	2.15	5.01	0.35	2.15	5.01	0.35
Total	5.95	1.52	0.29	38.11	1.60	1.96	44.07	1.59	2.25
Stockpiles	15.27	0.79	0.39	0.00	0.00	0.00	15.27	0.79	0.39
Total Including Stockpile	21.23	0.99	0.68	38.11	1.60	1.96	59.34	1.38	2.63

Notes for Mineral Reserves Summary:

1. CIM definitions were followed for Mineral Reserves.
2. Mineral Reserve cut off grades for range from are 0.35 g/t to 0.63 g/t Au for oxide and 0.42 g/t to 0.73 g/t Au for fresh based on a \$1,100/oz gold price
3. Mineral Reserve cut off grades for Sabodala 0.45 g/t for oxide and 0.55 g/t for fresh based on a \$1,100/oz gold price
4. Underground reserves cut-off grades ranged from 2.3-2.6 g/t based on \$1,200/oz gold price
5. Sum of individual amounts may not equal due to rounding.
6. The Niakafiri Main deposit is adjacent to the Sabodala village and relocation of at least some portion of the village will be required which will necessitate a negotiated resettlement program with the affected community members.

Refer to Teranga's ASX releases on 24 March 2016, titled "Technical Report NI 43-101" and "Press Release – Technical Report". Teranga confirms that it is not aware of any new information or data that materially affects the information in the announcements and all material assumptions and technical parameters underpinning the Mineral Resources Summary continue to apply.

Location of the Open Pit and Underground Reserves

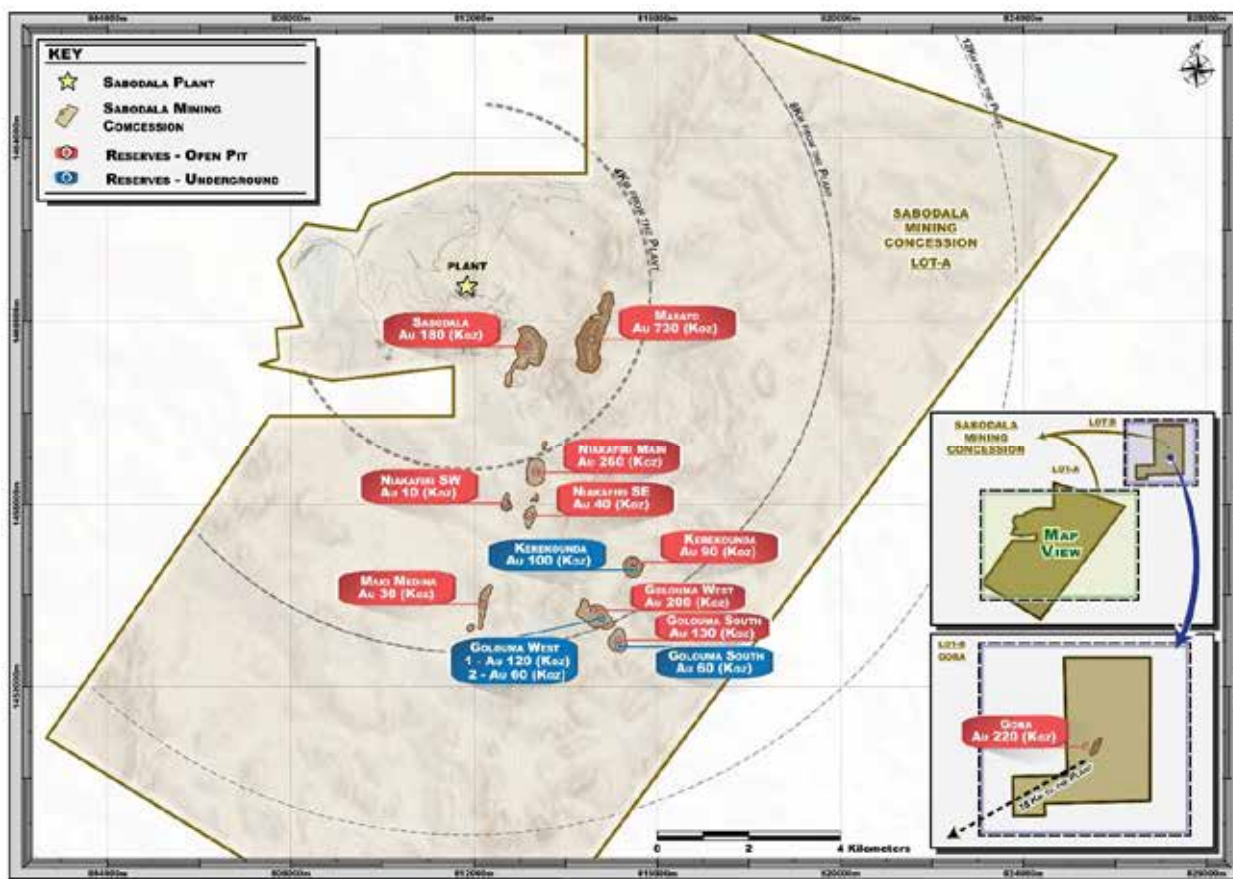


Figure 2: Location of Teranga's open pit and underground Reserves

Mining Method

The Sabodala open pit commenced production in March 2009 and has since been in operation. Subsequently, Masato, Gora and Golouma open pits were added to the producing open pits. A summary of the open pit production history is shown below.

Open Pit Production History

	Unit	2009	2010	2011	2012	2013	2014	2015
Ore mined	Kt	2,637	2,915	3,973	5,916	4,540	6,174	7,748
Waste mined	Kt	9,144	13,199	21,818	22,961	30,238	23,148	23,883
Total mined	Kt	11,781	16,114	25,791	28,877	34,778	29,321	31,631
Grade mined	g/t	2.19	1.80	1.39	1.98	1.62	1.54	1.22
Ounces mined	oz	186,077	168,979	177,362	376,184	236,718	305,192	303,023
Tonnes milled	Kt	1,806	2,285	2,444	2,439	3,152	3,622	3,421
Head grade	g/t	3.12	2.12	1.87	3.08	2.24	2.03	1.79
Recovery	%	92	91	89	89	91	90	92
Recovered gold	oz	166,769	141,119	131,461	214,310	207,204	211,823	182,282

The mining method utilized is conventional truck and shovel open pit mining. The Sabodala open pit is currently under care and maintenance and is planned to be mined again in 2017. The selective mining practice and stockpiling strategy at the Sabodala gold mine since start-up has released ore at a faster rate than milling capacity. This has resulted in a large build-up of low grade stockpiled ore on the run of

mine pad, planned to be fed to the Sabodala processing plant throughout the LOM and at the end of mine life.

The mining at Niakafiri occurs in two phases, with the first phase starting in year 2019. This phase includes Niakafiri SE and Niakafiri SW. These two deposits are located outside the village relocation zone and, as a result, mining can occur prior to the relocation of Sabodala village. The second phase of mining at Niakafiri starts in year 2023 and is made up entirely of Niakafiri Main deposit. The relocation of Sabodala village is planned to commence in year 2021, in order to prepare for the mining operation.

The open pit mining ends in year 2024 and the remaining LOM comprises mining from the underground.

Underground mining will be by cut and fill mining method. Cut and fill mining is simple, repetitive, and highly flexible for deposits with uncertain continuity and regularity.

The underground mine construction begins in year 2020, with ore production in 2021. Two deposits will be mined concurrently in order to meet the current mine life schedule. Kerekounda and Golouma South will be mined first starting in 2021. Once they are exhausted, the Golouma West deposits will be mined. The objective of scheduling the deposits to be mined in this sequence is to have continuous production from the underground with some lag in the schedule to allow infrastructure to be moved from the first set of deposits to the second set.

The LOM is approximately 13.5 years, ending mid-year 2029. The average gold production for the first five years is 207,000 oz. Additional mill upgrades are planned to be commissioned prior to 2017 with completion of the mill optimization in 2016. The full benefits are expected to be achieved in 2017. The LOM plan can be seen below.

Life of Mine Plan (2016 to 2029)

	Unit	LOM	2016-2020 AVG	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Sabodala	Ore Mined	Mt	3.9		0.3	1.5	2.0										
	Ore Grade	g/t	1.44		1.11	1.33	1.58										
	Contained Oz	Moz	0.18		0.01	0.07	0.10										
	Waste	Mt	31.0		11.1	15.0	5.0										
Masato	Ore Mined	Mt	21.4	0.5	0.7	0.4	1.1	2.8	5.0	4.3	6.7						
	Ore Grade	g/t	1.06	1.10	0.74	0.70	0.86	0.93	1.00	1.02	1.27						
	Contained Oz	Moz	0.73	0.02	0.02	0.01	0.03	0.09	0.16	0.14	0.27						
	Waste	Mt	110.2	0.2	16.2	5.8	19.4	27.2	21.5	11.6	8.2						
Gora	Ore Mined	Mt	1.5	0.7	0.7	0.1											
	Ore Grade	g/t	4.78	4.00	5.15	7.90											
	Contained Oz	Moz	0.22	0.08	0.12	0.02											
	Waste	Mt	32.2	17.9	14.1	0.2											
Kerekounda	Ore Mined	Mt	0.8	0.0	0.5	0.3											
	Ore Grade	g/t	3.44	0.99	3.39	3.74											
	Contained Oz	Moz	0.09	0.00	0.06	0.03											
	Waste	Mt	18.2	3.6	13.0	1.6											
Golouma	Ore Mined	Mt	4.5	1.2			0.9	2.4	0.1								
	Ore Grade	g/t	2.28	3.08			1.98	1.99	2.24								
	Contained Oz	Moz	0.33	0.12			0.06	0.15	0.00								
	Waste	Mt	49.6	14.8			18.4	16.4	0.0								
Niakafiri ¹	Ore Mined	Mt	9.0				1.5				4.0	3.5					
	Ore Grade	g/t	1.09				1.05				1.10	1.10					
	Contained Oz	Moz	0.31				0.05				0.14	0.12					
	Waste	Mt	26.6				6.2				12.5	7.9					
Maki Medina	Ore Mined	Mt	0.9			0.9											
	Ore Grade	g/t	1.17			1.17											
	Contained Oz	Moz	0.03			0.03											
	Waste	Mt	2.9			2.9											
Underground	Ore Mined	Mt	2.1						0.1	0.3	0.3	0.3	0.1	0.2	0.4	0.4	0.2
	Ore Grade	g/t	5.01						5.00	4.95	4.63	4.33	4.39	5.55	5.36	5.52	4.76
	Contained Oz	Moz	0.35						0.02	0.05	0.05	0.04	0.01	0.03	0.06	0.07	0.02
Summary	Ore Mined	Mt	44.1	3.1	2.3	1.6	3.4	4.7	3.5	3.0	5.3	8.6	10.4	0.1	0.2	0.4	0.4
	Ore Grade	g/t	1.59	1.94	2.91	3.74	1.51	1.42	1.63	1.09	1.22	1.20	1.29	4.39	5.55	5.36	5.52
	Contained Oz	Moz	2.25	0.20	0.22	0.19	0.17	0.22	0.19	0.10	0.21	0.33	0.43	0.01	0.03	0.06	0.07
	Waste	Mt	270.7	36.3	36.4	38.2	35.9	35.4	35.8	27.2	21.5	24.2	16.1				
	Movement	Mt	314.7	39.5	38.7	39.8	39.3	40.1	39.4	30.2	26.8	32.8	26.5	0.1	0.2	0.4	0.4
Stockpile	Mt			13.7	11.1	10.1	10.4	9.4	7.9	8.7	12.9	18.9	14.5	10.2	6.2	2.1	
Ore Balance	Mt																
Stockpile Grad	g/t			0.82	0.84	0.76	0.73	0.70	0.68	0.67	0.66	0.68	0.66	0.66	0.66	0.66	

	Unit	LOM	2016-2020 AVG	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Contained Oz	Moz			0.36	0.30	0.25	0.24	0.21	0.17	0.19	0.27	0.41	0.31	0.22	0.13	0.04	
Ore Milled	Mt	59.3	4.3	3.9	4.2	4.5	4.5	4.5	4.5	4.4	4.5	4.4	4.4	4.4	4.4	4.4	2.3
Head Grade	g/t	1.38	1.66	1.93	1.85	1.56	1.54	1.46	0.99	1.35	1.73	2.06	0.82	0.85	1.06	1.09	0.94
Oxide	%	21%	27%	37%	25%	26%	31%	19%	28%	16%	29%	0%	17%	19%	18%	18%	18%
Produced Oz	Moz	2.376	0.207	0.215	0.229	0.202	0.200	0.190	0.128	0.173	0.225	0.263	0.104	0.109	0.135	0.139	0.063

Notes:

- The schedule summarized Niakafiri from "Niakafiri Main" and "Niakafiri SE". The portion of Niakafiri SE to be mined lies outside of the Sabodala Village area and assumes relocation is not required.
- Sum of individual amounts may not equal due to rounding.
- The estimated ore reserves underpinning the production targets (as defined in the ASX Listing Rules) set out above, have been prepared by Mr. Paul Chawrun, who is a Competent Person, in accordance with the requirements of the 2012 JORC Code.
- Stockpile balances at 1 January 2016 included 15.3 Mt at 0.79 g/t for 0.39 million contained ounces
- Details of Teranga's production targets included in the Life of Mine Plan for the calendar years 2016 to 2029 were initially published in Teranga's ASX announcements titled "Technical Report NI 43-101" and "Press Release - Technical Report" both dated 24 March 2016. Teranga confirms that all material assumptions underpinning the production target in these ASX announcements continue to apply and have not materially changed since that date. The production targets are based on existing Proven and Probable Reserves.

Mineral Processing

The Sabodala processing plant was expanded in late 2012 to a design capacity of approximately 3.5 Mtpa (fresh ore) and 4.0 Mtpa with a mix of fresh and oxidized ore.

The plant comprises facilities for crushing, grinding, CIL cyanidation, and tailings disposal. Gold recovery facilities include acid washing, carbon stripping and electro winning, followed by bullion smelting and carbon regeneration.

A mill optimization project was launched in mid-2015; it consists of adding a second primary jaw crusher and screen to operate in parallel with the existing crusher. This will (i) increase availability to the live storage for the mill circuit, and (ii) provide the flexibility to reduce the top size primary crusher product.

Basic engineering for the mill optimization was completed in the first quarter of 2015 to finalize the design, layout, material quantities, procurement packages and an execution plan for construction. During this process, additional capital was allocated for upgrades to the SAG mill and to the ball mills. Upgrades to the SAG mill include a trommel screen installation, redesign of the liner configuration and installation of a vortex discharge head.

Upon completion and ramp-up in the fourth quarter 2016, the mill optimization is expected to increase throughput by more than 10% on an annualized basis based on existing ore hardness.

Project Infrastructure

The Sabodala ML infrastructure includes several open pits, a processing plant, a run of mine pad, and a tailings storage facility as shown in the figure below.

The storage volume of TSF1 is 12.4 Mm³ for variable beach slope model and 18.0 Mm³ for fixed beach slope model based on the crest level of the existing embankments, raising of the existing southern embankment and constructing new south-western embankment. Teranga will implement the fixed beach slope model for TSF1.

At an average in-situ dry density for the deposited tailings of 1.49 t/m³, this additional storage equates to approximately 26.8 Mt or 6.7 years of operation (4 Mtpa) with fixed beaches.

Assuming that TSF1 can continue to be operated to achieve an average in-situ dry density for the deposited tailings of 1.49 t/m³, TSF1 could continue to operate through to the end of Q1 2022. Construction of TSF2 could therefore be deferred until the end of the wet season 2021, effectively Q4 of 2021, and TSF2 could be commissioned in Q2 2022.

An additional raise to TSF2 is available beyond the current design to 149RL (an elevation point above sea level), providing for significantly more storage space than is required for the current 14 year LOM. It is envisaged that this could be completed at a relatively low capital cost since the existing western embankment for TSF1 forms part of the containment for the future TSF2 design.

A network of haul roads connect the various pits to the process plant. The Gora haul road is approximately 26km long and the Golouma haul road is approximately 7.5km long. Power is supplied from the power plant located near the Sabodala pit and processing plant, and diesel generators at the Golouma and Gora projects. Existing port facilities at Dakar are used for delivery of all project construction materials and long term operational freight. Teranga has set up its own corporate offices in Dakar in which logistics, government liaison, personnel transport, and other management functions for SGO and SMC are based.

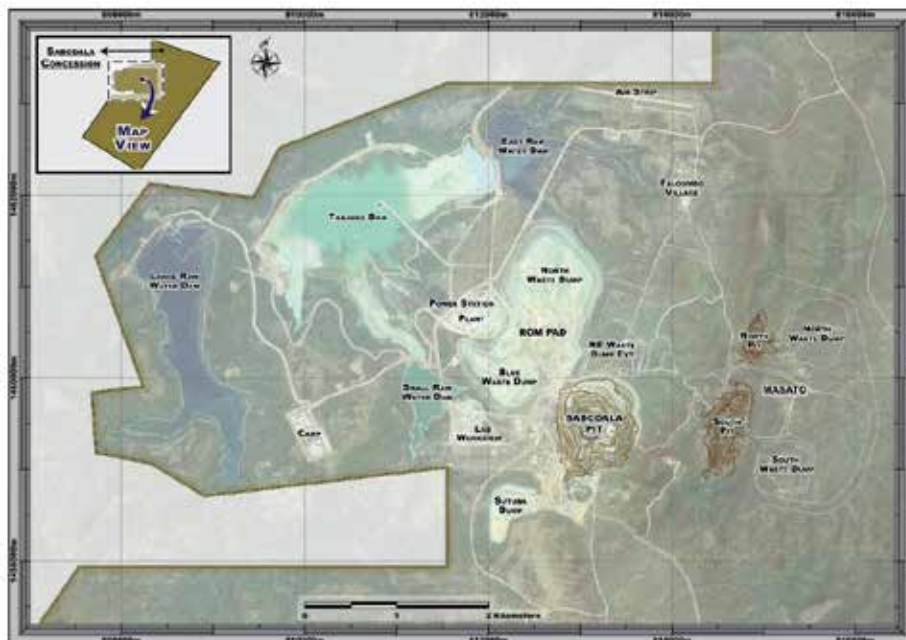


Figure 3: Sabadola Infrastructure Map

Further information on Teranga’s exploration activities, Mineral Reserve, Mineral Resources, activities, results, programs and infrastructure, can be found in the Sabodala Technical Report, available on Teranga’s profile on the SEDAR website at www.sedar.com and Teranga’s page on the ASX company announcements platform at www.asx.com.au.

5.4 Teranga Directors

As at the date of this Scheme Booklet, the Teranga Directors are:

- Alan Hill – Chairman
- Richard Young – President, Chief Executive Officer and Non-Independent Director
- William Biggar – Director
- Jendayi Frazer – Director
- Edward Goldenberg – Director
- Christopher Lattanzi – Director
- David Mimran – Director
- Alan Thomas – Director
- Frank Wheatley – Director

Profiles of each of the Teranga Directors are set out below.

Alan Hill – Chairman

Mr Hill joined Teranga as its Executive Chairman and CEO on 3 December 2010. On 30 April 2014, Mr Hill transitioned to Non-Executive Chairman of Teranga. Mr Hill has been a director of Gold Fields Limited since 2009. He previously served as President and CEO of Gabriel Resources Ltd., from May

2005 to March 2009. Prior to leading Gabriel, Mr Hill served as Non-Executive Chairman of Alamos Gold Inc. from 2005 through 2007. Prior to that, Mr Hill spent 20 years at Barrick Gold Corporation where, as Executive Vice President, Development, he oversaw project evaluations, acquisitions and development of many of Barrick's major mines in North America, South America, Africa and Australia. Mr Hill holds undergraduate and graduate degrees in mining engineering and a post graduate degree in rock mechanics from Leeds University in the U.K.

Richard Young – President, Chief Executive Officer and Non-Independent Director

Mr Young joined Teranga as its President and CFO on 3 December 2010 and was appointed as CEO on 6 September 2012. Mr Young most recently served as Vice President and CFO of Gabriel Resources Ltd from May 2005 to March 2010. Prior to Gabriel, Mr Young served in a series of positions of increasing responsibility at Barrick Gold Corporation over a 13-year period rising from positions in the finance group, mine operations and development — primarily the Goldstrike and the Pierina projects — before becoming Vice President, Investor Relations. A Chartered Professional Accountant/CA, Mr Young is a graduate of the University of Western Ontario and has a graduate diploma in public accountancy from McGill University.

William Biggar – Director

Mr Biggar is a Corporate Director who has held senior executive positions in the mining, real estate, and investment industries. From 2008 to 2012, Mr Biggar was President and Chief Executive Officer of North American Palladium Ltd, one of only two primary palladium producers in the world. Prior to that, he was Managing Director at private equity firm Richardson Capital Ltd. from 2004 to 2007, and President and Chief Executive Officer of TSX/NYSE listed Granite REIT from 2003 to 2004. Mr Biggar has also worked in senior executive positions with Magna International Inc. and Barrick Gold Corporation, and Managing Director positions with a focus on mergers and acquisitions at Merrill Lynch Canada and UBS Securities. Mr Biggar has served on the board of a number of public and private companies and is currently on the board of TSX-listed Milestone Apartments REIT and True North Commercial REIT. Mr Biggar is a CPA, CA and holds a Bachelor of Commerce degree and a Master of Business Administration from the University of Toronto.

Jendayi Frazer – Director

Dr Jendayi Frazer is the President and CEO of 50 Ventures, LLC, a strategic consulting and investment firm focused on Africa, and Managing Partner of Africa Exchange Holdings, Ltd., a private sector initiative to build Africa's equity and commodity markets. Dr Frazer is on the Board of Directors at the East Africa Exchange Ltd. and MasterCard Foundation, an independent organization promoting financial inclusion and youth learning in Africa. She is also an Adjunct Senior Fellow for Africa Studies at the Council on Foreign Relations and a Distinguished Public Service Professor at Carnegie Mellon University since 2009. The first woman U.S. Ambassador to South Africa in 2004, Ambassador Frazer was the leading architect of U.S. – Africa policy for nearly a decade, most recently serving as U.S. Assistant Secretary of State for African Affairs from 2005-2009, and Special Assistant to the President and Senior Director for African Affairs on the National Security Council from 2001-2009. Dr Frazer holds a B.A. in Political Science and African and Afro-American Studies, M.A. degrees in International Policy Studies and International Development Education, and a Ph.D. in Political Science, all from Stanford University.

Edward S Goldenberg – Director

Mr Goldenberg is a senior partner at the law firm of Bennett Jones LLP where he has a corporate practice, advising clients on governance issues, public policy and government relations. Mr Goldenberg has a distinguished background working with the Government of Canada, having been the Senior Policy Advisor to the Prime Minister of Canada (1993-2003) and the Prime Minister's Chief of Staff (2003). Prior to these roles, Mr Goldenberg acted in various capacities in the federal government, including in all the major economic departments and as General Constitutional Advisor to the Minister of Justice (1980-1982). In 2013, Mr Goldenberg was named as a Member of the Order of Canada "for his contributions to public policy in Canada". He is one of the authors of the Charter of Rights and Freedoms. Mr Goldenberg was awarded an Honorary Doctorate of Laws from McGill University in 2004. Mr Goldenberg holds a BA, MA and BCL from McGill University and also studied at the Institut d'Études Politiques de Paris (France).

Christopher Lattanzi – Director

Mr Lattanzi is currently a director of Argonaut Gold Inc. and Spanish Mountain Gold Ltd. Mr Lattanzi is an associate consultant for Micon International Limited, having been the founding member of Micon in 1988 and serving as its president from formation until 2005. Prior to 1988, Mr Lattanzi was a consultant

with David Robertson and Associates, Micon International Limited's predecessor firm. Mr Lattanzi has invaluable experience in property valuation, scoping, feasibility studies and project monitoring on a global basis. Mr Lattanzi was appointed a director of Meridian Gold Inc. in 1999 and was chairman of the board from mid-2004 until December 2006. He holds a B.Eng (Mining) from Melbourne University. Mr Lattanzi has worked in the mineral industry for more than 50 years.

David Mimran – Director

Mr Mimran is currently CEO of Grands Moulins d'Abidjan and Grands Moulins de Dakar, one of the largest producers of flour and agri-food in West Africa. Mr Mimran is head of Tablo Corporation, Miminvest SA, and Mimran Natural Resources, all established as investment vehicles into West Africa's natural resource sector by Mr Mimran and the Mimran Group, a family conglomerate with a history of successful business operations in Africa and Europe. Previous roles included Vice Chairman and founding partner of Breen Partners, L.P. from 2006 to 2012. He has served as a director and principal to the Bank of West Africa (CBAO), one of the largest banking groups in the region, as well as Archer Daniels Midland Company. He is currently a director of the Mimran Group, Avenir Limited and on Board of Trustees for Mount Sinai Hospital in New York City. Mr Mimran currently acts as Special Advisor to the government of the Republic of Cote D'Ivoire where he has led negotiations with the International Monetary Fund, the World Bank, the European Union, and the Government of the Republic of France.

Alan Thomas – Director

Mr Thomas has been a director/trustee and Chief Financial Officer of Labrador Iron Ore Royalty Corporation (formerly Labrador Iron Ore Trust) since 2004. Mr Thomas served on the board of directors of Gabriel Resources Ltd. from May 2006 until June 2010. From 2000 to 2006, Mr Thomas held the position of Vice-President and Chief Financial Officer of ShawCor Ltd., an energy services firm headquartered in Toronto with manufacturing and service operations around the world. Previously, he was the CFO of Noranda Inc. from 1987 to 1998. Mr Thomas is a Chartered Professional Accountant and graduate of the University of Toronto.

Frank Wheatley – Director

Mr. Wheatley is the CEO of Yellowhead Mining Inc., a position he has held since 1 July 2013. Prior to that, Mr Wheatley was Executive Director, Corporate Affairs and Strategy of Talison Lithium Limited from January 2010 until 31 March 2013 when it was acquired by Chengdu Tianqi Industry (Group) Co.. Mr Wheatley has 30 years' experience as a director and senior officer of, and legal counsel to, a number of Canadian public mining companies and has extensive legal and business experience in the mineral industry, particularly in the areas of public financing, project debt financing, permitting of large-scale mining projects, and strategic mergers and acquisitions in the international minerals industry. Mr Wheatley received his Bachelor of Commerce and LL.B. degrees from the University of British Columbia.

5.5 Teranga Senior Management

As at the date of this Scheme Booklet, the key members of Teranga's senior management team include:

- Richard Young – President, Chief Executive Officer and Non-Independent Director
- Navin Dyal – Chief Financial Officer
- Paul Chawrun – Chief Operating Officer
- David Savarie – General Counsel & Corporate Secretary
- David Mallo – Vice President, Exploration
- Sepanta Dorri – Vice President, Corporate & Stakeholder Development

Profiles of these key members of Teranga's senior management team are set out below.

Richard Young – President, Chief Executive Officer and Non-Independent Director

Refer to section 5.4.

Navin Dyal – Chief Financial Officer

Mr Dyal joined the company from Barrick Gold Corporation after 7 years where he was most recently head of finance for the Copper Business Unit. His progressive, expansive experience includes roles that

were close to the operations and spans all areas of finance such as planning, budgeting, implementing key projects, internal controls, external reporting, working on highly complex accounting transactions and training staff globally. Mr Dyal began his career in one of the largest accounting firms. He holds a Bachelor of Commerce degree from the University of Toronto and is a Chartered Professional Accountant.

Paul Chawrun – Chief Operating Officer

Mr Chawrun has been part of the Teranga team since September 2012 where he previously served as Teranga's Vice President, Technical Services, playing a fundamental role in steering the successful acquisition and integration of OJVG property, the development of the high-grade Gora satellite deposit, and driving several high-return organic growth initiatives. Prior to Teranga, he served in a number of senior management positions for organizations focused on project development, including Director of Technical Services for Detour Gold from 2009-2011. Initially a geologist with Corona Corporation starting in 1988, he worked in mine operations from 1993 to 2006 where he continually advanced his responsibility in technical and operating roles for Fording Coal (now part of Teck Resources) and Suncor Energy. A professional engineer, Mr Chawrun is a graduate from Queen's University in mining engineering, also holding degrees in geology from McMaster University and a Master's of Business Administration from Athabasca University.

David Savarie – General Counsel & Corporate Secretary

Mr Savarie most recently served as Deputy General Counsel and Corporate Secretary of Gabriel Resources Ltd., from January 2007 to November 2010. Before joining Gabriel in 2007, Mr Savarie served as Corporate Counsel to a contract manufacturer in the pharmaceutical industry, prior to which he was in private practice with the law firm of Miller Thomson LLP in Toronto. Mr Savarie received his Bachelor of History from the University of Western Ontario and his Bachelor of Laws from Queen's University.

David Mallo – Vice President Exploration

Mr Mallo holds a Bachelor of Science (Specialist) degree from Brandon University and has over 35 years of mineral exploration experience predominantly in project evaluation and management of exploration programs. As Manager-Advanced Projects with Prime Explorations Ltd., Mr Mallo was an integral part of the acquisition, discovery, and exploration management team at the world-class Eskay Creek gold deposit in northern British Columbia. As Executive Vice President of Exploration for Adrian Resources Ltd., Mr Mallo managed all aspects of the extensive exploration programs through feasibility at the world-class Petaquilla copper-gold property in Panama.

More recently, Mr Mallo was the Vice President of Exploration for Oromin Explorations Ltd. at the OJVG Gold Project in Senegal, West Africa. In this capacity, he was responsible for designing, implementing and managing all aspects of the advanced exploration campaigns from the 2004 inception of the OJVG Gold Project through feasibility and merger with Teranga in 2013. While managing the exploration programs for Oromin Explorations Ltd., the OJVG Gold Project progressed from a grassroots property to a viable multi-million-ounce gold property hosting numerous gold deposit discoveries, including Teranga's currently operating Masato and Golouma deposits.

Sepanta Dorri – Vice President, Corporate & Stakeholder Development

Ms Dorri most recently served as General Manager, Business Development at Xstrata Nickel from 2008 to 2013, with responsibility for mergers and acquisitions, commercial evaluations and strategic planning, working closely with the projects and operations teams. Prior to Xstrata Nickel, Ms Dorri served as Vice President, Investment Banking at Merrill Lynch Canada, where she completed numerous corporate finance transactions in the metals and mining sector. Ms Dorri is a Chartered Professional Accountant, and holds a Master of Accountancy from the University of Waterloo and a Master of Business Administration from London Business School. In 2012, she was the winner of the WXN Top 100 Canada's Most Powerful Women award in the Trailblazers and Trendsetters Category.

5.6 Historical financial information

(a) Basis of preparation

The selected historical financial information in this section has been extracted from Teranga's audited consolidated financial statements for the years ended 31 December 2015 and 31 December 2014 and

the unaudited interim condensed consolidated financial statements for the three month period ended 31 March 2016.

The information in this section is a summary only and has been prepared solely for inclusion in this Scheme Booklet. The full financial accounts for the financial years 31 December 2015 and 31 December 2014 (inclusive of all notes) of Teranga have been published in Teranga's audited consolidated financial statements for the years ended 31 December 2015 and 31 December 2014 which were audited by Ernst & Young LLP. Ernst & Young LLP issued unqualified audit reports in relation to Teranga's audited consolidated financial statements for the years ended 31 December 2015 and 31 December 2014. Teranga's audited consolidated financial statements for the years ended 31 December 2015 and 31 December 2014, and the unaudited interim consolidated financial statements of Teranga for the three month period ended 31 March 2016 are available under Teranga's profile on SEDAR at www.sedar.com and on the ASX website at www.asx.com.au.

(b) **Statement of financial position**

Set out below are Teranga's audited consolidated statements of financial position as at 31 December 2015 and 31 December 2014 and the unaudited consolidated statements of financial position as at 31 March 2016.

	31 Dec 2014 US\$'000	31 Dec 2015 US\$'000	31 March 2016 US\$'000
Current assets			
Cash and cash equivalents	35,810	44,436	53,498
Trade and other receivables	1,562	15,701	14,799
Inventories	66,639	57,529	51,802
Other current assets	8,995	9,381	11,338
Total current assets	113,006	127,047	131,437
Non-current assets			
Inventories	91,057	106,898	109,115
Property, plant and equipment	198,433	193,426	194,153
Mine development expenditures	260,719	237,046	238,937
Deferred income tax assets	11,879	23,098	23,279
Other non-current assets	7,917	8,701	8,060
Goodwill	41,776	-	-
Total non-current assets	611,781	569,169	573,544
Total Assets	724,787	696,216	704,981
Current liabilities			
Trade and other payables	53,909	62,545	62,349
Borrowings	3,946	-	-
Current income tax liabilities	-	8,685	12,367
Deferred revenue	21,814	19,155	22,374
Provisions	1,936	2,588	3,245
Total current liabilities	81,605	92,973	100,335
Non-current liabilities			
Borrowings	-	13,450	13,706
Deferred revenue	92,184	72,190	63,616
Provisions	16,704	28,236	28,615
Other non-current liabilities	18,399	11,098	10,987
Total non-current liabilities	127,287	124,974	116,924
Total liabilities	208,892	217,947	217,259
EQUITY			
Issued capital	367,837	385,174	385,200
Foreign currency transaction reserve	(998)	(998)	(998)
Other components of equity	16,255	16,905	16,989
Retained earnings	118,337	67,794	75,606
Equity attributable to shareholders	501,431	468,875	476,797
Non-controlling interest	14,464	9,394	10,925
Total equity	515,895	478,269	487,722
Total equity and liabilities	724,787	696,216	704,981

(c) **Statement of comprehensive income**

Set out below are Teranga's audited consolidated statements of comprehensive income for the years ended 31 December 2015 and 31 December 2014 and the unaudited consolidated statements of comprehensive income for the three month period ended 31 March 2016.

	Year ended 31 Dec 2014 US\$'000	Year ended 31 Dec 2015 US\$'000	3 months ended 31 March 2016 US\$'000
Revenue	260,588	224,620	79,198
Cost of sales ¹	(210,128)	(174,884)	(52,531)
Gross profit	50,460	49,736	26,667
Exploration and evaluation expenses	(2,772)	(2,525)	(1,413)
Administration expenses ¹	(10,934)	(10,835)	(1,573)
Corporate social responsibility expenses ¹	(2,543)	(2,853)	(967)
Share-based compensation	(911)	(1,761)	(948)
Finance costs	(9,484)	(3,159)	(1,071)
Impairment charge	-	(90,000)	-
Net foreign exchange gains/(losses)	2,013	1,901	(1,483)
Other income/(expenses)	(1,982)	1,381	(4,960)
	(26,613)	(107,851)	(12,415)
Profit/(loss) before income tax	23,847	(58,115)	14,252
Income tax recovery/(expense)	(1,536)	2,502	(4,909)
Net profit/(loss)	22,311	(55,613)	9,343
Net profit/(loss) attributable to:			
Shareholders	17,776	(50,543)	7,812
Non-controlling interests	4,535	(5,707)	1,531
Net profit/(loss) for the period	22,311	(55,613)	9,343
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit for the period			
Change in fair value of available for sale financial asset, net of tax	(1)	-	-
Other comprehensive loss for the period	(1)	-	-
Total comprehensive income/(loss) for the period	22,310	(55,613)	9,343
Total comprehensive income/(loss) attributable to:			
Shareholders	17,775	(50,543)	7,812
Non-controlling interests	4,535	(5,070)	1,531
Total comprehensive income/(loss) for the period	22,310	(55,613)	9,343
Earnings/(loss) per share from operations attributable to the shareholders of the Company during the period			
- basic earnings/(loss) per share	0.05	(0.14)	0.02
- diluted earnings/(loss) per share	0.05	(0.14)	0.02

¹ In 2016, in order to better align costs with industry peers, Teranga (i) reclassified regional administration costs directly relating to cost of sales activities, from administration expenses to cost of sales, and (ii) allocated those regional administration costs relating to corporate social responsibility to a separate line on the consolidated statements of comprehensive income. The prior year figures have been adjusted to conform to the current quarter's presentation.

(d) **Statement of cash flows**

Set out below are Teranga's audited consolidated statements of cash flows for the years ended 31 December 2015 and 31 December 2014 and the unaudited consolidated statements of cash flows for the three month period ended 31 March 2016.

	Year ended 31 Dec 2014 US\$'000	Year ended 31 Dec 2015 US\$'000	3 months ended 31 March 2016 US\$'000
Cash flows from operating activities			
Net profit/(loss) for the period	22,311	(55,613)	9,343
Impairment charge	-	90,000	-
Depreciation of property, plant and equipment	25,806	22,703	5,762
Depreciation of capitalised mine development costs	44,062	19,526	5,235
Inventory movements – non-cash	(8,089)	7,458	2,917
Losses on derivative instruments	-	-	924
Capitalised deferred stripping – non-cash	(658)	(1,374)	(274)
Amortisation of advanced royalties	440	1,892	965
Gain on sale of exploration rights	-	(400)	-
Amortisation of intangibles	714	247	22
Amortisation of deferred financing costs	3,275	793	256
Unwinding of discounts	1,132	951	225
Share-based compensation	911	1,761	948
Deferred gold revenue recognised	(21,002)	(22,653)	(5,355)
Deferred income tax expense (recovery)	1,536	(11,219)	(180)
Property, plant and equipment written off	1	84	-
Decrease (increase) in inventories	(19,693)	(14,164)	1,599
Changes in non-cash working capital other than inventories	(1,737)	(9,558)	1,756
Net cash provided by operating activities	49,009	30,434	24,143
Cash flows related to investing activities			
Decrease in restricted cash	20,000	-	-
Acquisition of OJVG	(112,500)	-	-
Expenditures of property, plant and equipment	(3,567)	(23,962)	(7,015)
Expenditures for mine development	(15,346)	(23,545)	(7,331)
Acquisition of intangibles	-	(175)	(36)
Net cash used in investing activities	(111,413)	(47,682)	(14,382)
Cash flows related to financing activities			
Net proceeds from equity offering	25,367	17,337	-
Proceeds from Franco-Nevada gold stream	135,000	-	-
Proceeds from stock options exercised	-	-	18
Repayment of borrowings	(72,775)	(4,192)	-
Draw down from revolving credit facility	-	15,000	-
Financing costs paid	(1,000)	(2,025)	-
Interest paid on borrowings	(3,340)	(247)	(444)
Net cash provided by financing activities	83,252	25,873	(426)
Effect of exchange rates on cash holdings in foreign currencies	1	1	(273)
Net increase in cash and cash equivalents	20,849	8,626	9,062
Cash and cash equivalents at the beginning of period	14,961	35,810	44,436
Cash and cash equivalents at the end of period	35,810	44,436	53,498

5.7 Capital structure and ownership

(a) Issued and outstanding securities

As at 10 August 2016, being the latest practicable date prior to finalisation of this Scheme Booklet, Teranga has 392,110,760 common shares (of which 37,381,554 represent Teranga CDIs quoted on ASX) and 19,102,164 options on issue.

(b) Substantial holders

As at 10 August 2016, being the latest practicable date prior to finalisation of this Scheme Booklet, Teranga has the following substantial shareholders:

Name	Number of shares held	% of shares
Tablo Corporation	52,480,135	13.38
Van Eck Associates Corporation	34,612,034	8.83

(c) Incentive plans

Stock Option Plan

The Stock Option Plan allows Teranga to grant stock options to purchase Teranga Shares. The Teranga Board does not award Stock Options according to a prescribed formula or target, but rather takes into account the individual's position, scope of responsibility, ability to affect profits, the individual's historic and recent performance, and the value of the awards in relation to other elements of the executive's total compensation. All Stock Options granted will be at an exercise price at least equal to the 5-day volume weighted average price of Teranga Shares at the time of grant.

As at 10 August 2016, being the latest practicable date prior to finalisation of this Scheme Booklet, the following Stock Options were on issue under the Stock Option Plan:

Number of Stock Options	Grant Date	Expiry Date	Exercise Price (C\$)
5,320,000	26-Nov-10	26-Nov-20	3.00
1,200,000	03-Dec-10	03-Dec-20	3.00
675,000	09-Feb-11	09-Feb-21	3.00
25,000	27-Apr-11	27-Apr-21	3.00
317,500	14-Jun-11	14-Jun-21	3.00
360,000	13-Aug-11	13-Aug-21	3.00
1,075,000	20-Dec-11	20-Dec-21	3.00
540,000	24-Feb-12	24-Feb-22	3.00
225,000	24-Feb-12	24-Feb-22	3.00
50,000	05-Jun-12	05-Jun-22	3.00
600,000	27-Sep-12	27-Sep-22	3.00
600,000	09 October 2012	06 October 2022	3.00

Number of Stock Options	Grant Date	Expiry Date	Exercise Price (C\$)
80,000	31 October 2012	31 October 2022	3.00
140,000	31 October 2012	31 October 2022	3.00
200,000	03 December 2012	03 December 2022	3.00
50,000	23 February 2013	23 February 2023	3.00
40,000	14 May 2013	14 May 23	3.00
120,000	03 Jun- 2013	03 Jun 2023	3.00
50,000	01 May 2014	01 May 2024	3.00
2,250,000	31 March 2015	31 March 2020	0.64
1,392,506	31 March 2015	31 March 2020	0.64
3,792,158	31 March 2016	31 March 2021	0.67
Total: 19,102,164			

Fixed Bonus Unit Plan

Teranga's Fixed Bonus Unit Plan (**FBU Plan**) was introduced in 2012 as an additional long-term incentive compensation scheme for Teranga employees. Unlike the Stock Option Plan, fixed bonus units (**Units**) issued under the FBU Plan settle in cash and not equity. The Teranga Board determines the conditions attached to each award of Units, and upon achievement of the specific vesting conditions the cash payment available to the Unit holder is the product of: (i) the number of Units held; multiplied by (ii) the difference between the exercise price of the Unit, which cannot be lower than the market price of Teranga Shares on date of issuance, and the actual market price of Teranga Shares on the date prior to the date of exercise. The Units typically vest on a time basis over a three-year term and can include performance measures at the discretion of the Teranga Board.

Units do not entitle a holder thereof to any voting or other shareholder rights.

As of 10 August 2016, being the last practicable date prior to the finalisation of this Scheme Booklet, there were 1,797,500 Units outstanding, of which 1,360,00 have an exercise price of C\$3.00, 300,000 have an exercise price of C\$0.64 and 137,500 have an exercise price of C\$0.67.

Restricted Share Units Plan

In order to allow executive officers to participate in the long term success of Teranga and to promote a greater alignment of interests between executives and shareholders, Teranga has adopted the RSU Plan. Pursuant to the RSU Plan, the Teranga Board may, from time to time, award RSUs to Designated Executives. The RSUs represent a right to receive an amount of cash (subject to withholdings), on vesting, equal to the product of (i) the number of vested RSUs held by such Designated Executive, and (ii) the market price of Teranga Shares at such time. RSUs will generally vest, subject to determination of the Teranga Board, as to 50% of the RSUs in thirds over a three-year period, and as to the other 50% of the RSUs in thirds over a three-year period upon satisfaction of at least two operational performance measures. The two operational performance measures currently used are annual gold production and all-in sustaining cost per ounce, as these measures represent the most critical aspects of Teranga's business. Teranga's compensation committee retains the discretion to amend these performance measures at the time of grant of RSUs in order to ensure they properly reflect the business strategy of Teranga at that time.

RSUs do not entitle a Designated Executive to any voting or other shareholder rights.

Additional RSUs will be automatically credited to a Designated Executive's RSU account if and when Teranga pays a dividend or similar payments are made to Teranga Shareholders. The additional RSUs

to be credited will be calculated by multiplying the number of RSUs in the Designated Executive's account at the time such distribution is paid by the amount of the distribution, and then dividing that amount by the market price of Teranga Shares when the distribution is paid.

There have been three tranches of RSU grants since the adoption of the RSU Plan by Teranga in 2014. Each tranche to date has been granted with amounts equally split between time and performance measures over a three- year term. As at 10 August 2016, being the latest practicable date prior to finalisation of this Scheme Booklet, there were 8,209,859 RSUs outstanding. The table below sets out the vesting conditions and the vesting dates of these outstanding RSUs.

2014 Grants

RSUs Issued	Vesting Condition	Amount to be Vested
542,259	Time (5 May 2017)	271,123
	Performance (2016 Production Guidance)	135,568
	Performance (2016 Cost Guidance)	135,568

2015 Grants

RSUs Issued	Vesting Condition	Amount to be Vested
1,836,667	Time (31 March 2017)	459,167
	Time (31 March 2018)	459,167
	Performance (2016 Production Guidance)	229,583
	Performance (2016 Cost Guidance)	229,583
	Performance (2017 Production Guidance)	229,583
	Performance (2017 Cost Guidance)	229,583

2016 Grants

RSUs Issued	Vesting Condition	Amount to be Vested
5,830,933	Time (31 March 2017)	971,822
	Time (31 March 2018)	971,822
	Time (31 March 2019)	971,822
	Performance (2016 Production Guidance)	485,911
	Performance (2016 Cost Guidance)	485,911
	Performance (2017 Production Guidance)	485,911
	Performance (2017 Cost Guidance)	485,911
	Performance (2018 Production Guidance)	485,911
	Performance (2018 Cost Guidance)	485,911

Deferred Share Units Plan

The DSU Plan was adopted on 24 March 2014 to provide Designated Directors with the opportunity to acquire DSUs in order to allow them to participate in the long term success of Teranga and to promote a greater alignment of interests between Designated Directors and Teranga Shareholders. DSUs represent a right to receive an amount of cash (subject to applicable withholdings), on ceasing to be a Designated Director, equal to the product of (i) the number of DSUs held by such Designated Director, and (ii) the volume weighted average trading price of a Teranga Share on the TSX for the five trading days prior to such date.

Pursuant to the DSU Plan, Designated Directors may elect to receive all or part of their annual retainer, meeting fees and additional compensation, which compensation is paid quarterly, in DSUs. Elections are irrevocable for the period in respect of which they are made. In addition, the Board may, from time to time, make discretionary awards of DSUs to Designated Directors.

DSUs do not entitle a Designated Director to any voting or other rights as a Shareholder.

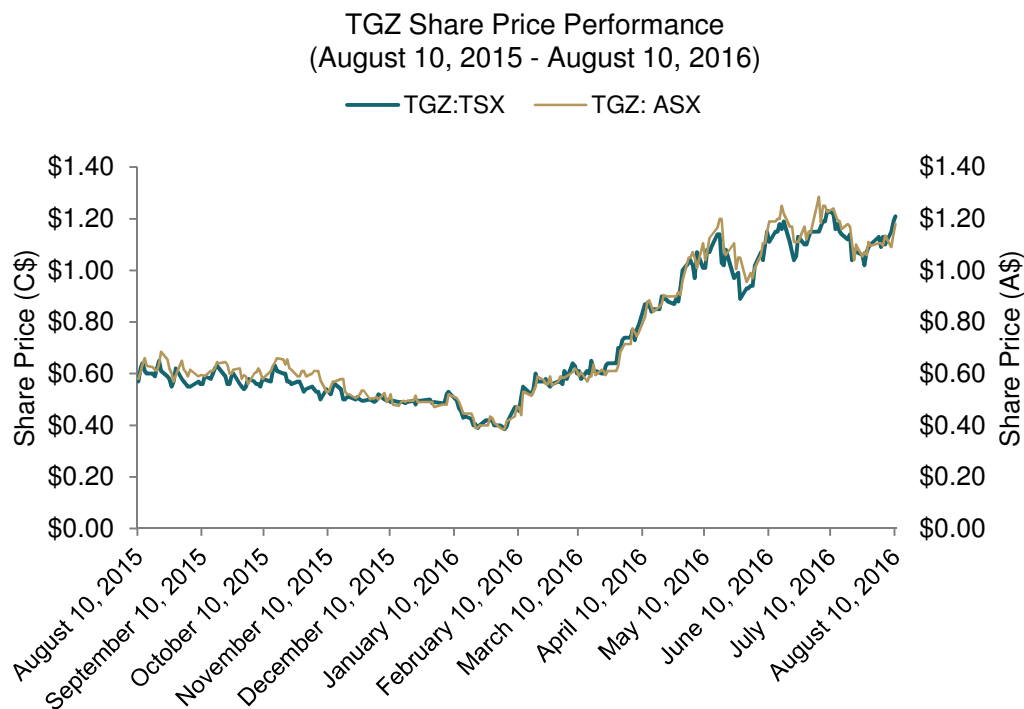
There have been three tranches of DSU grants since the adoption of the DSU Plan by Teranga in 2014. As at 10 August 2016, being the latest practicable date prior to the finalisation of this Scheme Booklet, there were 1,920,000 DSUs outstanding. The table below sets out the vesting dates of these outstanding DSUs.

Series of DSUs	Number of DSUs	Vesting Date
2014 Grant	545,000	5 May 2016
2015 Grant	700,000	31 March 2016
2016 Grant	675,000	31 March 2017
Total DSUs	1,920,000	

5.8 Recent Teranga Share price performance

The latest recorded prices of Teranga Shares on the TSX and of Teranga CDIs on ASX before the public announcement on the Announcement Date was C\$1.19 and A\$1.22 respectively. The latest recorded prices of Teranga Shares on the TSX and Teranga CDIs on ASX on 10 August 2016, being the last practicable date prior to finalisation of this Scheme Booklet, was C\$1.21 and A\$1.18 respectively.

The following chart shows the closing price of Teranga Shares on the TSX and Teranga CDIs on ASX over the past 12 months, to 10 August 2016.



As at 10 August, being the last practicable date prior to finalisation of this Scheme Booklet:

- the last recorded trading price of Teranga Shares and Teranga CDIs was C\$1.21 and A\$1.18 respectively;
- the 10 day VWAP of Teranga Shares and Teranga CDIs was C\$1.12 and A\$1.12 respectively;
- the highest recorded trading price of Teranga Shares and Teranga CDIs in the previous 3 months was C\$1.25 and A\$1.29 respectively; and
- the lowest recorded trading price of Teranga Shares and Teranga CDIs in the previous 3 months was C\$0.87 and A\$0.93 respectively.

The current price of Teranga Shares on TSX and Teranga CDIs on ASX can be obtained from the TMX Group website (www.tmxmoney.com) and the ASX website (www.asx.com.au), respectively.

5.9 Teranga's interests in Gryphon Shares

As at the date of this Scheme Booklet, Teranga holds an interest in 21,200,000 Gryphon Shares and has voting power of 5.01% in respect of Gryphon Shares.

Teranga has a relevant interest in 21,200,000 Gryphon Shares.

5.10 Dealing in Gryphon Shares in previous four months

Except for the acquisition of 21,200,000 Gryphon Shares at a price of \$0.206 per Gryphon Share for total cash consideration of \$4,367,200 pursuant to the Placement and the consideration to be provided under the Scheme, during the period of 4 months before the date of this Scheme Booklet, neither Teranga nor any of its associates have provided or agreed to provide consideration for any Gryphon Shares under a purchase or agreement.

5.11 Benefits to holders of Shares

Other than as set out above, neither Teranga nor any of its associates has given or offered to give or agreed to give a benefit to another person that was likely to induce the other person, or an associate of that person to:

- vote in favour of the Scheme; or
- dispose of Gryphon Shares,

during the period of 4 months ending on the date of this Scheme Booklet and which was not offered to all other Gryphon Shareholders.

5.12 Teranga reporting and disclosure

Teranga is subject to the continuous disclosure requirements of the TSX and the various Canadian Securities Commissions and is a reporting issuer on the TSX. In addition, as an ASX listed company and a “disclosing entity” for the purposes of section 111AC(1) of the Corporations Act, Teranga is subject to regular reporting and disclosure obligations.

Teranga’s most recent announcements are available from its website <http://www.terangagold.com/English/investors/news/default.aspx>. Further announcements concerning Teranga will continue to be made available on this website after the date of this Scheme Booklet.

ASX maintains files containing publicly available information about entities listed on its exchange. Teranga’s files are available for inspection at ASX during normal business hours and are available on the ASX website (www.asx.com.au). As a reporting issuer on the TSX, Teranga’s disclosure filings are also available on the SEDAR website at www.sedar.com.

5.13 No other material information

Except as disclosed elsewhere in this Scheme Booklet, there is no other information that is material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any director of Teranga, at the date of this Scheme Booklet, which has not previously been disclosed to Gryphon Shareholders.

6. Information about the Combined Group

6.1 Rationale for Teranga's proposed acquisition of Gryphon

The Scheme proposal represents an opportunity to combine two high quality gold assets to create a multi-jurisdictional gold producer with the potential for diversified production and cash flows in West Africa. Like Senegal, where Teranga's Sebodala Gold Project is located, Burkina Faso has proven to be a mining-friendly jurisdiction in West Africa, with the two countries sharing many similarities including language and currency as members of the West African Economic and Monetary Union.

The proposed Transaction adds one million ounces to Teranga's reserve base immediately, with considerable exploration potential to further increase reserves, which is expected to enhance the Combined Group's production, cost and cash flow profiles commencing as early as 2019.

Teranga's vision is for the Combined Group to become a pre-eminent mid-tier gold producer in West Africa, while its mission is to share the benefits of responsible mining with all of its stakeholders. The combination of Teranga and Gryphon moves Teranga closer to that vision.

Teranga has operated the Sabodala Gold Project in Senegal since 2010, producing over 1 million ounces of gold at this multi-pit and central mill operation. Teranga believes that its experience in operating and expanding Sabodala make it uniquely qualified to develop and operate Banfora, a multi-pit and central mill operation similar to Sabodala. Further, Teranga believes the completion of the Transaction will deliver significant long-term value for all shareholders of Teranga and Gryphon through the expedited development of an optimized CIL operation at Banfora, along with accelerated exploration programs not only at Banfora but also at Golden Hill and Gourma exploration properties.

The implementation of the Scheme and the creation of the Combined Group is expected to deliver the following opportunities:

(a) **Up-and-coming, multi-jurisdictional producer**

If Teranga brings the Banfora Gold Project into production, the Combined Group will benefit from increased production and cash flow diversification. In the meantime, it will enjoy a diversity in the geographical locations of its projects across more than one West African country.

(b) **Enhanced reserves, production growth, and cash flows**

The pro forma gold reserves of the Combined Group are 3.5 million ounces, giving the Combined Group the potential to grow production. Higher production at all-in sustaining costs that the Combined Group will endeavour to minimise is expected to increase cash flows of the Combined Group.

(c) **Optimise Banfora Gold Project's potential**

The Combined Group will seek to fully optimise development of the Banfora Gold Project using a CIL flowsheet in order to maximise project value in the absence of financial constraints. While Gryphon had originally considered a CIL flowsheet, Banfora was redesigned into a heap leach operation in 2013/2014 to lower the projected capital cost as the price of gold declined. In the absence of financial constraints there is greater value today in a fully optimised CIL flowsheet, particularly, when combined with an active exploration program aimed at converting high grade resources to reserves.

Teranga's solid balance sheet, strong cash flows and the Combined Group's improved access to the capital markets provide the financial strength to develop Banfora to maximize project value.

(d) **Unlock significant exploration potential**

There is considerable valuation upside as the Combined Group intends to accelerate exploration of the Banfora mining area, the Golden Hill Project and the Gourma Project. Through additional funding, ownership in the Golden Hill Project and the Gourma Project exploration joint ventures is expected to increase from 51% to 80%.

(e) **Improved liquidity and enhanced capital markets profile**

Shareholders in the Combined Group will benefit from Teranga's enhanced share market liquidity and capital markets access, and a market capitalisation scale which is expected to lead to increased interest from institutional investors and a greater following by the analyst community.

(f) **Strong platform for West African growth**

The strength and complementary nature of Gryphon's and Teranga's assets, management teams, regional operating experience, exploration expertise and social license positions the Combined Group as an "up and coming" multi-jurisdictional mid-tier gold producer in the West Africa gold hub, creating new opportunities for growth and a broader scope for West African growth initiatives.

6.2 Teranga's intentions if the Scheme is implemented

This section sets out Teranga's present intentions in relation to the continuation of the business of Gryphon, any major changes to be made to the business of Gryphon, including any redeployment of the fixed assets of Gryphon and the future employment of the present employees of Gryphon, if the Scheme is implemented.

The statements set out in this section are statements of present intention only and have been formed on the basis of facts and information concerning Gryphon (including certain non-public information made available by Gryphon to Teranga prior to the entry into the Scheme Implementation Agreement) and the general business environment which is known to Teranga at the time of preparing this Scheme Booklet. Final decisions on these matters will only be made by Teranga in light of all material facts and circumstances at the relevant time. Accordingly, statements set out in this section may change as new information becomes available or as circumstances change, and the statements in this section should be read in that context.

If the Scheme is implemented:

- Teranga will become the holder of all Gryphon Shares and Gryphon will become a wholly owned Subsidiary of Teranga;
- Teranga intends to appoint its nominees to the Gryphon Board on the Implementation Date;
- Teranga will apply for Gryphon to be removed from the official list of the ASX;
- Teranga intends to advance the Banfora Gold Project into construction and operation, using funding from existing cash and cash equivalents of the Combined Group, anticipated future cash flows from the Sabodala Gold Project and third party funding, if necessary, depending on the gold price and other variables at the time of construction. Over the next six months, Teranga will focus on an infill drill program to convert Mineral Resources to Mineral Reserves; drilling brownfield targets to define Mineral Resources and Mineral Reserves with a view to increasing the size of the Mineral Reserve base. Beyond drilling, Teranga will optimize the mine plan and the 2 million tonne per annum mill first put forward by Gryphon in 2013, reviewing related capital and operating parameters; and
- Teranga intends to encourage continued employment of Gryphon employees for at least six to twelve months, with the opportunity for permanent roles in the Combined Group, if desired.

Except for the changes and intentions set out in this section, following implementation of the Scheme, Teranga intends, based on information presently know to it:

- to continue the business of Gryphon;
- not to make any changes to the business of Gryphon or the deployment of Gryphon's assets; and

- to continue the employment of Gryphon's employees.

6.3 Board composition

The Teranga Board currently consists of 9 directors and it is not anticipated that this will change. Each of the existing Teranga directors will continue as Teranga directors following implementation of the Scheme. Details of the current Teranga directors are set out on in section 5.4.

6.4 Capital structure

As at 10 August 2016, being the last practicable date prior to finalisation of this Scheme Booklet, Teranga had 392,110,760 common shares listed and posted for trading on the TSX (of which 37,381,554 represent Teranga CDIs quoted on ASX).

Should the Scheme be approved by Gryphon Shareholders, Teranga will issue approximately 70,639,710 Teranga Shares to acquire a 100% interest in Gryphon pursuant to the Scheme.

At the Implementation Date, the overall shareholding interest of Gryphon Shareholders in Teranga will be approximately 15% (assuming that there are no Ineligible Shareholders and that Teranga does not acquire any Gryphon Shares outside of the Scheme).

As described in section 0, Teranga currently has two substantial shareholders, the largest of which, Tablo Corporation has an interest of approximately 13.4%. Pursuant to a Voting and Investor Support Agreement dated 14 October 2015, between Teranga, David Mimran, Tablo Corporation and others, upon any issue of Teranga Shares (not related to an exercise of Stock Options), Tablo Corporation has the right to retain its proportionate interest in Teranga by subscribing for Teranga Shares at an issue price equal to that at which the proposed issue of Teranga Shares is being undertaken. Tablo Corporation has informed Teranga that it intends to subscribe for additional Teranga Shares to maintain its proportionate interest in Teranga.

As a result of the implementation of the Scheme, the other substantial shareholder, Van Eck Associates Corporation, will be diluted to a position where its holding will be approximately 6.7%. No current Gryphon Shareholder will become a substantial shareholder in Teranga as a result of the Scheme.

Upon implementation of the Scheme and the acquisition by Teranga of all Gryphon Shares and the issue by Teranga of Teranga Share Appreciation Rights pursuant to the arrangements described in section 10.6, Teranga will have the following securities on issue:

Existing Teranga Shares	392,110,760
Teranga Shares issued to Scheme Participants (including holders of Performance Rights on vesting of Performance Rights prior to Record Date)	70,639,710*
Teranga Shares issued on exercise of Tablo Corporation's pre-emptive rights	10,915,333*
Total	473,665,803*
Existing Teranga Stock Options	19,102,164
Teranga Share Appreciation Rights	800,610

*Figures may change due to rounding under the Scheme.

6.5 Pro forma financial information

The following table shows the unaudited pro forma consolidated balance sheet of the Combined Group as at 31 March 2016, which is based on the unaudited consolidated balance sheet of Teranga as at 31 March 2016 (as shown in section 5.6) and the unaudited consolidated balance sheet of Gryphon presented as at 31 March 2016 (as shown in section 4.5). This information has been presented for convenience purposes only, and is not intended to reflect the current financial position of either entity, nor that of the Combined Group.

The Combined Group pro forma financial information is presented in abbreviated form and does not include disclosures required by IFRS applicable to financial reports. All amounts are expressed in millions of United States dollars ("US\$").

COMBINED GROUP PRO FORMA CONSOLIDATED BALANCE SHEET (Unaudited) As at 31 March 2016 (US\$m)					
	Historical				
	Teranga 31 Mar 2016	Gryphon 31 Mar 2016	Pro Forma Adjustments	Notes	Pro Forma Consolidation
ASSETS					
Current assets					
Cash and cash equivalents ¹	53.5	8.1	(2.0)	A	67.2
			(2.5)	A	
			10.1	C	
Trade and other receivables	14.8	0.3			15.1
Inventories	51.8	-			51.8
Other	11.3	-			11.3
Total current assets	131.4	8.4	5.6		145.4
Non-current assets					
Trade and other receivables	-	0.2			0.2
Inventories	109.1	-			109.1
Available for sale financial assets	-	1.2			1.2
Property, plant and equipment	194.2	1.8			196.0
Mine development expenditures	238.9	-	59.8	B	298.7
Exploration & evaluation expenditure	-	4.1	(4.1)	B	-
Deferring income tax assets	23.3	-	(2.7)		20.6
Other	8.0	-			8.0
Total non-current assets	573.5	7.3	53.0		633.8
Total assets	704.9	15.7	58.6		779.2
LIABILITIES					
Current liabilities					
Trade and other payables	62.3	2.1			64.4
Current income tax liabilities	12.4	-			12.4
Deferred revenue	22.4	-			22.4
Provisions	3.2	-			3.2
Total current liabilities	100.3	2.1	-		102.4
Non-current liabilities					
Borrowings	13.7	-			13.7
Deferred revenue	63.6	-			63.6
Provisions	28.6	0.2			28.8
Other	11.0	-			11.0
Total non-current liabilities	116.9	0.2	-		117.1
Total liabilities	217.2	2.3	-		219.5
NET ASSETS	487.7	13.4	58.6		559.7

COMBINED GROUP PRO FORMA CONSOLIDATED BALANCE SHEET (Unaudited) As at 31 March 2016 (US\$m)					
	Historical				
	Teranga 31 Mar 2016	Gryphon 31 Mar 2016	Pro Forma Adjustments	Notes	Pro Forma Consolidation
EQUITY					
Share capital	385.2	175.1	(175.1)		460.4
			65.1	B	
			10.1	C	
Foreign currency transaction reserve	(1.0)	0.4	(0.4)		(1.0)
Other components of equity	17.0	5.3	(5.3)		17.0
Retained earnings	75.6	(168.1)	168.1		71.7
			(2.0)	A	
			(2.5)	A	
			(4.1)	B	
			4.7		
Equity attributable to shareholders	476.8	12.7	58.6		548.1
Non-controlling interest	10.9	0.7	-		11.6
Total equity	487.7	13.4	58.6		559.7

¹ At 31 March 2016, including VAT certificates received to date and VAT recoverable from the Republic of Senegal owing to Teranga (US\$16.5 million), the combined pro forma consolidated cash position of the combined group would be US\$83.7 million.

Notes to Pro forma Consolidated Balance Sheet

(a) **Basis of preparation**

Amounts in the unaudited pro forma consolidated balance sheet and notes are represented in US\$, unless otherwise indicated. Gryphon's balance sheet has been converted to US\$ on the basis of A\$1 = US\$0.7668 (the rate prevailing as at 31 March 2016).

The unaudited pro forma balance sheet as at 31 March 2016 has been prepared as if the transaction described in paragraph (c) below had occurred on 31 March 2016.

Actual amounts recorded upon consummation of the Scheme will likely differ from those recorded in the unaudited pro forma balance sheet. Any integration costs that may be incurred upon consummation of the Scheme have been excluded from the unaudited pro forma balance sheet.

The unaudited pro forma consolidated balance sheet should be read in conjunction with the historical financial statements and notes thereto of Teranga and Gryphon.

(b) **Significant accounting policies**

See the pro forma adjustments noted below in paragraph (d) below for allowances for variations in accounting policies of Teranga and Gryphon made in the unaudited pro forma consolidated balance sheet for the Combined Group as depicted above. The Combined Group will report its financial information following implementation of the Scheme in accordance with IFRS, as issued by the IASB, adopting the accounting policies of Teranga.

(c) **The Scheme**

On 19 June 2016, Teranga and Gryphon entered into a Scheme Implementation Agreement pursuant to which Teranga will acquire all of the Gryphon Shares by way of a scheme of arrangement under the Corporations Act. Under the Scheme, each Gryphon Share will be exchanged for 0.169 Teranga CDIs, which trade on ASX, or, if elected, 0.169 Teranga Shares, which trade on the TSX. Upon completion of the Scheme, Teranga Shareholders will own 85% of the Combined Group and Gryphon Shareholders will own approximately 15% of the Combined Group. Teranga will indirectly own Gryphon's 100% indirect interest in the Banfora Gold Project.

The total consideration offered for all of the outstanding Gryphon Shares (assuming exercise of all Performance Rights and the issue of the resulting Gryphon Shares) is valued at approximately US\$65.1 million, based on the closing price of a Teranga Share on the TSX on the Pre-Announcement Date of C\$1.19 converted at US\$1.2909. In conjunction with the Scheme, Tablo Corporation, Teranga's largest shareholder with an approximate 13.4% ownership (calculated on a non-dilutive basis), intends to exercise its anti-dilution right that will result in an equity placement in Teranga of approximately US\$10.1 million, based on the trading price of a Teranga Share at the time the Scheme was announced.

There are currently 422,796,447 Gryphon Shares issued and outstanding of which 21,200,000 Gryphon Shares are directly owned by Teranga. Teranga expects to issue an aggregate of up to 70.6 million Teranga Shares in connection with the Scheme, inclusive of Gryphon Performance Rights that will automatically vest into Teranga Shares upon approval by the Court of the Scheme in accordance with the terms of the Performance Rights, and form part of the Scheme. Further, the Share Appreciation Rights issued by Gryphon will be adopted by Teranga and become Share Appreciation Rights in respect of Teranga Shares, as adjusted for the Exchange Ratio and currency.

The Scheme is conditional upon approval by the Requisite Majority at the Scheme Meeting and is also subject to Australian and Burkina Faso regulatory approvals/consents, Court approval, and third party approvals, together with certain other conditions customary for a transaction of this nature. The Scheme is not subject to any due diligence or financing conditions.

The Scheme is expected to be accounted for by Teranga as the acquisition of a business.

The unaudited pro forma consolidated balance sheet assumes that the cost of acquisition will include the fair value of Teranga Shares issued based on the issuance of approximately 70.6 million Teranga Shares at US\$0.9218 per share (based on the closing price of Teranga Shares on TSX of C\$1.19 converted at US\$1.2909 on the Pre-Announcement Date, as the indicative purchase price under the Scheme for a total consideration of US\$65,118,332. Under IFRS, the actual measurement date of the purchase price will occur on the date the consideration is paid. Consequently, the value of the purchase price for accounting purposes will differ from the amount assumed in this unaudited pro forma consolidated balance sheet due to any further changes in the market price of Teranga Shares or in the number of Gryphon Shares issued and outstanding.

The preliminary purchase price allocation is subject to change and is summarized as follows:

Preliminary purchase price	(US\$ million)
70,639,710 Teranga Shares issued on acquisition	65.1
The purchase price was allocated as follows:	
Net working capital acquired (including cash)	4.3
Available for sale financial assets	1.2
Property, plant and equipment	1.8
Mine development	59.8
Deferred tax assets	(2.7)
Non-controlling interest	0.7
Net identifiable assets	65.1

The fair value of the net assets of Gryphon to be acquired will ultimately be determined after implementation of the Scheme. Therefore, it is likely that the allocation of the purchase price of the net assets acquired will vary from those shown above and the differences may be material.

(d) **Pro forma assumption and adjustments to the consolidated balance sheet**

- A. The decrease in cash and cash equivalents for the recording of Teranga's estimated expenses relating to the Scheme totalling US\$2.0 million, which are excluded from the total consideration included in the purchase price, and Gryphon's estimated change of control costs totalling US\$2.5 million have been expensed by Gryphon.
- B. The excess of total consideration above the reported net assets of Gryphon as at 31 March 2016 is allocated to capitalised mine development expenditure. A deferred income tax liability has been recognised against deferred income tax assets held by Teranga based on the applicable tax rate in Burkina Faso and differential between the fair value and tax base of mine development expenditures acquired. Should the Scheme proceed, an independent valuer will

assess the fair value of identifiable net assets of Gryphon on completion of the Scheme (and after the final purchase price is determined at the time of issue of Teranga Shares). This independent valuation will determine the final allocation of the excess across mine development expenditure, property, plant and equipment, intangibles assets, deferred tax assets and liabilities and other assets and liabilities.

- C. In conjunction with the Scheme, Tablo Corporation, Teranga's largest shareholder, intends to exercise its anti-dilution right that will result in an equity placement in Teranga of approximately US\$10.1 million. This adjustment has been applied as an increase to cash and share capital.

If any separately identifiable intangible assets arising from the Scheme are considered to have finite lives, net profit after tax will decrease as a result of the requirement to amortise these intangible assets over their estimated useful lives with an expense to be recognised by way of charge against earnings.

7. Scheme Consideration

7.1 Introduction

This section provides additional information regarding the Scheme Consideration, including:

- (a) information about the calculation of the Scheme Consideration (see section 7.2);
- (b) information about Teranga Shares and Teranga CDIs and how Gryphon Shareholders (other than Ineligible Shareholders) can elect to receive the Scheme Consideration in the form of Teranga Shares rather than in the form of Teranga CDIs (see section 7.3); and
- (c) information about how the Sale Agent will sell the Teranga Shares attributable to Ineligible Shareholders (see section 7.4).

7.2 Scheme Consideration

If the Scheme becomes Effective, Gryphon Shareholders (other than Ineligible Shareholders) whose name appears in the Register at 5:00pm on the Record Date will be entitled to receive the Scheme Consideration from Teranga in consideration for the transfer of their Gryphon Shares to Teranga.

The Scheme Consideration comprises 0.169 Teranga CDIs for each Gryphon Share or, if elected, 0.169 Teranga Shares for each Gryphon Share held at 5:00pm on the Record Date, with the total Scheme Consideration for any Gryphon Shareholder rounded down to the nearest whole number. If no election is made, Gryphon Shareholders will receive Teranga CDIs.

If the Scheme becomes Effective, each Gryphon Shareholder (other than Excluded Shareholders and Ineligible Shareholders) whose name appears in the Register at 5:00pm on the Record Date:

- (a) will be entitled to receive the Scheme Consideration in the form of Teranga CDIs, along with holding statements for the Teranga CDIs; or
- (b) will, if a valid election is made to receive the Scheme Consideration in the form of Teranga Shares rather than Teranga CDIs, be entitled to receive the Scheme Consideration in the form of Teranga Shares, along with share certificates for the Teranga Shares.

The Teranga Shares that would otherwise have been issued to Ineligible Shareholders under the Scheme as Scheme Consideration will be issued to the Sale Agent for sale. Ineligible Shareholders will receive a pro rata share of the net proceeds (in Canadian dollars) from the sale of all Teranga Shares sold by the Sale Agent (see section 7.4 for information on when an Ineligible Shareholder can expect to receive this payment).

7.3 Scheme Consideration election

Gryphon Shareholders (other than Ineligible Shareholders) can elect to receive the Scheme Consideration in the form of Teranga Shares listed on the TSX instead of Teranga CDIs listed on ASX, by making an election using the Election Form that accompanies this Scheme Booklet. You should consider the information in this section before deciding whether to make an election.

The decision whether to elect to receive Teranga Shares listed on the TSX (rather than Teranga CDIs listed on ASX) will depend on your individual circumstances. You should seek advice from your own financial, legal or other professional adviser before deciding whether to make this election.

If the Scheme becomes Effective, by default, you will receive the Scheme Consideration in the form of Teranga CDIs listed on ASX, unless you are an Ineligible Shareholder (see section 7.4) or you make an election to instead receive Teranga Shares listed on the TSX by completing the Election Form in accordance with the instructions on that form.

(a) Teranga Shares

Teranga Shares are common shares in the share capital of Teranga (common shares are essentially the equivalent of 'ordinary shares' in Australian companies). Share certificates are evidence of legal title to Teranga Shares and should be kept in safe custody. Loss, defacement or destruction of a share certificate for Teranga Shares will necessitate a process of issuance of a replacement certificate which may entail cost, time and appropriate indemnification and/or insurance.

Holders of Teranga Shares are entitled to one vote for each share on all matters to be decided on by shareholders at meetings of Teranga Shareholders (except matters requiring the vote of a specified class of shares). On liquidation, dissolution or winding up of Teranga, the holders of Teranga Shares will be entitled to receive the remaining property and assets of Teranga after payment of all debts on a pro rata basis, but subject to rights attaching to any other class of shares issued by Teranga. All Teranga Shares, when issued, are and will be issued as fully paid and non-assessable shares without liability for further calls or to assessment. Further details regarding the rights attaching to Teranga Shares are set out in Annexure B.

Teranga Shares are listed on the TSX and trade in Canadian dollars. Accordingly, investors who wish to trade Teranga Shares on the open market must do so over the TSX (Teranga Shares cannot be traded on ASX). Such trades must be undertaken through a broker entitled to trade on the TSX. Not all Australian brokers are able to trade securities on the TSX. The Australian dollar value of Teranga Shares will depend on the prevailing A\$:C\$ exchange rate from time to time.

(b) **Teranga CDIs**

Each Teranga CDI represents one Teranga Share and confers a beneficial interest in that Teranga Share. Teranga Shares represented by Teranga CDIs will be held by CDN on behalf of the holders of Teranga CDIs. CDN is a wholly owned Subsidiary of ASX which operates as a depository nominee. CDN is appointed by Teranga to hold legal title to the Teranga Shares on behalf of the holders of the Teranga CDIs for their benefit.

Teranga CDIs are listed and traded on ASX in Australian dollars.

The key features of Teranga CDIs are summarised below.

General

Except for certain differences noted below, the rights attaching to Teranga CDIs are economically equivalent to the rights attaching to Teranga Shares, and Teranga will generally be required to treat holders of Teranga CDIs as if they were the holders of the Teranga Shares represented by those Teranga CDIs. This means that economic benefits such as dividends, bonus issues and rights issues will generally flow through to holders of Teranga CDIs as if they were the registered holders of the underlying Teranga Shares.

Voting

Holders of Teranga CDIs will be sent notices of general meetings of Teranga Shareholders at the same time as they are sent to Teranga Shareholders.

As holders of Teranga CDIs will not be the registered holders of the Teranga Shares represented by the Teranga CDIs, they will not be automatically entitled to vote in person at a general meeting of Teranga Shareholders.

However, the holder of a Teranga CDI will be able to direct CDN to cast votes in a particular manner on their behalf or they will be able to require CDN to appoint the holder (or a person nominated by the holder) as proxy to exercise the votes attaching to the Teranga Shares represented by the holder's Teranga CDIs. In such latter case, a holder of a Teranga CDI representing a Teranga Share may, as proxy, attend and vote in person at a general meeting of Teranga shareholders. Except as mentioned in this paragraph, if a holder of Teranga CDIs wishes to attend and vote in person at a general meeting of Teranga Shareholders, the holder must first convert their Teranga CDIs into the underlying Teranga Shares in sufficient time before the record date for the meeting.

Takeovers

CDN must not accept a takeover offer in respect of any Teranga Shares representing Teranga CDIs except to the extent that holders of the relevant Teranga CDIs have authorised CDN to accept the offer. It is CDN's responsibility to ensure that the bidder processes those acceptances.

Conversion of Teranga CDIs into Teranga Shares

Holders of Teranga CDIs may at any time convert their Teranga CDIs into the underlying Teranga Shares listed on the TSX by contacting:

- the Teranga CDI subregistry (currently Computershare Investor Services Pty Limited), if their Teranga CDIs are held on the Teranga CDI issuer sponsored subregister; or
- their broker, if their Teranga CDIs are held on the Teranga CDI CHESS subregister.

Requests for conversion will ordinarily be processed within one to three Business Days, although the time for conversion may take longer. Conversion is achieved by transferring the underlying Teranga Shares from CDN to the holder of the Teranga CDIs.

No trading of the underlying Teranga Shares can take place on the TSX until the conversion process has been completed.

Communications from Teranga

Teranga will communicate directly with holders of Teranga CDIs with respect to corporate actions and will send notices and other documents (such as notices of meetings) to holders of Teranga CDIs at the same time as they are sent to Teranga Shareholders.

Trading

Teranga CDIs can be traded on ASX. They are not listed and will not be tradeable on the TSX. If a holder of Teranga CDIs wishes to trade on the TSX, they must convert the Teranga CDIs into the underlying Teranga Shares (see the conversion process described above).

Dividends

Dividend record and payment dates will be the same for Teranga Shares and Teranga CDIs.

Any cash dividends or distributions payable in respect of Teranga CDIs will be converted by Teranga or its agent from Canadian dollars into Australian dollars, paid by Teranga to the Teranga CDI subregistry (currently Computershare Investor Services Pty Limited) on trust for the relevant holders of Teranga CDIs (net of any currency conversion costs) and then paid directly to the relevant holders of Teranga CDIs by the Teranga CDI subregistry on the payment date.

Please note that Teranga does not currently intend to pay any dividends.

Evidence of ownership

If Teranga CDIs are issued to you under the Scheme, you will receive a holding statement in respect of your Teranga CDIs rather than a share certificate or holding statement in respect of the underlying Teranga Shares. Revised holding statements will be provided on a periodic basis if there is a change in the number of Teranga CDIs held by you.

Teranga CDIs may be held on an issuer sponsored subregister or on a CHESS subregister. If you receive Teranga CDIs under the Scheme, you will receive them:

- on the Teranga CDI issuer sponsored subregister, to the extent they are issued as consideration for the transfer of Gryphon Shares held on the Gryphon issuer sponsored subregister; or
- on the Teranga CDI CHESS subregister, to the extent they are issued as consideration for the transfer of Gryphon Shares held on the Gryphon CHESS subregister.

(c) The principal differences between holding Teranga CDIs and Teranga Shares

The principal difference between holding a Teranga CDI and holding a Teranga Share is that the holder of a Teranga CDI has, through CDN, an indirect, beneficial interest in the Teranga Share underlying their Teranga CDI instead of directly owning that Teranga Share. This means that the holder of the Teranga CDI is not the registered holder of the underlying Teranga Share and therefore:

- cannot directly trade the underlying Teranga Share; and
- is a beneficial holder (rather than registered legal holder) of the underlying Teranga Share.

As noted in this section, there are certain differences which you should take into account in determining whether to elect to receive the Scheme Consideration in the form of Teranga Shares instead of Teranga CDIs.

For example, as mentioned above under 'Voting', a holder of a Teranga CDI cannot attend a Teranga general meeting as a shareholder but can direct CDN how to vote or to appoint the holder as proxy.

Teranga CDIs will be listed on ASX and Teranga Shares will be listed on the TSX

Teranga CDIs will be tradeable on ASX only. This has the advantage that Teranga CDIs can be traded during Australian business hours using Australian brokers in prices quoted in Australian dollars. However, see section 8.1 for a discussion of the liquidity of the market for Teranga CDIs and the potential risk that they may trade at a discount to Teranga Shares on the TSX.

Exercise of shareholder rights

As holders of Teranga CDIs are not registered holders of the relevant Teranga Shares, the rights attaching to Teranga Shares which underlie their Teranga CDIs must be exercised by CDN. A holder of Teranga CDIs may instruct CDN to exercise those rights on their behalf. In contrast, a registered holder of Teranga Shares can directly exercise the rights attaching to their Teranga Shares in such manner as they choose.

Conversion of Teranga Shares into Teranga CDIs

If you elect to receive Teranga Shares instead of Teranga CDIs, it is possible to later convert them into Teranga CDIs (if, for example, you would like to trade on ASX). You should contact Teranga's transfer agent (Computershare Trust Company of Canada) if you wish to convert your Teranga Shares into Teranga CDIs.

(d) How to make an election

To make an election, you should complete the Election Form accompanying this Scheme Booklet and return the Election Form in accordance with the instructions on that form. The deadline for receipt of Election Forms by the Gryphon Share Registry is 5:00pm on the Record Date (currently 6 October 2016). If you do not make a valid election by 5:00pm on the Record Date, you will receive Teranga CDIs listed on ASX.

Other than in the case of a Gryphon Shareholder who is a trustee or nominee:

- a Gryphon Shareholder (other than an Ineligible Shareholder) may only make an election in respect of their Scheme Consideration; and
- if a Gryphon Shareholder (other than an Ineligible Shareholder) makes an election, it will be deemed to apply to all of their Scheme Consideration.

Election by trustees and nominees

If a Gryphon Shareholder holds one or more parcels of Gryphon Shares as trustee or nominee for, or otherwise on account of, another person, that Gryphon Shareholder may make separate elections in accordance with the election process in respect of those parcels (subject to that Gryphon Shareholder providing to Gryphon and Teranga any substantiating information they reasonably require) to reflect the fact that some of the underlying beneficiaries may prefer to receive the Scheme Consideration in the form of Teranga CDIs while others may prefer to receive the Scheme Consideration in the form of Teranga Shares.

In order to make separate elections, the trustee or nominee must establish distinct holdings in the Gryphon Share Register in respect of each parcel of Gryphon Shares and must make a separate election in respect of each parcel of Gryphon Shares.

However, the trustee or nominee may not accept instructions from an underlying beneficiary to make an election unless it is in respect of the Scheme Consideration attributable to all parcels of Gryphon Shares held by the trustee or nominee on behalf of that beneficiary.

Variation or withdrawal of an election

Once submitted, your Election Form will be irrevocable.

7.4 Ineligible Shareholders

(a) Who are Ineligible Shareholders?

Restrictions in certain jurisdictions outside Australia, New Zealand and Canada may make it impractical or unlawful for Teranga Shares or Teranga CDIs to be offered or issued under the Scheme to Gryphon Shareholders in those jurisdictions.

Under the terms of the Scheme, any Gryphon Shareholder whose address as shown in the Register at 5:00pm on the Record Date is outside of Australia and its external territories, New Zealand or Canada will be regarded as an Ineligible Shareholder for the purposes of the Scheme, unless Teranga determines in its absolute discretion (acting reasonably) that it is lawful and not unduly onerous or impractical to issue Teranga CDIs or Teranga Shares to Gryphon Shareholders in a particular country.

Ineligible Shareholders will not receive Teranga CDIs under the Scheme, nor will they be entitled to make an election to receive Teranga Shares as their Scheme Consideration. Instead, the Teranga Shares which would otherwise be required to be issued to that Gryphon Shareholder under the Scheme will be issued to the Sale Agent, to be held on trust for that Ineligible Shareholder. The Sale Agent will then sell those Teranga Shares that would otherwise have been attributable to that Ineligible Shareholder and remit a pro rata share of the net proceeds from the sale of all Teranga Shares sold by the Sale Agent in Canadian dollars to the Ineligible Shareholder.

(b) Role of the Sale Agent

If you are an Ineligible Shareholder, the Scheme Consideration, in the form of Teranga Shares, that would otherwise have been issued to you under the Scheme will be issued to the Sale Agent, as your nominee in trust, for sale by them and you will receive a pro rata share of the net proceeds from the sale of those Teranga Shares in Canadian dollars.

Teranga will appoint the Sale Agent, to sell the Teranga Shares that would otherwise have been attributable to Ineligible Shareholders. The Sale Agent must sell the Teranga Shares that would otherwise have been attributable to Ineligible Shareholders within 20 Business Days after the Implementation Date.

The Sale Agent may sell those Teranga Shares in such manner, at such price and on such other terms as the Sale Agent determines in good faith. Teranga Shares will be sold on market on the TSX (with proceeds received by the Sale Agent in Canadian dollar).

Following the last sale of the Teranga Shares that would otherwise have been attributable to Ineligible Shareholders, the Sale Agent must, within 20 Business Days of the Implementation Date:

- deduct any applicable brokerage, stamp duty and other selling costs, taxes and charges; and
- remit the pro rata amount of the net proceeds of the sale in Canadian dollars to each Ineligible Shareholder.

The cash amount received as the proceeds of the sale by the Sale Agent will depend on the price at which the Teranga Shares can be sold by the Sale Agent at the relevant time and the amount of any applicable taxes and other selling costs incurred in connection with the sale. The brokerage fees payable by each Ineligible Shareholder will be equal to 1% of the proceeds of the sale by the Sale Agent on behalf of that Ineligible Shareholder.

An Ineligible Shareholder's pro rata share of the proceeds may be more or less than the value of the Scheme Consideration which that Ineligible Shareholder would have received had they not been an Ineligible Shareholder. The market price of Teranga Shares and Teranga CDIs is subject to change from time to time.

None of Gryphon, Teranga or the Sale Agent gives any assurance as to the price that will be achieved for the sale of the Teranga Shares that would otherwise have been attributable to Ineligible Shareholder by the Sale Agent.

7.5 Comparison of Australian and Canadian legal regimes

Gryphon is a public company incorporated in Australia and registered in Australia under the Corporations Act. Gryphon is admitted to the official list of ASX.

Teranga is incorporated in Canada under the provisions of the *Canada Business Corporations Act (CBCA)*, and in Canada, the shares of Teranga are listed on TSX. Teranga is a reporting issuer in the Canadian provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

If the Scheme is implemented, the rights of Gryphon Shareholders who elect to receive Teranga Shares will, in respect of those Teranga Shares, be governed principally by Canadian federal law (including the CBCA), provincial securities legislation, the TSX Company Manual and Teranga's articles and by-laws (known as 'constating documents'). A copy of Teranga's articles and by-laws are available by searching for the public documents filed by Teranga on the ASX website www.asx.com.au.

The rights of Gryphon Shareholders who receive Teranga CDIs will be governed by the ASX Settlement Rules and the ASX Listing Rules but, other than in certain limited situations, not by the Corporations Act.

Being a foreign company with a full listing on ASX of the Teranga CDIs, Teranga must comply with all of the ASX Listing Rules, subject to any specific waivers granted by ASX, in respect of the Teranga CDIs. In this regard, Teranga has been granted specific waivers by ASX from some listing rules (see section 10.12 for more detail).

A comparison of some of the material provisions of Australian company law and Canadian corporate law as they relate to Gryphon and Teranga respectively is set out in Annexure B, along with a description of certain securities laws and stock exchange rules where applicable.

Canadian corporate law is essentially embodied in the provisions of the relevant federal or provincial corporate statutes pursuant to which companies are incorporated, continued or otherwise regulated. In the case of Teranga, the relevant statute is the CBCA. In addition, Teranga is also subject to the *Securities Act* (Ontario), being the securities legislation of the province of Ontario and the securities legislation of each of the provinces in which Teranga is a reporting issuer.

8. Risk factors

If the Scheme is implemented Gryphon Shareholders (other than Excluded Shareholders or Ineligible Shareholders) will be entitled to receive the Scheme Consideration in the form of Teranga Shares or Teranga CDIs. The value of Teranga Shares and Teranga CDIs will be influenced by a number of factors, many of which will be beyond the control of the Combined Group.

Some of these risks are either related to mining and exploration companies generally or already affect the Gryphon business which will form part of the Combined Group and are therefore risks to which Gryphon Shareholders already have some exposure. There are however, a number of risks which will be new or potentially greater in impact than is currently the case in relation to Gryphon alone.

The risk factors presented in this section are not an exhaustive list of all risks and risk factors related to the Combined Group or the Scheme. Additional risks and uncertainties not currently known to Teranga or Gryphon may also have an adverse impact on the Combined Group's business.

This section does not take into account the investment objectives, financial situation, position or particular needs of Gryphon Shareholders. Each Gryphon Shareholder should consult their legal, financial or other professional adviser if they have any queries.

8.1 Risks related to the Scheme

(a) Completion of the Scheme is subject to several conditions that must be satisfied or waived

The Scheme is subject to a number of conditions which are contained in clause 3 of the Scheme Implementation Agreement. Please refer to section 3.4 for further information regarding the conditions precedent to the Scheme. There can be no certainty, nor can Gryphon or Teranga provide any assurance, that these conditions will be satisfied or waived (where applicable), or if satisfied or waived (where applicable), when that will occur. In addition, several of the conditions precedent to the Scheme are beyond the control of Gryphon or Teranga, including, but not limited to, approval of the Scheme by the Requisite Majority of Gryphon Shareholders, and required regulatory and third party approvals and consents.

In particular, in respect of the Condition Precedent that no Gryphon Material Adverse Event occurs before 8:00am on the Second Court Date, it should be noted that a failure to secure the renewal or extension of the Key Permits by 8:00am on the Second Court Date would constitute a Gryphon Material Adverse Event. The Key Permits are the Wahgnion Exploitation Licence, the Nogbele Exploration Permit and the Nianka Exploration Permit.

As discussed in section 3.4, on the basis of Gryphon's extensive discussions with the relevant authorities in Burkina Faso, Gryphon has no reason to believe that the extension to the Wahgnion Exploitation Licence and the renewal of the Nogbele Exploration Permit and the Nianka Exploration Permit will not be obtained. However, there can be no guarantee that the renewal and extensions will be received by Gryphon from the relevant authorities in Burkina Faso or that they will be received before the Second Court Date.

If for any reason the conditions to the Scheme are not satisfied or waived (where applicable) and the Scheme is not completed, the market price of Gryphon shares may be adversely affected.

(b) The Scheme Implementation Agreement may be terminated by Gryphon or Teranga in certain circumstances

Each of Gryphon and Teranga has the right to terminate the Scheme Implementation Agreement in certain circumstances. Please refer to section 10.13 for further information regarding the termination of the Scheme Implementation Agreement. Accordingly, there is no certainty that the Scheme Implementation Agreement will not be terminated by either Gryphon or Teranga before the implementation of the Scheme.

If the Scheme Implementation Agreement is terminated, there is no assurance that Gryphon will be able to find a party willing to pay an equivalent or greater price for Gryphon Shares than the price to be paid pursuant to the terms of the Scheme Implementation Agreement and the Scheme.

(c) The issue of a significant number of Teranga Shares could adversely affect the market price of Teranga Shares

If the Scheme is implemented, a significant number of additional Teranga Shares will be available for trading in the public market. The increase in the number of Teranga Shares may lead to sales of such

shares or the perception that such sales may occur, either of which may adversely affect the market price of Teranga Shares.

(d) **Value of the Scheme Consideration is not certain**

If the Scheme is implemented, Gryphon Shareholders (other than Excluded Shareholders and Ineligible Shareholders) will receive Scheme Consideration in the form of Teranga Shares or Teranga CDIs. The market value of the Scheme Consideration that will be issued will depend on the price at which Teranga Shares and Teranga CDIs trade on the TSX and ASX respectively after the Implementation Date.

Following implementation of the Scheme, the market price of Teranga Shares and Teranga CDIs may fluctuate based on many variables, some of which are not directly related to the success of Teranga. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be junior companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies.

(e) **Teranga CDIs may trade at a discount**

The number of Teranga CDIs quoted on ASX may be less than the number of Teranga Shares listed on the TSX.

As a result, it is possible that the market for Teranga CDIs on ASX will be less liquid than the market for Teranga Shares on the TSX. This may have the effect of reducing the volume of Teranga CDIs that can be bought and sold on ASX and the speed with which they can be bought and sold. This reduced liquidity may also result in Teranga CDIs trading at a discount to Teranga Shares on the TSX. However, a holder of Teranga CDIs can convert their Teranga CDIs into Teranga Shares tradeable on the TSX should the holder wish to access the market in Teranga Shares on the TSX.

(f) **Teranga may not maintain its ASX listing**

There can be no guarantee that Teranga will maintain the listing of Teranga CDIs on ASX in the future. If Teranga were to de-list from ASX, holders of Teranga CDIs would need to convert them into Teranga Shares tradeable on the TSX and seek to trade through a broker authorised to trade on TSX.

(g) **Teranga is governed principally by Canadian law**

Teranga is incorporated in Canada under the *Canada Business Corporations Act (CBCA)*, and in Canada, the common shares of Teranga are listed on the TSX. Teranga is a reporting issuer in the Canadian provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

If the Scheme is implemented, the rights of Gryphon Shareholders who elect to receive Teranga Shares will, in respect of those Teranga Shares, be governed principally by Canadian federal law (including the CBCA), provincial securities legislation, the TSX Company Manual and Teranga's articles and by-laws (known as 'constating documents'). A copy of Teranga's articles and by-laws are available by searching for the public documents filed by Teranga on the ASX website www.asx.com.au.

The rights of Gryphon Shareholders who receive Teranga CDIs will be governed by the ASX Settlement Rules and the ASX Listing Rules but, other than in certain limited situations, not by the Corporations Act.

Being a foreign company with a full listing on ASX of the Teranga CDIs, Teranga must comply with all of the ASX Listing Rules, subject to any specific waivers granted by ASX in respect of the Teranga CDIs. In this regard, Teranga has been granted specific waivers from ASX of some ASX Listing Rules (see section 10.12(c) for more detail).

A comparison of some of the material provisions of Australian company law and Canadian corporate law as they relate to Gryphon and Teranga respectively is set out in Annexure B, along with a description of certain securities laws and stock exchange rules where applicable.

8.2 Risks to Gryphon if the Scheme does not proceed

(a) Gryphon Shareholders will not receive the Scheme Consideration

If the Scheme is not implemented, Gryphon Shareholders will retain their Gryphon Shares and will not receive the Scheme Consideration. If the Scheme is not implemented, Gryphon will remain listed on ASX and will continue to operate its business. In those circumstances, Gryphon Shareholders will continue to be exposed to the risks and benefits of owning Gryphon Shares.

(b) Gryphon Share price may fall

The Gryphon Directors believe that if the Scheme is not implemented, the Gryphon Share price may fall below its recent trading price.

(c) Transaction costs will be incurred

If the Scheme is not implemented, Gryphon's transaction costs will be borne by Gryphon alone, subject to any off-set by way of break fee payment from Teranga

(d) Future capital requirements

If Gryphon remains a stand-alone entity, it will need to secure funding from alternative sources to develop its existing projects. In these circumstances it is expected that Gryphon will investigate a range of possible transactions with alternative parties to assist with any funding requirements it may have.

8.3 Risks related to the Combined Group

(a) No certainty that Teranga will pay dividends

Payment of any future dividends by the Combined Group will be at the discretion of the Teranga Board after taking into account many factors, including, but not limited to, Teranga's operating results, financial condition and current and anticipated cash needs. At this time however, all of the Combined Group's available funds are expected to be invested to finance the growth of its business and therefore investors cannot expect and should not anticipate receiving a dividend on the Teranga Shares or Teranga CDIs in the foreseeable future. Further, Teranga's ability to make dividend payments in the future could be constrained by government restrictions beyond Teranga's control.

(b) Dilution

Teranga may require additional funds to fund its exploration and development programs and potential acquisitions. If Teranga raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of Teranga Shareholders. Issuances of substantial amounts of Teranga's securities, or the availability of such securities for sale, could adversely affect the prevailing market prices for Teranga's securities. A decline in the market prices of Teranga's securities could impair Teranga's ability to raise additional capital through the sale of securities should it desire to do so.

(c) Dependency on the Sabodala gold mine for substantially all operating revenue and cash flows

While the Combined Group may invest in additional mining and exploration projects in the future, the Sabodala gold mine along with its expanded Sabodala Mining Concession is likely to be the Combined Group's only producing mining project for the foreseeable future, thereby providing substantially all of its operating revenue and cash flows. Consequently, a delay or difficulty encountered in the operations of the Sabodala gold mine would materially and adversely affect the Combined Group's financial condition and financial sustainability. Any adverse changes or developments affecting the Sabodala gold mine, such as, but not limited to, the Combined Group's inability to successfully complete any of the development projects, work programs or expansions, obtain financing on commercially suitable terms, or hire suitable personnel and mining contractors, may have a material adverse effect on the Combined Group's financial performance, results of operations and liquidity.

In addition, the Combined Group's business and results of operations could be materially and adversely affected by any events which cause the Sabodala gold mine to operate at less than optimal capacity, including among other things, equipment failure or shortages of spares, consumables and reagents, adverse weather, serious environmental and safety issues, any permitting or licensing issues and any failure to produce expected amounts of gold.

(d) **Revenues and financial performance dependent upon the price of gold**

Future production from all of the Combined Group's mining properties is dependent upon the price of gold and other metals and minerals being adequate to make these properties economic. Sustained low gold prices could reduce revenues through production declines due to cessation of the mining of deposits, or portions of deposits, that have become uneconomic at the then-prevailing market price; reduce or eliminate the profit that we currently expect from reserves; halt or delay the development of new projects; reduce funds available for exploration; and reduce existing reserves by removing ores from reserves that can no longer be economically processed at prevailing prices. Such declines in price and/or reductions in operations could cause significant volatility in the Combined Group's financial performance. The Combined Group's revenues will be derived primarily from the sale of gold. The price that the Combined Group obtains for gold is directly related to world market prices. The price of gold has historically fluctuated widely and is affected by numerous factors beyond the Combined Group's control, including, but not limited to, industrial and retail supply and demand, exchange rates, inflation rates, price and availability of substitutes, actions taken by governments, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events.

(e) **The failure to meet key production and other cost estimates may adversely affect the Combined Group's cash flows**

A decrease in the amount of or a change in the timing of the Combined Group's mineral production outlook may impact the amount and timing of the Combined Group's cash flow from operations. The actual impact of such a decrease on the Combined Group's cash flow from operations would depend on the timing of any changes in production and on actual prices and costs. Any change in the timing of projected cash flows that would occur due to production shortfalls or labour disruptions or other reasons would, in turn, result in delays in receipt of such cash flows and in using such cash to, as applicable, reduce debt levels and fund operating and exploration activities, which may require additional borrowings to fund capital expenditures. The Combined Group currently does not have a working capital bank facility and therefore will depend on cash flow from operations to fund its liquidity needs.

It is likely that actual results and/or costs for the Combined Group's projects will differ from current estimates and assumptions, and these differences may be material. In addition, experience from actual mining or processing operations may identify new or unexpected conditions that could reduce production below, and/or increase capital and/or operating costs above, current estimates. If actual results are less favourable than currently estimated, the Combined Group's business, results of operations, financial condition and liquidity could be materially adversely impacted.

(f) **The performance of the Sabodala gold mine is subject to technical risks that may lead to increased costs and less profitability than estimated**

The Sabodala gold mine, including its satellite deposit operations, is subject to technical risks in that it may not perform as designed. Increased development or expansion costs, lower output or higher operating costs may all combine to make the Sabodala gold mine less profitable than that expected at the time of the development decision. No assurance can be given that the Combined Group would be adequately compensated by third party project design, construction and supply companies in the event of equipment failure or that the project does not meet its expected design specifications.

(g) **Mine development uncertainties**

There are significant risks associated with developing extensions to existing mines, such as Sabodala and the development of new mines as is intended for the Banfora Gold Project. As a result of the substantial expenditures involved in development projects, developments are prone to material cost overruns versus budget. The capital expenditures and time required by the Combined Group to extend Sabodala and to develop the Banfora Gold Project are considerable and changes in cost or construction schedules can significantly increase both the time and capital required to extend or build the mine. Project development schedules are also dependent on obtaining the governmental approvals necessary for the operation of a mine. Substantial expenditures will be required to build mining and processing facilities for the Banfora Gold Project. The timeline to obtain these government approvals may be beyond the Combined Group's control. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated.

(h) **The Combined Group's actual reserves and resources could be lower than estimates, which could adversely affect its operating results and financial condition**

The Combined Group's mineral resources and mineral reserves described in this Scheme Booklet, are estimates based on a number of assumptions, any adverse changes to which could require the Combined Group to lower its mineral resource and mineral reserve estimates. The Combined Group's estimates of economically recoverable reserves are primarily based upon interpretations of geological models, which make various assumptions, such as assumptions with respect to prices, costs, regulations, and environmental and geological factors. These assumptions have a significant effect on the amounts recognised in the Combined Group's technical reports and financial statements, and any material difference between these assumptions and actual events may affect the economic viability of the Combined Group's properties or any project undertaken by the Combined Group.

Furthermore, actual prices, costs, regulations and environmental and geological factors often diverge from the assumed amounts because it is difficult to predict, among other things, metal prices, grades, production costs, stripping ratios, recovery rates, governmental regulations, the ability to obtain necessary permits, permit requirements, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations or work interruptions. In addition, there can be no assurance that mineral or other metal recoveries in small scale laboratory tests will be duplicated in a larger scale test under on-site conditions or during production and the volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. There can also be no assurance that any discoveries of new reserves will be made or that if a new discovery is made, that the Combined Group will be able to obtain the required extraction or mining licenses to recover the reserves.

For these and other reasons, there is no certainty that any of the mineral resources or mineral reserves will be realised or that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that reserves can be mined or processed profitably. Until a deposit is actually mined and processed, the quantity and grades of mineral resources and mineral reserves must be considered as estimates only. Valid estimates made at a given time may significantly change when new information becomes available.

Fluctuations in the prices of gold and other minerals, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of mineral resources or mineral reserves could have a material adverse effect on the results of the Combined Group's operations and financial condition.

(i) **Changes in the cost of energy, in the prices of commodities used in the Combined Group's operations, and any other input may adversely affect the profitability of the Combined Group's operations and financial condition**

Any increase in the price of production inputs, including labour, fuel, particularly heavy fuel oil, mine consumables or other inputs could materially and adversely affect the Combined Group's business and results of operations. Input costs can be affected by changes in factors including market conditions, government policies, exchange rates and inflation rates, which are unpredictable and outside the Combined Group's control. In particular, the cost of fuel constitutes a significant part of the Combined Group's operating expenses. Unanticipated increases in the price of these or other inputs could materially and adversely affect the Combined Group's liquidity, business and results of operations.

(j) **The Combined Group will be dependent on critical supplies, a lack of which could impact production and development of projects**

Timely and cost effective execution of the Combined Group's mining operations and exploration activities are dependent on the adequate and timely supply of water, fuel, chemicals and other critical supplies.

If the Combined Group is unable to procure the requisite quantities of water, fuel or other inputs in time and at commercially acceptable prices or if there are significant disruptions in the supply of fuel, water or other inputs to the Sabodala gold mine or for the Combined Group's exploration activities, the performance of the Combined Group's business and results of operations could be materially and adversely affected.

(k) **The Combined Group will depend on key management and qualified operating personnel and may not be able to attract and retain such persons in the future**

The Combined Group's success depends to a significant extent upon the ability to attract, retain and train key management and technical personnel in Canada, Senegal and Burkina Faso (including those employed on a contractual basis). If the Combined Group is not successful in retaining or attracting personnel, its business may be adversely affected. The loss of the services of any of the Combined Group's key management personnel could materially and adversely affect its business and results of operations.

In addition, the recruiting of qualified personnel is critical to the Combined Group's success. As the Combined Group's business grows, it will require additional key financial, administrative, mining, processing and exploration personnel as well as additional staff for operations. If the Combined Group is not successful in recruiting and training such personnel, it could materially and adversely affect its business, prospects and results of operations.

The Combined Group's operations in Senegal and Burkina Faso will, and future operations in Côte d'Ivoire may, depend on its local employees and contractors. If the Combined Group is not successful in maintaining a positive relationship with its workforce and the communities surrounding its projects, it could find it difficult to attract and retain skilled workers, develop successful collaborations and generally build its business. Likewise, if the Combined Group's relationship to its workforce or the communities surrounding its projects becomes strained, its business may be adversely affected.

(l) **Mining is inherently dangerous and subject to conditions or events beyond the Combined Group's control, which could have a material adverse effect on the Combined Group's business**

The Combined Group's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including environmental and safety hazards, industrial accidents, equipment failure, import/customs delays, shortage or delays in installing and commissioning plant and equipment, metallurgical and other processing problems, seismic activity, unusual or unexpected rock formations, wall failure, cave-ins or slides, burst dam banks, flooding, fires, interruption to, or the increase in costs of, services (such as water, fuel, particularly for heavy fuel oil, or transport), sabotage, community, government or other interference and interruption due to inclement or hazardous weather conditions. These risks could result in damage to, or destruction of, mineral properties, production and power facilities, dams or other properties, and could cause personal injury or death, environmental damage, pollution, delays in mining, increased production costs, monetary losses and possible legal liability.

The Combined Group's current mines are open pit operations, and the stability of the mine pit walls is critical. Pit slope failure at any open pit operation may result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability, any of which may prevent or interrupt mining activities and have a material adverse effect on the Combined Group's financial condition.

Mineral exploration is speculative and uncertain; there is no assurance mineral deposits on the Combined Group's exploration properties will ever be classified as proven and probable mineral reserves as a result of continued exploration.

In addition, the Combined Group will be seeking mineral deposits on exploration projects where there are not yet established commercial quantities. There can be no assurance that economic concentrations of minerals will be determined to exist on the Combined Group's property holdings within investors' investment horizons or at all. The failure to establish such economic concentrations could have a material adverse outcome on the Combined Group and its securities, as major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site.

Whether income will result from projects undergoing exploration programs depends on the successful establishment of mining operations. Factors including, but not limited to, government regulations (such as those governing prices, taxes, royalties, land tenure, land use and environmental protection), costs, actual mineralisation, size and grade of mineral deposits, consistency and reliability of ore grades and commodity prices may affect successful project development. Few properties that are explored are ultimately developed into producing mines.

Further, some of the Combined Group's exploration projects are with joint venture partners. Whether the Combined Group will be able to mine the identified resources will depend on whether it obtains an

exploitation permit or a mining concession from the Governments of Senegal, Burkina Faso or Côte d'Ivoire, and there can be no assurance that such a permit or concession will be obtained.

(m) **Illegal mining on the Combined Group's property interests may delay its projects and raise disputes regarding the development or operation of commercial gold deposits and may also expose the Combined Group to potential responsibility for environmental, property and personal damage**

Illegal mining is becoming more widespread in Senegal and Burkina Faso. Illegal miners have and may continue to trespass on the Combined Group's properties and engage in dangerous practices including the use of mercury and dynamite in their operations, without any government regulation or oversight. The Combined Group is unable to continuously monitor its entire portfolio of property interests. The presence of illegal miners could also lead to project delays and disputes regarding the development or operation of commercial gold deposits, including disputes with Senegalese or Burkinabe governmental authorities regarding reporting of resources and mine production. The illegal activities of miners could cause pollution and other environmental damage (including from the use of mercury in recovery practices by certain of these illegal artisanal miners) or other damage to the Combined Group properties, as well as personal injury or death, for which the Combined Group could potentially be held responsible, all of which could have an adverse impact on the Combined Group's future cash flows, earnings, results of operations and financial condition.

(n) **The Combined Group may not be able to obtain additional external financing on commercially acceptable terms, or at all to fund the development of the Banfora Gold Project and for other activities**

Mining operations, exploration and development involve significant financial risk and capital investment. The Combined Group's operations and expansion plans may also result in increases in capital expenditures and commitments.

The Combined Group may require additional funding to expand its business and may require additional capital in the future to, among other things, construct the Banfora Gold Project, further expand the Sabodala mill, build another mill, or develop/expand/redesign the existing mine pit or build other mines. In relation to the Banfora Gold Project in particular, there is a risk that cash flows from Sabodala, together with existing cash will not be sufficient to fund the development costs and that third party funding will be required.

No assurance can be given that such capital will be available at all or available on terms acceptable to the Combined Group. The Combined Group may also need to seek funding from third parties if internally generated cash resources and available credit facilities, if any, are insufficient to finance these activities. Any debt financing, if available, may involve financial or other covenants which may limit the Combined Group's operations and principal amounts under any debt financing arrangements entered into by the Combined Group may become immediately due and payable if it fails to meet certain restrictive covenants. Even if such funding was available, the Combined Group's existing debt instruments, may contain provisions prohibiting it from financing such transactions. Outside of the Teranga Revolving Credit Facility, the Combined Group will depend on cash flow from operations to fund its liquidity needs. In the event that the Combined Group is unable or not permitted to obtain adequate additional financing on acceptable terms, or at all, to satisfy its operating, development and expansion plans, the Combined Group's business and results of operations may be materially and adversely affected.

(o) **The Combined Group will have to continually replace and expand its reserves and resources**

Because mines have limited lives based on proven and probable mineral reserves and mineral resources, the Combined Group will have to continually replace and expand its mineral reserves and mineral resources. The Combined Group's ability to maintain or increase its production and therefore, the continuous success of its business, will be dependent on many factors including, but not limited to:

- discovery and/or acquisition of new ore reserves;
- securing and maintaining title to tenements and obtaining necessary consents and permits for exploration and mining;
- successful design and construction of mining and processing facilities;
- successful commissioning and operating of mining and processing facilities; and

- the performance of the technology incorporated into the processing facility.

(p) **The Combined Group's transactions may be challenged by tax authorities and its operations may be assessed, which could result in significant additional taxes, penalties and interest**

If Teranga's tax disputes with the Government of Senegal are not resolved favourably it would have a material adverse effect on the Combined Group's financial position.

Mining tax regimes in foreign jurisdictions are subject to differing interpretations by the Combined Group and the relevant governmental entity and are subject to constant change and may include fiscal stability guarantees. The Combined Group's interpretation of taxation law as applied to its activities may not coincide with that of the tax authorities. As a result, transactions may be challenged by tax authorities and the Combined Group's operations may be assessed, which could result in significant additional taxes, penalties and interest. Teranga's Senegalese operating subsidiary, SGO, was granted an exoneration from taxation, including value added tax and corporate income tax in the Sabodala Mining Convention, which ended on 2 May 2015, after which time a value added tax of 18% (which is not applicable to sales of gold) and corporate income tax rate of 25% is applicable. However, SGO was granted an extension to its refundable VAT exemption until 2 May 2022.

To date, neither Teranga nor any of its subsidiaries has any outstanding tax assessments, with the exception of all but US\$1 million remaining in dispute under a 2011 tax assessment against SGO, its Senegalese operating entity. During the quarter ended 31 December 2011, SGO received a tax assessment from the Senegalese tax authorities claiming withholding taxes of approximately US\$24 million, such amount includes US\$8 million of penalties relating to interest paid to SGML (Capital) Limited under the fleet lease facility, director's fees and services rendered by offshore companies for the financial years 2008 to 2010. Teranga remains of the view that this remaining amount is not due and expects the assessment to be fully withdrawn with no material costs to Teranga.

(q) **The Combined Group will be subject to taxation in several different jurisdictions, and adverse changes to the taxation laws of such jurisdictions could have a material adverse effect on its profitability**

The Combined Group may have exposure to greater than anticipated tax liabilities. The Combined Group will be subject to income taxes and other taxes in a variety of jurisdictions and its tax structure will be subject to review by both Canadian and foreign taxation authorities. The determination of its tax structure has required and continues to require significant judgment and there are transactions and determinations where the ultimate tax result is uncertain. There can be no assurance that taxation authorities will not seek to challenge the structure in the future. To the extent a taxing authority disagrees with any of the Combined Group's determinations and its assessed additional taxes, or there are adverse changes in tax laws, it could have a material adverse effect on the Combined Group's financial position.

(r) **Potential legal proceedings or disputes may have a material adverse effect on the Combined Group's financial performance, cash flow and results of operations**

Neither Teranga nor Gryphon is currently subject to material litigation. However, the Combined Group could become involved in disputes with governmental authorities, non-governmental organisations and other private parties in the future which may result in material litigation. The results of litigation cannot be predicted with certainty. If the Combined Group is unable to resolve such disputes favourably, the resulting litigation could have a material adverse impact on the Combined Group's financial performance, cash flow and results of operations.

(s) **Enforceability of judgments**

A majority of the assets and subsidiaries of the Combined Group are located outside of Canada and Australia. Accordingly, it may be difficult for investors to enforce within Canada or Australia any judgments obtained against the Combined Group including judgments predicated upon the civil liability provisions of applicable Canadian securities laws. Consequently, investors may be effectively prevented from pursuing remedies against the Combined Group under applicable Canadian corporate or securities laws, Australian laws or otherwise.

(t) **The Combined Group's insurance will not cover all potential losses, liabilities and damage related to its business and certain risks are uninsured or uninsurable**

The Combined Group's business will be subject to a number of risks and hazards generally, including adverse environmental conditions and pollution, industrial accidents, labour disputes, unusual or

unexpected geological conditions, ground or slope failures, cave-ins, changes in the political or regulatory environment and natural phenomena such as inclement weather conditions, floods, earthquakes and dust storms. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Combined Group's properties or others, delays in mining, monetary losses and possible legal liability.

Although the Combined Group will maintain insurance to protect against certain risks in such amounts as the Combined Group considers to be reasonable, the insurance may not cover all the potential risks associated with the Combined Group's operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and the Combined Group may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to us or to other companies in the mining industry on acceptable terms. Losses from these events may cause the Combined Group to incur significant costs that could have a material adverse effect upon the Combined Group's financial performance and results of operations or otherwise affect the Combined Group's insurability and reputation in the market.

If the Combined Group incurs losses not covered or not fully covered by its insurance policies, such losses may adversely affect the Combined Group's business, operating results and financial condition.

(u) **Fluctuations in foreign currency exchange rates could significantly affect the Combined Group's business, financial condition, results of operations and liquidity**

The Combined Group's expected future revenue, if any, will be in US dollars and while a significant portion of the Combined Group's costs are in US dollars, a significant component is also in the local currency of Senegal and Burkina Faso, the CFA Franc, which is pegged to the Euro. Also, future capital raised by the Combined Group from offerings of securities or other financing arrangements may be in Canadian dollars, Australian dollars or another currency. As a result of the use of these different currencies, the Combined Group is subject to the risk of foreign currency fluctuations, which are affected by a number of factors that are beyond its control. These factors include economic conditions in the relevant country and elsewhere, and the outlook for interest rates, inflation and other economic factors. The prices of local materials and wages can be affected by currency exchange rates, which could negatively impact the Combined Group's production costs. In addition, the Combined Group's operations may have assets and liabilities denominated in currencies other than the US dollar, with translation foreign exchange gains and losses included from these balances in the determination of profit or loss. In the event that the Combined Group sells commodities and incurs costs in currencies other than US dollars, it will create exposure at the operational level, which may affect the Combined Group's profitability as exchange rates fluctuate. Therefore, exchange rate movements in the Australian dollar, CFA Franc, Euro and other currencies may materially affect the Combined Group's financial position and operating results. Currently, the Combined Group has not hedged against fluctuations in exchange rates, however, it may do so at a later date. If the Combined Group were to choose to hedge exchange rate risk, there is no assurance that it would be successful in reducing its exposure to currency fluctuations.

(v) **Licensing and other regulatory requirements in Senegal, Burkina Faso and Côte d'Ivoire may be subject to amendment or reform which could make compliance more challenging**

The Combined Group's current and future operations will be subject to licenses, regulations and approvals of Senegalese, Burkinabe and Ivorian governmental authorities for exploration, development, construction, operation, production, marketing, pricing, transportation and storage of oil, taxation and environmental and health and safety matters. The Combined Group cannot guarantee that such licenses applied for will be granted or, if granted, will not be subject to possibly onerous conditions. Any changes to exploration and production, or production licenses, regulations and approvals, or their availability to the Combined Group may adversely affect its assets, plans, targets and projections.

(w) **The Combined Group requires licenses, permits and approvals from various governmental authorities to conduct its operations, any loss of which could have a material adverse effect on the Combined Group's business**

The Combined Group's current and future operations require license, approvals and permits from various governmental authorities and such operations are and will be subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, surface rights, environmental protection, safety and other matters, and dependent upon the grant, or as the case may be, the maintenance of appropriate licenses, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintaining of tenements, obtaining renewals, or getting tenements granted,

often depends on the Combined Group being successful in obtaining required statutory approvals for the proposed activities and that the licenses, concessions, leases, permits or regulatory consents the Combined Group holds will be renewed as and when required. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

In addition, in Senegal, at each renewal of an exploration permit, the area of its perimeter is reduced by at least 25%. There can be no assurance that at the time of the renewal of the Combined Group's exploration permits that the perimeter of the permit will not be reduced by more than 25%. In addition, in order to mine areas in the Combined Group's Regional Land Package, it will need to obtain an exploitation permit or a mining concession, and there is no assurance that either will be obtained.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permitting requirements. There can be no assurance that approvals and permits required to commence production on the Combined Group's future mining properties or interests will be obtained. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, may be necessary prior to operation of the properties in which we have interests and there can be no assurance that we will be able to obtain or maintain all necessary licenses, approvals and permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Any inability to conduct the Combined Group's mining operations pursuant to applicable authorisations would materially reduce the Combined Group's production and cash flow.

(x) **The Combined Group's workforce may be exposed to widespread pandemic**

The Combined Group's Sabodala mine site is situated in the Sabodala region of Senegal, a remote part of the country. The Combined Group's Sabodala mine camp and operations represent a concentration of personnel working and residing in close proximity to one another. Further, the Sabodala mine site receives frequent visitors from all over the world, and a number of expatriate employees frequently travel abroad. Should an employee or visitor become infected with a serious illness that has the potential to spread rapidly, this could place the Combined Group's Sabodala workforce at risk.

The 2014 outbreak of the Ebola virus in several African countries is one example of such an illness. Teranga takes every precaution to strictly follow industrial hygiene and occupational health guidelines, and medical services are in place along with pandemic management protocols. There can be no assurance that a similar virus or another infectious illness will not impact the Combined Group's personnel and ultimately its operations.

(y) **The Combined Group's operations are subject to stringent environmental laws and regulations that could significantly limit its ability to conduct its business**

All phases of the Combined Group's Sabodala operations are subject to environmental regulation in Senegal. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, and also set limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation in Senegal is evolving in a manner which will likely result in stricter operating standards and enforcement, restrictions on future exploration activities and reclamation obligations, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Combined Group's Sabodala operations. In addition, future spills and environmental matters may arise, and environmental hazards may exist on the properties on which the Combined Group hold interests which are unknown to Teranga or Gryphon at present and which have been caused by previous or existing owners or operators of the properties or other third parties.

Environmental licenses, approvals and permits are currently and may in the future be required in connection with the Combined Group's operations. To the extent such licenses, approvals or permits are required and not obtained, the Combined Group may be curtailed or prohibited from continuing the mining operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures,

installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of mining activities and civil or criminal fines or penalties may be imposed for violations of applicable laws, regulations or permitting requirements.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Combined Group and cause increases in exploration expenses, capital expenditures or production costs, or reduction in levels of production at producing properties, or abandonment, substantial limits or delays in development of new mining properties.

(z) **Actual costs of reclamation are uncertain, and higher than expected costs could negatively impact the Combined Group's results of operations and financial position**

The Combined Group's operations are subject to reclamation plans that establish the Combined Group's obligations to reclaim properties after minerals have been mined from a site. These obligations represent significant future costs for the Combined Group and will be evaluated by the Combined Group on an annual basis.

As of 31 December 2015, the total estimated reclamation liability for Teranga's mines (based on the footprint disturbed at the end of 2015) was approximately US \$27.0 million on a discounted basis. Reclamation bonds or other forms of financial assurance are often required to secure reclamation activities. Currently, the Government of Senegal has not required Teranga to post any reclamation bond, guarantee or other financial sureties for future reclamation and rehabilitation obligations, but there can be no assurance that a reclamation bond, guarantee or surety may not be required in the future. If a reclamation bond is required, governing authorities can require companies to periodically recalculate the amount of a reclamation bond and may require bond amounts to be increased. It may be necessary to revise the planned reclamation expenditures and the operating plan for the mine in order to fund an increase to a reclamation bond. Reclamation bonds represent only a portion of the total amount of money that will be spent on reclamation over the life of a mine operation. The actual costs of reclamation set out in mine plans are estimates only and may not represent the actual amounts that will be required to complete all reclamation activity. If actual costs are significantly higher than estimates, it could have a material adverse effect on the Combined Group's results from operations and financial position.

(aa) **The Combined Group will be subject to a variety of risks associated with joint ventures, which could result in a material adverse effect on its future growth, results of operations and financial position**

Exploration, development and mining projects are often conducted through joint ventures and, in some cases, the title to such projects is in the name of the joint venture partner. In particular, several of the Combined Group's exploration projects are currently being conducted with joint venture partners, some of them as title holders of the applicable permit, and it is expected that the Combined Group will continue to work with joint venture partners in the future. Joint venture arrangements may require the unanimous approval of the parties to the joint venture or their representatives for certain fundamental decisions relating to the governance and operations of the joint venture. This means that a party may have a veto right, or similar power, with respect to such decisions which could lead to a deadlock and negatively impact or limit the Combined Group's business operations or financial position in the future. In addition, in certain instances, the Combined Group's joint venture partners may unilaterally withdraw from its joint ventures.

(bb) **Mineral rights or surface rights to the Combined Group's properties could be challenged or breached, which could have a material adverse effect on the Combined Group's production and results of operations**

The acquisition of title to mineral properties and ongoing compliance therewith is a very detailed and time-consuming process and may be disputed. There can be no assurances that the Combined Group's interest in its properties is free from title defects or that the material contracts between the Combined Group and (the entities owned or controlled by) the relevant governments will not be unilaterally altered or revoked. Third parties may have valid claims underlying portions of the Combined Group's interest, including prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects. For example, although the expanded Sabodala Mining Concession permits the Combined Group to explore and mine Niakafiri deposit, further exploration or mining will necessitate the physical displacement of Sabodala village, a population of approximately 3,000 persons. As a result, the Combined Group may be constrained in its ability to operate, or to enforce its rights with respect to, the Combined Group's properties, including the area containing the Niakafiri deposit.

Further, the Governments of Senegal, Burkina Faso and Côte d'Ivoire may fail to respect the contractual and statutory commitments it has made to Gryphon and Teranga (and their subsidiaries), respectively, in regards to their ability to explore, mine and operate their properties in Senegal, Burkina Faso and Côte d'Ivoire. In such circumstances appeals to international arbitration may be pursued but the results and timing of such appeal cannot be predicted at this time. Therefore, there is no assurance that the Combined Group's rights and title interests will not be revoked or significantly altered to the Combined Group's detriment or that the rights and title interests will not be challenged or impugned by third parties or the Governments of Senegal, Burkina Faso and Côte d'Ivoire directly.

(cc) **The Combined Group may be unable to identify or complete desirable acquisitions, investments or divestitures, and may be unsuccessful in integrating businesses and assets that the Combined Group may acquire**

The Combined Group may consider making additional strategic acquisitions, divestitures or investments as a means of pursuing its corporate strategy. Acquisitions may be made by using available cash, incurring debt, issuing common shares in the capital of the Combined Group or other securities, or any combination of these. This could limit the Combined Group's flexibility to raise capital, to operate, explore and develop its properties and make other acquisitions. In addition, when evaluating potential acquisitions or investments, the Combined Group cannot be certain that it will have correctly identified the risks and costs inherent in the acquired business or opportunity.

It is possible that the Combined Group may not identify suitable opportunities, or if it does identify suitable opportunities, that the Combined Group may not complete those transactions on terms commercially acceptable to the Combined Group or at all. The inability to identify suitable acquisition targets or divestiture opportunities or investments or the inability to complete such transactions could materially and adversely affect the Combined Group's competitiveness and growth prospects. If the Combined Group successfully completes an acquisition or investment, the Combined Group could face difficulties managing the investment or integrating the acquisition into its operations. There can be no assurance that the Combined Group will be able to achieve the strategic purpose or benefits of such an acquisition or investment. If the Combined Group successfully completes a divestiture, there can be no assurance that it will obtain favourable consideration for such divestiture. These difficulties could disrupt the Combined Group's ongoing business, distract its management and employees, and increase its expenses, any of which could materially and adversely affect the Combined Group's business and results of operations.

(dd) **The Combined Group's activities in Senegal, Burkina Faso and Côte d'Ivoire in West Africa subject it to various political, economic and other risks that could negatively impact the Combined Group's operations and financial condition**

The Combined Group's projects are located in Senegal, Burkina Faso and Côte d'Ivoire in West Africa. The Combined Group's tenure over the property rights and the conditions under which it operates, both during and after the exploration stage, are subject to the jurisdiction of the Governments of Senegal, Burkina Faso and Côte d'Ivoire and in some cases political subdivisions within those countries. The laws and regulations governing the Combined Group's tenure and operations are subject to alteration, and an adverse alteration to those laws and regulations could have a material adverse effect on the Combined Group. In addition, exposure of the Combined Group's projects and operations to political risk comprises part of the evaluations, perceptions and sentiments of investors. An adverse change in investors' or potential investors' tolerance of political risk could have a material adverse effect on the Combined Group. Although the Combined Group believes it has good relations with the Governments of Senegal, Burkina Faso and Côte d'Ivoire, there can be no assurance that the actions of present or future governments will not materially adversely affect the Combined Group's business or financial condition.

Given the conduct of the Combined Group's operations in West Africa, the Combined Group is exposed to various levels of political, economic and other natural and man-made risks and uncertainties, over which it has no or limited control. These risks and uncertainties include, but are not limited to, economic, social or political instability, terrorism, hostage taking, military repression, labour unrest, the risks of war or other forms of civil unrest, expropriation and nationalisation, illegal mining, renegotiation, nullification or adoption of new laws or regulations concerning existing concessions, licenses, permits and/or contracts, extreme fluctuations in currency exchange rates, high rates of inflation, changes in taxation policies, restrictions on foreign exchange and repatriation, validity of export rights and payment of duties, changing political conditions, currency controls, customs regulations policies, changes or adoption of new laws affecting foreign ownership, government participation or control or working conditions and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitudes in any jurisdiction in which the Combined Group operates may adversely affect its operations or profitability and viability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on prospecting, development, production, price controls, export controls, currency remittance, income taxes, royalties, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, forestry, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be predicted and any of them could have an adverse effect on the Combined Group's operations or profitability.

In addition, the Government of Senegal holds a 10% free-carried interest in SGO, Teranga's subsidiary which operates the Sabodala gold mine and actions that require the approval of its board of directors, which includes two representatives of the Government of Senegal. Further, if any of the Combined Group's current or future exploration licenses are converted into a mining concession, pursuant to the Senegal Mining Code the Combined Group will be required to provide a 10% free-carried interest in the entity granted the concession to the Government of Senegal and provide board representation.

(ee) **The Combined Group may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada which could hinder it from enforcing its rights**

In the event of a dispute arising at the Combined Group's Senegalese operations including in relation to the Sabodala Mining Concession and the Sabodala Mining Convention dated 7 April 2015, the Combined Group may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Combined Group may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity. The dispute provisions of the Sabodala Mining Convention stipulate that any dispute between the parties thereto is to be submitted to international arbitration. However, there can be no assurance that a particular governmental entity or instrumentality will either comply with the provisions of these or any other agreements or voluntarily submit to arbitration. The Combined Group's inability to enforce its rights could have an adverse effect on the Combined Group's future cash flows, earnings, results of operations and financial condition.

Further, any dispute with Senegalese, Burkinabe or Ivorian governmental authorities may also adversely affect the Combined Group's relationship with the government, which could impact the development and operation of its current and future projects in those countries.

(ff) **Uncertainties in the interpretation and application of laws and regulations in the countries in which the Combined Group operates may affect the Combined Group's ability to comply with such laws and regulations, which may increase the risks with respect to its operations**

The courts in Senegal, Burkina Faso and Côte d'Ivoire may offer less certainty as to the judicial outcome or a more protracted judicial process than is the case in more established economies. Businesses can become involved in lengthy court cases over simple issues when rulings are not clearly defined, and the poor drafting of laws and excessive delays in the legal process for resolving issues or disputes compound such problems. Accordingly, the Combined Group could face risks such as: (i) effective legal redress in the courts of Senegal, Burkina Faso or Côte d'Ivoire being more difficult to obtain, whether in respect of a breach of law or regulation, or in a contract or an ownership dispute, (ii) a higher degree of discretion on the part of governmental authorities and therefore less certainty, (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations, (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions, or (v) relative inexperience of the judiciary and courts in such matters.

Enforcement of laws in Senegal, Burkina Faso and Côte d'Ivoire may depend on and be subject to the interpretation placed upon such laws by the relevant local authority, and such authority may adopt an interpretation of an aspect of local law which differs from the advice that has been given to the Combined Group by local lawyers or even previously by the relevant local authority itself. Furthermore, there is limited relevant case law providing guidance on how courts would interpret such laws and the application of such laws to the Combined Group's contracts, joint ventures, licenses, license applications or other arrangements. Thus, there can be no assurance that contracts, joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by the actions of foreign government authorities and the effectiveness of and enforcement of such arrangements, including provisions in the Sabodala Mining Concession and the Sabodala Mining Convention.

(gg) **The Combined Group's ability to repatriate funds from Senegal or any other foreign country may be hindered by the legal restriction of the countries in which it operates**

The Combined Group expects to generate cash flow and profits at its foreign subsidiaries, and it may need to repatriate funds from those subsidiaries to fulfil its business plans, in particular in relation to ongoing expenditures at the Combined Group's Senegalese development assets, and make debt service payments. In addition, at times the Combined Group will be required to make cash deposits to support bank guarantees of its obligations under certain leases or amounts the Combined Group owes to certain vendors from whom it purchases goods and services. These cash deposits are not available for other uses as long as the bank guarantees are outstanding. As a result, the Combined Group may not be able to repatriate funds, or may incur tax payments or other costs when doing so, due to legal restrictions or tax requirements at local subsidiary levels or at the parent company level, which could be material. In light of the foregoing factors, the amount of cash that appears on the Combined Group's balance sheet may overstate the amount of liquidity it has available to meet its business or debt obligations.

Although Teranga has not historically experienced difficulties in repatriating capital, there is no assurance that the Government of Senegal or any other foreign country in which it may operate in the future will not impose additional restrictions on the repatriation of earnings to foreign entities. Any inability to repatriate funds could have a material adverse effect on the Combined Group's liquidity. As of 2015 and beyond, the Combined Group is required to repatriate 100% of gold proceeds into Senegal in compliance with applicable exchange control regulations.

(hh) **The Combined Group's directors may have interests that conflict with its interests**

Certain of the Combined Group's directors are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in companies, partnerships or joint ventures which are potential competitors of the Combined Group. Situations may arise in connection with potential acquisitions or investments where the other interests of these directors may conflict with the Combined Group's interests. The Combined Group's directors with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

(ii) **The Combined Group may be unable to compete successfully with other mining companies**

The mining industry is competitive in all of its phases. The Combined Group competes with other companies, some which have greater financial and other resources than the Combined Group and, as a result, may be in a better position to compete for future business opportunities. The Combined Group competes with other mining companies for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. There can be no assurance that the Combined Group can compete effectively with these companies.

(jj) **The consequences of a mine closure could materially and adversely affect the Combined Group's business and results of operations**

In the future the Combined Group may be required to close the mine it operates. The key risks for mine closure include, without limitation, the (i) long-term management of permanent engineered structures and acid rock drainage; (ii) achievement of environmental closure standards; (iii) orderly retrenchment of employees and contractors; and (iv) relinquishment of the site with associated permanent structures and community development infrastructure and programs to new owners. The successful completion of these items is dependent on the ability to successfully implement negotiated agreements with the relevant government, community and employees. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing environmental impacts and damage to corporate reputation if desired outcomes cannot be achieved, which could materially and adversely affect the Combined Group's business and results of operations.

(kk) **The outbreak, or threatened outbreak, of any severe communicable disease in Senegal, Burkina Faso or Côte d'Ivoire could materially and adversely affect the overall business environment in Senegal or Burkina Faso**

The outbreak, or threatened outbreak, of any severe communicable disease including Ebola, in Senegal, Burkina Faso or Côte d'Ivoire could materially and adversely affect the overall business environment in Senegal or Burkina Faso, particularly if such outbreak is inadequately controlled. This in turn could materially and adversely affect domestic labour supply. As substantially all of the Combined Group's revenue is currently derived from the Combined Group's Senegal operations, any labour shortages in Senegal could materially and adversely affect the Combined Group's business and results of operations. In addition, if any of the Combined Group's employees is affected by any severe communicable disease,

it could adversely affect or disrupt the Combined Group's production and materially and adversely affect its results of operations as the Combined Group may be required to close its facilities to prevent the spread of the disease. The spread of any severe communicable disease in Senegal or Burkina Faso may also affect the operations of the Combined Group's suppliers, which could materially and adversely affect its business and results of operations.

In particular, malaria and other diseases such as HIV/AIDS represent a serious threat to maintaining a skilled workforce in the mining industry throughout Africa and are a major healthcare challenge faced by the Combined Group's operations in Africa. There can be no assurance that the Combined Group will not lose members of its workforce or see its workforce man-hours reduced or incur increased medical costs as a result of these health risks, which could materially and adversely affect the Combined Group's business and results of operations.

9. Australian tax implications of the Scheme

9.1 Australian taxation outline

The following is a general description of the Australian tax consequences of the Scheme (assuming it becomes Effective). The comments set out below are relevant only to those Shareholders who hold their Gryphon Shares on capital account. The description is based upon the Australian law and administrative practice in effect at the date of this Scheme Booklet, but is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of a Shareholder.

The information below does not apply to Scheme Participants:

- (a) who hold their Gryphon Shares on revenue account or as trading stock, such as banks and share trading entities;
- (b) who are temporary residents of Australia for Australian taxation purposes;
- (c) who hold their Gryphon Shares in connection with a business carried on through a permanent establishment outside their country of residence;
- (d) in respect of any performance rights or share appreciation rights in Gryphon; or
- (e) are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Gryphon Shares.

Gryphon Shareholders should seek independent professional advice in relation to their particular circumstances. This taxation advice should specifically consider whether the Gryphon Shareholder is entitled to CGT scrip-for-scrip rollover relief in connection with the Scheme.

Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law.

9.2 Australian resident shareholders

(a) Australian Capital Gains Tax (CGT)

The Scheme will result in the disposal by Gryphon Shareholders of their Gryphon Shares to Teranga. This change in the ownership of the Gryphon Shares will constitute a CGT event A1 for Australian CGT purposes.

The date of disposal of the Gryphon Shares for CGT purposes will be the Implementation Date.

(b) Calculation of capital gain or capital loss

Shareholders may make a capital gain on the disposal of Gryphon Shares to the extent that the capital proceeds from the disposal of the Gryphon Shares are more than the 'cost base' of those Gryphon Shares (the availability of CGT scrip-for-scrip rollover relief is discussed below). Conversely, Shareholders may make a capital loss to the extent that the capital proceeds are less than their 'reduced cost base' of those Gryphon Shares.

- **Cost base**

The 'cost base' of the Gryphon Shares generally includes the cost of acquisition and any incidental costs of acquisition and disposal that are not deductible to the Shareholder. The 'reduced cost base' of the Gryphon Shares is usually determined in a similar, but not identical, manner.

- **Capital proceeds**

The capital proceeds received in respect of the disposal of each Share should be the market value of the 0.169 Teranga CDIs or, if elected, 0.169 Teranga Shares, received per Gryphon Share.

(c) **CGT discount**

Australian resident Scheme Participants who are individuals, complying superannuation entities, trustees or life insurance companies may be entitled to reduce the amount of any capital gain made on the disposal of their Gryphon Shares if they have held their Gryphon Shares for at least 12 months before the Implementation Date (this reduction is referred to as the **CGT discount**).

The CGT discount, if it is available, is applied only after any available capital losses have been applied to reduce the capital gain.

The discount rate is 50% for individuals and trustees, and 33.3% for complying superannuation entities and life insurance companies (where the life insurance company qualifies for the CGT discount).

The CGT discount is not available to Scheme Participants:

- that are companies; or
- who acquired their Gryphon Shares before 21 September 1999 where the Scheme Participant chose to index the cost base of their Gryphon Shares for CGT purposes.

Capital gains and capital losses made by a Scheme Participant in a year of income from all sources are aggregate to determine whether they make a net capital gain or capital loss for the year of income. A net capital loss is not deductible from the assessable income for a Scheme Participant. However, a net capital loss may be able to be carried forward to offset capital gains made by the Scheme Participant in future years of income, subject to various requirements being met.

(d) **CGT roll-over relief**

Australian resident Scheme Participants who participate in the Scheme may be eligible for CGT scrip-for-scrip rollover relief.

In broad terms, eligible Scheme Participants who choose to obtain CGT scrip-for-scrip rollover relief disregard the CGT consequences of disposing of their Gryphon Shares under the Scheme, including the capital gain or capital loss that arises.

Scheme Participants will generally need to choose CGT scrip-for-scrip rollover relief before lodging their income tax return for the year of income in which the CGT event happens. This should, as discussed above, be the year of income in which the Implementation Date occurs.

Choosing to obtain CGT rollover relief can simply be evidenced by excluding the relevant capital gain in respect of which the CGT rollover relief is chosen from the Scheme Participant's tax return.

The receipt by Scheme Participants of Teranga CDIs rather than the underlying Teranga Shares should not preclude qualification for the CGT rollover relief on the basis that the Teranga CDIs will be CHESS Units of Foreign Securities.

(e) **Future disposal of Teranga CDIs or Teranga Shares**

A Scheme Participant may wish to dispose of any Teranga CDIs or Teranga Shares acquired under the Scheme at a later time. If the Scheme Participant chose to obtain CGT rollover relief on the disposal of their Gryphon Shares under the Scheme, the cost base and acquisition date of the Teranga CDIs or Teranga Shares they acquired under the Scheme may be different.

In particular, for those Scheme Participants who were eligible for and chose to obtain CGT rollover relief in respect of their Gryphon Shares, the CGT rollover relief rules will determine the cost base of any Teranga CDIs or Teranga Shares and their time of acquisition.

In general terms, where CGT rollover relief is chosen, the cost base of the Teranga CDIs or Teranga Shares will be equal to the existing cost base of the Shares exchanged under the Scheme.

In those circumstances, each Teranga CDI or Teranga Share should also be deemed to have been acquired by the relevant Scheme Participant on the same date as the date the original Gryphon Share which gave rise to the entitlement to the Teranga CDI or Teranga Share was acquired. This deemed acquisition date will be relevant for indexation or the availability of the CGT discount concession. For all

other CGT purposes, Scheme Participants should be taken to have acquired their Teranga CDIs or Teranga Shares at the time they are issued, which should be the Implementation Date.

Where CGT rollover relief is not chosen or is not available, the cost base of the Teranga CDIs or Teranga Shares should be equal to the market value of the Gryphon Shares exchanged under the Scheme. In this case, the Teranga CDIs or Teranga Shares should be taken to have been acquired at the time they are issued, which should be the Implementation Date.

9.3 Non-resident shareholders

For a Gryphon Shareholder who:

- (a) is not a resident of Australia for Australian tax purposes; and
- (b) does not hold their Gryphon Shares in carrying on a business through a permanent establishment in Australia;

the disposal of Gryphon Shares will generally only result in Australian CGT implications if:

- (c) that Shareholder together with its associates held an interest of 10% or more in Gryphon at the time of disposal or for a 12 month period within 2 years preceding the disposal (referred to as a “non-portfolio interest”); and
- (d) more than 50% of the market value of Gryphon’s assets is attributable to direct or indirect interests in “taxable Australian real property” (as defined in the income tax legislation).

The cost base of the Teranga CDIs or the Teranga Shares for non-resident Shareholders participating in the Scheme should be equal to the market value of the Gryphon Shares exchanged under the Scheme. The Teranga CDIs or Teranga Shares should be taken to have been acquired at the time they are issued, which will be the Implementation Date.

If you hold a “non-portfolio” interest in Gryphon, you should obtain independent advice as to the tax implications of sale, and whether any protection will be available under a relevant double tax treaty.

A non-resident Shareholder who has previously been a resident of Australia and chose to disregard a capital gain or loss on ceasing to be a resident will be subject to Australian CGT consequences on disposal of the Gryphon Shares as set out in section 9.2.

9.4 Australian goods and services tax (GST)

Gryphon Shareholders should not be liable to GST in respect of a disposal of those Gryphon Shares pursuant to the Scheme.

Shareholders may incur GST on costs (such as third party brokerage and adviser fees) that relate to the Scheme. Shareholders that are registered, or required to be registered, for GST may not be entitled to full input tax credits for any GST payable on such costs but may be entitled to “reduced input tax credits” (at the rate of 75%) for some acquisitions. This will depend on each Shareholders’ individual circumstances.

9.5 Australian stamp duty

No stamp duty should be payable in any Australian jurisdiction by Gryphon Shareholders in respect of the disposal of their Gryphon Shares.

Further, no stamp duty should be payable in any Australian jurisdiction by Gryphon Shareholders in respect of the issue to them of Teranga CDIs or Teranga Shares provided that no Gryphon Shareholder, either directly or when aggregated with interests held by associates of that Gryphon Shareholder, obtains an interest in Teranga of 90% or more on issuance of the Teranga CDIs or Teranga Shares to them.

10. Additional information

This section sets out additional statutory information, as well as some additional information that may be of interest to Gryphon Shareholders.

10.1 Substantial Shareholders

As at the close of trading on the date of this Scheme Booklet, the following persons had notified Gryphon that they had voting power in 5% or more of Gryphon Shares:

Name	Number of Shares in which they have voting power	% of Shares
MM Asset Management Inc.*	39,671,424	9.38
Global X Management Company	31,493,217	7.45
Teranga Gold Corporation	21,200,000	5.01

* MM Asset Management Inc is the beneficial owner of Gryphon Shares held through Macquarie Group Limited as nominee.

10.2 Marketable Securities of Gryphon held by or controlled by Directors

No Marketable Securities of Gryphon are held or controlled by Gryphon Directors and no such persons are otherwise entitled to such securities as at the date of this Scheme Booklet other than as listed below, all of which are held beneficially:

Director	Class of securities	Number of securities
Mel Ashton	Fully paid ordinary shares	1,000,000
Stephen Parsons	Fully paid ordinary shares	7,036,310
	Share Appreciation Rights	3,551,863
	Performance Rights	5,000,000
Didier Murcia AM	Fully paid ordinary shares	402,173

Each Gryphon Director intends to vote any Gryphon Shares held by or on behalf of him as at the time of the Scheme Meeting in favour of the Scheme in the absence of a Superior Proposal.

Except as stated in this section of the Scheme Booklet:

- (a) there are no marketable securities of Gryphon held by or on behalf of Gryphon Directors as at the date of this Scheme Booklet;
- (b) there are no marketable securities of Teranga held by or on behalf of Gryphon Directors as at the date of this Scheme Booklet; and
- (c) there has been no dealing by any Gryphon Director in any marketable securities of Gryphon or Teranga in the four months preceding the date of this Scheme Booklet other than grant of 5,000,000 Performance Rights to Stephen Parsons.

10.3 Benefits and agreements

(a) Benefits of Managing Director

Under his employment agreement with Gryphon, in the event of a change of control of Gryphon, Gryphon is required to pay Stephen Parsons an amount equal to 1% of Gryphon's market capitalisation as at the date of the change of control (capped at \$2.5 million). If the Scheme becomes Effective, this will constitute a change of control in Gryphon and Mr Parsons will be entitled to receive a payment of approximately \$850,000 from Gryphon.

In addition, Stephen Parsons agreed to the deferral of a \$325,000 bonus to which he became entitled in 2013 on the condition that it would be paid upon a change of control of Gryphon. If the Scheme becomes Effective, this will constitute a change of control in Gryphon and Mr Parsons will be entitled to receive payment of this \$325,000 from Gryphon in respect of the deferred bonus.

(b) Benefits in connection with retirement from office

It is not proposed that any payment or other benefit be made or given to any director, secretary or executive officer of Gryphon (or of its Related Bodies Corporate) as compensation for loss of, or as consideration for, or in connection with his or her retirement from, office in Gryphon or in any of its Related Bodies Corporate as a result of the Scheme other than in his or her capacity as a Gryphon Shareholder.

Gryphon pays premiums in respect of a directors and officers (D&O) insurance policy for the benefit of its Directors and executive officers.

(c) Agreements connected with or conditional on the Scheme

Except as set out below or otherwise disclosed in this section:

- no Gryphon Director has any other interests in a contract entered into by Teranga;
- there are no contracts or arrangements between a Gryphon Director and any person, including Teranga in connection with or conditional on the outcome of the Scheme; and
- no Gryphon Director has a material interest in relation to the Scheme other than in their capacity as a Gryphon Shareholder.

10.4 Capital structure of Gryphon

As at the date of this Scheme Booklet, Gryphon has 422,796,447 ordinary shares, 16,390,000 Performance Rights and 4,737,341 Share Appreciation Rights on issue.

The Performance Rights are all held by current employees of Gryphon. The Share Appreciation Rights are all held by current or former employees of Gryphon.

10.5 Implications of the Scheme for holders of Performance Rights

Under the terms of issue of the 5,000,000 Performance Rights issued to Stephen Parsons on 25 July 2016, the Gryphon Board has a discretion to determine that the Performance Rights will vest in the event of a change of control of Gryphon and on what terms. The Gryphon Board has exercised its discretion to determine that the Performance Rights will vest if Gryphon Shareholders approve the Scheme at the Scheme Meeting.

All other Performance Rights will, under their terms of issue, automatically vest if Gryphon Shareholders approve the Scheme at the Scheme Meeting.

If Gryphon Shareholders approve the Scheme at the Scheme Meeting then prior to the Record Date, Gryphon will issue one Gryphon Share per Performance Right on issue as at the Effective Date so that the former holders of Performance Rights will participate in the Scheme as a Gryphon Shareholder and receive the Scheme Consideration.

10.6 Implications of the Scheme for holders of Share Appreciation Rights

Gryphon and Teranga have entered into private treaty arrangements with each holder of Share Appreciation Rights under which the parties agree that, conditional on the Scheme becoming Effective, the Share Appreciation Rights will be cancelled and the former holders of Share Appreciation Rights will receive share appreciation rights in Teranga on terms that put them in an equivalent economic position. The Teranga share appreciation rights will be issued to holders of Share Appreciation Rights on the following basis:

- the number of Teranga share appreciation rights will be the same as the number of Share Appreciation Rights held by that holder adjusted only by the Exchange Ratio;
- the strike price of the Teranga share appreciation rights will be the same as the strike price of the Share Appreciation Rights adjusted only by the Exchange Ratio and by the Canadian dollar to Australian dollar exchange rate as at the Implementation Date;
- the expiry date of the Teranga share appreciation rights will be the same as the expiry date of the Share Appreciation Rights; and
- the Teranga SARs will not be subject to any vesting conditions (reflecting the fact that the Gryphon SARs have all vested).

As discussed in section 10.12(b), ASX has granted Gryphon a waiver in respect of Listing Rule 6.23.2 to permit the cancellation of up to a maximum of 4,737,341 Gryphon Share Appreciation Rights for consideration without obtaining the approval of Gryphon Shareholders.

10.7 Independent Expert

KPMG Corporate Finance has prepared the Independent Expert's Report set out in Annexure A of this Scheme Booklet advising as to whether, in its opinion, the Scheme is in the best interests of Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and therefore is in the best interests of Shareholders, in the absence of a superior proposal.

10.8 Consents

The following parties have given and have not withdrawn, before the registration of this Scheme Booklet by ASIC, their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- King & Wood Mallesons as legal adviser to Gryphon;
- Blake, Cassels & Graydon LLP as legal adviser to Gryphon (as to Canadian law);
- Maxit Capital as financial advisor to Gryphon;
- KPMG Corporate Finance as Independent Expert;
- Snowden Mining Consultants Pty Ltd as independent technical specialist;
- BDO Audit (WA) Pty Ltd as auditor of Gryphon;
- Link Market Services Ltd as Gryphon's Registry;
- Teranga;
- Ernst & Young LLP as auditor of Teranga;
- DLA Piper Australia as legal advisor to Teranga (as to Australian law);
- Stikeman Elliott LLP as legal advisor to Teranga (as to Canadian law); and

- Cormark Securities Inc. as financial advisor to Teranga.

KPMG Corporate Finance has also given and has not withdrawn, before the time of registration of this Scheme Booklet with ASIC, its written consent to the inclusion of its Independent Expert's Report in this Scheme Booklet in the form and context in which it is included and to all references in this Scheme Booklet to that Report in the form and context in which they appear.

Teranga has also given and has not withdrawn, before the time of registration of this Scheme Booklet by ASIC, its written consent to the inclusion of the Teranga Information in the form and context in which it is included and to all references in this Scheme Booklet to the Teranga Information in the form and context in which they appear.

Ernst & Young LLP has also given and not withdrawn, before the time of registration of this Scheme Booklet by ASIC, its written consent to the incorporation by reference in the Scheme Booklet of its audit report with respect to financial statements of Teranga for the years ended 31 December 2014 and 31 December 2015.

10.9 Disclaimers

None of the persons referred to in section 10.8 have authorised or caused the issue of this Scheme Booklet and do not make or purport to make any statement in this Scheme Booklet other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above.

To the maximum extent permitted by law, each person referred to in section 10.8 disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Scheme Booklet other than as described in this section with that person's consent.

The Teranga Information has been prepared by and is the responsibility of Teranga. Gryphon does not assume responsibility for the accuracy or completeness of the Teranga Information.

10.10 Fees

Each of the persons named in section 10.8 as performing a function in a professional, advisory or other capacity in connection with the Scheme and the preparation of this Scheme Booklet, will be entitled to receive professional fees charged in accordance with their normal basis of charging.

The fees for professional services paid or payable by Gryphon to:

- the KPMG Corporate Finance (in respect of the Independent Expert's Report) is \$170,000;
- Snowden Mining Consultants Pty Ltd (in respect of the Independent Technical Specialist Report which forms Appendix 7 to the Independent Expert's Report) is \$78,075;
- King & Wood Mallesons to the date of this Scheme Booklet (including for Court related aspects of the Scheme) is approximately \$350,000;
- Blake, Cassels & Graydon LLP to the date of this Scheme Booklet (as legal adviser in relation to Canadian law matters) is approximately C\$40,000; and
- Maxit Capital on implementation of the Scheme is a success fee of 2% of the transaction value, which based on the last traded price of Teranga CDIs on ASX on the Pre-Announcement Date, is approximately \$1.79 million.

With respect to the fees for professional services paid or payable to Teranga's advisors in connection with the Scheme:

- DLA Piper Australia to the date of this Scheme Booklet (as legal adviser in relation to Australian law matters) is approximately \$200,000;
- Stikeman Elliott LLP to the date of this Scheme Booklet (as legal adviser in relation to Canadian law matters) is approximately C\$85,000; and

- Cormark Securities Inc. (as financial adviser) is approximately C\$1,020,000.

10.11 Foreign jurisdictions

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities law. Gryphon disclaims all liabilities to such persons. Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed. No action has been taken to register or qualify this Scheme Booklet or any aspect of the acquisition in any jurisdiction outside of Australia.

10.12 ASIC relief and ASX waivers

(a) ASIC relief

Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires this Scheme Booklet to set out whether, within the knowledge of the Directors, the financial position of Gryphon has materially changed since the date of the last balance sheet laid before the company's annual general meeting or sent to Gryphon Shareholders in accordance with section 314 or 317 of the Corporations Act, being 30 June 2015.

ASIC has granted Gryphon relief from this requirement so that this Scheme Booklet only needs to set out whether, within the knowledge of the Directors, the financial position of Gryphon has materially changed since 31 December 2015 (being the last date of the period to which the financial statements for the half year ended 31 December 2015 relate). See section 4.6 for details of the material changes in the financial position of Gryphon since 31 December 2015.

Gryphon will provide a copy of the financial statements for the financial year ended 30 June 2015 and the half year ended 31 December 2015 free of charge to anyone who requests a copy, prior to the Scheme being approved by the Court.

(b) Gryphon ASX waivers

ASX has granted Gryphon a waiver in respect of Listing Rule 6.23.2 to permit the cancellation of up to a maximum of 4,737,341 Gryphon Share Appreciation Rights for consideration without obtaining the approval of Gryphon Shareholders.

The waiver application was made on the basis that Gryphon Shareholders are provided with information about the proposed treatment of the Gryphon Share Appreciation Rights in this Scheme Booklet and are therefore able to consider this information when determining whether to vote in favour of the Scheme. The waiver is conditional upon the Scheme being approved by the Court.

Further details regarding the treatment of the Gryphon Share Appreciation Rights are set out in section 10.6.

(c) Teranga ASX waivers

Teranga has the benefit of the following waivers:

- ASX Listing Rule 1.1, Condition 6: to the extent necessary to permit Teranga to apply for quotation only of Teranga CDIs. ASX Listing Rule 1.1 Condition 6 requires an entity applying to list on ASX to seek quotation of all of its securities in its main class;
- ASX Listing Rule 7.1: to the extent necessary to permit Teranga to issue securities without shareholder approval, subject to the Company complying and remaining subject to the TSX Manual with respect to the issue of new securities. ASX Listing Rule 7.1 provides that an entity must not, subject to specified exceptions, issue or agree to issue more securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period;
- ASX Listing Rule 10.11: to the extent necessary to permit Teranga to issue or agree to issue securities to a related party without shareholder approval subject to Teranga complying with the requirements of the TSX Manual and, where Teranga does seek shareholder approval, the votes of the relevant related party not being counted in respect of such resolution. ASX Listing

Rule 10.11 requires an entity to obtain shareholder approval before issuing, or agreeing to issue, securities to a related party;

- ASX Listing Rule 14.2.1: to the extent necessary to permit Teranga not to provide in its proxy form an option for holders of Teranga CDIs to cast a vote against any resolution to elect a director or to appoint an auditor subject to Teranga complying with relevant Canadian laws as to the content of proxy forms. ASX Listing Rule 14.2.1 requires that a proxy form, in respect of each resolution, provides for the security holder to direct the proxy to vote for the resolution, vote against the resolution, or abstain from voting on the resolution; and
- ASX Listing Rule 14.3: to the extent necessary to permit Teranga to accept nominations for the election of directors in accordance with the shareholder proposal provisions of section 137 of the Canada Business Corporations Act. ASX Listing Rule 14.3 requires that an entity must accept nominations for the elections of directors up to 35 business days (in the case of a meeting that members have requested directors to call, 30 business days) before the date of a general meeting at which directors may be elected, unless the entity's constitution provides otherwise.

10.13 Key terms of the Scheme Implementation Agreement

(a) Overview

Gryphon and Teranga entered into the Scheme Implementation Agreement on 19 June 2016. The Scheme Implementation Agreement sets out the steps required to be taken by Gryphon and Teranga to give effect to the Scheme. Key terms of the Scheme Implementation Agreement are summarised below.

(b) Conditions Precedent

The Conditions Precedent are summarised in section 3.4 of this Scheme Booklet and are set out in full in clause 3.1 of the Scheme Implementation Agreement.

In relation to the Condition Precedent that no Gryphon Material Adverse Event occurs before 8:00am on the Second Court Date, it should be noted that a failure to secure the renewal or extension of the Key Permits by 8:00am on the Second Court Date would constitute a Gryphon Material Adverse Event. The Key Permits are the Wahgnion Exploitation Licence, the Nogbele Exploration Permit and the Nianka Exploration Permit.

The Wahgnion Exploitation Licence expires in August 2016. Under Article 53 of the Burkina Faso Mining Code 2015 a two year extension for the period to begin development and production activities can be obtained via a joint decree of the Burkina Faso Ministers of Mines and of Finance. Gryphon has submitted an application to extend the Wahgnion Exploitation Licence.

The Nogbele Exploration Permit and the Nianka Exploration Permit expired on 8 July 2016. The renewal process involves removing the areas which are currently subject to the Wahgnion Exploitation Licence from the exploration permit areas. Gryphon has submitted a formal application under Article 42 of the Burkina Faso Mining Code 2015 for the renewal of all exploration permits at Banfora with new lease boundaries.

On the basis of Gryphon's extensive discussions with the relevant authorities in Burkina Faso, Gryphon has no reason to believe that the extension to the Wahgnion Exploitation Licence and the renewal of the Nogbele Exploration Permit and the Nianka Exploration Permit will not be received. However, there can be no guarantee that the renewal and extensions will be received by Gryphon from the relevant authorities in Burkina Faso or that they will be received before the Second Court Date.

(c) No shop

Gryphon has agreed that during the Exclusivity Period it must not, and must ensure that its representatives do not, solicit, invite, facilitate, encourage or initiate any Competing Proposal.

(d) No talk

Gryphon has agreed that during the Exclusivity Period neither it nor its representatives will initiate, negotiate or enter into or participate in negotiations or discussions with any person regarding a Competing Proposal even if that Competing Proposal was not directly or indirectly solicited, encouraged or initiated by Gryphon. The no talk restriction does not apply if the Gryphon Board has determined in

good faith that the Competing Proposal which was not solicited could reasonably be considered to become a Superior Proposal or failing to respond to such a Competing Proposal would be likely to constitute a breach of their fiduciary duties.

(e) **Notice of Competing Proposal**

Gryphon has agreed that during the Exclusivity Period Gryphon must promptly inform Teranga if it or any of its representatives receives an unsolicited approach with respect to any Competing Proposal and must disclose the general nature of the approach.

(f) **Gryphon Break Fee**

Gryphon has agreed to pay Teranga \$805,000 if the Scheme does not proceed because:

- any Gryphon Director fails to recommend, or recommends against, qualifies their support of or withdraws its recommendation or approval of, the Transaction, other than as a result of the Independent Expert opining that the Scheme is not in the best interests of Gryphon Shareholders or the fact that a Teranga Material Adverse Event has occurred and is continuing;
- any Gryphon Director recommends or promotes a Competing Proposal;
- the Court fails to approve the Scheme as a result of a material non-compliance by Gryphon with any of its obligations under the Scheme Implementation Agreement;
- the Effective Date of the Scheme has not occurred prior to the End Date as a consequence of non-compliance by Gryphon with any of its obligations under the Scheme Implementation Agreement;
- a Competing Proposal is announced before the date of the Scheme Meeting, the Scheme is not approved by the Gryphon Shareholders at the Scheme Meeting and, as contemplated by the Competing Proposal, a third party acquires voting power of 50% or more of Gryphon within twelve months of the Competing Proposal being announced; or
- Teranga terminates the Scheme Implementation Agreement due to:
 - a material breach of a provision of the Scheme Implementation Agreement by Gryphon which continues for more than 5 Business Days following notice of such breach; or
 - Gryphon's breach of its representations and warranties which cannot be remedied prior to the Second Court Date.

(g) **Teranga Break Fee**

Teranga has agreed to pay Gryphon \$805,000 if:

- the Court fails to approve the Scheme as a result of a material non-compliance by Teranga with any of its obligations under the Scheme Implementation Agreement;
- the Effective Date of the Scheme has not occurred prior to the End Date as a consequence of non-compliance by Teranga with any of its obligations under the Scheme Implementation Agreement; or
- Gryphon terminates the Scheme Implementation Agreement due to
 - a material breach of the Scheme Implementation Agreement by Teranga which continues for more than 5 Business Days following notice of such breach; or
 - Teranga's breach of its representations and warranties which cannot be remedied prior to the Second Court Date.

(h) **Termination by Teranga**

Teranga may terminate the Scheme Implementation Agreement:

- if Gryphon breaches any representation or warranty contained in the Scheme Implementation Agreement at any time prior to 8:00am on the Second Court Date and either:
 - the breach cannot be remedied prior to 8:00am on the Second Court Date and, had it been disclosed to Teranga prior to its entry into the Scheme Implementation Agreement, could reasonably be expected to have resulted in Teranga not entering into that agreement or entering into it on materially different terms; or
 - the breach amounts to a Gryphon Material Adverse Event;
- if, at any time prior to 8:00am on the Second Court Date, a Gryphon Director fails to recommend the Scheme or the Transaction or makes or withdraws his or her recommendation that Gryphon Shareholders vote in favour of the Scheme or makes a public statement indicating that he or she no longer supports the Scheme;
- if a Gryphon Prescribed Occurrence occurs prior to 8:00am on the Second Court Date;
- if the Gryphon Board recommends a Superior Proposal at any time before 8:00am on the Second Court Date; or
- if a Competing Proposal for Gryphon is announced, made, or becomes open for acceptance and, pursuant to that Competing Proposal, the bidder for Gryphon acquires voting power of 50% or more of Gryphon and that Competing Proposal is (or has become) free from any defeating conditions.

(i) **Termination by Gryphon**

Gryphon may terminate the Scheme Implementation Agreement:

- if Teranga breaches any representation or warranty contained in the Scheme Implementation Agreement at any time prior to 8:00am on the Second Court Date and either:
 - the breach cannot be remedied prior to 8:00am on the Second Court Date and, had it been disclosed to Gryphon prior to its entry into the Scheme Implementation Agreement, could reasonably be expected to have resulted in Gryphon not entering into that agreement or entering into it on materially different terms; or
 - the breach amounts to a Teranga Material Adverse Event;
- if, at any time prior to the Scheme Meeting, a majority of the Gryphon Directors have changed, withdrawn or modified their recommendation because a Superior Proposal has been received;
- if the Gryphon Board wishes to, and proceeds to, recommend a Superior Proposal; or
- if a Teranga Prescribed Occurrence occurs prior to 8:00am on the Second Court Date.

(j) **Termination by either party**

Either party may terminate the Scheme Implementation Agreement:

- if the End Date has passed before the Transaction has been implemented (other than as a result of a breach by the terminating party of its obligations under the Scheme Implementation Agreement);
- if the other party is in material breach of the Scheme Implementation Agreement at any time prior to 8:00am on the Second Court Date and the material breach, the non-defaulting party has given notice to the defaulting party stating an intention to terminate the Scheme Implementation Agreement, and the material breach is not remedied within five Business Days from the time the notice was given;

- if the required majorities of Gryphon Shareholders do not approve the Scheme at the Scheme Meeting;
- if a Court or other Regulatory Authority has issued an order, decree or ruling or taken other action that permanently restrains or prohibits the Transaction and that order, decree, ruling or other action has become final and cannot be appealed; or
- if there is a breach or non-fulfilment of a condition precedent which is not waived and there is failure to agree on an alternative means of completing the Transaction.

10.14 Regulatory

All regulatory approvals that are Conditions Precedent to the Scheme are set out in clause 3.1 of the Scheme Implementation Agreement.

As at the date of this Scheme Booklet Teranga has notified Gryphon that it has obtained the necessary approvals from TSX in relation to the conditional listing of the Teranga Shares to be issued as Scheme Consideration.

In addition, all ASX and ASIC relief approvals or consents that Gryphon considers are necessary to implement the Scheme as at the date of this Scheme Booklet have been granted or obtained.

10.15 Deed Poll

Teranga has entered into the Deed Poll in favour of the Shareholders under which Teranga has undertaken to issue and provide the Scheme Consideration if the Scheme becomes Effective.

The Deed Poll may be relied upon by any Shareholder despite the fact that they are not a party to it and each Shareholder appoints Gryphon as its agents to enforce their rights under the Deed Poll against Teranga.

10.16 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, so far as your Directors are aware, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Director or any director of a Related Entity of Gryphon which has not previously been disclosed to Shareholders.

10.17 Supplementary information

Gryphon will issue a supplementary document to this Scheme Booklet if it becomes aware, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- that a material statement in this Scheme Booklet is false or misleading in a material respect;
- that there is a material omission from this Scheme Booklet;
- of a significant change affecting a matter included in this Scheme Booklet has occurred; or
- of a significant new matter that has arisen which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

The form which the supplementary document may take will depend on the nature and timing of the new or changed circumstances.

11. Glossary

The following is a glossary of certain terms used in this Scheme Booklet.

Announcement Date	means the date on which the Scheme proposal was announced on ASX, being 20 June 2016.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as appropriate.
ASX Listing Rules	means the official listing rules of ASX.
ASX Settlement Rules	means ASX Settlement Operating Rules of ASX Settlement Pty Ltd (ABN 49 008 504 532).
Banfora Gold Project	means Gryphon's 100% owned gold project near Banfora located in the south-west of Burkina Faso, West Africa.
Burkina Faso Mining Code Consent	means the consent (if any) of the relevant authority in Burkina Faso under the Burkina Faso Mining Code 2015 for the deemed transfer of the Material Permits resulting from the Transaction.
Business Day	means Monday to Friday inclusive except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other date that the ASX declares is not a business day.
Canadian Securities Authorities	means the securities regulatory authorities in the provinces of Canada.
CIM or CIM Standards	means Canadian Institute of Mining, Metallurgy or Petroleum (CIM) Standard on Mineral Resources and Mineral Reserves, adopted by the CIM Council on 20 August 2000.
CDN	means CHESS Depository Nominees Pty Ltd (ABN 75 071 346 506) (AFSL 25414), in its capacity as depository of CHESS Depository Interests under the ASX Settlement Rules.
Combined Group	means Teranga and its Subsidiaries following implementation of the Transaction (when Gryphon will be a wholly-owned Subsidiary of Teranga).
Competing Proposal	<p>means any proposal or offer received by Gryphon, any member of the Gryphon Group from a third party (other than Teranga or its Related Entities) to evaluate or enter into any transaction that is similar to the Transaction or under which (other than as required or contemplated by the Scheme):</p> <ol style="list-style-type: none"> (a) other than with respect to on-market purchases of Gryphon Shares with no involvement by Gryphon (or a Related Entity of Gryphon), a person would acquire a relevant interest or voting power in 50% or more of Gryphon Shares or of the securities of any of member of the Gryphon Group; (b) a person would enter into, buy, dispose of, terminate or otherwise deal with any cash settled equity swap or other synthetic, economic or derivative transaction connected with or relating to 50% or more of Gryphon Shares or of the securities of any member of the Gryphon Group; (c) a person would directly or indirectly acquire or obtain an interest (including an economic interest) in all or a substantial part or material part of the business conducted by, or property of, the Gryphon Group; (d) a person would acquire Control of Gryphon or any material

	<p>member of the Gryphon Group; or</p> <p>(e) a person may otherwise acquire, or merge with, Gryphon or any member of the Gryphon Group (including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of securities, strategic alliance, dual listed company structure or joint venture).</p> <p>The variation of a proposal or offer constitutes a proposal or offer for the purposes of this definition.</p>
Control	has the meaning given to that term in section 50AA of the Corporations Act.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	means the <i>Corporations Regulations 2001</i> (Cth).
Côte d'Ivoire JVA	means the joint venture agreement between Teranga and Miminvest, pursuant to which Teranga will acquire a 100% interest in four exploration permits in the Republic of Côte d'Ivoire.
Court	means the Federal Court of Australia.
Deed Poll	means the deed poll dated 15 August 2016 executed by Teranga, set out in Annexure D.
Designated Directors	means non-executive directors of Teranga and its affiliates.
Designated Executives	means designated executive of Teranga, including Teranga's named executive officers.
Director	means a director of Gryphon.
DSU	means a Teranga deferred share unit.
DSU Plan	means the Teranga Deferred Share Unit Plan, adopted on 24 March 2014.
Effective	means, when use in related to the Scheme, the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme coming into effect pursuant to section 411(10) of the Corporations Act.
Effective Date	means the date on which the Scheme becomes Effective.
Election Form	means the form accompanying this Scheme Booklet, pursuant to which holders of Gryphon Shares (other than Ineligible Shareholders) may elect whether to receive their Scheme Consideration in the form of Teranga Shares or Teranga CDIs.
End Date	means 31 December 2016, or such later date as agreed to in writing between Gryphon and Teranga.
Exchange Ratio	means the exchange ratio of 0.169 Teranga Shares for each Gryphon Share contemplated in the Scheme Consideration.
Excluded Shareholder	means Teranga and any Related Body Corporate.
Franco Nevada	means Franco-Nevada (Barbados) Corporations.

Gold Stream Transaction	means a \$135 million stream transaction with Franco Nevada Corporation to fund Teranga's acquisition of the balance of OJVG that Teranga did not already own, and retire half of Teranga's then US\$30 million loan facility with Macquarie Bank Limited.
Golouma Mining License	means the mining license granted to OJVG by Decree No. 2010-83 of 26 January 2010, comprising a 212.6km ² landholding located in the Kedougou region of Senegal.
Gryphon	means Gryphon Minerals Limited ACN 107 690 657
Gryphon Board	means the board of directors of Gryphon.
Gryphon Group	means Gryphon and its Related Entities.
Gryphon Information	means all information contained in this Scheme Booklet, other than the Teranga Information and the Independent Expert's Report.
Gryphon Material Adverse Event	has the meaning it has in the Scheme Implementation Agreement.
Gryphon Prescribed Occurrence	has the meaning it has in the Scheme Implementation Agreement.
Gryphon Share	means a fully paid ordinary share in the capital of Gryphon.
Gryphon Shareholder	means each person who is registered on the Register as the holder of Gryphon Shares.
Gryphon Share Registry	means the manager from time-to-time of the Register.
Implementation Date	means the fifth Business Day after the Record Date, or such other date agreed to in writing between Gryphon and Teranga.
Independent Expert	means KPMG Corporate Finance.
Independent Expert's Report	means the report of the Independent Expert, as set out in Annexure A.
Indicated Mineral Resource	means: <ul style="list-style-type: none"> (a) for the purposes of the CIM Standards, the meaning given to that term in the CIM Standards; and (b) for the purposes of the JORC Code, the meaning given to that term in the JORC Code.
Ineligible Jurisdiction	means any place outside Australia, New Zealand and Canada.
Ineligible Shareholder	means a Gryphon Shareholder whose address shown in the Register is in a jurisdiction outside Australia, New Zealand and Canada in which Teranga determines, acting reasonably, does not permit the issue of the Teranga Shares or Teranga CDIs to that Gryphon Shareholder either unconditionally or after compliance with terms that Teranga reasonably regards as acceptable and practical.
Inferred Mineral Resource	means: <ul style="list-style-type: none"> (a) for the purposes of the CIM Standards, the meaning given to that term in the CIM Standards; and (b) for the purposes of the JORC Code, the meaning given to that term in the JORC Code.

JORC Code	means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 edition.
Key Permits	means the following licenses and permits: (a) Wahgnion Exploitation License (b) Nogbele Exploration Permit; and (c) Nianka Exploration Permit.
KPMG Corporate Finance	means KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) ABN 43 007 363 215.
LOM	means life of mine.
March 2016 AIF	means "the Annual Information Form of Teranga, dated 31 March 2016.
Material Permits	means the following permits and licences granted under the Burkina Faso Mining Code 2015: (a) Wahgnion Exploitation License; (b) Nogbele Exploration Permit; (c) Nianka Exploration Permit; (d) Nogbele Sud Exploration Permit; (e) Dierisso Exploration Permit; (f) Zegudeougou Exploration Permit; (g) Baniri Exploration Permit; (h) Intiedougou Exploration Permit; and (i) Mogue Exploration Permit.
Measured Mineral Resource	means: (a) for the purposes of the CIM Standards, the meaning given to that term in the CIM Standards; and (b) for the purposes of the JORC Code, the meaning given to that term in the JORC Code.
Miminvest	means Miminvest SA.
Mineral Reserve	means, for the purposes of the CIM Standards, the economically mineable part of a Measured Mineral Resource or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, and economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting minerals and allowances for losses that may occur when the material is mined.
Mineral Resource	means: (a) for the purposes of the CIM Standards, the meaning given to that term in the CIM Standards; and (b) for the purposes of the JORC Code, the meaning given to that term in the JORC Code.
NI 43-101	means National Instrument 43-101.

Nianka Exploration Permit	means the Nianka Exploration Permit Arrêté No. 2013-133/MME/SG/DGMG originally granted on 8 July 2004.
Nogbele Exploration Permit	means the Nogbele Exploration Permit Arrêté No. 2013-031/MME/SG/DGMG originally granted on 8 July 2004.
Ore Reserves	has the meaning given to that term in the JORC Code.
OJVG	means the Oromin Joint Venture Group.
Performance Right	means a performance right granted by Gryphon.
Pre-Announcement Date	means 17 June 2016, being the last trading day prior to the announcement of the Scheme.
Probable Mineral Reserve	means, for the purposes of the CIM Standards, the economically mineable part of a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information in mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.
Proved/Proven Mineral Reserve	means, for the purposes of the CIM Standards, the economically mineable part of a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.
Record Date	means the fifth Business Day following the Effective Date.
Regional Land Package	means the regional land package of eight exploration permits held by SMC, comprising a total land area of approximately 1,000km ² .
Register	means the share register of Gryphon kept pursuant to the Corporations Act.
Regulatory Authority	includes: <ul style="list-style-type: none"> (a) a government or governmental, semi-governmental, administrative, fiscal or judicial entity or authority; (b) a minister, department, office, commission, delegate, instrumentality, tribunal, agency, board, authority or organisation of any government; (c) any regulatory organisation established under statute; and (d) in particular, ASX, ASIC, TSX, and the Canadian Securities Authorities.
Related Body Corporate	has the meaning given to that term in section 9 of the Corporations Act.
Related Entity	means, in relation to a party, any entity that is related to that party within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in any approved Australian accounting standard) that is Controlled by that party.
Requisite Majority	means, in relation to the Scheme Resolution, a resolution passed by: <ul style="list-style-type: none"> (a) unless the Court orders otherwise, a majority in number (more than 50%) of Gryphon Shareholders (other than Excluded Shareholders) who are present and voting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; and

	(b) passed by at least 75% of the votes cast on the resolution.
RSU	means a Teranga restricted share unit.
RSU Plan	means the Teranga Restricted Share Unit Plan, adopted by Teranga on 24 March 2014.
Sabodala Gold Project	means the project operating at the Sabodala mine and mill located 650km east of Dakar within the West African Birimian geological belt in Senegal.
Sabodala Mining Concession	means the mining concession granted to Teranga on 2 May 2007 by Ministerial Letter No. 00197MMIE/CT BG/mad.
Sabodala Mining Convention	means the agreement between the Government of Senegal and SGO, dated 7 April 2015, which regulates each party's rights with respect to the exploration and exploitation of minerals within the Sabodala ML.
Sabodala ML	means the Sabodala mining license
Sabodala Technical Report	means the report titled 'Technical Report on the Sabodala Project, Senegal, West Africa' prepared by Teranga and Roscoe Postile Associates Inc. prepared in accordance with National Instrument 43-101 and dated 22 March 2016.
Sale Agent	means a person appointed by Teranga to sell the Teranga Shares that are attributable to Ineligible Shareholders.
Scheme	means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between Gryphon and Gryphon Shareholders, as set out in Annexure C, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Teranga and Gryphon.
Scheme Booklet	means this booklet.
Scheme Consideration	means 0.169 Teranga CDIs or, if so elected, 0.169 Teranga Shares, for every one Gryphon Share.
Scheme Implementation Agreement	means the Scheme Implementation Agreement dated 19 June 2016 between Gryphon and Teranga, as set out in Gryphon's announcement to the ASX dated 20 June 2016.
Scheme Meeting	means the meeting of Gryphon Shareholders convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act and includes an adjournment of that meeting.
Scheme Participant	means each person who is a Gryphon Shareholder as at 5:00pm on the Record Date (other than Teranga).
Scheme Resolution	means the resolution to be proposed to the Gryphon Shareholders at the Scheme Meeting to approve the Scheme, set out in the Notice of Meeting in Annexure E.
Second Court Date	means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appear for any reason, the day on which the adjourned or appealed application is heard.
Second Court Hearing	means the hearing of the application made to the Court for an order pursuant to sections 411(4)(b) of the Corporations Act approving the Scheme.

SEDAR	means System for Electronic Documents Analysis and Retrieval, the mandatory document filing and retrieval system for Canadian public companies.
Share Appreciation Rights	means a share appreciation right granted by Gryphon.
SGO	means Sabodala Gold Operations SA.
SMC	means Sabodala Mining Company SARL.
Stock Option	means an option to acquire a Teranga Share.
Stock Option Plan	means the Teranga Stock Option Plan.
Subsidiary	has the meaning given to that term in section 9 of the Corporations Act.
Superior Proposal	<p>means a bona fide Competing Proposal that the Gryphon Board, acting reasonably and in good faith, and after taking advice from its legal advisers and financial advisors, determines:</p> <p>(a) is reasonably capable of being completed on a timely basis, taking into account all aspects of the Competing Proposal and the person making it, including without limitation having regard to legal, regulatory and financial matters and any conditions precedent; and</p> <p>(b) would or would be reasonably likely, if completed in accordance with its terms, to be more favourable to Gryphon Shareholders than the Scheme, after taking into account all terms and conditions of, and the identity, reputation and standing of the person making, the Competing Proposal.</p>
Teranga	means Teranga Gold Corporation.
Teranga's 2015 Annual Report	means Teranga's annual audited financial statements and associated management discussion and analysis for the financial year ending 31 December 2015.
Teranga Board	means the board of directors of Teranga.
Teranga CDI	means a CHESSE Depository Interest, issued by CDN, representing a beneficial interest in one Teranga Share, which trades on the ASX.
Teranga Information	<p>means the information contained in the following sections:</p> <p>(a) the Letter from the President & CEO of Teranga</p> <p>(b) under the heading "Teranga Reserves and Resources" in the Important notices section in section 1.1(d);</p> <p>(c) section 5 (Information on Teranga);</p> <p>(d) section 6 (Information about the Combined Group);</p> <p>(e) sections 7.3(a) and 7.3(c) inclusive (Scheme Consideration)</p> <p>(f) section 8.3 (Risks related to the Combined Group) and</p> <p>(g) section 10.12(c) (Teranga ASX waivers),</p> <p>except in each case to the extent that information is based on information provided or prepared by or on behalf of Gryphon.</p>
Teranga Revolving Credit Facility	means Teranga's US\$30 million senior secured revolving credit facility with Societe Generale for general corporate purposes and working capital needs.

Teranga Share	means a fully paid common share in the capital of Teranga, which trades on the TSX.
Teranga Shareholder	means a holder of Teranga Shares.
Teranga's Share Registry	means Computershare Trust Company of Canada.
Transaction	means the acquisition by Teranga of all of the Gryphon Shares by means of the Scheme in accordance with the terms of the Scheme Implementation Agreement.
TSF	means tailings storage facility.
TSX	the Toronto Stock Exchange.
TSX Company Manual	means the official Toronto Stock Exchange Company Manual published by the TSX.
VWAP	means volume weighted average price.
Wahgnion Exploitation License	Wahgnion Exploitation License granted under Decree # 2014-675 dated 1 August 2014, as subsequently amended.

Interpretation

In this Scheme Booklet (other than the Annexures):

- (a) except as otherwise provided, all words and phrases used in this Scheme Booklet have the meanings (if any) given to them by the Corporations Act;
- (b) headings are for ease of reference only and will not affect the interpretation of this Scheme Booklet;
- (c) words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. A reference to a person includes a reference to a corporation;
- (d) all dates and times are to Perth, Western Australia times;
- (e) a reference to \$, A\$, AUD and cents is to Australian currency, unless otherwise stated;
- (f) a reference to C\$ and CAD is to Canadian currency, unless otherwise stated;
- (g) a reference to US\$ and USD is to United States currency, unless otherwise stated; and
- (h) a reference to a section or Annexure is to a section in or Annexure to this Scheme Booklet, unless otherwise stated.

Annexure A – Independent Expert’s Report



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The Directors
Gryphon Minerals Limited
288 Churchill Avenue
Subiaco WA 6008

25 July 2016

Dear Directors

INDEPENDENT EXPERT REPORT AND FINANCIAL SERVICES GUIDE

PART ONE – INDEPENDENT EXPERT REPORT

1 Introduction

On 20 June 2016, Gryphon Minerals Limited (**Gryphon** or **the Company**) announced that it had entered into a Scheme Implementation Agreement (**SIA**) with Teranga Gold Corporation (**Teranga**), pursuant to which Teranga will acquire all of the issued capital of Gryphon, to be effected by way of a Scheme of Arrangement (**the Scheme**).

In July 2016, Gryphon completed a \$4.4 million¹ private placement pursuant to which Teranga subscribed for 5% of Gryphon's ordinary share capital at a price of \$0.206 per new Gryphon share.

Under the terms of the Scheme, Gryphon shareholders, other than Teranga and its associates, at the relevant Record Date² (**the Scheme Participants**) can elect to receive either:

- 0.169 (**the Exchange Ratio**) new Teranga common shares (**Teranga Shares**) for each Gryphon ordinary share held; or
- 0.169 new Teranga CHESS Depository Interests (**Teranga CDIs**) for each Gryphon ordinary share held

(**the Scheme Consideration**).

The Teranga CDIs will trade on the Official List of ASX Limited (**ASX**) and the Teranga Shares will trade on the Toronto Stock Exchange (**TSX**). CDIs may be traded like shares and are frequently used for trading foreign company shares on the ASX.

¹ All amounts in this report are denominated in Australian dollars (**\$** or **AUD**) unless specifically stated otherwise

² Record Date refers to 5.00pm (Sydney time) on the fifth business day after the date on which the Scheme becomes effective (**Effective Date**), or such later date as may be agreed to in writing by Gryphon and Teranga (**Record Date**)

Implementation of the Scheme will result in the Scheme Participants collectively holding an approximate 15% interest of the merged entity (**the Expanded Teranga**).

Gryphon is an Australian gold exploration and development company listed on the ASX. As at 22 July 2016, Gryphon had a market capitalisation of approximately \$71.9 million. Gryphon's principal asset comprises the Banfora Gold Project (**Banfora Project**) located in Burkina Faso, West Africa. Gryphon is headquartered in Perth, Western Australia.

Teranga is a Canadian domiciled gold production company listed on the TSX. As at 22 July 2016, Teranga had a market capitalisation of approximately \$433.1 million³. Teranga's principal assets comprise cash and the Sabodala Gold Project (**Sabodala Project**) located in Senegal, West Africa. Teranga is headquartered in Toronto, Canada.

Completion of the Scheme requires the approval of Scheme Participants and the satisfaction of various conditions precedent (set out in Section 2.1). The Directors of Gryphon (**the Directors**) have, in the absence of a superior offer, unanimously recommended Scheme Participants vote in favour of the Scheme and, as at the date of this report, have not withdrawn or modified their recommendation.

The Directors have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) prepare an Independent Expert Report (**IER**) to the Scheme Participants in relation to the Scheme. The purpose of the IER is to set out whether or not, in our opinion, the Scheme is in the best interests of the Scheme Participants as a whole.

The specific terms of the resolutions to be approved by the Scheme Participants in relation to the Scheme are set out in the documents to be sent to the Scheme Participants (**Scheme Booklet**) to which this report is attached. This report should be considered in conjunction with and not independently of the information set out in the Scheme Booklet.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Summary of the Scheme

Broadly, the principal terms of the Scheme as they affect Gryphon shareholders are that Scheme Participants can elect to receive either:

- 0.169 new Teranga Shares for each Gryphon ordinary share held; or
- 0.169 new Teranga CDIs for each Gryphon ordinary share held

Any fractional entitlement of a Scheme Participant to a part of a new Teranga Share or Teranga CDI will be rounded down to the nearest whole number. All new Teranga Shares or Teranga CDIs issued pursuant to the Scheme will rank equally in all respects with all existing Teranga Shares and Teranga CDIs on issue.

³ Based on the spot exchange rate of 1.00AUD:0.978 Canadian dollars (**C\$** or **CAD**)

Further information in relation to the individual characteristics of Teranga Shares and Teranga CDIs is set out in Section 7 in the Scheme Booklet.

As set out in the Scheme Booklet, Tablo Corporation (**Tablo**) intends to exercise an anti-dilution right to maintain its proportionate interest in Teranga by subscribing for Teranga Shares, which, subject to the successful completion of the Scheme will result in an additional US\$9.7 million⁴ equity placement to Tablo (**the Tablo Placement**).

2.1 Conditions precedent

Completion of the Scheme is subject to a number of conditions precedent as set out in the SIA, including:

- all regulatory and other approvals, consents, clearances and permissions to give the Scheme effect having been obtained from all relevant bodies, including the Court, Australian Securities and Investments Commission (**ASIC**), ASX and TSX
- Scheme Participants approving the Scheme by the requisite majorities
- the independent expert concluding that the Scheme is in the best interests of Scheme Participants
- no material adverse change, prescribing occurrence or regulated event in respect of Gryphon or Teranga
- provision of consent under the Burkina Faso Mining Code.

As at the date of this report, neither Gryphon nor Teranga were aware of any reason why the conditions precedent will not be satisfied.

The SIA also includes clauses for both Gryphon and Teranga relating to mutual reimbursement fees of approximately \$0.8 million, no shop and no talk provisions and various other standard provisions relevant to the Scheme, such as termination rights and the obligations of each company in the lead up to implementation. The full terms of the SIA can be obtained from the ASX announcements made by Gryphon and Teranga on 20 June 2016.

Ineligible foreign securityholders will not receive Teranga Shares or Teranga CDIs under the Scheme, but rather their holdings in Gryphon will be transferred to a sale nominee who will sell either Teranga Shares or Teranga CDIs they would otherwise be entitled to receive under the Scheme and remit the sales proceeds to them. Details as to ineligible foreign securityholders are set out in the Scheme Booklet.

Further details in relation to the Scheme, are set out in the Scheme Booklet to which this report is attached and also in the SIA included with the Company's announcement of the Scheme on 20 June 2016.

⁴ Based on an estimated subscription price of approximately \$0.92 United States dollars (**US\$** or **USD**) per Teranga share as set in the Scheme Booklet

2.2 Electing to receive either Teranga Shares or Teranga CDIs

Scheme Participants can elect to receive the Scheme Consideration in the form of Teranga Shares listed on the TSX or Teranga CDIs listed on the ASX.

Each Teranga CDI confers a beneficial interest upon the holder in a corresponding Teranga Share. Teranga CDIs will be held by a nominee company on behalf of the holders of Teranga CDIs. Teranga CDIs are listed and traded on the ASX.

The key differences between Teranga Shares and Teranga CDIs are that holders of CDIs cannot trade the underlying share directly and are a beneficial owner rather than a direct holder of the underlying Teranga Share.

The key features of Teranga CDIs are set out in Section 7.3 of the Scheme Booklet and are summarised below:

- holders of the Teranga CDIs will have the same right to participate in dividends, bonus issues and rights issues as holders of Teranga Shares and will be able to vote by instructing the nominee company to exercise their rights on their behalf
- holders of Teranga CDIs may, at any time, convert their Teranga CDIs listed on the ASX into Teranga Shares listed on the TSX by contacting either the Teranga CDI subregistry or their broker
- Teranga will communicate directly with holders of Teranga CDIs with respect to corporate actions and will send notices and other documents to holders of Teranga CDIs at the same time as they are sent to Teranga shareholders
- Teranga CDIs may be traded on the ASX only. If a holder of Teranga CDIs wishes to trade on the TSX, they must convert Teranga CDIs to underlying Teranga Shares
- dividend record and payment dates will be the same for Teranga Shares and Teranga CDIs.

3 Scope of Report

Section 411(3) of the Corporations Act 2001 (**the Act**) requires that an explanatory statement issued in relation to a proposed scheme of arrangement under Section 411 of the Act include information that is material to the making of a decision by a member as to whether or not to agree with the relevant proposal. In this regard, the Directors have requested KPMG Corporate Finance to prepare an IER to satisfy the requirements of Section 411 (although there is no technical requirement in the current circumstances for an IER to be prepared in relation to the Scheme).

In undertaking our work, we have referred to guidance provided by ASIC in its Regulatory Guides, in particular Regulatory Guide 111 ‘Content of expert reports’ (**RG 111**) which outlines the principles and matters which it expects a person preparing an IER to consider when providing an opinion on whether a transaction is “fair and reasonable”, and therefore “in the best interests” of Scheme Participants.

3.1 Basis of assessment

RG 111 indicates the principles and matters which it expects a person preparing an independent expert report to consider. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is “fair and reasonable” and, as such, incorporates issues as to value. In particular:

- ‘fair and reasonable’ is not regarded as a compound phrase
- an offer is ‘fair’ if the value of the offer price or consideration is equal to or greater than the value of the shares subject to the offer
- an offer is ‘reasonable’ if it is ‘fair’
- an offer might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the shares subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100% ownership of the ‘target’ and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target prior to the bid. That is, RG 111 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis). In addition, RG 111 notes that the weight of judicial authority is that an expert should not reflect ‘special value’ that might accrue to the acquirer.

Accordingly, when assessing the full underlying value of Gryphon, we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of Gryphon. As such, we have not included the value of special benefits that may be unique to Teranga. Accordingly, our valuation of Gryphon has been determined without regard to the specific bidder, and any special benefits have been considered separately.

Furthermore, where the consideration offered comprises scrip, ASIC considers that the value of the consideration offered should reflect the theoretical value of a minority holding in the expanded acquiring entity. Accordingly, in assessing the value of the Teranga Shares and Teranga CDIs, assuming the completion of the Scheme, we have excluded any premium for control.

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer, such as but not limited to:

- the bidder’s pre-existing shareholding in the target
- the liquidity of the market in the target’s and offeror’s shares
- any special value of the target to the bidder
- the likely market price of the target’s shares in the absence of the offer
- any conditions associated with the Scheme

- the likelihood of an alternative offer being made
- the consequences of not approving the Scheme

4 **Summary of opinion**

In our opinion the Scheme is fair and reasonable to Scheme Participants and therefore is “in the best interests” of Scheme Participants, in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the Scheme is fair, by comparing our assessed value of a Gryphon share on a controlling interest basis to our assessed value of the Scheme Consideration (based on the notional value of an Expanded Teranga share on a minority interest basis post the Scheme implementation)

We have assessed the value of a Gryphon share, inclusive of a premium for control, to lie in the range of \$0.11 to \$0.18 per share, which compares, based on the Exchange Ratio, to our assessed value for the Scheme Consideration of between \$0.12 to \$0.16 per Gryphon share. As the Scheme Consideration falls within our assessed value range for a Gryphon share inclusive of a premium for control, we consider the Scheme to be fair.

In arriving at our range of assessed values for both Gryphon and the Scheme Consideration, we have placed reliance on the report prepared by Snowden Mining Industry Consultants Pty Ltd (**Snowden**), the independent mining industry specialists engaged by Gryphon, and instructed by us, to assist in relation to the assessment of the value of the mineral asset interests held by each of Gryphon and Teranga. A copy of Snowden’s report is attached at Appendix 7.

We would highlight to readers that our range of assessed values for each of Gryphon and the Scheme Consideration, are particularly sensitive to future gold price, gold production and operating costs assumptions. In this regard we note that:

- gold prices have exhibited a significant degree of volatility in recent times and there is a wide range of views on the part of commodity and market analysts as to future gold prices. KPMG Corporate Finance’s forecast gold price assumptions have been determined after consideration of the forecasts of various market analysts as well as prevailing forward curves. However, a wide range of assumptions could credibly be adopted, which could impact assessed fair values either positively or negatively
- construction of the Banfora Project has not commenced and there is a degree of risk inherent in development stage projects in comparison to the Sabodala Project, which is an established production project with better known operating profiles and parameters.

In this context, we would draw Scheme Participants’ attention to the sensitivity analysis set out in sections 12 and 13 of this report.

Whilst we consider our range of assessed market values for Gryphon and the Scheme Consideration to be reasonable at the date of this report, we note that, depending on Scheme Participants’ views as to forecast gold prices, the prospects and operations of each of the Banfora Project and the Sabodala Project as well as the other exploration interests held by each of Gryphon and Teranga, it is conceivable that some

Scheme Participants could potentially form a view that the value of Gryphon, inclusive of a premium for control, more appropriately lies at the top of our range of assessed fair values for Gryphon. In these circumstances Scheme Participants would conclude the Scheme is not fair. These Scheme Participants would then need to consider whether, despite not being fair, there are sufficient other factors to approve the Scheme.

Whilst the Scheme has been assessed as being fair at the date of this report and therefore, pursuant to the operation of RG111 is deemed to be reasonable, in our view, although not “technically” necessary, we have also assessed the implications of the Scheme for Scheme Participants, the alternatives to the Scheme which are available to Gryphon and the Scheme Participants, and the consequences for Scheme Participants of not approving the Scheme.

Other principal considerations for Gryphon shareholders other than those related solely to value are whether the benefits of

- holding a continued (albeit diluted) interest in Gryphon’s assets and a new pro-rata interest in Teranga’s assets (including the producing Sabodala Project), and
- the opportunity to participate in any synergies realised by the Expanded Teranga (including any benefit of enhanced funding prospects in relation to the development of the Banfora Project compared to Gryphon as a stand-alone entity)

outweighs

- the uncertainty as to the final consideration to be realised by Gryphon shareholders, given the Scheme Consideration is in the form of new equity interests in Teranga,
- the transaction and implementation costs that will be incurred, and
- the dilution of the Scheme Participants’ interests in Gryphon’s existing assets.

The decision to approve the Scheme or not is a matter for individual Gryphon shareholders based on their views as to value, expectations about future market conditions and their particular circumstances including investment strategy and portfolio structure, risk profile and tax position. Gryphon shareholders should consult their own professional advisor, if in doubt, regarding the action they should take in relation to the Scheme.

The principal matters that KPMG Corporate Finance has taken into consideration in forming its opinion that the Scheme is in the best interests of the Scheme Participants are set out in the remainder of this section.

5 Key considerations

5.1 Fairness

The Scheme Consideration to be received by Scheme Participants is fair

In assessing the fairness of the Scheme to the Scheme Participants, we have compared the value of an existing Gryphon share, inclusive of a premium for control, to the value of the Scheme Consideration comprising 0.169 Teranga Shares or 0.169 Teranga CDIs on a portfolio basis (i.e. excluding a premium for control) assuming the Scheme is implemented.

We have assessed the value of Gryphon, inclusive of a premium for control, to lie in the range of approximately \$46.9 million to \$79.8 million, or between approximately \$0.11 and \$0.18 per Gryphon share.

Our range of assessed values for Gryphon has been prepared on a sum of the parts basis and incorporates corporate cost savings that would generally be available to a pool of purchasers. It does not include any potential strategic or operational benefits unique to Teranga associated with control of Gryphon.

This compares to our assessed value of the Scheme Consideration on a minority basis assuming the Scheme is implemented of between \$0.12 and \$0.16 per Gryphon share at the Exchange Ratio.

The chart below provides a comparison of our assessed valuation ranges for a Gryphon share and the Scheme Consideration in assessing fairness of the Scheme:

Figure 1: Comparison of our assessed valuation ranges for a Gryphon share and the Scheme Consideration



Source: KPMG Corporate Finance Analysis

Having regard to the dispersion of assessed fair values set out above, we consider that the Scheme Consideration is fair to Scheme Participants.

In arriving at our range of values for each of Gryphon and the Scheme Consideration, we have placed reliance on the assumptions prepared by Snowden in relation to production scenarios, including appropriate Mineral Resources and Ore Reserves estimations, capital expenditure and operational cost

profiles in respect the Banfora Project and the Sabodala Project. In addition, Snowden has assessed the fair value of other mineral asset interests held by Gryphon or Teranga not captured in the production scenarios. Snowden's report is attached as Appendix 7. We have discussed with Snowden the assumptions adopted by it and consider there to be a reasonable basis for the assumptions adopted by them based on information available at the date of this report.

The production, operating cost and capital cost forecasts prepared by Snowden (**the Technical Model(s)**) were adjusted by us to reflect specific corporate matters, including the impact of royalties, corporate and withholding taxes, head office costs, financial instruments and other matters of judgement by us.

We would highlight to readers that the range of values for the mineral assets of both Gryphon and Teranga at the stage of their development should be considered in light of the uncertainty surrounding various key assumptions, including but not limited to:

- Gryphon's principal asset comprises the Banfora Project, which is subject to funding, development, economic, country and operating risks. Our values effectively assume that Gryphon will be able to obtain all necessary development funding required to bring the Banfora Project on stream and in the timeframe contemplated
- our valuation of each of the Banfora Project and the Sabodala Project is particularly sensitive to gold price, future production and capital and operating expenditure assumptions
- Snowden has indicated its preferred values in respect of the Banfora Project Mineral Resources not included in the Technical Models, the Sabodala Project Mineral Resources not included in the Technical Models and other exploration assets lie towards the low end of its range of assessed fair values
- Snowden's production case in respect of the Sabodala Project Mineral Reserves assumes the successful transition from open pit to underground mining, which in turn requires a significant level of capital investment. Any variance in either the timing or costs required to complete this transition could impact values materially either positively or negatively
- whilst Gryphon is confident they will be renewed in due course, we note that two exploration leases have expired and an exploitation lease is due to expire in August 2016 (all underpinning the Banfora Project). Should renewal not be achieved this is likely to have a significant adverse impact on assessed value.

Further details in relation to the basis of our valuations are set out in sections 12, 13 and 14 of this report.

Our range of values for Gryphon on a control basis represents between a discount of 14% at the low end, and a premium of 48% at the high end to the volume weighted average price (**VWAP**) for a Gryphon share measured at various points prior to the date of announcement of the Scheme as set out below.

Table 1: Scheme Consideration premium / (discount) to Gryphon's share price prior to the announcement of the Scheme

Period up to and including 17 June 2016	Assessed value of the Scheme Consideration				
	VWAP \$	Low \$	Premium / (Discount)	High \$	Premium / (Discount)
1 day	0.140	0.12	(14%)	0.16	14%
1 week	0.140	0.12	(14%)	0.16	14%
1 month	0.132	0.12	(9%)	0.16	21%
3 months	0.131	0.12	(8%)	0.16	22%
6 months	0.108	0.12	11%	0.16	48%

Source: Capital IQ and KPMG Corporate Finance Analysis

5.2 Other considerations

In accordance with RG111, a transaction is considered to be reasonable if it is fair. However, notwithstanding the regulatory guidance that suggests that the Scheme is reasonable because it is fair, we have also considered a range of other factors Scheme Participants may also wish to take into account in considering the Scheme.

5.2.1 Advantages

Based on the Exchange Ratio and the closing traded price for a Teranga share on the day prior to the announcement of the Scheme, Scheme Participants will receive a premium to recent trading prices

Based on the Exchange Ratio and the closing trading price at last trading day prior to the announcement of the Scheme for Teranga Shares of C\$1.19 (\$1.25 on an AUD equivalent) and a Teranga CDI of \$1.22, the implied premium of the Scheme Consideration over the VWAP of Gryphon shares at various points in the six months prior to the announcement of the Scheme is detailed in the table below.

Table 2: Teranga's closing traded price compared to Gryphon's share price prior to the announcement of the Scheme

Period up to and including 17 June 2016	VWAP \$	Implied by Teranga's closing traded price on 17 June 2016			
		Teranga CDI \$	Premium / (Discount)	Teranga Share \$	Premium / (Discount)
1 day	0.140	0.206	47%	0.211	51%
1 week	0.140	0.206	47%	0.211	51%
1 month	0.132	0.206	56%	0.211	60%
3 months	0.131	0.206	57%	0.211	61%
6 months	0.108	0.206	91%	0.211	95%

Source: Capital IQ and KPMG Corporate Finance Analysis

Transactions in Australia are typically completed with an implied acquisition premium in the order of 25 percent to 40 percent to the pre-trading equity price of the target, based on our analysis of publicly available data. We note that these premia generally include a component for operating synergies and special benefits that are not separately identifiable. Where little or no operating synergies or special benefits will be realised in a transaction, the pure control premium is likely to be at or below the lower end of observed premia.

The premia implied by the Scheme Consideration over the VWAP for the various periods set out above lie above the range usually observed in Australian takeovers.

We note however that the value of Gryphon and the Scheme Consideration at the meeting date could differ from prevailing prices, which reflect the market conditions as at the date of this report. Accordingly Scheme Participants will need to consider, inter alia, movements in Teranga's underlying share price subsequent to the date of this report in deciding whether to approve the Scheme.

Completion of the Scheme will enhance the prospects for the development of the Banfora Project

Prior to the Scheme, Gryphon explored a number of debt and equity funding alternatives in relation to the development of the Banfora Project in its own right, as well as different processing routes and project configurations. However, the scale of the project vis-à-vis Gryphon and political unrest in Burkina Faso acted to dampen the enthusiasm of potential funders.

Teranga is substantially larger than Gryphon, is already operating successfully in West Africa and is expected to continue to generate positive cash flow from the Sabodala Project. Accordingly, the Directors consider, and we concur, that the prospects of the Expanded Teranga being able to access equity and debt markets for the development of the Banfora Project to be better than Gryphon as a stand-alone entity.

We would highlight to readers however that the Expanded Teranga's pro-forma cash position of approximately US\$66.8⁵ million, combined with unused portion of Teranga's existing debt facilities of approximately US\$15 million, may be insufficient of themselves to meet the expected capital costs for the development of the Banfora Project. Whilst there is the potential that any shortfall may be able to be met from near term cash flow generated by the Sabodala Project, it is also possible that the Expanded Teranga may be required to seek additional equity and/or debt funding. Depending upon the form of the raising and prevailing market conditions, this may be dilutive to the Scheme Participants.

Implementation of the Scheme will result in Scheme Participants holding an investment in a larger business which should lead to increased liquidity

All else being equal, larger businesses tend to be more liquid investments than their smaller peers owing to larger free-floats, lower operating risk given the more diversified nature of their operations, and lower earnings volatility.

⁵ Including cash expected to be raised from the Tablo Placement and adjusted for expected transaction costs.

The combination of Gryphon and Teranga will create a multi project West African gold company. If the Scheme is implemented, Scheme Participants will own up to approximately 15% of the Expanded Teranga.

As a result of the Expanded Teranga's increased scale, footprint and shareholder base, there appears to be a reasonable prospect that a greater number of investors may be attracted to the Expanded Teranga, which should result in a greater level of liquidity than is currently the case in respect of Gryphon or Teranga as stand-alone entities.

We also note that, based on the current shareholder profiles of Gryphon and Teranga, the share register of the Expanded Teranga will remain relatively open immediately following implementation of the Scheme, as such we do not consider the prospects of the Expanded Teranga receiving a takeover offer in the future to be diminished as a result of implementing the Scheme. Indeed, it is arguable that given Teranga's increased scale and multi-project status this may increase the attractiveness of the company to potential acquirers. Should an offer emerge in the future for Teranga, Scheme Participants who have continued to hold Teranga Shares or Teranga CDIs would be entitled to participate in any takeover premium paid.

5.2.2 Disadvantages

Current Gryphon shareholders will have a significantly diluted interest in Gryphon's existing asset base

In the event that the Scheme is successfully implemented, Scheme Participants will, in aggregate, hold up to a 15.0% shareholding in the expanded capital of Teranga.

As such, the interest of Gryphon shareholders in Gryphon's existing development and exploration assets will be significantly diluted. However, Gryphon shareholders will also receive a similar pro rata interest in Teranga's more advanced Sabodala Project, which is already in production, its exploration assets and also any synergies and cost savings realised by Teranga as a result the integration of Gryphon.

The Scheme does not provide certainty as to the value of consideration received

As the consideration offered under the Scheme does not include a cash alternative, in the event the Scheme is implemented eligible Gryphon shareholders will receive new Teranga Shares or Teranga CDIs in the Expanded Teranga.

Whilst the assumptions adopted by us in determining our range of assessed values for a Gryphon share and the Scheme Consideration are considered reasonable at the date of this report, the value ultimately received by Gryphon shareholders for their Gryphon shares will be dependent upon the trading price for a Teranga Share or Teranga CDI at the time each eligible Gryphon shareholder decides to realise their investment.

Future shareholder returns may be subject to increased foreign exchange risk

The repatriation of future dividends and/or capital returns made by Teranga, if any, to Australian shareholders will be subject to currency risk, both positive and negative, due to future foreign currency movements.

Ineligible foreign shareholders and involuntary disposal impact

Restrictions in certain foreign countries may make it impractical or unlawful to offer or receive securities in those countries, therefore some Gryphon shareholders will be ineligible foreign shareholders. Teranga will not be obliged to issue Teranga Shares or Teranga CDIs to ineligible foreign shareholders.

In the event the Scheme is implemented, the Teranga Shares to which the ineligible foreign shareholders would otherwise have been entitled to will be issued to a nominee and realised, with the net proceeds of such sales distributed to the relevant ineligible foreign shareholders, notwithstanding that those ineligible foreign shareholders may have desired to retain an interest in the Expanded Teranga. Share trading in the Expanded Teranga shares may be impacted by the trading activity of the nominee appointed to realise the shares that would otherwise have been issued to the ineligible foreign shareholders.

5.2.3 Other matters

Likelihood for a superior alternative proposal is uncertain

Under the SIA, Gryphon is restricted from either soliciting or entering into discussions with third parties in relation to alternative proposals. However, the Directors would be required under their fiduciary duties to consider the merits of an alternative proposal should it arise.

Prior to agreeing to put the Scheme to Scheme Participants, Gryphon undertook an extended process to identify development paths for the Banfora Project, including consideration and pursuit of various debt and equity funding alternatives. Under this process, Gryphon, and various advisors, engaged with a significant number of parties identified as being potential acquirers and / or funders. However, as at the date of announcement of the Scheme only Teranga had provided an offer likely to provide certainty to Gryphon shareholders.

Whilst no alternative offers have been received by Gryphon since the date of the announcement, we note that a number of parties have over time expressed interest in investigating the merits of the Banfora Project. As such, whilst we consider the prospect of an alternative offer emerging to be unlikely, we do not consider it to be without prospect.

CDIs have different characteristics and potentially reduced liquidity relative to a Teranga share

Scheme Participants will have the option of choosing to receive the Scheme Consideration in the form of new Teranga Shares (to be listed on the TSX) or new Teranga CDIs (to be listed on the ASX).

The key differences between new Teranga Shares and new Teranga CDIs are that holders of CDIs cannot trade the underlying share directly and are a beneficial owner rather than a holder of the underlying share.

Economically the rights attaching to the CDIs are equivalent such that no practical difference exists as to rights associated with dividends, bonus issues and rights issues, whilst with respect to voting a holder must instruct the nominee to exercise their rights on their behalf. The CDIs have the advantage for Australian resident shareholders in that they will be traded on the ASX during Australian business hours in prices quoted in Australian dollars using local brokers.

In relation to future trading, risks include:

- Teranga CDIs may be less liquid than Teranga shares, and therefore may trade at a discount to Teranga shares trading on the TSX
- there may be higher volatility in the trading prices of Teranga CDIs relative to Teranga shares as a result of foreign exchange rate fluctuations.

Teranga CDIs can be converted into Teranga shares at any time and vice versa, however, there may be tax consequences associated with any such conversion.

Incorporation in Canada

Teranga is domiciled in Canada. Accordingly, the conduct and reporting responsibilities of Teranga are subject to the laws of Canada not Australian laws. With the resultant change in the domicile from Australia to the Canada, there may be some existing shareholders that for constitutional and/or other reasons are unable to hold shares in Teranga. In these circumstances such shareholders will be required to realise their investment in Teranga on market and, therefore, will no longer hold an interest in Teranga's assets, or elect to take the CDI alternative under the Scheme.

Further details in relation to the differences between the Australian and Canadian legal regimes are set out in Section 7 of the Scheme Booklet.

Taxation implications for Scheme Participants

In the event the Scheme is implemented, eligible Gryphon shareholders will receive 0.169 Teranga Shares or 0.169 Teranga CDIs for each Gryphon share currently held. Gryphon shareholders are strongly encouraged to read the outline of the taxation implications for Gryphon shareholders in respect of the Scheme are set out in Section 9 of the Scheme Booklet and, if any doubt, should seek their own independent taxation advice regarding the tax consequences of the Scheme.

Transition risk

There is a potential that various shareholders in the Expanded Teranga will seek to realise their portfolio holdings in the period immediately following implementation of the Scheme. In these circumstances, until the shareholder base of the Expanded Teranga is rebalanced, a risk exists of greater volatility in the Teranga share price and Teranga CDI price, at least in the short-term post the implementation of the Scheme, than may otherwise have been the case, all other things being equal. As noted previously the nominee appointed to realise Teranga shares on behalf of ineligible foreign Gryphon shareholders is likely to be a seller of Teranga shares during this period.

5.2.4 Consequences if the Scheme does not proceed

In the event that the Scheme is not approved or any conditions precedent prevent the Scheme from being implemented, Gryphon will continue to operate in its current form and remain listed on the ASX. As a consequence:

- Gryphon shareholders will not receive the Scheme Consideration and the implications of the Scheme, as summarised above, will not occur

- Gryphon's share price will likely fall. The current share price of Gryphon likely reflects the terms of the Scheme and as such, in the absence of the Scheme, an alternative proposal or speculation concerning an alternative proposal, the Gryphon share price is likely to fall to levels consistent with trading prices prior to the announcement of the Scheme, with allowance for the impact of trends in broader equity markets since that date. Gryphon shares closed at \$0.135 on the last trading day prior to the announcement of the Scheme, which compares to a closing price of \$0.19 on 20 July 2016
- Gryphon shareholders will continue to be exposed to the benefits and risks associated with an investment in Gryphon. Gryphon is expected to need to secure additional funding from alternative sources to pursue the development of the Banfora Project and meet its ongoing commitments and exploration of its asset portfolio.

We have been advised by the Directors that Gryphon's ability to fund the development of the Banfora Project will remain uncertain. Gryphon will be required to recommence its search for equity and debt funding parties. Given Gryphon has considered an extensive number of alternative corporate and project transactions over an extended period leading up to the announcement of the Scheme, none of which are considered by Gryphon to have likely been able to be successfully completed on terms as attractive as that currently being contemplated, in the event the Scheme Participants resolve not to support the Scheme there is no guarantee that a funding solution for the Banfora Project or transaction on more attractive terms than those offered under the Scheme would be identified.

6 Other matters

In forming our opinion, we have considered the interests of the Scheme Participants as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Scheme Participants. It is not practical or possible to assess the implications of the Scheme on individual Scheme Participants as their financial circumstances are not known.

The decision of the Scheme Participants as to whether or not to approve the Scheme is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Scheme Participants should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual Scheme Participants seek their own independent professional advice.

Our report has been prepared solely for the purpose of assisting Scheme Participants in considering the Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose. Our opinion should not be construed to represent a recommendation as to whether or not Scheme Participants should elect to vote in favour of the Scheme.

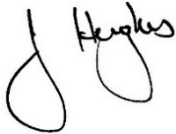
Neither the whole nor any part of our report or its attachments or any reference thereto may be included in or attached to any document, other than the Notice of Meeting and the Scheme Booklet to be sent to Scheme Participants in relation to the Scheme, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of our report in the form and context in which it appears in the Scheme Booklet.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 7.

References to an Australian financial year (i.e. the 12 months to 30 June) have been abbreviated to FY, and references to calendar years have been abbreviated to CY.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully



Jason Hughes
Authorised Representative



Bill Allen
Authorised Representative

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7 Scope of the report

7.1 Purpose

This report has been prepared by KPMG Corporate Finance for inclusion in the Scheme Booklet to accompany the Notice of Meeting convening a Court ordered meeting of Scheme Participants on or about 17 September 2016 in accordance with Section 411 of the Act. The purpose of the meeting will be to seek approval of the Scheme.

The sole purpose of this report is an expression of KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of Scheme Participants. This report should not be used for any other purposes or by any other party.

7.2 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of Gryphon or Teranga for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with each of Gryphon's and Teranga's management and Snowden in relation to the nature of the business operations, specific risks and opportunities, historical results and prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Gryphon and Teranga have been responsible for ensuring that information provided by them or their representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by or on behalf of the management of Gryphon and Teranga. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, Gryphon and Teranga remain responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such

assumptions in relation to any forward-looking financial information, however we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

It is not the role of the independent expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. The Directors are responsible for conducting due diligence in relation to the Scheme. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process has been and is being conducted in an adequate and appropriate manner.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

7.3 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. Due to commercial sensitivity we have limited the level of disclosure in relation to certain key business arrangements however we have disclosed a summary of material information which we relied on in forming our view.

7.4 Reliance on Technical Expert

ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist KPMG Corporate Finance in the valuation of Gryphon's and Teranga's mineral assets, Snowden was engaged by Gryphon, and instructed by us, to prepare an independent technical report in relation to the development and operational forecast assumptions for the Banfora and Sabodala projects as well as the valuation of any mineral interests, such as exploration tenements, held by Gryphon or Teranga, not reflected in the forecasts in respect of the Banfora Project and the Sabodala Project (**the Specialist Report**). A copy of the Specialist Report, dated 22 July 2016, is attached to this report at Appendix 7.

The Specialist Report was prepared in accordance with the requirements of the Australasian Code for Public Reporting of Technical Assessment and Valuation of Mineral and Petroleum Assets (2015 Edition) (**the ValMin Code**).

ASIC Regulatory Guides recommend the fees payable to the technical specialists be paid in the first instance by the independent expert and claimed back from the party commissioning the independent expert. KPMG Corporate Finance's preferred basis for appointment of independent technical specialists is that the client commissions, and pays the fees directly to, the technical specialist, whilst KPMG

Corporate Finance defines the scope of work for the technical specialist. We do not consider that the independence of the technical specialist is impaired by this arrangement.

We have satisfied ourselves as to Snowden's qualifications and independence from Gryphon and Teranga and have placed reliance on its report.

Following discussion and enquiry with Snowden, the development and operational assumptions recommended by Snowden have been adopted in the cash flow projections used by us in assessing the values for Gryphon's interest in the Banfora Project and Teranga's interest in the Sabodala Project respectively. KPMG Corporate Finance was responsible for the determination of certain macroeconomic and other assumptions such as commodity prices, exchange rates, discount rates, inflation and taxation assumptions.

The valuation methodologies adopted by Snowden in the Specialist Report in respect of mineral assets outside of the Banfora Project and Sabodala Project based on based on comparable transaction benchmarking.

Due to the various uncertainties inherent in the valuation process, Snowden has determined a range of values within which it considers the value of each of these additional mineral assets to lie. The valuations ascribed by Snowden to the other mineral assets of Gryphon and Teranga have been adopted in our report.

8 Industry overview

Gryphon's and Teranga's principal assets comprise interests and investments in gold production, development and exploration assets. Accordingly, the financial performance of Gryphon and Teranga is significantly impacted by developments in the international gold industry. To provide a context for assessing the prospects of Gryphon and Teranga, we have included at Appendix 3 an overview of recent trends in the international gold markets.

9 Profile of Gryphon

9.1 Company overview

Gryphon is an Australian gold exploration and development company which listed its shares on the ASX in 2004.

Gryphon's principal asset comprises its interest in the Banfora Project located in Burkina Faso. An overview of the Banfora Project is set out in Section 9.2. The Company also holds a portfolio of gold exploration assets in Burkina Faso. Further more detailed information in relation to the Banfora Project and Gryphon's other mineral assets is set out in the Specialist Report which is attached as Appendix 7 of this report.

9.2 The Banfora Project

The Banfora Project is a development stage gold project located in Burkina Faso, West Africa. Gryphon has a 90% interest in the Banfora Project, with the Government of Burkina Faso holding a 10% free carry interest. The Banfora Project includes exploration licences covering over 1,000 square kilometres (km²)

and a mining licence that covers 89 km². The licences are located in a gold mining district and are accessible by road, in close proximity to the Banfora city and Bobo-Dioulasso.

In January 2013, Gryphon completed a bankable feasibility study (**BFS**) for the Banfora Project, which assumed an open-pit mining operation, a carbon-in-leach (**CIL**) gold processing plant and associated infrastructure with treatment capacity of two million tonnes per annum (**Mtpa**) of gold bearing ore.

In August 2014, Gryphon completed an additional BFS for the Banfora Project, which proposed a contracting mining operation and conventional heap leaching (**HL**) gold processing plant and associated infrastructure with treatment capacity of 2Mtpa of gold bearing ore.

In July 2015, Gryphon completed an optimisation study for the Banfora Project, which explored the merits of adding a 1Mtpa CIL circuit to the standalone 2Mtpa HL operation.

A summary of the Ore Reserves and Mineral Resources contained within the Banfora Project area is set out in the table below.

Table 3: Summary of the Banfora Project Ore Reserves and Mineral Resources

Deposit	Category	Million tonnes (Mt)	Au g/t ¹	Au 000 ounces (oz)
Ore Reserves				
Banfora	Proved	4.0	1.4	176
	Probable	13.4	1.5	650
Total Ore Reserves		17.4		826
Mineral Resources				
Banfora	Measured	6.6	1.5	310
	Indicated	60.4	1.4	2,670
	Inferred	15.8	1.3	660
Total Mineral Resources		82.8		3,640
<i>Note:</i>				
1. Au g/t denotes number of grams of gold (Au) per tonne of ore				
2. Mineral Resource amounts quoted are inclusive of Ore Reserves				
3. Ore Reserve and Mineral Resource figures are for the HL scenario and have been obtained from the Scheme Booklet which indicates that the Ore Reserve and Mineral Resource figures have been reported in compliance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code) or that they have been approved for release in the form and context in which it appears by a Competent Person, as defined by the JORC code				

Source: Gryphon management, the Scheme Booklet and ASX announcements

9.3 Other mineral assets

Golden Hill and Gourma projects

Other mineral assets comprise Gryphon's interest in the Golden Hill and Gourma gold exploration projects, in joint venture with ASX-listed Boss Resources. The tenements cover a total of 1,790 km² (Golden Hill covering 468 km² and Gourma covering 1,322 km²) and are located in Burkina Faso. Gryphon currently owns 51% of the Golden Hill and Gourma projects and has the right to earn up to

80%. Gryphon's interest in the joint venture will increase to 70% on delivery of a definitive feasibility study funded by Gryphon, and may increase to 80% if Gryphon decides to exercise its right to acquire an additional 10% interest in the joint venture for a consideration of \$2.5 million.

Sale of Gryphon's Mauritanian gold and copper assets

In March 2016, Gryphon received notice from Algold Resources Ltd (**Algold**) that it had exercised its option to acquire Gryphon's Mauritanian gold and copper assets. Consideration paid to Gryphon by Algold included approximately 10.7 million ordinary shares in Algold. Algold is also required to pay Gryphon a further consideration of \$1.5 million in cash and \$1.5 million in cash or shares at the election of Algold on achievement of certain milestones.

9.4 Historical financial performance

Gryphon's historical audited consolidated financial performance for FY14 and FY15 as well as the independently reviewed consolidated financial performance for the six-months ended 31 December 2015 and unaudited financial performance for the nine-months ended 31 March 2016 are summarised below.

Table 4: Gryphon's historical consolidated financial performance

	Audited 30 Jun 14 \$000	Audited 30 Jun 15 \$000	Reviewed 31 Dec 15 \$000	Unaudited 31 Mar 16 \$000
Revenue	1,605	824	208	290
Other income	985	1,398	192	1,260
Total Revenue	2,590	2,222	400	1,550
Administrative expense	(1,089)	(1,018)	(472)	(712)
Consultancy expense	(651)	(389)	(176)	(266)
Employee benefits expense	(1,348)	(1,962)	(864)	(1,207)
Share based payment expense	(834)	(285)	79	(17)
Occupancy expense	(204)	(243)	(120)	(179)
Compliance and regulatory expense	(114)	(197)	(60)	(63)
Insurance expense	(233)	(178)	(50)	(76)
Interest expense	-	-	(1)	(2)
Depreciation expense	(636)	(753)	(417)	(523)
Exploration and evaluation expense	(48,050)	(12,727)	(3,063)	(5,016)
Fixed assets written off	(1,257)	(437)	(52)	(52)
Foreign exchange gain/(loss)	444	1,446	(168)	(304)
Total expenses	(53,972)	(16,743)	(5,364)	(8,417)
Loss before income tax	(51,382)	(14,521)	(4,964)	(6,867)
Income tax benefit	-	-	-	-
Loss for the year	(51,382)	(14,521)	(4,964)	(6,867)
Exchange differences on translation of foreign operations	195	135	105	125
Changes in fair value of financial assets	2,298	(2,566)	(312)	(248)
Total comprehensive loss for the year	(48,889)	(16,952)	(5,171)	(6,990)

	Audited 30 Jun 14 \$000	Audited 30 Jun 15 \$000	Reviewed 31 Dec 15 \$000	Unaudited 31 Mar 16 \$000
Weighted average ordinary shares on issue – 000	400,781	401,196	401,291	401,291
Basic ordinary loss per share (cents per share) ^{1,2}	(12.8)	(3.6)	(1.2)	(1.7)
<i>Notes:</i>				
1	Basic loss per share is calculated by dividing net loss attributable to the members of the parent entity by the weighted average number of ordinary shares outstanding during the year.			
2.	As per the Annual Reports, diluted loss per share is not shown as the Company is in a loss-making position.			
3.	Amounts may not add exactly due to rounding.			

Source: Gryphon 2015 Annual Report and 2015 Half Year Report, Scheme Booklet and KPMG Corporate Finance Analysis

Gryphon's historical financial performance is consistent with a gold exploration and development company not yet in production.

9.5 Historical financial position

Gryphon's historical audited consolidated financial position as at 30 June 2014 and 30 June 2015 as well as the independently reviewed consolidated financial position as at 31 December 2015 and unaudited financial position as at 31 March 2016 are summarised below.

Table 5: Gryphon's historical financial position

	Audited 30 Jun 14 \$000	Audited 30 Jun 15 \$000	Reviewed 31 Dec 15 \$000	Unaudited 31 Mar 16 \$000
Cash and cash equivalents	34,306	18,453	12,883	10,636
Trade and other receivables	1,943	928	315	420
Inventory	34	23	23	16
Total current assets	36,283	19,404	13,221	11,072
Trade and other receivables	331	267	283	257
Financial assets	3,106	540	418	1,550
Property, plant and equipment	3,434	2,878	2,564	2,417
Exploration and evaluation expenditure	3,318	5,139	6,066	5,377
Total non-current assets	10,189	8,824	9,331	9,601
Total assets	46,472	28,228	22,552	20,673
Trade and other payables	4,469	2,917	2,526	2,784
Total current liabilities	4,469	2,917	2,526	2,784
Provisions	478	420	385	337
Total non-current liabilities	478	420	385	337
Total liabilities	4,947	3,337	2,911	3,121
Net assets	41,525	24,891	19,641	17,552
Shares on issue – 000s	401,012	401,291	401,291	401,596

	Audited 30 Jun 14 \$000	Audited 30 Jun 15 \$000	Reviewed 31 Dec 15 \$000	Unaudited 31 Mar 16 \$000
Net asset backing per share – cents	0.10	0.06	0.05	0.03
Gearing -% ¹	0.0%	0.0%	0.0%	0.0%
Current ratio – times ²	8.1	6.7	5.2	4.0
<i>Notes:</i>				
1.	Gearing represents total loans and borrowings divided by net assets.			
2.	Current ratio represents current assets divided by current liabilities.			
3.	Amounts may not add exactly due to rounding.			

Source: Gryphon 2015 Annual Report and 2015 Half Year Report, Scheme Booklet and KPMG Corporate Finance Analysis

In relation to Gryphon's historical consolidated financial positions above we note that financial assets comprise portfolio investments in two listed equity securities, Tawana Resources NL (**Tawana**) and Algold. Gryphon's investment in Algold increased in March 2016 as a result of the sale of Gryphon's Mauritanian gold and copper assets to Algold, with payment comprising shares in Algold, representing approximately 12% of Algold's issued capital. As a result of various subsequent equity issues, Gryphon's current interest in Algold has been diluted to approximately 10%.

9.6 Statement of cash flows

Gryphon's historical audited consolidated cash flows for FY14 and FY15 as well as the independently reviewed consolidated cash flows for the six-months ended 31 December 2015 and unaudited cash flows for the nine-months ended 31 March 2016 are summarised below.

Table 6: Gryphon's historical cash flows statement

	Audited 30 Jun 14 \$000	Audited 30 Jun 15 \$000	Reviewed 31 Dec 15 \$000	Unaudited 31 Mar 16 \$000
Payments for exploration and evaluation	(17,529)	(13,504)	(3,416)	(5,672)
Refunded exploration and evaluation	-	541	-	-
Payments to administration suppliers and employees	(4,084)	(3,658)	(1,802)	(2,555)
Deposits paid	(136)	-	-	-
Interest received	1,718	857	237	324
Proceeds from research and development grant	1,804	1,005	-	-
Interest paid	-	-	(1)	(2)
Net cash (used in) operating activities	(18,227)	(14,759)	(4,982)	(7,905)
Payments for exploration farm-ins	(384)	(1,326)	(926)	(238)
Purchase of property, plant and equipment	(764)	(263)	(49)	(62)
Refund of deposit paid on equipment	-	500	385	385
Proceeds from disposal of financial assets	1,562	-	-	-
Payments for the acquisition of financial assets	(250)	-	-	-

	Audited 30 Jun 14 \$000	Audited 30 Jun 15 \$000	Reviewed 31 Dec 15 \$000	Unaudited 31 Mar 16 \$000
Payments for tenement acquisitions	-	(12)	-	-
Refund of tenement fees	-	7	2	2
Net cash provided by/(used in) from investing activities	164	(1,094)	(588)	87
Net decrease in cash held	(18,063)	(15,853)	(5,570)	(7,818)
Cash at beginning of period	52,369	34,306	18,453	18,453
Cash at end of the period	34,306	18,453	12,883	10,635

Notes: Amounts may not add exactly due to rounding.

Source: Gryphon 2015 Annual Report and 2015 Half Year Report, Scheme Booklet and KPMG Corporate Finance Analysis

9.7

Taxation

Australia

As at 30 June 2015, Gryphon had carried forward revenue tax losses of \$12.8 million and carried forward capital tax losses of \$3.1 million, which may be available to offset against future taxable income subject to meeting relevant statutory tests.

Burkina Faso

As at 31 December 2015, Gryphon had carried forward tax losses of \$126 million⁶ held by its local Burkina Faso subsidiaries, which may be available to offset against future taxable income subject to meeting relevant statutory tests.

The mining and metals industry in Burkina Faso is governed by the Burkina Faso General Tax Code, the Burkina Faso Mining Code (issued in 2015) and the UEMOA (West African Economic and Monetary Union) Mining Code (issued on 23 December 2003). The fiscal regime primarily consists of a combination of a corporate tax rate of 27.5% (reduced to 17.5% for mining companies that obtained a mining license before 9 July 2015), royalties and in relation to foreign distributions, 6.25% withholding taxes.

During the mining exploitation phase, the government of Burkina Faso is entitled to free shares representing 10% of the capital of the mining company in accordance with the Burkina Faso Mining Code. The 10% interest is acquired in conjunction with the granting of the mining title.

Gryphon has received independent taxation advice indicating it is expected that it would be possible to establish a corporate structure which should remove the prospect of double taxation between Burkina Faso and Australia in relation to the Banfora Project.

⁶ Based on the spot exchange rate of 1.00AUD:445 West African Franc (CFA Franc)

9.8 Dividends and franking credits

Gryphon has not historically paid dividends and Gryphon management has advised that the Company does not have any franking credits available to it.

9.9 Hedging

Gryphon management has advised that the Company does not currently engage in hedging.

9.10 Contingent liabilities

Gryphon management has advised of two outstanding unfair dismissal claims which it considers to have no merit. The combined value of both claims is not expected by Gryphon to exceed \$150,000.

9.11 Share capital and ownership

As at 20 July 2016, Gryphon had approximately 422.8 million ordinary shares on issue as summarised in the table below.

Table 7: Equity ownership breakdown

Shareholder	Number of shares held 000s	% of issued shares
HSBC Custody Nominees (Australia) Limited	54,530	12.9
Citicorp Nominees Pty Limited	50,532	12.0
Merrill Lynch (Australia) Nominees Pty Limited	34,059	8.1
JP Morgan Nominees Australia Limited	33,067	7.8
Buttonwood Nominees Pty Ltd	31,577	7.5
Teranga	21,200	5.0
ABN Amro Clearing Sydney Nominees Pty Ltd	9,436	2.2
Denman Income Limited	3,750	0.9
Pershing Australia Nominees Pty Ltd	3,000	0.7
National Nominees Limited	2,936	0.7
Total number of shares held by the top 10 shareholders	244,088	57.7
Other shareholders	178,709	42.3
Total number of shares on issue	422,796	100.0

Source: Gryphon management

As at the date of this report, current substantial shareholder notices had been received as set out below.

Table 8: Substantial shareholder notices received by Gryphon

Shareholder	Number of shares held 000s	% of issued shares
Macquarie Group Limited	27,738	6.90
MM Asset Management	27,520	6.85
Global X Management Company	31,051	6.36
Teranga	21,200	5.01

Source: Gryphon 2015 Annual Report, ASX Announcements

We note, the current interests in Gryphon's issued capital held by the substantial shareholders may differ to what is set out above.

9.12 Options

At the date of this report, there were no options issued over ordinary shares in Gryphon.

9.13 Share appreciation rights

At the date of this report, Gryphon had approximately 4.7 million share appreciation rights (SARs) on issue as summarised in the following table.

Table 9: SARs on issue

Grant date	Date of expiry	Exercise Price \$	Number of SARs 000s
20 Nov 12	19 Nov 16	0.870	219
4 Dec 12	3 Dec 16	0.870	355
20 Nov 13	31 Dec 16	0.235	3,333
20 Jan 14	31 Dec 16	0.235	830
Total			4,737

Source: Gryphon management

The SARs form part of the Company's Equity Incentive Plan and give executives and employees the opportunity to subscribe for ordinary shares in Gryphon, at a fixed exercise price similar to an option instrument. Gryphon has advised that all SARs on issue have met their vesting conditions.

9.14 Share performance rights

Similarly to the SARs, share performance rights (SPRs) form part of the Company's Equity Incentive Plan. Holders of the SPRs receive new Gryphon shares subject to the satisfaction of certain time and performance conditions, for nil consideration. On 25 November 2015, approximately 11.4 million SPRs were issued to various Gryphon executives and employees, expiring on 30 September 2018. 50% of the SPRs will vest if the Company commences construction prior to 30 September 2017 and the other 50% will vest if the Company achieves first gold pour by 30 September 2018.

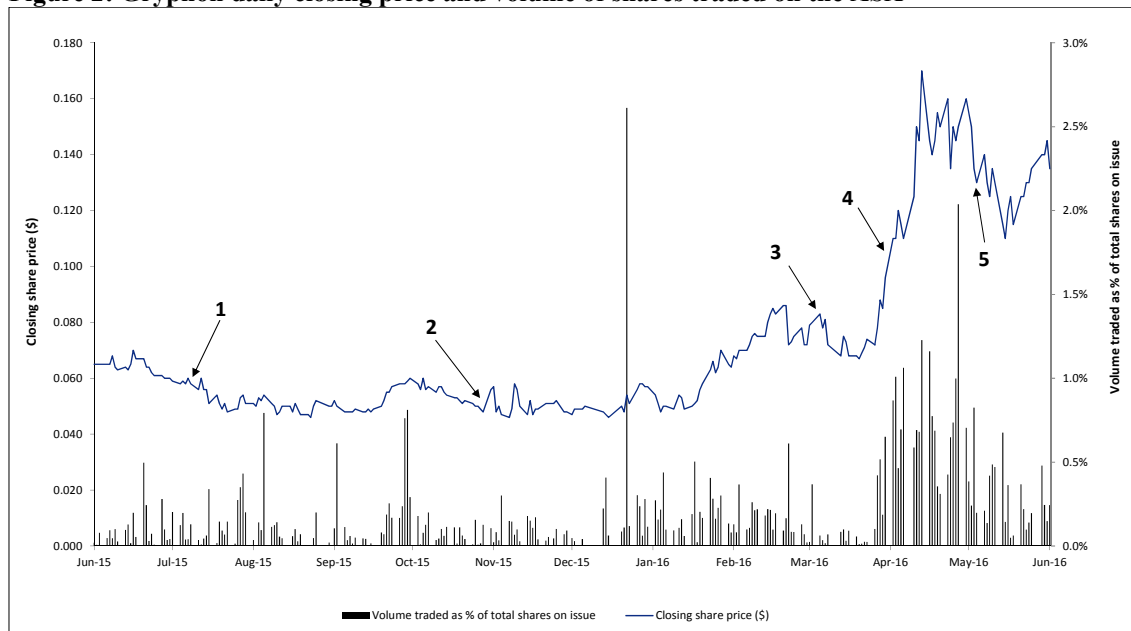
On 28 June 2016, an additional 5.0 million SPRs were issued to Gryphon's Managing Director Mr Stephen Parsons, bringing the total share performance rights on issue to approximately 16.4 million. 50% of the SPRs will vest if the Company commences construction prior to 31 December 2019 and the other 50% will vest if the Company achieves first gold pour by 30 December 2020. The Directors have discretion to determine whether the 5.0 million SPRs will vest (and on what terms) in the event the Scheme is approved.

As set out at Section 10.5 of the Scheme Booklet, the Directors have determined that in the event the Scheme is approved, all outstanding SPRs will vest and form part of the Scheme.

9.15 Share price and volume trading history

The chart below depicts Gryphon's daily closing price on the ASX over the 12 month period to 17 June 2016, being the last trading day prior to Gryphon's announcement of the Scheme, along with the daily volume of shares traded on the ASX as a percentage of total issued share capital over the period.

Figure 2: Gryphon daily closing price and volume of shares traded on the ASX



Source: Capital IQ, KPMG Corporate Finance Analysis and ASX Announcements

As illustrated in the figure above, Gryphon’s closing share price exhibited considerable volatility over the latter part of the period. The share price generally trended down to the end of January 2016, closing in the range of \$0.046 to \$0.07 over this period. On 18 April 2016, Gryphon’s share price jumped approximately 14.6%, with a turnover of approximately 3.5 million shares, closing at \$0.11 following the announcement of exploration drilling results. Gryphon’s share price exhibited volatility following the announcement on 18 April 2016, before closing at \$0.135 on 17 June 2016.

Other than normal half year and full year financial reporting and quarterly activities reporting, significant announcements by Gryphon in the 12 months to 17 June 2016 that may have had an impact on its share price include:

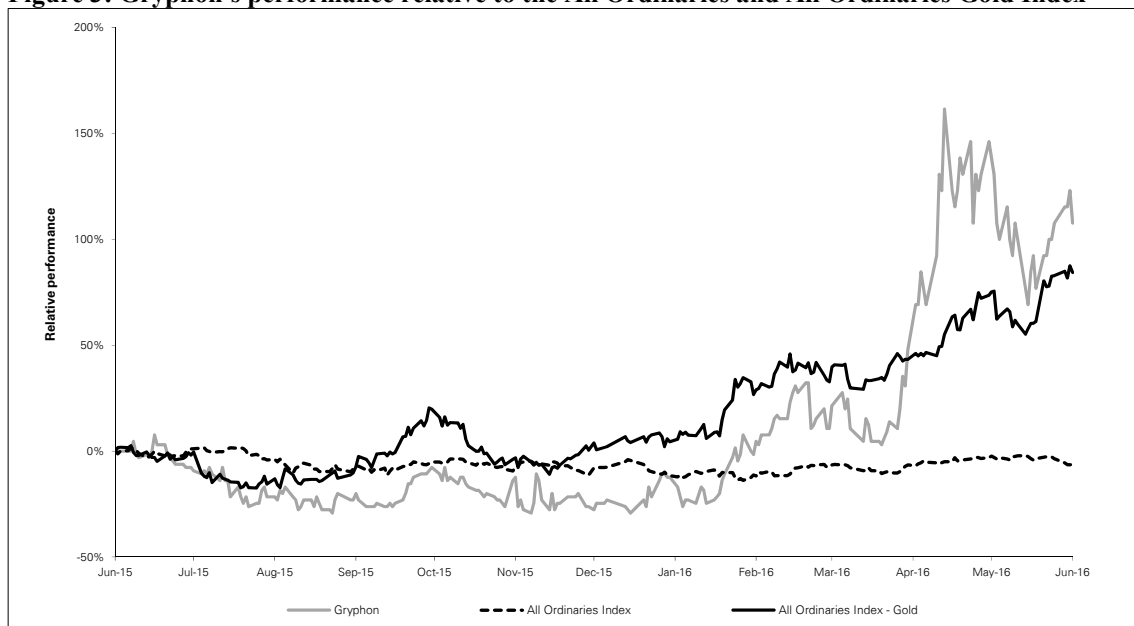
1. 6 July 2015 – Update in relation to the Banfora Project scoping study
2. 29 October 2015 – Announcement in relation to Gryphon’s intention to divest its interests in its Mauritanian gold and copper assets to Algold
3. 14 March 2016 – Notification from Algold of its intention to exercise its option to acquire 100% of Gryphon’s interest in the Mauritanian gold and copper assets
4. 18 April 2016 – Announcement of a high-grade underground exploration target identified at the Banfora Project
5. 4 May 2016 – Announcement of a new drilling program targeting various prospective drilling targets in Burkina Faso

On 7 January 2016, 2.6% of issued share capital was traded largely due to a substantial shareholder selling down its interest.

Further details in relation to all announcements made by Gryphon to the ASX can be obtained from either Gryphon’s website or ASX’s website at www.asx.com.au.

As illustrated in the figure below, Gryphon’s share price generally underperformed against the ASX All Ordinaries Gold Sector Index prior to April 2016 but performed strongly in the latter part of the period. Similarly, Gryphon underperformed relative to the ASX All Ordinaries prior to January 2016 but has significantly outperformed since that date, albeit displaying considerably greater volatility over the period than both indices and reflecting the strong performance of Gryphon’s share price since January 2016.

Figure 3: Gryphon's performance relative to the All Ordinaries and All Ordinaries Gold Index



Source: Capital IQ and KPMG Corporate Finance Analysis

Trading liquidity on the ASX

The table below presents analysis in relation to the volume of trading in Gryphon’s shares on the ASX over various periods of time in the 12 month period to 17 June 2016, being the last trade day on the ASX prior to Gryphon’s announcement of the Scheme.

Table 10: Trading liquidity in Gryphon shares on the ASX pre-announcement of the Scheme

Period up to and including 17 June 2016	Share price low \$	Share price high \$	VWAP \$	Cumulative volume million	As a % of total issued shares
1 day	0.135	0.145	0.140	1.0	0.2
1 week	0.135	0.145	0.140	4.5	1.1
1 month	0.110	0.160	0.132	25.8	6.4
3 months	0.066	0.180	0.131	103.6	25.8
6 months	0.046	0.180	0.108	154.4	38.4

Period up to and including 17 June 2016	Share price low \$	Share price high \$	VWAP \$	Cumulative volume million	As a % of total issued shares
12 months	0.046	0.180	0.093	215.0	53.6

Source: Capital IQ and KPMG Corporate Finance Analysis

Gryphon shares have, prima facie, exhibited moderate liquidity over the 12 month period to 17 June 2016, with approximately 54% of total shares on issue traded, at an average daily volume of 0.87 million shares and daily value of approximately \$81,000. We note that over this period Gryphon shares were traded on 247 out of 253 available trade days on the ASX. In recent times the liquidity of Gryphon shares has increased, with approximately 26% of total shares on issue traded over the three month period to 17 June 2016, representing an average daily trade volume of 1.67 million shares and value of approximately \$220,000.

An analysis of the volume of trading in Gryphon's shares in the period from 18 June 2016 to 21 July 2016 inclusive is set out below.

Table 11: Trading liquidity in Gryphon shares on the ASX post-announcement of the Scheme

Period from 18 June 2016 to 21 July 2016	Share price low \$	Share price high \$	VWAP \$	Cumulative volume million	As a % of total issued shares
33 days	0.160	0.200	0.178	94.9	23.6

Source: Capital IQ and KPMG Corporate Finance Analysis

10 Profile of Teranga

10.1 Company overview

Teranga is a Canadian gold exploration, development and production company dual-listed on the TSX and the ASX. Teranga's principal asset comprises the Sabodala Project located Senegal, West Africa. The Sabodala Project includes the operating Sabodala mine and mill, the Golouma project, the Gora project and various exploration prospects at different stages of development.

An overview of the Sabodala Project is set out below. Further more detailed information in relation to Teranga's interest in the Sabodala Project and other exploration permits is set out in the Specialist Report attached as Appendix 7 to this report.

10.2 The Sabodala Project

The Sabodala gold deposit was originally discovered in 1961 and was acquired by Mineral Deposits Limited (MDL) in 2004.

In May 2007, MDL received the Sabodala Mining Concession and open pit mining production commenced in March 2009.

In November 2010, Teranga completed the indirect acquisition of the Sabodala Project and various exploration tenements by way of a restructuring and demerger from MDL.

In April 2015, the Sabodala Project was expanded to include the Golouma project and the Gora project.

A summary of the recent gold production and all-in sustaining costs at the Sabodala Project (on a 100% basis) is set out below.

Table 12: Historical gold production and cash costs at the Sabodala Project

	31 Dec 13	31 Dec 14	31 Dec 15
Ore mined (000 t)	4,540	6,174	7,748
Ore milled (000 t)	3,152	3,622	3,421
Gold produced (000 oz)	207	212	182
All-in sustaining costs (US\$/oz)	1,033	865	965

Source: Teranga 2014 and 2015 Annual Report

A summary of the Mineral Reserves and Mineral Resources contained within the Sabodala Project area as at 31 December 2015 is set out below.

Table 13: Summary of Sabodala Project Mineral Reserve and Mineral Resource

	Category	Mt	Au g/t	Au Moz
Mineral Reserves				
Open pit	Proved	6.0	1.5	0.3
	Probable	36.0	1.4	1.6
Underground	Probable	2.2	5.0	0.4
Stockpiles	Proved	15.3	0.8	0.4
Total Mineral Reserves		59.3		2.6
Mineral Resources				
Open pit	Measured	25.0	1.2	0.9
	Indicated	54.4	1.6	2.8
Underground	Indicated	6.0	3.8	0.7
Total Measured and Indicated		85.4		4.5
Open pit	Inferred	10.3	1.2	0.4
Underground	Inferred	4.9	3.4	0.5
Total Mineral Resources		100.6		5.4

Note:

1. Mineral Resource amounts quoted are inclusive of Mineral Reserves
2. Mineral Reserve and Mineral Resource figures from the 2015 Annual Report have been reported in compliance with the Canadian Securities Administrators National Instrument 43-101 Standards for Disclosure for Mineral Projects regulations.

Source: Teranga 2015 Annual Report, ASX announcements

10.3 Other mineral assets

Teranga currently has nine exploration permits encompassing approximately 1,000 km² of land surrounding the Sabodala Project. Exploration is focused on identifying both flat-lying, near-surface

standalone deposits, as well as smaller high-grade satellite deposits that are within trucking distance of the centrally located Sabodala mill.

10.4 Historical financial performance

Teranga's historical audited consolidated financial performance for CY13, CY14, CY15 and unaudited financial performance for the three-months ended 31 March 2016 are summarised below.

Table 14: Teranga's historical consolidated financial performance

	Audited 31 Dec 13 US\$000	Audited 31 Dec 14 US\$000	Audited 31 Dec 15 US\$000	Unaudited 31 Mar 16 US\$000
Revenue	297,927	260,588	224,620	79,198
Cost of sales	(195,531)	(210,128)	(174,884)	(52,531)
Gross profit	102,396	50,460	49,736	26,667
Exploration and evaluation expenditures	(5,405)	(2,772)	(2,525)	(1,413)
Administration expenses	(10,857)	(10,934)	(10,835)	(1,573)
Corporate social responsibility expenses	(1,763)	(2,543)	(2,853)	(967)
Share-based compensation	(813)	(911)	(1,761)	(948)
Finance costs	(12,148)	(9,484)	(3,159)	(1,071)
Non-cash impairment charge	-	-	(90,000)	-
Net foreign exchange gains/(loss)	(1,233)	2,013	1,901	(1,483)
Other income/(expenses)	(10,507)	(1,982)	1,381	(4,960)
Total expenses	(42,726)	(26,613)	(107,851)	(12,415)
Profit/(loss) before income tax	59,670	23,847	(58,115)	14,252
Income tax (expense)/benefit	-	(1,536)	2,502	(4,909)
Profit/(loss) for the year	59,670	22,311	(55,613)	9,343
Change in fair value of available for sale financial asset (net of tax)	(6,418)	(1)	-	-
Reclassification of income, net of tax	962	-	-	-
Total comprehensive profit/(loss) for the year	54,214	22,310	(55,613)	9,343
<i>Weighted average ordinary shares on issue – 000</i>	<i>270,705</i>	<i>340,867</i>	<i>360,211</i>	<i>360,211</i>
<i>Basic and diluted ordinary earnings/(loss) per share (cents per share)^{1,2}</i>	<i>19</i>	<i>5</i>	<i>(14)</i>	<i>2</i>
<i>Notes:</i>				
1. <i>Basic earnings / loss per share is calculated by dividing net profit / loss attributable to the members of the parent entity by the weighted average number of ordinary shares outstanding during the year.</i>				
2. <i>Diluted earnings and loss per share is calculated by dividing net profit or loss for the year attributable to members of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential options into ordinary share.</i>				
3. <i>Amounts may not add exactly due to rounding.</i>				
4. <i>Historical expenses reclassified in accordance with the Scheme Booklet.</i>				

Source: Teranga 2014 and 2015 Annual Report, Scheme Booklet, KPMG Corporate Finance Analysis

In relation to Teranga's historical consolidated financial performance above we note that the reported net loss of approximately US\$55.6 million as at 31 December 2015, is largely attributable to the US\$90.0 million non-cash impairment charge in relation to long-lived assets and recorded goodwill.

10.5 Historical financial position

Teranga's historical audited consolidated financial position as at 31 December 2013, 31 December 2014 and 31 December 2015 and unaudited consolidated financial position as at 31 March 2016 are summarised below.

Table 15: Teranga's historical financial position

	Audited 31 Dec 13 US\$000	Audited 31 Dec 14 US\$000	Audited 31 Dec 15 US\$000	Unaudited 31 Mar 16 US\$000
Cash and cash equivalents	14,961	35,810	44,436	53,498
Restricted cash	20,000	-	-	-
Trade and other receivables	7,999	1,562	15,701	14,799
Inventories	67,121	66,639	57,529	51,802
Other current assets	5,762	8,995	9,381	11,338
Total current assets	115,843	113,006	127,047	131,437
Inventories	63,081	91,057	106,898	109,115
Equity accounted investment	47,627	-	-	-
Property, plant and equipment	219,540	198,433	193,426	194,153
Mine development expenditures	181,605	260,719	237,046	238,937
Deferred income tax assets	-	11,879	23,098	23,279
Other non-current assets	947	7,917	8,701	8,060
Goodwill	-	41,776	-	-
Total non-current assets	512,800	611,781	569,169	573,544
Total assets	628,643	724,787	696,216	704,981
Trade and other payables	56,891	53,909	62,545	62,349
Borrowings	70,423	3,946	-	-
Current income tax liabilities	-	-	8,685	12,367
Deferred revenue	-	21,814	19,155	22,374
Provisions	1,751	1,936	2,588	3,245
Total current liabilities	129,065	81,605	92,973	100,335
Borrowings	3,946	-	13,450	13,706
Deferred revenue	-	92,184	72,190	63,616
Provisions	14,336	16,704	28,236	28,615
Other non-current liabilities	10,959	18,399	11,098	10,987
Total non-current liabilities	29,241	127,287	124,974	116,924
Total liabilities	158,306	208,892	217,947	217,259
Net assets	470,337	515,895	478,269	487,722
<i>Shares on issue – 000s</i>	<i>316,801</i>	<i>352,801</i>	<i>392,001</i>	<i>392,107</i>
<i>Net asset backing per share – US cents</i>	<i>1.48</i>	<i>1.46</i>	<i>1.22</i>	<i>1.24</i>

	Audited 31 Dec 13 US\$000	Audited 31 Dec 14 US\$000	Audited 31 Dec 15 US\$000	Unaudited 31 Mar 16 US\$000
Gearing -%	15.8%	0.8%	2.8%	2.8%
Current ratio – times	0.9	1.4	1.4	1.3
<i>Notes:</i>				
1. Amounts may not add exactly due to rounding.				

Source: Teranga 2014 and 2015 Annual Report, Scheme Booklet, KPMG Corporate Finance Analysis

In relation to Teranga's historical consolidated financial positions above we note that:

- other current assets and non-current assets as at 31 December 2015 largely reflect advanced royalty payments made by Teranga to the Government of Senegal. Teranga is required to make payments in consideration for a waiver of the right by the Government of Senegal to acquire an additional equity interest in certain exploration licenses converted to mine licenses when ore is processed through the Sabodala Project processing mill
- trade and other payables of US\$62.5 million as at 31 December 2015 consist of trade payables, other sundry creditors and accrued expenses as well as:
 - royalties payable of US\$11.0 million to the Republic of Senegal
 - a reserve payment of US\$1.9 million payable to the Republic of Senegal
 - a contingent cash consideration in relation to the acquisition of a 13% interest in the Oromin Joint Venture Group (OJVG). The contingent consideration may be payable based on the gold price and increases to OJVG's mining reserves through to 2020, of which US\$3.8 million was accrued upon finalisation of the purchase price allocation in 2014. As at 31 December 2015, US\$0.5 million had been recorded as a current liability
 - accrued dividends of US\$7.8 million payable to the Government of Senegal, in respect of its 10% minority interest in the Sabodala Project earnings for the 2013, 2014 and 2015 calendar years.
- other non-current liabilities as at 31 December 2015 refer to:
 - a social development fund which involves making a payment of US\$15 million to the Government of Senegal at the operation end. As at 31 December 2015, Teranga recorded a non-current liability of US\$7.6 million (in net present value (NPV) terms). Due to a change in the expected payment date from 2023 to 2029, Teranga recorded a recovery of US\$2.8 million within other income
 - US\$3.5 million (in NPV terms) representing the non-current portion of the potential additional OJVG cash consideration described above.

10.6 Statement of cash flows

Teranga's abridged historical audited consolidated cash flows for CY13, CY14, CY15 and unaudited consolidated cash flows for the three-months ended 31 March 2016 are summarised below.

Table 16: Teranga's abridged historical cash flows statement

	Audited 31 Dec 13 US\$000	Audited 31 Dec 14 US\$000	Audited 31 Dec 15 US\$000	Unaudited 31 Mar 16 US\$000
Net profit/(loss) for the year	59,670	22,311	(55,613)	9,343
Impairment charge	-	-	90,000	-
Depreciation of property, plant and equipment	48,185	25,806	22,703	5,762
Depreciation of capitalised mine development costs	30,722	44,062	19,526	5,235
Inventory movements - non cash	(14,672)	(8,089)	7,458	2,917
Deferred gold revenue recognised	-	(21,002)	(22,653)	(5,355)
Deferred income tax recovery/(expense)	-	1,536	(11,219)	(180)
Decrease/(increase) in inventories	(8,409)	(19,693)	(14,164)	1,599
Other adjustments	(41,189)	4,078	(5,604)	4,822
Net cash provided by operating activities	74,307	49,009	30,434	24,143
Decrease/(increase) in restricted cash	(20,000)	20,000	-	-
Acquisition of OJVG	-	(112,500)	-	-
Expenditures for property, plant and equipment	(17,344)	(3,567)	(23,962)	(7,015)
Expenditures for mine development	(51,603)	(15,346)	(23,545)	(7,331)
Acquisition of intangibles	(109)	-	(175)	(36)
Proceeds on disposal of property, plant and equipment	38	-	-	-
Net cash (used in) investing activities	(89,018)	(111,413)	(47,682)	(14,382)
Net proceeds from equity offering	-	25,367	17,337	-
Proceeds from Franco-Nevada gold stream	-	135,000	-	-
Repayment of borrowings	(12,282)	(72,775)	(4,192)	-
Drawdown from equipment finance facility	12,755	-	-	-
Drawdown from revolving credit facility	-	-	15,000	-
Financing costs paid	(1,200)	(1,000)	(2,025)	-
Interest paid on borrowings	(7,054)	(3,340)	(247)	(444)
Proceeds from stock options exercised	-	-	-	18
Dividend payment to Senegal Government	(2,700)	-	-	-
Net cash (used in)/provided by financing activities	(10,481)	83,252	25,873	(426)
Effect of exchange rates on cash holdings	431	1	1	(273)
Net decrease/(increase) in cash held	(24,761)	20,849	8,626	9,062
Cash at beginning of period	39,722	14,961	35,810	44,436
Cash at end of the period	14,961	35,810	44,436	53,498
<i>Notes:</i>				
1. Amounts may not add exactly due to rounding.				

Source: Teranga 2014 and 2015 Annual Report, KPMG Corporate Finance Analysis

10.7 Taxation

Canada

As at 30 June 2015, Teranga had carried forward tax losses of US\$52.3 million, which are available to offset against future taxable income in Canada subject to meeting relevant statutory tests.

Senegal

Teranga has advised that it does not have any carried forward tax losses in Senegal. The mining and metals industry in Senegal is governed by the Mining Code (issued 2003), however we note, a new draft Mining Code (issued in 2015) is currently being considered, but is not yet legislated. The fiscal regime primarily consists of a combination of corporate income tax at a rate of 25%, royalties and in relation to foreign distributions, 10% withholding taxes. We note that in December 2015 Teranga applied for Export Free Status which, if granted, would result in a reduction in taxes payable by in relation to the Sabodala Project including, in particular, a reduction in the corporate income tax rate from 25% to 15%.

10.8 Dividends

Teranga has not historically paid dividends.

10.9 Hedging

On 26 November 2015, Teranga implemented currency hedges to mitigate its exposure to increases in costs due to increases in the Euro (€) relative to the USD. A total of €1.5 million is under contract through to February 2016 at a fixed €:USD exchange rate of 1.0656, which resulted in unrealised hedge gains of \$40,000 as at 31 December 2015.

In February 2016, Teranga entered into gold forward contracts with Société Générale to deliver 28,000 ounces from March 2016 to August 2016 at an average price of US\$1,201 per ounce.

At the end of February 2016, Teranga entered into zero cost collars with Macquarie Bank. The agreements provide a guaranteed floor price of \$1,150 per ounce and also provide exposure to the gold price up to an average of \$1,312 per ounce. These agreements cover 15,000 ounces of production between October and December 2016.

10.10 Contingent liabilities

In 2013, Teranga made a payment of US\$2.7 million with a further payment of US\$2.7 million required once drilling activities recommence at Niakafiri. The further US\$2.7 million payment represents an outstanding contingent liability as at 31 December 2015.

Teranga has an outstanding assessment in the amount of US\$1.0 million with the Senegalese tax authority in relation to its 2011 tax assessment, which Teranga has and continues to dispute. Teranga is confident that the tax assessment is without merit and will not result in material costs to Teranga.

10.11 Deferred revenue

On 15 January 2014, Teranga completed a transaction with Franco Nevada pursuant to which, Franco Nevada pre-purchased from Teranga:

- 22,500 oz of gold per annum for the first six years of the agreement
- 6% of future gold production beyond the first six years,

in compensation for the initial upfront payment of \$135 million and an 80% discount to the spot price of gold for each ounce delivered above.

10.12 Share capital and ownership

Teranga's issued capital comprises a mixture of Teranga's shares and Teranga options.

As at 19 July 2016, Teranga had approximately 392.1 million common shares on issue (of which 39.6 million were represented Teranga CDIs) on the TSX as summarised in the table below.

Table 17: Breakdown of Teranga Shares on the TSX

Shareholder	Number of shares held 000s	% of issued shares
Tablo Corporation	50,919	12.99
Van Eck Associates Corporation	32,083	8.18
Ruffer LLP	12,866	3.28
Dimensional Fund Advisors, L.P.	11,804	3.01
Sentry Investments Inc.	10,893	2.78
Heartland Advisors, Inc.	10,000	2.55
OppenheimerFunds, Inc.	8,660	2.21
BMO Asset Management Inc.	6,937	1.77
Franklin Advisers, Inc.	4,786	1.22
Stabilitas GmbH	3,204	0.82
Total number of shares held by the top 10 shareholders	152,151	38.80
Other shareholders	239,955	61.20
Total number of shares on issue	392,107	100.00

Source: Nasdaq IR Insight

As at 19 July 2016, Teranga had approximately 39.6 million CDIs on issue, which trade on the ASX, as summarised in the table below.

Table 18: Breakdown of Teranga CDIs on the ASX

Shareholder	Number of CDIs held 000s	% of issued CDIs
Fidelity Management & Research Company	3,338	8.43
Franklin Advisers, Inc.	1,722	4.35
Degroof Banque Privée S.A.	1,047	2.64
Dimensional Fund Advisors, L.P.	968	2.44
Platt (Anthony)	560	1.41
Toad Facilities Pty. Ltd.	420	1.06
P G Howarth Pty. Ltd.	354	0.89
Ackland (Penelope Margaret)	272	0.69
URAM SA	263	0.66
Gecko Resources Pty. Ltd.	244	0.62

Shareholder	Number of CDIs held 000s	% of issued CDIs
Total number of CDIs held by the top 10 holders	9,188	23.19
Other CDI holders	30,430	76.81
Total number of CDIs on issue	39,618	100.00

Source: Nasdaq IR Insight

As at the date of this report, Teranga had the following substantial shareholders.

Table 19: Substantial shareholders of Teranga

Shareholder	Number of shares held 000s	% of issued shares
Tablo	50,919	13.0
Van Eck Associates Corporation	32,083	8.2

Source: Teranga management, Scheme Booklet

Incentive Stock Option Plan

Under an Incentive Stock Option Plan, stock options are granted to directors, officers, employees and consultants of Teranga.

As at 30 June 2016, Teranga had approximately 19.1 million options over Teranga common shares on issue comprising approximately:

- 11.7 million options exercisable at C\$3.00 each, with various expiry dates between 26 November 2020 and 1 May 2024
- 3.6 million options exercisable at C\$0.64 each, with an expiry date of 31 March 2020
- 3.8 million options exercisable at C\$0.67 each, with an expiry date of 31 March 2021.

10.13 Share based payments

Fixed Bonus Plan

Under a Fixed Option Plan, Fixed Option Plan Units (**Units**) are granted to officers and employees of Teranga 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 Teranga share on the TSX on the business day prior to the date of exercise, less the exercise price.

As at 30 June 2016, there were approximately 1.8 million Units outstanding, granted on 8 August 2012, 31 March 2015 and 31 March 2016, with expiry dates ranging between 31 March 2020 to 24 February 2022. Of the 1.8 million Units outstanding as at 30 June 2016, approximately 1.4 million Units had an exercise price of C\$3.00, approximately 0.3 million Units had an exercise price of C\$0.64 and approximately 0.1 million Units had an exercise price of C\$0.67.

As at 30 June 2016, Teranga assessed the total fair value of the Units to be in the order of approximately US\$0.3 million.

Restricted share units and deferred share units

Teranga grants cash-settled awards in the form of restricted share units (**RSUs**) to officers and employees and deferred share units (**DSUs**) to directors. Each RSU and DSU granted has a value equal to the value of one Teranga share.

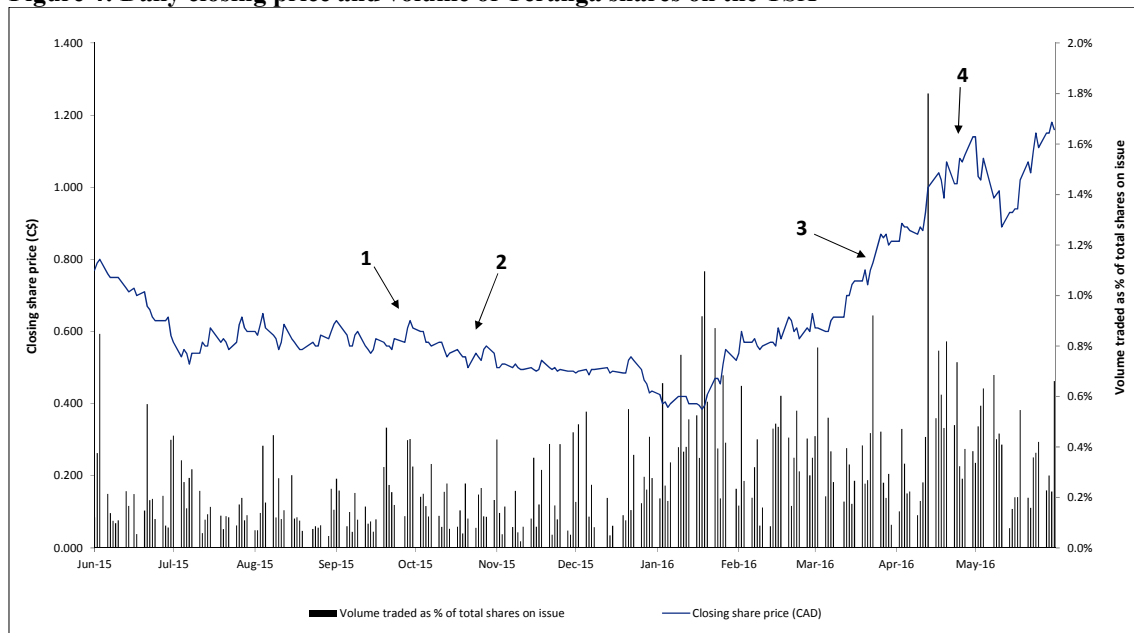
The RSUs and DSUs have time based and/or performance based vesting conditions.

As at 30 June 2016, Teranga had approximately 8.2 million RSUs and 1.9 million DSUs on issue and had recorded total liabilities of US\$3.3 million relating to the RSUs and DSUs.

10.14 Share price and volume trading history of Teranga shares

The charts below depict the daily closing price of Teranga shares over the 12 month period to 17 June 2016, being the last trade day prior to the announcement of the Scheme, along with the daily volume of Teranga shares traded as a percentage of total issued share capital over the period.

Figure 4: Daily closing price and volume of Teranga shares on the TSX



Source: Capital IQ, KPMG Corporate Finance Analysis and ASX Announcements

As illustrated in the figure above, the daily closing share price of Teranga shares exhibited considerable volatility over the period. The share price generally trended downwards, to the end of January 2016, closing in the range of approximately C\$0.39 to C\$0.80 over this period. Over the period post January 2016 to 17 June 2016 the price of Teranga shares increased significantly closing at C\$1.19 per share on 17 June 2016.

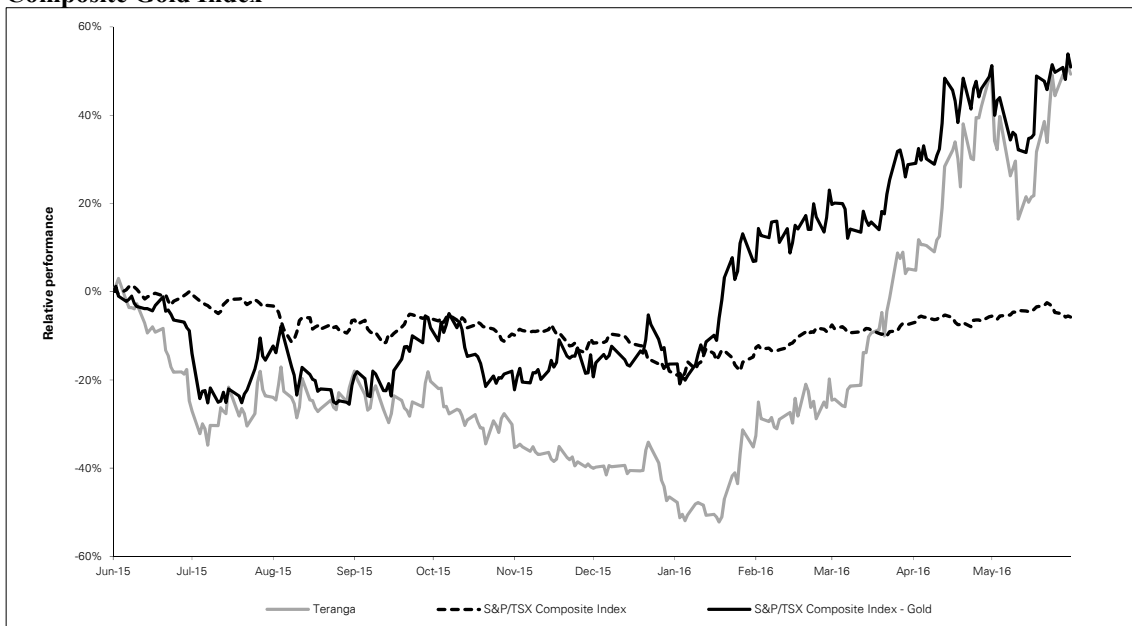
Other than normal half year and full year financial reporting and quarterly activities reporting, significant announcements by Teranga in the 12 months to 17 June 2016 that may have had an impact on its share price include:

1. 22 September 2015 – Announcement in relation to Richard Young, the President and Chief Executive Officer of Teranga, presenting at the Denver Gold Forum, in addition to a corporate update outlining Teranga’s key operations results and strategic growth initiatives
2. 15 October 2015 – Announcement of a private placement to cornerstone investor, Tablo, for a consideration of C\$22.7 million (39.2 million shares at a price of C\$0.58 per Teranga share)
3. 24 March 2016 – Release of a 43-101 Technical Report prepared by Teranga and RPA Inc, a mining technical specialist, in relation to the Sabodala Project
4. 29 April 2016 – Announcement of record quarterly production results from the Sabodala Project for the three months ending 31 March 2016

Further details in relation to all announcements made by Teranga to TSX can be obtained from either Teranga’s website or TSX’s website at www.tsx.com.

As illustrated in the figure below, Teranga’s share price generally underperformed against the S&P/TSX Composite Gold Index prior to April 2016 but performed strongly in the latter part of the period. Similarly, Teranga underperformed relative to the S&P/TSX Composite Index prior to April 2016 but has significantly outperformed since that date, albeit displaying considerably greater volatility over the period than both indices and reflecting the strong performance of Teranga’s share price since January 2016.

Figure 5: Teranga shares performance relative to the S&P/TSX Composite Index and the S&P/TSX Composite Gold Index



Source: Capital IQ and KPMG Corporate Finance Analysis

Trading liquidity of Teranga shares on the TSX

The table below sets out the volume of trade in Teranga shares on the TSX over various periods of time in the 12 month period to 17 June 2016, being the last trade day on the TSX prior to Teranga’s announcement of the Scheme.

Table 20: Trading liquidity in Teranga shares on the TSX pre-announcement of the Scheme

Period up to and including 17 June 2016	Share price low C\$	Share price high C\$	VWAP C\$	Cumulative volume million	As a % of total issued shares
1 day	1.160	1.190	1.179	1.1	0.3
1 week	1.130	1.230	1.175	6.6	1.7
1 month	0.870	1.230	1.050	31.5	8.0
3 months	0.580	1.230	0.935	99.9	25.5
6 months	0.380	1.230	0.729	188.5	48.1
12 months	0.380	1.230	0.684	275.0	71.8

Source: Capital IQ and KPMG Corporate Finance Analysis

Teranga shares have, exhibited reasonable liquidity over the 12 month period to 17 June 2016, with approximately 71.8% of total shares on issue traded, at an average daily volume of 1.1 million shares and daily value of approximately C\$745,800. We note over this period Teranga shares were traded on 251 out of 253 available trade days on the TSX.

An analysis of the volume of trading in Teranga shares in the period from 18 June 2016 to 21 July 2016 inclusive is set out below.

Table 21: Trading liquidity in Teranga shares on the TSX post-announcement of the Scheme

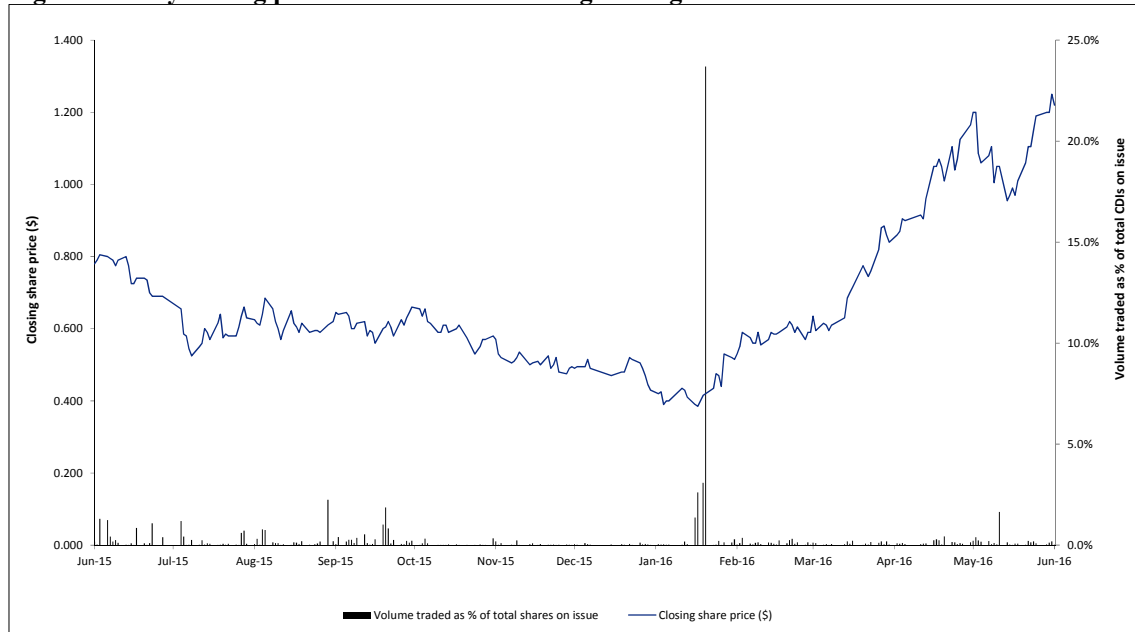
Period from 18 June 2016 to 21 July 2016	Share price low C\$	Share price high C\$	VWAP C\$	Cumulative volume million	As a % of total issued shares
33 days	1.010	1.250	1.147	32.5	28.3

Source: Capital IQ and KPMG Corporate Finance Analysis

10.15 Share price and volume trading history of existing Teranga CDIs

The chart below depicts the daily closing price of existing Teranga CDIs on the ASX over the 12 month period to 17 June 2016, being the last trade day prior to the announcement of the Scheme, along with the daily volume of existing Teranga CDIs traded as a percentage of total issued share capital over the period.

Figure 6: Daily closing price and volume of existing Teranga CDIs on the ASX



Source: Capital IQ, KPMG Corporate Finance Analysis and ASX Announcements

Note: Total CDIs outstanding have been sourced from monthly ASX announcements as disclosed by Teranga

As illustrated in the figure above, the daily closing price of Teranga CDIs exhibited considerable volatility over the period. The price generally trended downwards to the end of January 2016, closing in

the range of approximately \$0.39 to \$0.81 over this period. Over the period post January 2016 to 17 June 2016 the price of Teranga CDIs increased significantly closing at \$1.22 per share on 17 June 2016. We note on 5 February 2016, Teranga CDIs experienced significant daily turnover with approximately 24% of total CDIs on issue being traded on that day alone, following the release of Teranga's CY15 annual results causing a large sell-off by certain investors.

Refer to section 10.14 above for significant announcements made by Teranga in the 12 months to 17 June 2016.

Trading liquidity of existing Teranga CDIs on the ASX

The table below presents analysis in relation to the volume of trade in existing Teranga CDIs on the ASX over various periods of time in the 12 month period to 17 June 2016, being the last trade day on the ASX prior to Teranga's announcement of the Scheme.

Table 22: Trading liquidity in existing Teranga CDIs on the ASX pre-announcement of the Scheme

Period up to and including 17 June 2016	Share price low \$	Share price high \$	VWAP \$	Cumulative volume million	As a % of total issued CDIs
1 day	1.200	1.230	1.224	0.0	0.0
1 week	1.195	1.250	1.211	0.2	0.4
1 month	0.930	1.250	1.085	1.9	4.1
3 months	0.595	1.250	1.007	3.9	8.3
6 months	0.385	1.250	0.531	22.3	43.5
12 months	0.385	1.250	0.579	37.0	68.5

Source: Capital IQ, KPMG Corporate Finance Analysis and ASX Announcements

Existing Teranga CDIs have, prima facie, exhibited only limited liquidity in the three months prior to the announcement of the Scheme, but improved liquidity when measured over the total 12 month period to 17 June 2016, with approximately 68.5% of total CDIs on issue traded, at an average daily volume of 0.16 million CDIs and daily value of approximately \$92,000. We note on 2 February 2016, existing Teranga CDIs experienced significant daily turnover with approximately 24% of total CDIs on issue being traded on that day, following the release of Teranga's CY15 annual results causing a large sell-off by certain investors. Liquidity in existing Teranga CDIs over the 12 month period to 17 June 2016 would decrease to 44.8% if the trading on 5 February 2016 was excluded, at an average daily volume of 0.11 million CDIs and a daily value of approximately \$71,000.

We note over this period existing Teranga CDIs were traded on 232 out of 253 available trade days on the ASX. In recent times, liquidity of existing Teranga CDIs has reduced, with approximately 8.3% of total CDIs on issue traded over the three month period to 17 June 2016, representing an average daily trade volume of 67,000 CDIs and value of approximately \$70,000.

An analysis of the volume of trading in existing Teranga CDIs in the period from 18 June 2016 to 21 July 2016 inclusive is set out below.

Table 23: Trading liquidity in existing Teranga CDIs on the ASX post-announcement of the Scheme

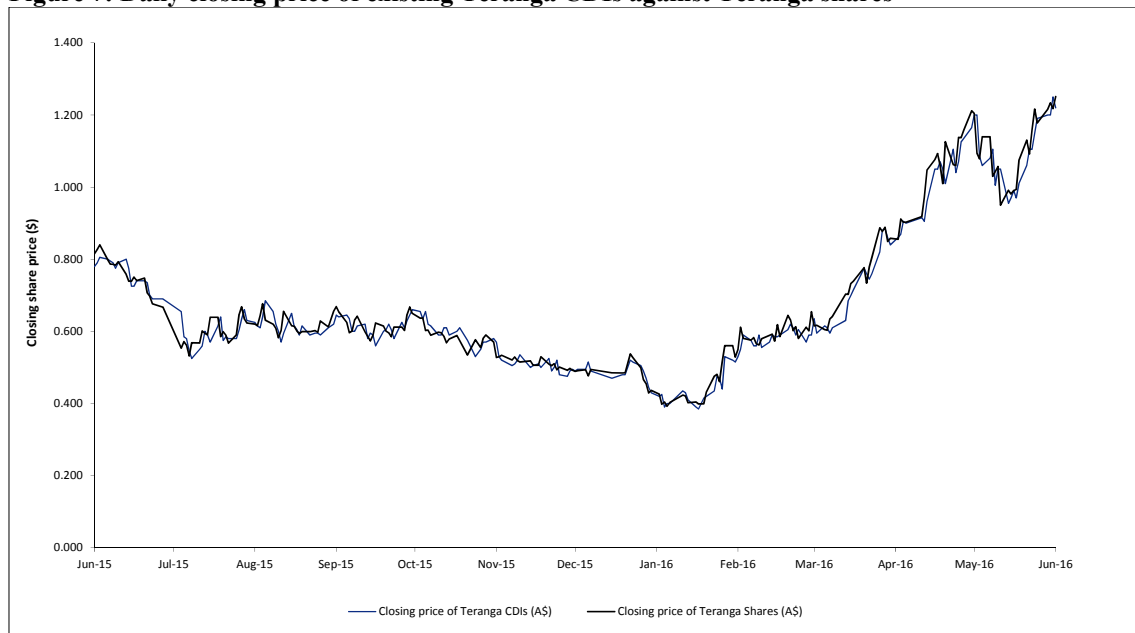
Period from 18 June 2016 to 21 July 2016	Share price low \$	Share price high \$	VWAP \$	Cumulative volume million	As a % of total issued CDIs
33 days	0.813	0.973	0.893	0.9	1.9

Source: Capital IQ and KPMG Corporate Finance Analysis

10.16 Share price trading history of existing Teranga CDIs against Teranga shares

The chart below depicts the daily closing price of existing Teranga CDIs on the ASX against Teranga shares on the TSX over the 12 month period to 17 June 2016. The daily closing price of Teranga shares have been converted from CAD to AUD terms at the daily spot AUD:CAD exchange rate.

Figure 7: Daily closing price of existing Teranga CDIs against Teranga shares



Source: Capital IQ, KPMG Corporate Finance Analysis and ASX Announcements

As illustrated in the figure above, when compared on a single currency basis (AUD terms), Teranga shares and existing Teranga CDIs traded largely at consistent prices over the 12 month period to 17 June 2016.

11 Impact of the Scheme

11.1 Gryphon and Teranga shareholders' interest

At the date of this report, Gryphon and Teranga had approximately 422.8 million⁷ and 392.1 million shares on issue respectively. Following the completion of the Scheme, the number of Teranga Shares to be issued having regard to the Exchange Ratio will be approximately 70.6 million⁸. The table below summarises the ownership structure should the Scheme be completed.

Table 24: Shareholder ownership pre and post the Scheme

Shareholder	Pre-Scheme issued shares		Post-Scheme issued shares	
	Gryphon million	Exchange Ratio	Expanded Teranga million	%
Scheme Participants	401.6	0.169	67.9	
Gryphon performance rights	16.4	0.169	2.8	
Total Gryphon shareholders			70.6	15%
Existing Teranga shareholders			392.1	83%
New shares issued to Tablo			10.5	2%
Total			473.3	100%

Source: ASX Announcements and KPMG Corporate Finance Analysis

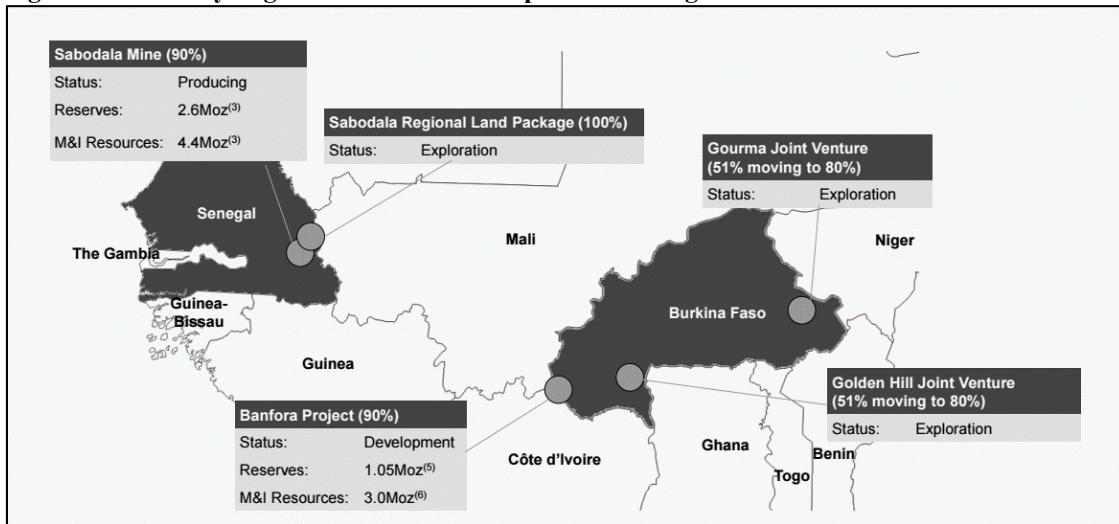
11.2 Gold assets of the Expanded Teranga

Completion of the Scheme will provide the Expanded Teranga with a portfolio of exploration, development and production gold assets. A summary of the notional Expanded Teranga's asset portfolio is illustrated below.

⁷ Includes the private placement of 21.2 million new common Gryphon shares to Teranga in early July 2016

⁸ Based on 422.8 million Gryphon ordinary shares on issue less the 21.2 million shares owned by Teranga plus 16.4 million new Gryphon shares to be issued pursuant to the accelerated vesting of the outstanding Gryphon performance rights.

Figure 8: Summary of gold interests of the Expanded Teranga



Source: ASX Company Announcements

Teranga intends to advance the Banfora Project into construction and operation. In the short-term, Teranga will focus on drilling programs, aiming to convert current Mineral Resources to Mineral Reserves and delineating additional Mineral Resources and Mineral Reserves.

Further information on each asset is detailed in the Specialist Report attached as Appendix 7 and in the Scheme Booklet.

11.3 Board of Directors

Teranga intends to appoint its nominees to the Gryphon Board following the completion of the Scheme.

Teranga's Board currently consists of nine directors and it is anticipated each existing Teranga director will continue as Teranga directors in the Expanded Teranga, if the Scheme is implemented. Details of current Teranga directors are set out in Section 5 of the Scheme Booklet.

11.4 Proforma financial position

Section 6 of the Scheme Booklet sets out for illustrative purposes only the proforma financial position of the Expanded Teranga in USD terms as at 31 March 2016, assuming the Scheme is completed, which is summarised below.

Table 25: Expanded Teranga proforma financial position as at 31 March 2016

	Teranga	Gryphon	Adjustments	Expanded Teranga Pro forma
	US\$M	US\$M	US\$M	US\$M
Cash and cash equivalents	53.5	8.1	5.2	66.8
Trade and other receivables	14.8	0.3	-	15.1
Inventories	51.8	-	-	51.8
Other	11.3	-	-	11.3

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	Teranga	Gryphon	Adjustments	Expanded Teranga Pro forma
	US\$M	US\$M	US\$M	US\$M
Total current assets	131.4	8.4	5.2	145.0
Trade and other receivables	-	0.2	-	0.2
Inventories	109.1	-	-	109.1
Available for sale financial assets	-	1.2	-	1.2
Property, plant and equipment	194.2	1.8	-	196.0
Mine development expenditures	238.9	-	59.8	298.7
Exploration & evaluation expenditure	-	4.1	(4.1)	-
Deferred income tax assets	23.3	-	(2.7)	20.6
Other	8.0	-	-	8.0
Total non-current assets	573.5	7.3	53.0	633.8
Total assets	704.9	15.7	58.2	778.8
Trade and other payables	62.3	2.1	-	64.4
Current income tax liabilities	12.4	-	-	12.4
Deferred revenue	22.4	-	-	22.4
Provisions	3.2	-	-	3.2
Total current liabilities	100.3	2.1	-	102.4
Borrowings	13.7	-	-	13.7
Deferred revenue	63.6	-	-	63.6
Provisions	28.6	0.2	-	28.8
Other	11.0	-	-	11.0
Total non-current liabilities	116.9	0.2	-	117.1
Total liabilities	217.2	2.3	-	219.5
Net assets	487.7	13.4	58.2	559.3
Ordinary shares on issue (millions)	392.1	401.6	81.2	473.3
Net assets per share	1.24	0.03	-	1.18
Gearing (%)	2.8%	0.0%	-	2.4%
Current ratio (times)	1.3	4.0	-	1.4

Note 1: Scheme Booklet indicates an AUD:USD exchange rate of 0.7668 (as at 31 March 2016) has been adopted for the purpose of determining the pro forma financial position of the Expanded Teranga.

Source: Scheme Booklet, KPMG Corporate Finance Analysis

We make the following observations in relation to the Expanded Teranga's proforma financial position as at 31 March 2016:

- the proforma financial position of the Expanded Teranga has been prepared on the basis of the unaudited consolidated financial position of Teranga as at 31 March 2016 and unaudited consolidated financial position of Gryphon as at 31 March 2016

- Teranga and Gryphon both have net cash positions, which are not expected to be materially impacted by completion of the Scheme as the consideration to be provided to the Scheme Participants is in the form of new Teranga Shares or Teranga CDIs
- the Expanded Teranga's pro-forma cash position of approximately US\$66.8 million combined with unused portion of Teranga's existing debt facilities of approximately US\$15 million may be insufficient of themselves to meet the expected capital costs for the development of the Banfora Project. Whilst there is the potential that any shortfall may be able to be met from near term cash flow generated by Teranga from the Sabodala Project, it is also possible that the Expanded Teranga may be required to seek additional equity and/or debt to fund this shortfall, the terms of which are not known at this time. If the Expanded Teranga is required to raise additional equity capital to fund the development of the Banfora Project there is the potential, depending upon the form of the raising and prevailing market conditions, for any such capital raising to be dilutive to the Scheme Participants
- Teranga's proforma net asset backing per share decreases from US\$1.24 to US\$1.18
- Teranga currently has approximately 392.1 million shares on issue. In the event the Scheme is completed, Scheme Participants will hold approximately 15% in the Expanded Teranga (excluding any shares in Teranga that Scheme Participants may already hold and the interests of overseas shareholders whose shares will be realised following completion of the Scheme).

A more detailed discussion of the assumptions and adjustments incorporated in the proforma financial position of Teranga is set out in Section 6 of the Scheme Booklet.

11.5 Transaction costs

As set out in the Scheme Booklet, total transaction and implementation costs incurred by Gryphon and Teranga in relation to the Scheme are estimated to be approximately US\$2.5 million and US\$2.0 million respectively.

Transaction and implementation costs associated with the Scheme incurred by Gryphon and Teranga primarily relate to financial advisory, legal, accounting, independent expert, tax and administrative fees, Scheme Booklet design and printing, share registry and other expenses.

11.6 Potential cost savings and synergies

We have been provided with a schedule prepared by Gryphon that sets out the Company's assessment of the synergy benefits and cost savings likely to be available to a pool of purchasers (including Teranga) in acquiring a 100% interest in Gryphon. These synergy benefits and cost savings total in the order of approximately \$2.9 million per annum (in 2017 pre-tax dollars) over the estimated life of Gryphon's operations, with once-off associated costs in realising these benefits incurred in the first year following acquisition of \$3.0 million (in 2017 pre-tax dollars).

The quantum of these synergies has been estimated having regard principally to the matters set out below:

- an acquirer would realise significant head office wage and on-cost savings as a result of various management and head office functions being subsumed within the organisational structure of the acquirer
- Directors' fees – any acquirer would seek to rationalise the Board of Gryphon

- audit and compliance costs – an acquirer is expected to realise economies of scale from consolidation in terms of statutory reporting and compliance requirements charged in respect of the enlarged entity when compared to two stand-alone entities.
- external rent – Gryphon anticipates an acquirer would be able to realise cost savings associated with the reduction of space requirements as a direct result of the reduction in head office executive and employee head count.

In considering the benefits of any acquisition of Gryphon, we believe an acquirer of Gryphon would also have regard to the fact that Gryphon's future cash flow is expected to be sourced from Burkina Faso, West Africa. Burkina Faso's former president was ousted as a result of a presidential coup in October 2014, creating political and sovereign risk in the country. Following a period of political uncertainty and local elections, a new government was elected in November 2015. Economic commentators have forecast political stability to gradually improve in 2016 and 2017 under the new democratically elected government.

In the event political stability does not materialise as expected, it could be argued that by adding Gryphon's assets to its portfolio any acquirer would be increasing its exposure to sovereign risk. We have taken sovereign risk associated with the location of the Banfora Project into account in our valuation of the project.

11.7 Synergies unique to Teranga

Having regard to the existing operational profile and location of Teranga's asset base it is not expected that Teranga will realise any significant direct cost savings that a general pool of purchasers may not otherwise be able to achieve, however, we consider that there are various benefits to Teranga from completing the Scheme that may be unique to Teranga, including:

- the acquisition of Gryphon's Banfora Project will provide Teranga with immediate access to a high-quality growth asset diversifying its asset base during a period of transition from open pit to underground mining at the Sabodala Project
- acquisition of Gryphon's Banfora Project will enable Teranga to remain a pure gold play whilst creating a multi-jurisdictional gold producer in West Africa
- the potential for a market share price re-rating following the increase in the Expanded Teranga's:
 - market capitalisation
 - potential future production from the exploitation of the Banfora Project deposit
 - Mineral Resources and Mineral Reserves

Whilst a number of these benefits involve a large degree of subjectivity and may not be easily quantifiable, they represent both potential benefits for the Expanded Teranga and key drivers in this transaction.

We have not factored these special benefits unique to Teranga into our determination of the underlying value of Gryphon. We have however considered these benefits in our assessment of the reasonableness of the Scheme.

12 Valuation of Gryphon

12.1 Valuation methodology

The principal assets of Gryphon comprise its interest in mineral assets at various stages of development, from early stage exploration to project development. Such assets have limited lives and future profitability and asset life depend upon factors that are inherently unpredictable.

In our experience, the most appropriate method for determining the value of companies similar to Gryphon is on the basis of the value of the sum of the parts of the underlying net assets, with its principal development asset, the Banfora Project, being valued using the discounted cash flow (DCF) approach.

The DCF methodology has a strong theoretical basis, valuing a business on the NPV of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital. This technique is particularly appropriate for start up companies and companies with a limited asset life, which is often the case with companies dependent upon depleting Mineral Reserves. Application of this technique generally requires a 5-year minimum period of analysis. In addition, a sensitivity analysis for variations in key assumptions adopted needs to be performed.

ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist KPMG Corporate Finance in the valuation of Gryphon's mineral interests, Snowden was engaged by Gryphon, and instructed by us, to prepare an independent technical expert report in relation to production scenarios, including appropriate Mineral Resources and Ore Reserves estimations, capital expenditure and operational cost profiles to be adopted by us in the preparation of forecast cash flows for Gryphon's interest in the Banfora Project. In addition Snowden has assessed the value of Gryphon's interest in other mineral assets not captured in the DCF valuation of the Banfora Project. A copy of Snowden's Specialist Report, which was prepared in accordance with the ValMin Code, is attached to this report as Appendix 7.

The development and operational assumptions recommended by Snowden have been adopted in the cash flow projections prepared by us in assessing the values of Gryphon's interest in the Banfora Project. KPMG Corporate Finance was responsible for the determination of certain macroeconomic and other assumptions such as commodity prices, exchange rates, discount rates, inflation and taxation assumptions. Snowden has determined two key production scenarios, considering each of the HL or CIL development alternatives, which it considers reasonable for the purpose of KPMG Corporate Finance's valuation and also a range of values within which it considers the value of each of the relevant interests in other mineral assets to lie. The valuations ascribed by Snowden to Gryphon's interests in other mineral assets have been adopted in our report.

Other assets and liabilities of Gryphon have been incorporated in our valuation based on book values as at 31 March 2016, adjusted for subsequent material movements, as reasonable estimates of market value.

12.2 Valuation summary

We have assessed the market value of Gryphon as a whole, inclusive of a premium for control, to lie in the range of \$46.9 million to \$79.8 million, which equates to between \$0.11 and \$0.18 per Gryphon share.

The market value of Gryphon was determined by aggregating the estimated market value of Gryphon's interests in mineral assets, adding the assessed value of other assets and, if appropriate, deducting any

external borrowings and non-trading liabilities. The value of Gryphon has been assessed on the basis of market value, that is, the value that should be agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Our range of market values does not include any potential strategic or operational synergies that may be unique to individual investors. Accordingly, our range of values has been prepared independent of the specific circumstances of any potential bidder.

Our range of assessed values is relatively wide reflecting that:

- the Banfora Project is yet to come into production and therefore incorporates a greater degree of subjectivity
- a significant portion of value is attributable to Snowden's assessment of the Banfora Project Mineral Resources not included in the Technical Model, which whilst assessing a "preferred" value closer to the bottom of its range, Snowden considers there to be significant upside having regard to recent transaction metrics
- Gryphon's mineral asset values were originally assessed in USD, the valuation range is amplified when converted to AUD at the assessed spot exchange rate of AUD:USD 0.75.

Table 26: Summary of assessed market values of Gryphon inclusive of a premium for control

	Assessed Values	
	Low \$m	High \$m
Market values of Gryphon's interests in mineral assets:		
Banfora Project Ore Reserves (US\$) - 90% interest	21.1	28.2
Banfora Project Mineral Resources (not included in the Technical Model) and other mineral assets (US\$)	10.5	28.2
Total mineral assets - US\$	31.6	56.4
Total mineral assets - \$²	42.1	75.3
Add: Cash and cash equivalents	13.6	13.6
Listed equity investments	4.2	5.0
Less: Future corporate overheads	(10.7)	(11.6)
Other net liabilities	(2.4)	(2.4)
Total equity value - \$m	46.9	79.8
Number of ordinary shares - undiluted (millions)	422.8	422.8
Add: SPRs ³	16.4	16.4
Number of ordinary shares - diluted (millions)	439.2	439.2
Value per share, inclusive of a premium for control - \$	0.11	0.18

Notes:

1. *Figures may not add exactly due to rounding.*
2. *Converted at the spot exchange rate of 0.75 AUD:USD as at 20 July 2016.*
3. *In the event the Scheme is approved, all outstanding SPRs will vest and form part of the Scheme.*

Source: KPMG Corporate Finance analysis and the Specialist Report

Our range of assessed fair values for a Gryphon share of between \$0.11 and \$0.18 per share compares to a closing price for a Gryphon share on its last trading day prior to the announcement of the Scheme on 17 June 2016 of \$0.135, and to the closing price for a Gryphon share 21 July 2016 of \$0.17, which likely includes the market's assessment as to the impact of the Scheme.

Valuation of Gryphon's effective 90% interest in the Banfora Project Ore Reserves

We have valued Gryphon's 90% interest in the Banfora Project Ore Reserves as lying in the range of US\$21.1 million to US\$28.2 million.

In forming our opinion we have developed, in conjunction with Snowden, a cash flow model reflecting the most likely forecast scenario for the Banfora Project, based on KPMG Corporate Finance's and Snowden's discussions with Gryphon's management and other supporting documentation. As a result of its analysis, Snowden determined that whilst there was a reasonable basis for valuing the Banfora Project Ore Reserves using the DCF methodology, the Banfora Project Mineral Resources (not included in the Technical Model) were more appropriately valued using other methodologies for earlier stage mineral assets.

Snowden provided two key production scenarios, one each for the HL and CIL development alternatives both of which it considers reasonable. We have considered Snowden's assumptions and discussed them in detail with Snowden in the context of production and costing projections prepared by Gryphon. In particular, Snowden's assessment that it was more appropriate to value the Banfora Project Mineral Resources outside of a DCF valuation methodology. Based on these discussions and enquiries, we consider the assumptions adopted by Snowden to have a reasonable basis.

Based on our modelling and key valuation assumptions, we determined the HL alternative in relation to the processing of the Banfora Project Ore Reserves results in a higher NPV than the CIL development alternative at this time and, accordingly, have adopted this production scenario for the purpose of our valuation.

Further details in relation to Snowden's assumptions are set out in the Specialist Report at Appendix 7.

Whilst it could be argued that, in theory, a discount should be applied to the proportionate values calculated to reflect that a DCF valuation provides a valuation of 100 percent of a project and accordingly incorporates a premium for control, whereas Gryphon has less than full control (90 percent interest) of the Banfora Project, we note that:

- the balance of the project's shareholding is held by the Government of Burkina Faso, whose interest it is in to ensure a successful project
- Gryphon will have control of the day to day operations at the mine.

In these circumstances, we do not consider Gryphon to be materially disadvantaged by holding less than full control and therefore a minority discount is not warranted.

Key operational assumptions

The principal operational assumptions provided by Snowden and adopted in our valuation of the Banfora Project Ore Reserves are summarised below.

Table 27: Snowden’s key operating assumptions under the HL development scenario

	Unit	Assumption
Mine life	Years	9.0
First year of production	Year	2018
Average gold processing grade	g/t	1.4
Average gold recovery	%	78%
Total gold recovered	000oz	624.6
Average operating cost per gold recovered (2016 dollars)	US\$/oz	745.1
Total capital cost over life of mine (LOM) (2016 dollars)	US\$M	122.6

Source: *Specialist Report*

Our ranges of assessed fair values for the Banfora Project Ore Reserves do not incorporate any terminal value. At the end of the discrete forecasting period we have adopted rehabilitation costs and salvage values, if any, as advised by Snowden.

In reality, there may be a prospect of Gryphon achieving further success with its development and exploration programs resulting in an extension of mining inventory available for exploitation, which may extend the life of the Banfora Project’s operations past the end of the discrete forecast period based on the Ore Reserves. Snowden has however captured the value of existing Mineral Resources in its separate assessed values for the Banfora Project Mineral Resources not included in the Technical Model and other mineral assets.

Given the prospect of additional exploration success beyond existing delineated Ore Reserves and Mineral Resources is, at best, uncertain, we do not consider a purchaser of the asset would ascribe any significant value to this at the current time.

Key economic and financial assumptions

Denominations of cash flows

As the principal items of cash flow, including revenue as well as the majority of capital items and key operational supplies, in respect of the Banfora Project are denominated in USD, the NPV was calculated in USD.

We note that whilst a small proportion of the overall cash costs incurred by Gryphon are expected to be denominated in CFA Franc (Burkina Faso’s local currency). Given the CFA Franc is pegged to the Euro and the long term inflation outlooks for Burkina Faso, the Euro and the USD are similar, we have not adjusted the USD forecast cash flows for potential exchange rate movements as these are not expected to be significant.

Inflation

Inflation rate assumptions adopted by us in the DCF are set out in the table below.

Table 28: Summary of inflation assumptions

	2016	2017	2018	2019	2020
United States	1.5%	2.3%	2.2%	2.0%	2.0%

Source: Capital IQ, brokers' notes, various economic commentaries and KPMG Corporate Finance analysis

United States inflation was determined having regard to the forecasts of a range of brokers and economic commentators. Subsequent to 2020, the rate has been assumed to remain constant at 2.0% per annum for the United States.

Commodity prices

Gold price assumptions adopted by us in the DCF are set out in the table below.

Table 29: Summary of nominal gold price assumptions

	2016	2017	2018	2019	2020
Gold (US\$/oz)	1,295	1,300	1,310	1,320	1,320

Source: KPMG Corporate Finance Analysis

In determining our forecast gold price assumptions we have had regard to forecast gold prices published by various economic commentators and broking houses as well as the prevailing gold forward curve.

Subsequent to 2020, we have assumed that the gold price will increase by the long term inflation rate for the United States. In effect, the gold price is assumed to remain constant in real USD terms post 2020.

In selecting commodity prices and other macro economy assumptions, we have adopted what we consider to be reasonable inputs that a purchaser of long-term assets would adopt.

Other assumptions

Other key financial and economic assumptions adopted by us in assessing the value of the Banfora Project Ore Reserves include:

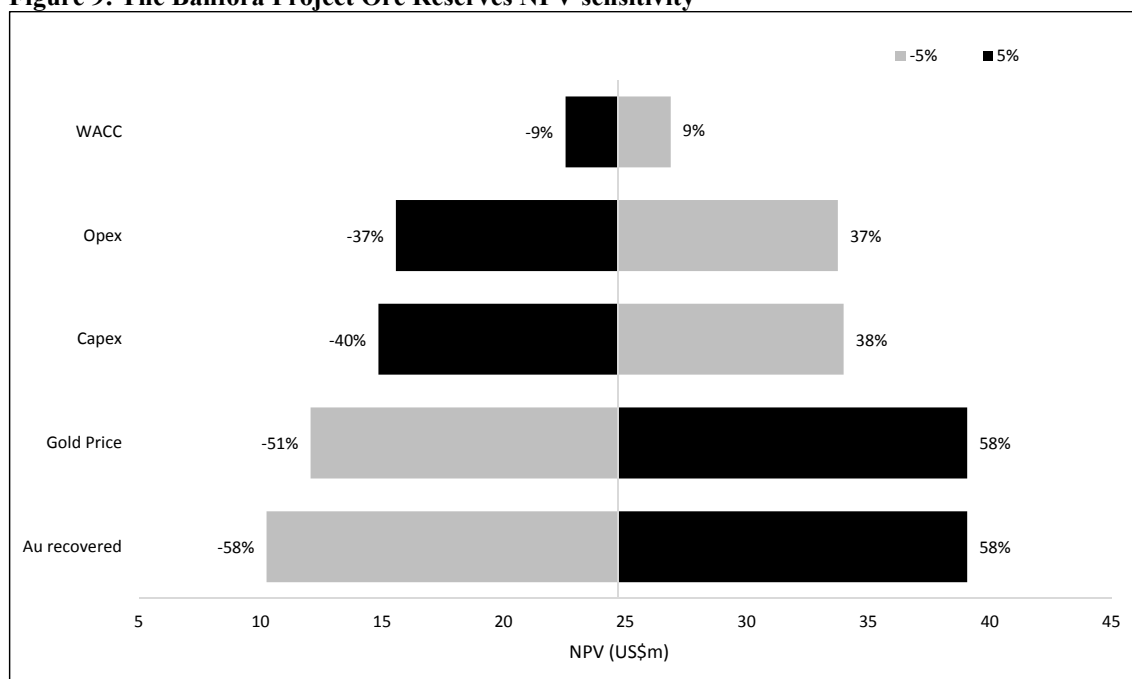
- corporate income tax rate of 17.5% for mining-related companies
- royalty charges for gold mining operations calculated as a percentage of turnover value of the sold extracted product and fixed as followed:
 - 3% if the price of gold is less than or equal to US\$1,000/oz
 - 4% if the price of gold is between US\$1,000/oz and US\$1,300/oz
 - 5% if the price of gold is greater than US\$1,300/oz
- L'impôt sur les Revenus des Valeurs Mobilières (**IVRM**) – withholding tax on securities (dividends and interest) of 6.25% for mining-related companies (3.125% in the first three years of exploitation)
- 10% free carried interest to the benefit of the Government of Burkina Faso
- no additional tax payable on dividend receipts from Burkina Faso

- a USD ungeared, post tax nominal discount rate in the range of 12.9% per annum to 15.2% per annum. The basis of our calculation of discount rates is discussed at Appendix 4 to this report
- as advised by Gryphon, approximately US\$37 million of the accumulated tax losses in Burkina Faso that relate to past exploration expenditure relevant to the forecast production will be able to be capitalised and depreciated for tax purposes. Gryphon has received independent taxation advice confirming the transfer and depreciation of relevant past exploration expenditure is permitted.

Sensitivity analysis

We have undertaken a sensitivity analysis around the mid-point of our valuation range for the Banfora Project Ore Reserves based on a range of key assumptions, the outcome of which is set out below.

Figure 9: The Banfora Project Ore Reserves NPV sensitivity



Source: KPMG Corporate Finance Analysis

The sensitivity analysis indicates that the NPV of the Banfora Project Ore Reserves is particularly sensitive to movements in production levels, commodity prices and capital expenditure. We note the asymmetrical outcome of capital expenditure and commodity prices are driven by the government’s free carry of the share of capital expenditure and the tiered royalty rates based on gold prices.

Valuation of Gryphon’s interest in the Banfora Project Mineral Resources and other mineral assets

Snowden has valued Gryphon’s interest in the Banfora Project Mineral Resources that are not included in its forecast production for the Banfora Project Ore Reserves as well as interests in other mineral assets in the range of US\$10.5 million to US\$28.2 million as summarised in the table below.

Table 30: Summary of Snowden's valuation of other mineral assets held by Gryphon

	Assessed Values	
	Low \$m	High \$m
Mineral Resources not included in the Technical Model	6.1	17.8
Exploration	3.6	9.6
Boss joint venture	0.8	0.8
Total – US\$	10.5	28.2

Source: Specialist Report

In assessing these values, Snowden has adopted accepted methods for valuing mineral assets based on a market-based approach having regard to exploration and development transaction comparisons. Further details in relation to each of these assets and the valuation methodology adopted are set out in Specialist Report which is included at Appendix 7.

It should be noted that the valuation of early stage / exploration assets as set out in the table above is highly subjective and uncertain and involves subjective assessments based on professional judgements made by Snowden. Whilst assessing a wide range of values for these assets, Snowden has indicated its preferred values in respect of the Banfora Project Mineral Resources not included in the Technical Model and other exploration assets lies towards the low end of its range of assessed values.

Other assets

Net assets not valued as part of Gryphon's mineral assets comprise cash and sundry other assets and liabilities. Except as specifically noted below, having regard to their nature and quantum, these assets and liabilities have been incorporated in our valuation at net book values as at 31 March 2016.

Cash

We have adjusted Gryphon's cash holding to reflect movements in cash to 30 June 2016 as advised by Gryphon management and the net proceeds of \$4.4 million received from the private placement to Teranga in early July 2016, pursuant to which Teranga subscribed for 21.2 million new ordinary Gryphon shares (approximately 5% of Gryphon's expanded ordinary share capital). Accordingly, we have adopted a cash balance for Gryphon of \$13.6 million for the purpose of our valuation.

Listed equity investments

Gryphon currently holds 10.7 million shares in Algold and 13.5 million shares in Tawana, representing an ownership interest of approximately 10% and 9% in the respective companies. Whilst the final value of the Algold and Tawana shares held by Gryphon will be determined by the prevailing market price at the date of realisation, the closing price for an Algold and Tawana share on 20 July 2016 of \$0.32 and \$0.10 implies a prima facie market value for Gryphon's investment in Algold and Tawana in the order of \$3.4 million and \$1.4 million respectively.

However, recent trading in Algold and Tawana shares prior to the date of this report, suggests that realisation of Gryphon's current parcels of shares may, in the absence of a party being identified as desirous to acquiring Gryphon's holding as single blocs, be required to be completed over an extended realisation period. Accordingly, we have applied a small discount to reflect these investments may not be

immediately liquid. At the high end of our range we have included small premium to reflect that Gryphon's current holdings may attract a premium if able to be realised as single blocs.

Future corporate overheads

Gryphon incurs corporate overheads in relation to managing its business and maintaining its operating assets. These costs have not been incorporated into the valuation of Gryphon's mineral assets set out above, and therefore it is necessary to deduct the present value of anticipated future management and administrative costs in relation to Gryphon's operating assets from the value of the Company. Gryphon estimates that its corporate costs, in the absence of the Scheme, to be in the order of \$4.4 million per annum (in 2017 pre-tax dollars).

We have been provided with a schedule prepared by Gryphon that sets out the Company's assessment of the direct synergies and cost savings likely to be available to a pool of purchasers in acquiring a 100% interest in Gryphon. These synergy benefits and cost savings total approximately \$2.9 million per annum (in 2017 pre-tax dollars) over the life of the Gryphon's operations, with a once-off cost of realisation of approximately \$3.0 million (in 2017 pre-tax dollars). These synergies are expected to be realised as a result of economies of scale, elimination of duplication in running Gryphon as a separate public company and general finance and support costs.

We have discussed with Gryphon's management the basis of its assessment as to the level of synergies and cost savings that may be realised by a pool of purchasers. Whilst there is both downside risk and potential upside in relation to the final quantum and nature of the synergies that may ultimately be realised, we believe, based on information available as at the date of this report, that the numbers estimated by Gryphon are considered reasonable for the purpose of our evaluation.

The NPV of these adjusted corporate costs, having regard to the nature of the Company's assets, has been estimated to be in order of \$10.7 million to \$11.6 million.

Share appreciation rights

We have not adjusted our values for the SARs given they were out of the money as at the date of this report.

Share performance rights

In the event the Scheme is approved, all outstanding SPRs will vest into Teranga Shares and form part of the Scheme. We have adjusted Gryphon's ordinary shares outstanding for the dilutionary impact of the 16.4 million SPRs outstanding for the purpose of our valuation.

Other valuation parameters

KPMG Corporate Finance's assessed values in respect of Gryphon's assets and liabilities, the implied enterprise value for Gryphon is between approximately US\$24.9 million and US\$49.6 million. Based on the Company's quoted Ore Reserves and Mineral Resources, the implied enterprise value to Ore Reserve and Mineral Resource ounce of contained gold equivalent multiples are as set out in the table below.

Table 31: Ore Reserve and Mineral Resource multiples per ounce of contained gold equivalent implied by our assessed values

Parameter	Low US\$/oz	High US\$/oz
Ore Reserves ^{1,2}	30.1	60.1
Mineral Resources ^{1,3,4}	6.8	13.6

Note:

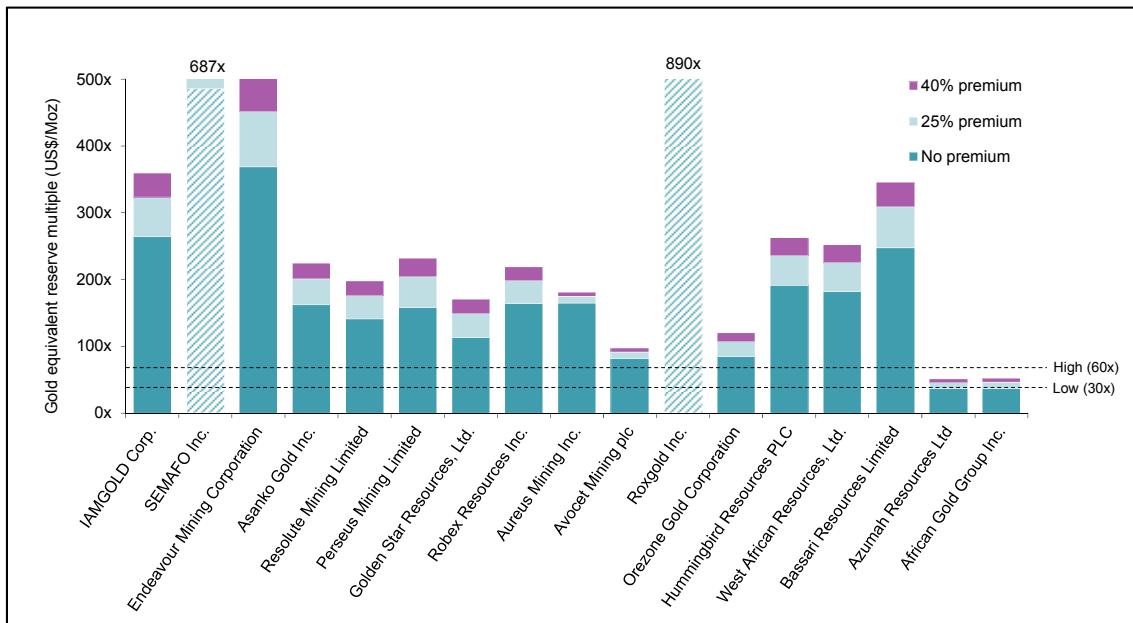
- Ore Reserve and Mineral Resource multiples implied by our assessed values are calculated using the most recent stated Ore Reserve and Mineral Resource information for the Banfora Project, assuming the HL processing technique is adopted.
- Ore Reserves include Proved and Probable Reserves.
- Mineral Resources include Measured, Indicated and Inferred Resources.
- Mineral Resources are inclusive of Ore Reserves.

Source: KPMG Corporate Finance analysis

Comparison to listed company gold equivalent Reserve multiples

Summarised in the figure below is a comparison of the results set out above with the value per Reserve ounce for a selection of listed gold companies implied by their market capitalisation as at 20 July 2016, a notional allowance for a premium for control of 25% to 40% and their most recent reported net debt/(cash) positions.

Figure 10: Reserve multiples per ounce of contained gold equivalent implied by selected listed companies



Source: KPMG Corporate Finance Analysis, Capital IQ, respective company announcements and Annual Reports

This analysis indicates a wide range of outcomes, however we note that the range of Ore Reserve multiples implied by our range of assessed market values for the enterprise value of Gryphon lies comfortably within the range of equivalent observed listed company Reserve multiples, albeit toward the low end. Given:

- the value of Gryphon is underpinned by the development stage Banfora Project, whereas many of the companies selected for comparison are in production
- our selection of listed production/pre-production gold companies comprises companies with gold projects located in West Africa.
- the discount rate adopted by us to value the Banfora Project Ore Reserves includes an additional adjustment to reflect development risk associated with bringing the project on stream as projected
- a number of the comparable companies are significantly larger than Gryphon, with more diversified portfolios
- Gryphon currently has a net cash position, which operates to reduce its implied enterprise value. In comparison, a number of the comparable companies are in a net debt position, which has increased their prima facie enterprise value and, in turn, the implied multiple

we consider this to be reasonable.

In considering these outcomes we note however that these results need to be viewed with some caution as they do not capture such things as:

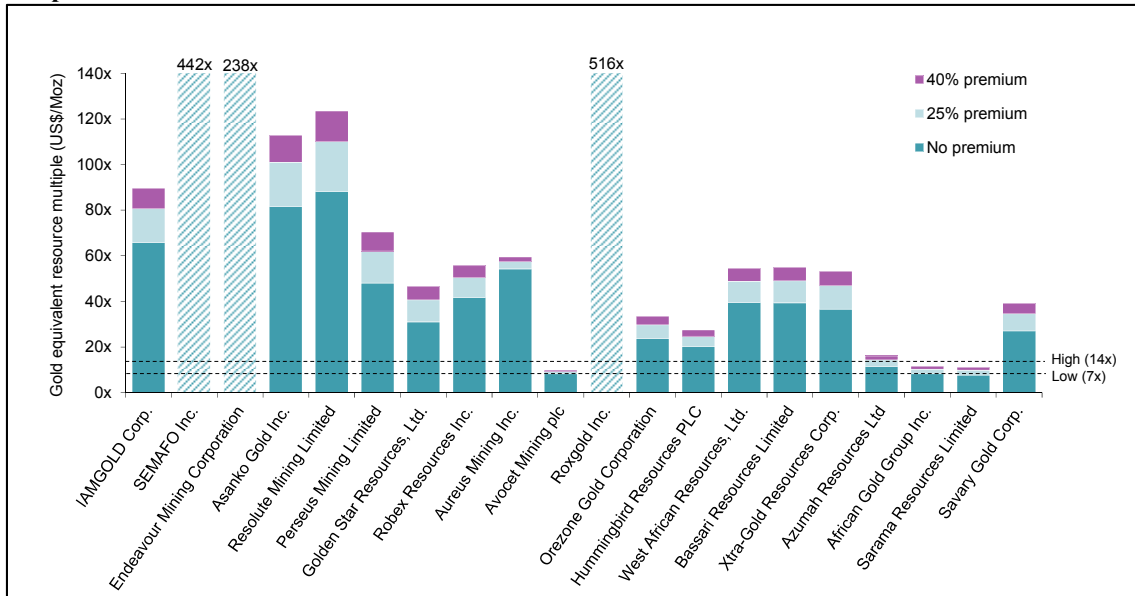
- the extent to which Reserves have been developed, their quality, location or proximity to infrastructure
- the weighting of Reserves to Resources and whether there is any imperative for conversion
- the quantum or timing of future operating and capital costs required to realise the underlying Reserves
- potential timing differences by companies in reporting updated Reserves figures
- other assets and liabilities held by the selected companies not reflected in the Reserves balances
- the gearing profile of each individual company.

Accordingly, in our view this form of analysis should only be considered as a high level cross-check of the outcomes of other valuation methodologies.

Comparison to listed company gold equivalent Resource multiples

Summarised in the figure below is a comparison of the results set out above with the value per gold equivalent Resource ounce for a selection of listed gold companies implied by their market capitalisation as at 20 July 2016, an allowance, solely for comparison purposes, for a notional premium for control of 25% to 40% and their most recent reported net debt/(cash) positions.

Figure 11: Resource multiples per ounce of contained gold equivalent implied by selected listed companies



Source: KPMG Corporate Finance Analysis, Capital IQ, respective company announcements and Annual Reports

This analysis indicates a wide range of outcomes, however we note that the range of Mineral Resource multiples implied by our range of assessed market values for the enterprise value of Gryphon lie within the range of equivalent observed listed company Resource multiples, albeit toward the low end.

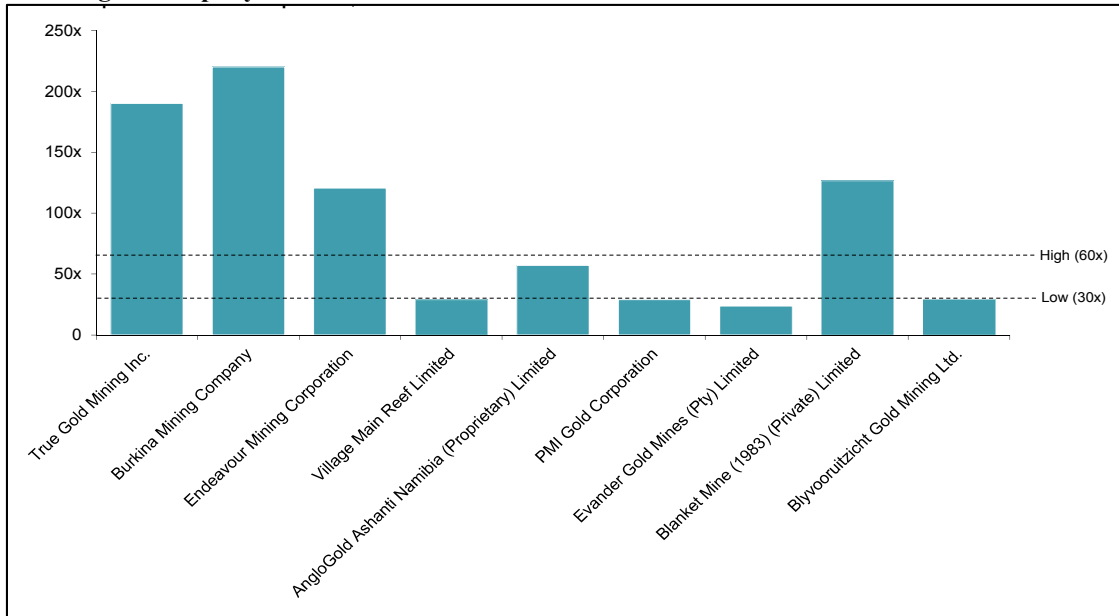
In considering these outcomes we note that many of the comments in relation to the multiples implied by listed company Reserve multiples are equally relevant here. Our previous comments in relation to the use of the analysis simply as a high level cross-check also have equal application here.

Further details of our analysis is set out in Appendix 5 to this report.

Comparison to listed gold equivalent Reserve multiples implied by recent gold corporate transactions

Summarised in the figure below is a comparison of the gold equivalent Ore Reserves multiples implied by the range of enterprise values for Gryphon with the implied value per gold equivalent Reserve ounce for a selection of recent corporate transactions involving companies with gold operations in West Africa.

Figure 12: Reserve multiples per ounce of contained gold equivalent implied by selected West African gold company transactions



Source: KPMG Corporate Finance Analysis, Capital IQ, respective company announcements and Annual Reports

This analysis indicates a wide range of outcomes, however we note that the range of the Ore Reserve multiples implied by our range of assessed values for the enterprise value of Gryphon lies within the observed range.

In considering the outcomes of the comparison to gold equivalent Reserve multiples implied by recent gold company transactions we note the following limitations:

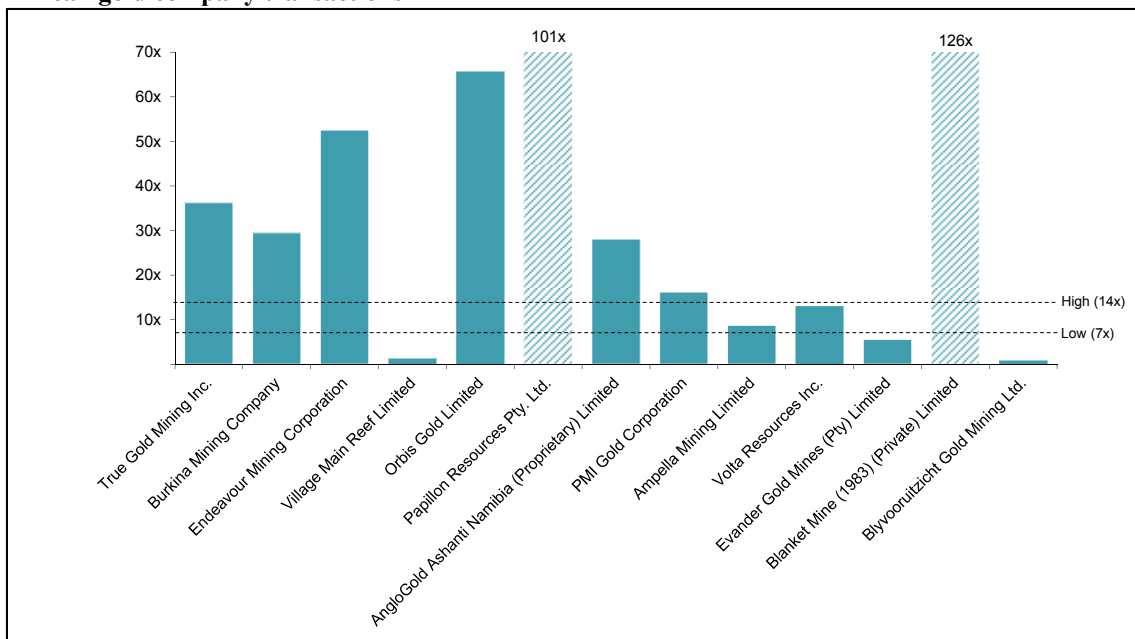
- many of the previously mentioned comments in relation to the multiples implied by listed companies have equal relevance here
- several of the transactions considered were likely completed under different prevailing market conditions and the market participants may have held different expectations in relation to the then prevailing gold prices
- the final price paid by the successful acquirer may incorporate an element of synergies and cost savings unique to that purchaser that it was required to pay away. This value is excluded from the commonly accepted definition of market value but is extremely difficult to quantify but if excluded could reduce the implied transaction multiples.

Accordingly, our previous comments in relation to the use of the analysis simply as a high level cross-check have equal application here.

Comparison to listed gold equivalent Resource multiples implied by recent gold corporate transactions

Summarised in the figure below is a comparison of the gold equivalent Mineral Resources multiples implied by the range of values for the enterprise value of Gryphon with the implied value per gold equivalent Resource ounce for a selection of recent corporate transactions largely involving companies with gold operations in West Africa.

Figure 13: Resource multiples per ounce of contained gold equivalent implied by selected West African gold company transactions



Source: KPMG Corporate Finance Analysis, Capital IQ, respective company announcements and Annual Reports

This analysis indicates a wide range of outcomes, however we note that the range of the Mineral Resource multiples implied by our range of assessed values for the enterprise value of Gryphon lies within the observed range, albeit toward the low end reflecting the Banfora Project is yet to be developed.

Many of the previously mentioned comments in relation to the multiples implied by listed companies have equal relevance here as do our previous comments in relation to the use of the analysis simply as a high level cross-check have equal application here.

Having regard to the above mentioned analysis we do not consider our range of enterprise values for Gryphon to be unreasonable.

Further details of our analysis is set out in Appendix 6 to this report.

13 Valuation of Teranga

Following implementation of the Scheme, the net assets of the Expanded Teranga will comprise its existing net asset base and the net assets acquired from Gryphon. Accordingly, in order to assess the value of the Scheme Consideration, it is necessary, in addition to determining the value of Gryphon's net assets in Section 12 above, to determine the value of Teranga's existing net asset base.

13.1 Valuation methodology

The principal assets of Teranga comprise its interest in mineral assets at various stages of development, from early stage exploration to production. Such assets have limited lives and future profitability and asset life depend upon factors that are inherently unpredictable.

In our experience, the most appropriate method for determining the value of companies similar to Teranga is on the basis of the value of the sum of the parts of the underlying net assets, with its principal producing asset, the Sabodala Project, being valued using the DCF approach.

Consistent with the valuation procedures undertaken for Gryphon, to assist KPMG Corporate Finance in the valuation of Teranga's mineral interests, Snowden has prepared production scenarios, including appropriate Mineral Resources and Reserves estimations, capital expenditure and operational cost profiles to be adopted by us in the preparation of forecast cash flows for Teranga's interest in the Sabodala Project Mineral Reserves. In addition Snowden has assessed the value of Teranga's interest in the Sabodala Project Mineral Resources and other mineral assets not captured in the DCF valuation of the Sabodala Project. A copy of Specialist Report, is attached to this report as Appendix 7.

Following our discussions and enquires with Snowden in the context of production and costing projections provided by Teranga, we are satisfied that there is a reasonable basis to adopt the development and operational assumptions recommended by Snowden in the cash flow projections prepared by us in assessing the values of Teranga's interest in the Sabodala Project Mineral Reserves. KPMG Corporate Finance was responsible for the determination of certain macroeconomic and other assumptions such as commodity prices, exchange rates, discount rates, inflation and taxation assumptions. The valuations ascribed by Snowden to Teranga's interest in the Sabodala Project Mineral Resources not included in the Technical Model and other mineral assets have been adopted in our report.

Other assets and liabilities of Teranga have been incorporated in our valuation based on book values as at 31 March 2016, adjusted for subsequent material movements, as reasonable estimates of market value.

13.2 Valuation summary

We have assessed the market value of Teranga to lie in the range of \$347.8 million to \$445.1 million.

The value of Teranga's net assets was determined by aggregating the estimated market value of Teranga's interests in mineral assets, adding the assessed value of other assets and, if appropriate, deducting any external borrowings and non-trading liabilities. The aggregate value of Teranga's net assets has been assessed on the basis of market value, that is, the value that should be agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

As Teranga is not the subject of the Scheme and will be the continuing, albeit expanded, entity following implementation of the Scheme, we have not included any impact of synergies that either a general pool of purchasers or a special purchaser may be able to realise. We note however that our range of assessed values will incorporate a degree of control premium in that the underlying cash flows have been prepared assuming full control of the same.

Table 32: Summary of assessed values of Teranga’s net assets inclusive of a premium for control

	Assessed Values	
	Low \$m	High \$m
Market values of Teranga’s interests in mineral assets:		
Sabodala Project Mineral Reserves (US\$) - 90% interest	241.4	262.0
Sabodala Project Mineral Resources (not included in the Technical Model) and other mineral assets (US\$)	38.6	96.5
Total mineral assets - US\$	280.0	358.5
Add: Cash and cash equivalents	54.8	54.8
Less: Borrowings	(13.7)	(13.7)
Future corporate overheads	(57.9)	(65.0)
RSUs/DSUs payments	(3.3)	(2.0)
Fixed bonus units payments	(0.3)	(0.2)
Total net assets (undiluted) - US\$	259.6	332.4
Funds from exercise of options	0.7	0.7
Total net assets (diluted) - US\$	260.3	333.1
Total net assets (undiluted) - \$²	347.8	445.1
<i>Notes:</i>		
1. <i>Figures may not add exactly due to rounding.</i>		
2. <i>Converted at the spot exchange rate of 0.75 AUD:USD as at 20 July 2016.</i>		

Source: KPMG Corporate Finance analysis and the Specialist Report

Valuation of Teranga’s effective 90% interest in the Sabodala Project Mineral Reserves

We have valued Teranga’s 90% interest in the Sabodala Project Mineral Reserves as lying in the range of US\$241.4 million to US\$262.0 million.

In forming our opinion we have developed, in conjunction with Snowden, a cash flow model reflecting the most likely forecast scenario for the Sabodala Project, based on KPMG Corporate Finance’s and Snowden’s discussions with Teranga’s management and other supporting documentation. Consistent with the approach taken for Gryphon, Snowden determined the Sabodala Project Mineral Resources (not included in the Technical Model) were more appropriately valued using alternative methodologies based on comparable transaction benchmarking. Accordingly, the forecast production scenario provided by Snowden reflects production of the Sabodala Project Mineral Reserves only.

Further details in relation to these assumptions are set out in the Specialist Report at Appendix 7.

Whilst it could be argued that, in theory, a discount should be applied to the proportionate values calculated to reflect that a DCF valuation provides a valuation of 100 percent of a project and accordingly incorporates a premium for control, given that Teranga has less than full control (90 percent interest) of the Sabodala Project, we note that:

- the balance of the project’s shareholding is largely held by the Government of Senegal, whose interest it is in to ensure a successful project
- Teranga has control of the day to day operations at the mine.

In these circumstances, we do not consider Teranga to be materially disadvantaged by holding less than full control and therefore a minority discount is not warranted.

Key operational assumptions

The principal operational assumptions provided by Snowden and adopted in our valuation of the Sabodala Project Mineral Reserves are summarised below.

Table 33: Snowden’s key operating assumptions

	Unit	Assumption
Mine life	Years	14.0
Total ore processed	t	57.5
Average gold processing grade	g/t	1.3
Average gold recovery	%	90%
Total gold recovered	000oz	2,252.6
Average operating cost per gold recovered (2016 dollars)	US\$/oz	721.8
Total capital cost over LOM (2016 dollars)	US\$M	190.7

Source: *Specialist Report*

Our ranges of assessed fair values for the Sabodala Project Mineral Reserves do not incorporate any terminal value. At the end of the discrete forecasting period we have adopted rehabilitation costs and salvage values, if any, as advised by Snowden.

In reality, there may be a prospect of Teranga achieving further success with its resource development and exploration programs resulting in an extension of mining inventory available for exploitation, which may extend the life of the Sabodala Project’s operations past the end of the discrete forecast period based on the Mineral Reserves. Snowden has however separately captured the value of existing Mineral Resources in its assessed values for the Sabodala Project Mineral Resources not included in the Technical Model and other mineral assets.

Given the prospect of additional exploration success beyond existing delineated Mineral Reserves and Mineral Resources is, at best, uncertain, we do not consider a purchaser of the asset would ascribe any significant value to this at the current time.

Key economic and financial assumptions

Denominations of cash flows

As the principal items of cash flow, including revenue as well as the majority of capital items and key operational supplies, in respect of the Sabodala Project are denominated in USD, the NPV was calculated in USD.

We note that a small proportion of the overall forecast cash costs incurred will be denominated in CFA Franc (Senegal's local currency). Given the CFA Franc is pegged to the Euro and the long term inflation outlooks for Senegal, the Euro and the USD are similar, we have not adjusted the USD forecast cash flows for potential exchange rate movements as these are not expected to be significant.

Relevant economic and financial assumptions adopted in relation to Gryphon (refer to Section 12) have equal application in the valuation of Teranga, including USD commodity prices and inflation assumptions.

Other assumptions

Other key financial and economic assumptions adopted by us in assessing the value of the Sabodala Project Mineral Reserves include:

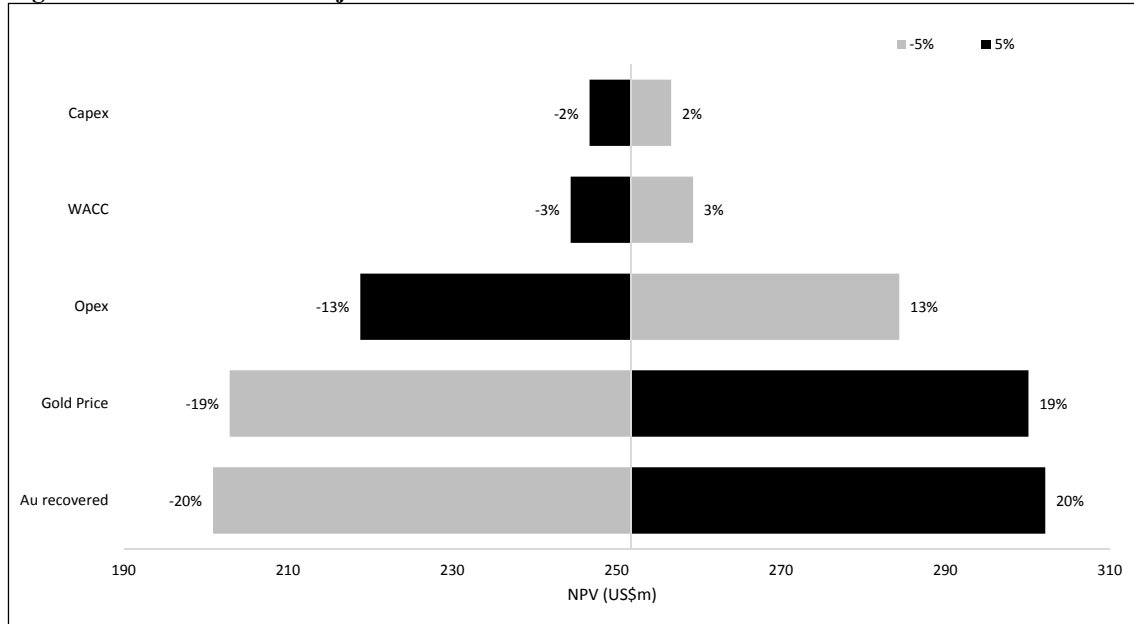
- corporate income tax rate of 25%⁹
- royalty charges of 5% based on gross revenue of gold sales
- withholding tax on foreign distributions (dividends and interest) of 10%
- 10% free carried interest to the benefit of the Government of Senegal
- no additional tax payable on dividend receipts from Senegal
- Teranga's marked to market hedging position of approximately US\$1.9 million as at 30 June 2016 has been reflected in the forecast cash flows
- other accrued project liabilities and the project related assets are reflected in forecast cash flows based on draft balances as at 30 June 2016 as provided by Teranga
- a USD ungeared, post tax nominal discount rate in the range of 10.1% per annum to 11.6% per annum. The basis of our calculation of discount rates is discussed at Appendix 4 to this report

⁹ We note that if Teranga's application for Export Free Status is successful, the corporate income tax rate for the Sabodala Project will decrease to 15% which would increase our assessed value in respect of Teranga's net assets to between \$365.0 million and \$464.7 million

Sensitivity analysis

We have undertaken a sensitivity analysis around the mid-point of our valuation range for the Sabodala Project Mineral Reserves based on a range of key assumptions, the outcome of which is set out below.

Figure 14: The Sabodala Project Mineral Reserves NPV sensitivities



Source: KPMG Corporate Finance Analysis

The sensitivity analysis indicates that the NPV of the Sabodala Project Mineral Reserves is particularly sensitive to movements in production levels, commodity prices and operating expenditure.

Valuation of Teranga's interest in the Sabodala Project Mineral Resources and other mineral assets

Snowden has valued Teranga's interest in the Sabodala Project Mineral Resources and other mineral assets not included in the forecasts for the Sabodala Project Mineral Reserves in the range of US\$38.6 million to US\$96.5 million, as summarised in the table below.

Table 34: Summary of Snowden's valuation of other mineral assets held by Teranga

	Values	
	Low US\$m	High US\$m
Mineral Resources not included in the Technical Model	15.9	27.8
Exploration	22.7	68.7
Total	38.6	96.5

Source: Specialist Report

In assessing these values, Snowden has adopted accepted methods for valuing mineral assets based on a market-based approach having regard to exploration and development transaction comparisons. Further

details in relation to each of these assets and the valuation methodology adopted are set out in Specialist Report which is included at Appendix 7.

It should be noted that the valuation of early stage / exploration assets as set out in the table above is highly subjective and uncertain and involves subjective assessments based on professional judgements made by Snowden. Whilst assessing a wide range of values for these assets, Snowden has indicated its preferred values in respect of the Sabodala Project Mineral Resources and other exploration asset lies towards the low end of its range of assessed values.

Other assets

Net assets not valued as part of Teranga's mineral assets comprise cash, borrowings and other sundry assets and liabilities. Except as specifically noted below, having regard to their nature and quantum, these assets and liabilities have been incorporated in our valuation at net book values as at 31 March 2016.

Cash

We have adjusted Teranga's cash holding as at 31 March 2016 to reflect estimated cash generated in the period to 30 June 2016 as advised by Teranga management and the cash outlay of \$4.4 million paid in relation to the private placement by Gryphon in early July 2016. Accordingly, we have adopted a cash balance for Teranga of US\$54.8 million for the purpose of our valuation.

Future corporate overheads

Teranga incurs corporate overheads in relation to managing its business and maintaining its operating assets. These costs have not been incorporated into the valuation of Teranga's mineral assets set out above, and therefore it is necessary to deduct the present value of anticipated future management and administrative costs in relation to Teranga's operating assets from the value of the company. Teranga estimates its corporate costs to be in the order of US\$8.0 million per annum (in 2017 pre-tax dollars).

The NPV of these adjusted corporate costs, having regard to the nature of Teranga's assets, has been estimated to be in order of US\$57.9 million to US\$65.0 million on a pre-tax basis. We have not assumed any value for a tax benefit attached to these costs given Teranga's substantial accumulated tax losses in Canada and Teranga's advice that future Canadian based income is expected to be minimal.

RSUs, DSUs and fixed bonus units

We have assessed the estimated cash outlay to be paid in respect of RSUs, DSUs and fixed bonus units on issue as at 30 June 2016 based on Teranga's traded share price and our assessed values of Teranga.

Proceeds from the exercise of options

Teranga currently has 19.1 million options on issue, of which 1.1 million had vested and were "in the money" at the date of this report. Accordingly, we have assumed these options will be exercised and have included the funds to be received upon exercise of options in our range of fair market values.

Other valuation parameters

Based on KPMG Corporate Finance's assessed values in respect of Teranga's assets and liabilities, the implied enterprise value for Teranga is between approximately US\$219.2 million and US\$292.0 million. Based on Teranga's quoted Mineral Reserves and Mineral Resources, the implied enterprise value to

Mineral Reserve and Mineral Resource ounce of contained gold equivalent multiples are as set out in the table below.

Table 35: Mineral Reserve and Mineral Resource multiples per ounce of contained gold equivalent implied by our assessed values

Parameter	Low US\$/oz	High US\$/oz
Mineral Reserves ^{1,2}	84.3	112.3
Mineral Resources ^{1,3,4}	40.6	54.1

Note:

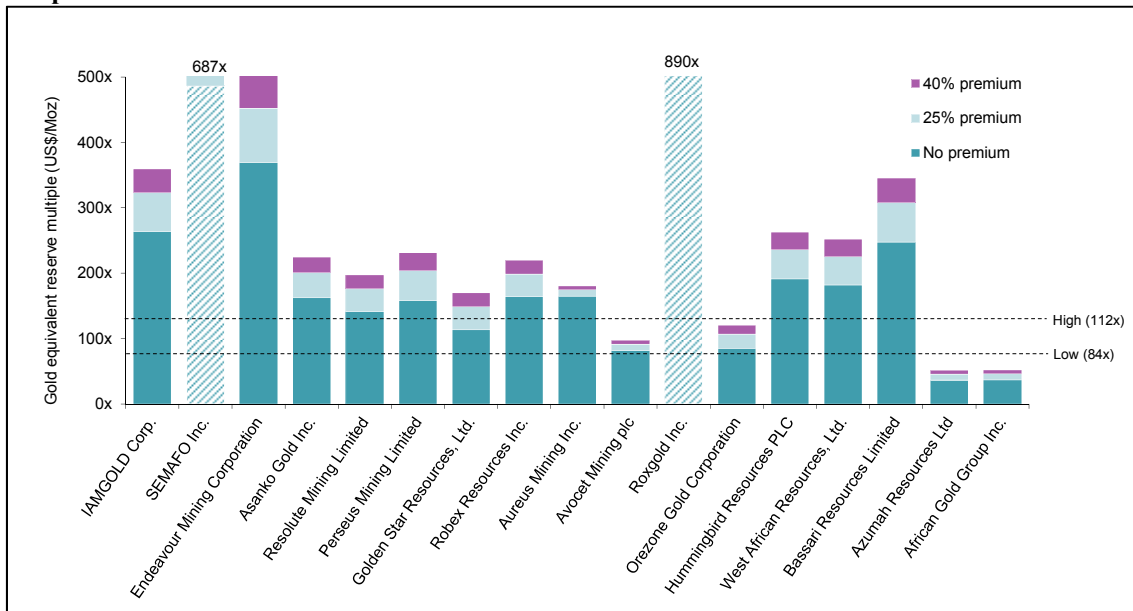
1. Mineral Reserve and Mineral Resource multiples implied by our assessed values are calculated using the most recent stated Mineral Reserve and Mineral Resource information for the Sabodala Project
2. Mineral Reserves include Proved and Probable Reserves.
3. Mineral Resources include Measured, Indicated and Inferred Resources.
4. Mineral Resources are inclusive of Mineral Reserves.

Source: KPMG Corporate Finance analysis

Comparison to listed company gold equivalent Reserve multiples

Summarised in the figure below is a comparison of the results set out above with the value per Reserve ounce for a selection of listed gold companies implied by their market capitalisation as at 20 July 2016, a notional allowance for a premium for control of 25% to 40% and their most recent reported net debt/(cash) positions.

Figure 15: Reserve multiples per ounce of contained gold equivalent implied by selected listed companies



Source: KPMG Corporate Finance Analysis, Capital IQ, respective company announcements and Annual Reports

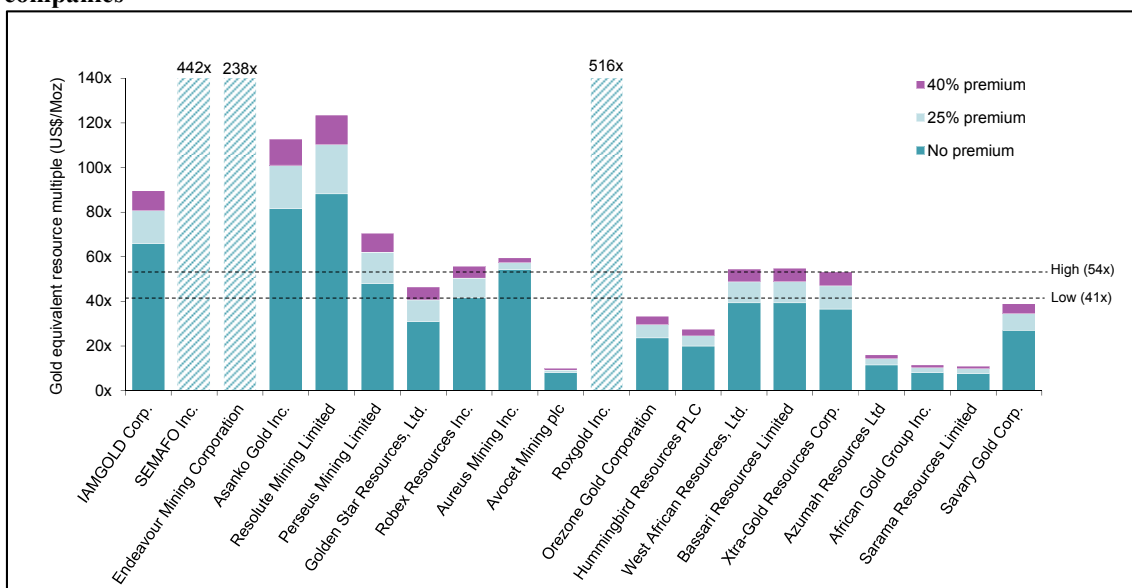
This analysis indicates a wide range of outcomes, however we note that the range of Mineral Reserve multiples implied by our range of assessed enterprise values for Teranga lies comfortably within the range of equivalent observed listed company Reserve multiples. We note, given the relative size of Teranga and that our range of values for Teranga is underpinned by the producing Sabodala Project we would expect it to trade at a premium to Gryphon, which can be observed when compared to the results set out in Figure 10 and Figure 15 above.

In considering these outcomes we note that many of the comments in the valuation of Gryphon in Section 12 in relation to the multiples implied by listed company Reserve multiples are equally relevant here. In particular we note that Teranga is in a strong net cash position, which has acted to dampen its implied multiples.

Comparison to listed company gold equivalent Resource multiples

Summarised in the figure below is a comparison of the results set out above with the value per gold equivalent Resource ounce for a selection of listed gold companies implied by their market capitalisation as at 20 July 2016, an allowance, solely for comparison purposes, for a notional premium for control of 25% to 40% and their most recent reported net debt/(cash) positions.

Figure 16: Resource multiples per ounce of contained gold equivalent implied by selected listed companies



Source: KPMG Corporate Finance Analysis, Capital IQ, respective company announcements and Annual Reports

This analysis indicates a wide range of outcomes, however we note that the range of Mineral Resource multiples implied by our range of assessed enterprise values for Teranga lies within the range of equivalent observed listed company Resource multiples.

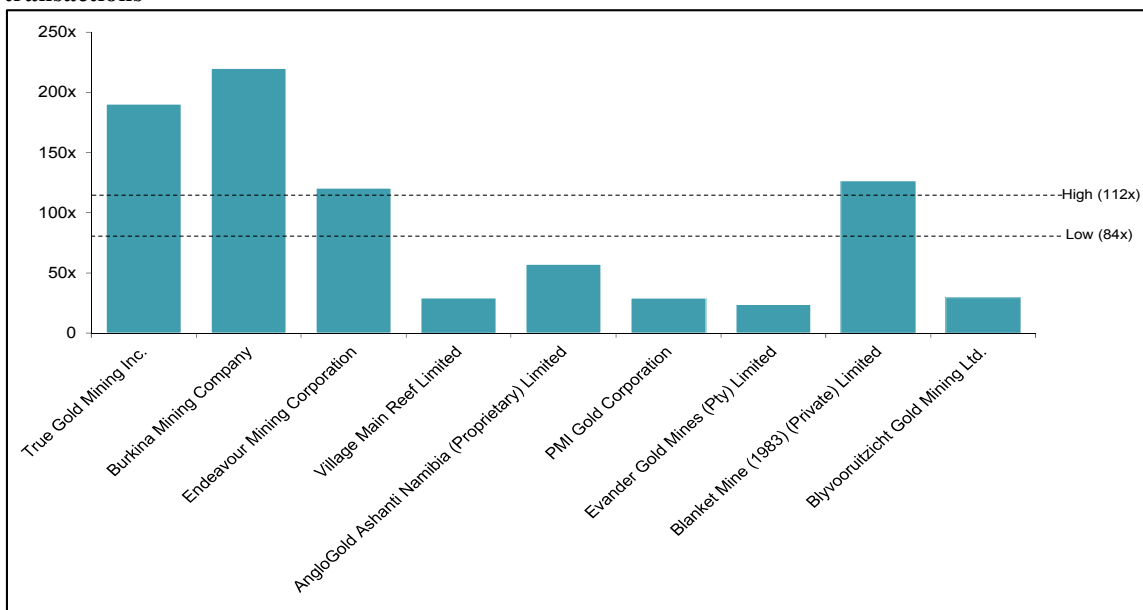
In considering these outcomes we note that many of the comments in the valuation of Gryphon in Section 12 in relation to the multiples implied by listed company Resource multiples are equally relevant here.

Further details of our analysis is set out in Appendix 5 to this report.

Comparison to listed gold equivalent Reserve multiples implied by recent gold corporate transactions

Summarised in the figure below is a comparison of the gold equivalent Reserves multiples implied by the range of enterprise values for Teranga with the implied value per gold equivalent Reserve ounce for a selection of recent corporate transactions involving companies with gold operations in West Africa.

Figure 17: Reserve multiples per ounce of contained gold equivalent implied by selected corporate transactions



Source: KPMG Corporate Finance Analysis, Capital IQ, respective company announcements and Annual Reports

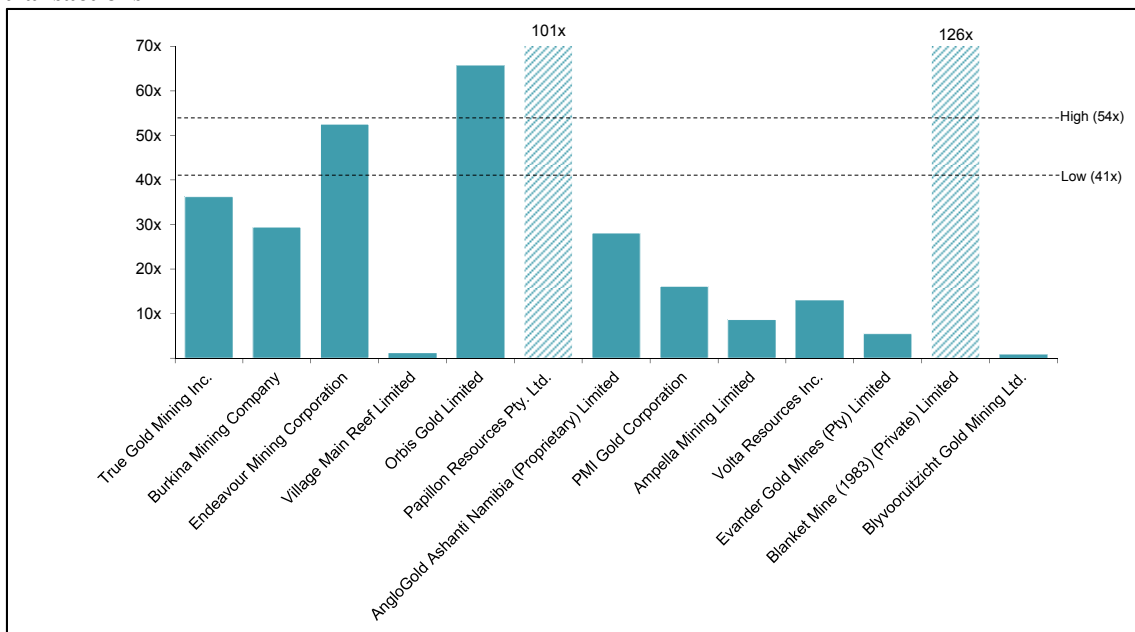
This analysis indicates a wide range of outcomes, however we note that the range of the Mineral Reserve multiples implied by our range of assessed enterprise values for Teranga lies within the observed range in recent takeovers.

We note that the comments made in Section 12 in respect of this high level cross-check have equal application here.

Comparison to listed gold equivalent Resource multiples implied by recent gold corporate transactions

Summarised in the figure below is a comparison of the gold equivalent Mineral Resources multiples implied by the range of values for the enterprise values for Teranga with the implied value per gold equivalent Resource ounce for a selection of recent corporate transactions largely involving companies with gold operations in West Africa.

Figure 18: Resource multiples per ounce of contained gold equivalent implied by selected corporate transactions



Source: KPMG Corporate Finance Analysis, Capital IQ, respective company announcements and Annual Reports

This analysis indicates a wide range of outcomes, however we note that the range of the Resource multiples implied by our range of assessed enterprise values for Teranga lies within the observed range in recent takeovers.

Further details of our analysis is set out in Appendix 6 to this report.

Having regard to the above mentioned analysis we do not consider our range of values ascribed to the Sabodala Project to be unreasonable.

14 Assessment of the Scheme Consideration

Valuation methodology

Consistent with the valuation methodology adopted in respect of the net assets of Gryphon and Teranga as standalone entities, we have calculated the theoretical value of a share in the Expanded Teranga on the basis of the value of the sum of the parts of its underlying net assets. Our assessed values for the net assets of Gryphon and Teranga form the basis for our assessed range of values for the Expanded Teranga and by extension the Scheme Consideration, the details of which are set out below.

In summary, we have assessed the value of the Scheme Consideration to lie in the range of \$0.12 to \$0.16 per Gryphon share.

Set out below is a summary of our assessed values of the Scheme Consideration.

Table 36: Summary of assessed market values of the Scheme Consideration

	Assessed Values	
	Low \$m	High \$m
Market value of Teranga's net assets	347.8	445.1
Market value of Gryphon's net assets	46.9	79.8
Cash proceeds from the Tablo Placement	13.0	13.0
Notional aggregated net assets of the Expanded Teranga - \$	407.6	537.9
Number of existing Teranga shares - (millions)	392.1	392.1
Number of shares issued to vested "in the money" options	1.1	1.1
Number of new shares issued to Scheme Participants	70.6	70.6
Number of new shares issued under the Tablo Placement	10.5	10.5
Notional fully diluted shares in the Expanded Teranga	474.4	474.4
Value per share, inclusive of a premium for control \$	0.86	1.13
Minority interest discount	20%	15%
Value per share, minority interest basis \$	0.69	0.96
Exchange Ratio	0.169	0.169
The Scheme Consideration \$ (minority) – per Gryphon share	0.12	0.16
<i>Notes:</i>		
1. <i>Figures may not add exactly due to rounding.</i>		
2. <i>Converted at the spot exchange rate of 0.75 AUD:USD as at 20 July 2016.</i>		

Source: KPMG Corporate Finance analysis and the Specialist Report

The market value of the Scheme Consideration was determined by:

- aggregating the market value of each of Gryphon's and Teranga's diluted net assets

- adjusting the Expanded Teranga's cash balance to include the cash proceeds from the Tablo Placement of US\$9.7 million¹⁰ and the corresponding increase in the Expanded Teranga's issued capital by 10.5 million new common Teranga shares
- adjusting the Expanded Teranga's issued capital to reflect the new Teranga Shares to be issued to the Scheme Participants
- adjusting the value notional value of the diluted equity in the Expanded Teranga for a minority interest discount.

The value of the Expanded Teranga has been determined using the sum of the parts method and is reflective of a controlling interest however no allowance for the benefit of synergies available to a purchaser of either Teranga in its current form or the Expanded Teranga has been made. In the event the Scheme is implemented, Scheme Participants will hold minority rather than controlling interests in the Expanded Teranga. In order to reflect this (and the requirements under RG 111), we have adjusted our sum of the parts value to reflect a minority interest. As noted previously, control premiums in successful takeovers in Australia are often observed to be in the range of 25% to 40%, implying an appropriate discount for minority interest in the range of approximately 20% to 29%. However, in instances where synergies available to a purchaser are not expected to be material (or the benefit of which have not been allowed for) it is reasonable to expect that an appropriate minority interest discount would be at or below the bottom end of this range. Accordingly we have applied a minority interest discount in the range of 15% to 20%.

¹⁰ Equivalent to \$13.0 million using a spot exchange rate of 0.75 AUD:USD as at 20 July 2016

Appendix 1 – KPMG Corporate Finance disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Jason Hughes, Bill Allen and Ben Della-Bosca. Each has a significant number of years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as preparation of expert reports.

Jason Hughes is an Authorised Representative of KPMG Corporate Finance and a Partner in the KPMG Partnership. Jason is a Fellow of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Services Institute of Australasia, a member of the Australia Institute of Company Directors and holds a Bachelor of Commerce and a Graduate Diploma in Applied Finance. Jason has extensive experience in the preparation of independent expert reports and corporate valuations.

Bill Allen is an Authorised Representative of KPMG Corporate Finance and a Partner in the KPMG Partnership. Bill is an Associate of Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce degree and a Graduate Diploma in Applied Finance. Bill has significant experience in the provision of corporate financial advice, including specific advice on valuations and the preparation of expert reports.

Ben Della-Bosca is an Authorised Representative of KPMG Corporate Finance. Ben is an Associate of the Chartered Accountants Australia and New Zealand, a Fellow of the Financial Services Institute of Australasia and holds a Masters of Applied Finance, a Bachelor of Commerce and a Graduate Diploma in Applied Finance. Ben has significant experience in the provision of corporate financial advice, including specific advice on valuations and the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of Scheme Participants. KPMG Corporate Finance expressly disclaims any liability to any Scheme Participant who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Scheme Booklet or any other document prepared in respect of the Scheme. Accordingly, we take no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Scheme.

We note that the forward-looking financial information prepared by Gryphon and Teranga does not include estimates as to the potential impact of any future changes in taxation legislation in Australia, Canada or any other jurisdiction. Future taxation changes are unable to be reliably determined at this time.

Our report makes reference to "KPMG Corporate Finance Analysis". This indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented.

Independence

KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of Gryphon for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Scheme Booklet to be issued to Scheme Participants. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Professional standards

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board. KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- various ASX company announcements including, inter alia, annual and half year financial statements and quarterly reports
- various broker and analyst reports
- various press and media articles
- various reports published by IBISWorld Pty Ltd, World Gold Council, the Economic Intelligence Unit Limited, Oxford Economics, Department of Industry and Science and Bureau of Resources and Energy Economics
- various company websites and investor presentations
- the SIA released to the ASX on 20 June 2016
- financial information from S&P Capital IQ, Bloomberg, Thompson One, Consensus Economics and Connect 4.

Non-public information

- the Scheme Booklet (including earlier drafts)
- unaudited management accounts as at 31 March 2016 in respect of Gryphon and Teranga
- life of mine forecast production and costings prepared by Snowden in respect of the Banfora Project and Sabodala Project
- Snowden's independent technical specialist report
- Gryphon's top 10 shareholders as at 20 July 2016
- Teranga's top 20 holders of Teranga CDIs on the ASX and Teranga's Shares on the TSX as at 6 July 2016
- details of Teranga's option holders as at 30 June 2016

In addition, we have held discussions with, and obtained information from, the senior management of each of Gryphon and Teranga and their advisers.

Appendix 3 – Overview of the gold industry

To provide a context for assessing the future prospects of each of Gryphon and Teranga, we have set out below an overview of the recent and expected trends in the international gold market.

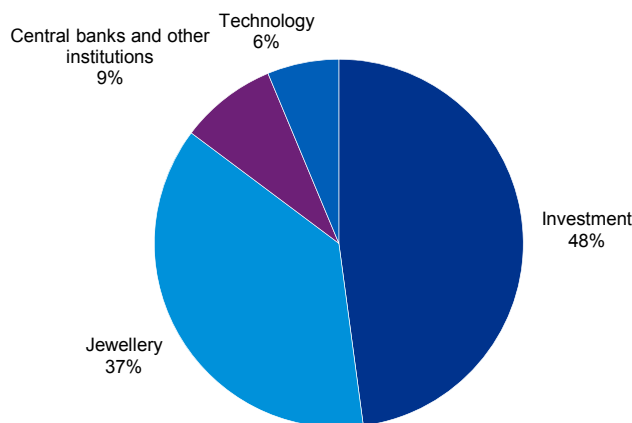
Overview

Gold is an internationally traded commodity and therefore its price fluctuates on a daily basis in the commodity market, as determined by worldwide demand and supply factors.

Gold demand

The demand for gold is driven from investments (bars and coins), gold fabrication and decisions on hedging. The breakdown of total gold demand (1,289.8 tonnes) by category for the three months ended 31 March 2016 is set out in the figure below.

Figure A3- 1: Global gold demand for the three months ended 31 March 2016



Source: World Gold Council

Investments

The Department of Industry and Science (**DIS**) has stated that total investment in bar and coin increased at an average rate of 9% per annum (in tonnes) over the five-year period to 2014. However, in 2014 total investment dropped 41% to 1,004 tonnes. The Economist and Intelligence Unit Limited (**EIU**) suggests that the decrease in 2014 was a result of growing expectations of rising global interest rates in addition to a lack of confidence about the direction of gold prices.

According to the World Gold Council, total demand for gold bar and coin investment increased to a seven-year high of 617.6 tonnes for the three months ended 31 March 2016, a 122% increase from 277.9 tonnes for the three months ended 31 March 2015. The key driver of this growth was investment in gold exchange-traded-funds (**ETFs**), with inflows into the gold ETF sector surging to 363.7 tonnes, following a three-year period of largely uninterrupted outflows. Historically low global interest rates, stock market volatility and general scepticism regarding global economic growth all contributed to the increase in demand for gold ETFs.

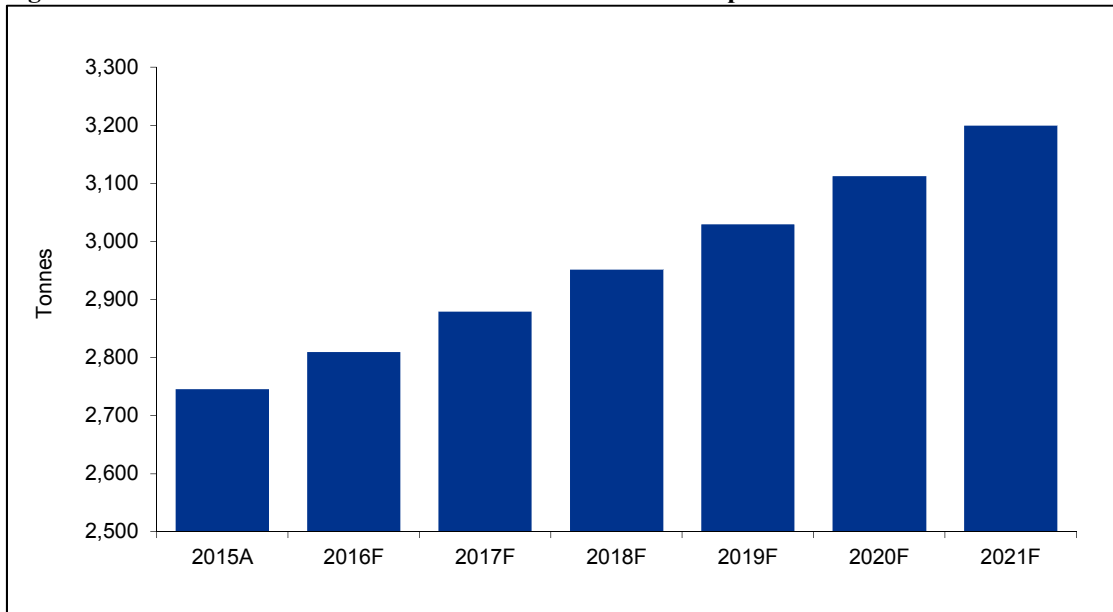
Fabrication

Gold fabrication consists of gold manufactured for use in jewellery, electronics, dental applications, medals and other industrial applications.

According to the World Gold Council, global jewellery demand fell to 481.9 tonnes for the three months ended 31 March 2016, a 19% decrease from 596.9 tonnes for the three months ended 31 March 2015. The World Gold Council states the decline was a result of a sharp fall in demand from the two largest jewellery markets, China and India.

Notwithstanding the short-term fluctuations in jewellery demand, according to the Resources and Energy Quarterly March 2016 report released by The Bureau of Resources and Energy Economics (BREE), increased fabricated consumption in the medium term will be underpinned by forecast rising incomes in key consuming countries such as China and India, particularly from the middle class. Set out in Figure A3-2 below is historical and forecast global gold fabrication consumption, showing global gold fabrication consumption is expected to increase from 2016 to 2021 at a compound annual growth rate of 2.6%.

Figure A3- 2: Global historical and forecast fabrication consumption



Source: BREE March 2016 Resources and Energy Quarterly Report

Official sector demand

According to the British Geological Survey World Mineral Production report published in January 2011, central banks have traditionally been sellers of gold. However, there is evidence that central banks are building up their gold reserves, currently viewed as a strategic asset due to global economic uncertainty.

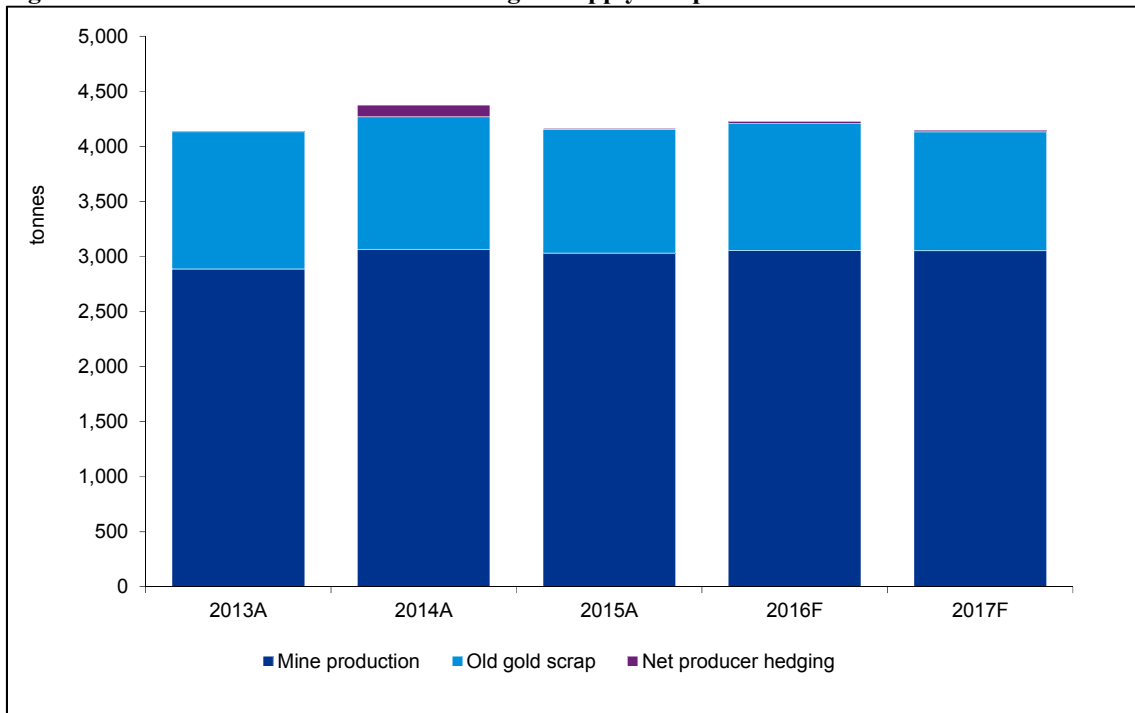
According to the World Gold Council, central banks purchased (on a net basis) 109.4 tonnes for the three months ended 31 March 2016, slightly lower than the 112.3 tonnes for the three months ended

31 March 2015. The purchase of gold by central banks represents the 21st consecutive quarter of net purchases, dating back to 2011. The trend of purchasing gold by the official sector is a result of gold purchasing programmes, implemented as a means of preserving national wealth and promoting greater financial stability. For the three months ended 31 March 2016, the World Gold Council states the demand for gold by central banks was principally driven by heightened level of uncertainty amid growing investor concern about the effectiveness of negative interest rate policies, particularly rife in Europe and Japan.

Gold supply

The supply of gold is driven largely by mine production and recovery from gold scrap, with a very small amount attributable to producer hedging. Figure A-3 below illustrates the contributing proportions mine production and gold scrap make to total global historical and global gold production.

Figure A3- 3: Global historical and forecast gold supply composition



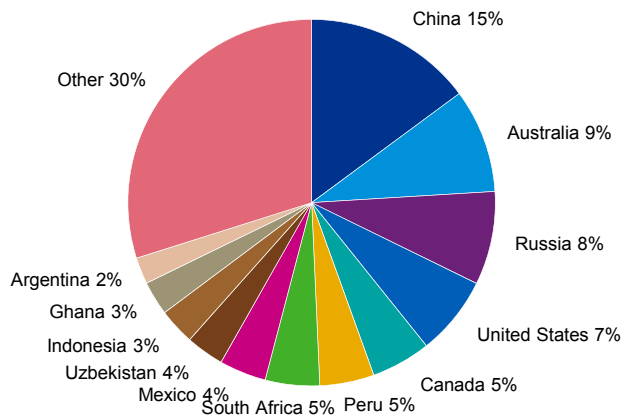
Source: EIU – World Commodity Forecast – Gold June 2016

Mine production

According to the EIU, total gold supply decreased 4.8% in 2015 relative to 2014, with mine production falling by 1.2%, largely due subdued gold prices. The EIU notes that China, the world’s largest gold producer, exhibited a decrease in mine production of 0.4% in 2015, ending a 13-year steady increase in mine output, whilst Australia, the world’s second-largest gold producer, increased its gold production by 1.5% in 2015.

Set out in the figure below is the breakdown of mine production by country in 2015.

Figure A3- 4: Mine production by country in 2015



Source: EIU – World Commodity Forecast – Gold June 2016

According to the EIU, total gold supply is forecast to increase by 1.4% in 2016 relative to 2015, as continued strength in the short term gold price will likely support a recovery in gold mining, which, coupled with better prospects for recycling, will raise overall gold supply in 2016.

Gold scrap

According to the EIU, recycling activity dropped to its lowest level in eight years in 2015, with scrap gold contributing 1,127 tonnes of supply, a reduction of 6.2% from 2014. The key drivers of this trend included depressed gold prices in 2015, reduced need for distressed selling and the depletion of readily available gold stock for recycling.

The EIU forecast recycling activity to pick up in 2016 as short term gold prices rise, before retreating slightly in 2017.

Pricing

The gold price is particularly responsive to global conditions, such as general economic conditions, political stability, the oil price and the USD exchange rates. As gold is regarded as a store of value, its price is often negatively correlated with other economic indicators.

Set out in Figure A3-5 below is the daily closing USD denominated gold price per ounce over the period 30 June 2006 to 30 June 2016. Over this period, USD denominated gold prices have fluctuated but overall trended upward, with a low of US\$585/oz on 22 June 2006 and a peak of US\$1,829/oz on 30 September 2011.

Figure A3- 5: Historical trend in gold prices



Source: Capital IQ

According to BREE, increased demand for gold as an investment asset was the principal factor driving the rise in the gold price in 2016. The increase in demand for gold as a safe haven asset is largely a result of the uncertainty surrounding the outlook for economic growth, particularly in China and the threat of Britain leaving the European Union.

Mining in Burkina Faso

Burkina Faso is a French-speaking, landlocked country located in West Africa with a land area of circa 274,000 km² and is surrounded by six countries, namely Mali, Niger, Benin, Togo, Ghana and the Ivory Coast. It has a population of approximately 17.9 million and gross domestic product (GDP) per capita of approximately US\$690 according 2014 World Bank data. The Burkina Faso economy is heavily reliant on agricultural production, with close to 80% of the active population employed in the sector.

Burkina Faso's former president was ousted as a result of a presidential coup in October 2014, creating significant political and sovereign uncertainty in the country. A new government was elected in November 2015. The EIU forecasts political stability to gradually improve in 2016 and 2017 under the new democratically elected government.

Burkina Faso is located between Ghana and Mali, the second and third largest gold producing countries in Africa. The economy is highly dependent on the performance of the gold sector and has commissioned seven new gold mines since 2007, producing approximately one million ounces per annum, ranking it as the fifth largest gold producing country in Africa in 2014.

Mining in Senegal

Senegal is a former French colony located on the westernmost point of Africa with a land area of circa 196,722 km² and shares borders with Mauritania, Mali, The Gambia and Guinea-Bissau. It has a population of approximately 15.1 million and GDP per capita of approximately US\$1,035 according 2014 World Bank data. In 2015, Senegal's achieved a GDP growth rate of 6.5%, making it the second fastest growing economy in West Africa, behind Côte d'Ivoire (the "Ivory Coast"), with the agricultural sector accounting for almost 34% of GDP growth due to heavy rainfall and favourable government programs.

According to the EIU, Senegal's current president, is implementing a reformist policy agenda, aiming to restore fiscal responsibility and pursuing former ministers accused of graft. The EIU forecasts real GDP growth to increase over the five year period to 2020 as a result of rising agricultural output and improving power supply.

Senegal's mining history dates back to the 1940s and 1950s when it opened two large phosphate mines and is currently regarded as one of the world's leading phosphate producers. Commercial gold mining commenced in Senegal in 2009.

Approximately US\$5.0 billion has been invested in Senegal's mining sector from 2000 to 2013, with one gold mine (the Sabodala Project) currently in operation and an additional four projects commencing exploitation in 2017. In addition, Senegal became a producer of zircon and ilmenite, with the world's third largest zircon deposit entering into exploitation in April 2014.

The mining industry in Senegal is regulated by the Ministry of Mines pursuant to the 2003 Mining Code however we note, a new draft Mining Code (issued in 2015) is currently being considered, but is not yet legislated. The Mining Code's are designed to attract and foster mineral resource development in the country.

Appendix 4 – Calculation of discount rates

We have assessed an appropriate discount rate applicable to the Banfora Project and the Sabodala Project. Our assessed nominal, post-tax weighted average cost of capital (**WACC**) are in the order of:

- 12.9% to 15.2% per annum for the Banfora Project Ore Reserves
- 10.1% to 11.6% per annum for the Sabodala Project Mineral Reserves

These are USD denominated discount rates, reflecting that the projected cash flow models for each project are denominated in USD.

Selection of the appropriate rate to apply to the forecast cash flows of any asset or business operation is fundamentally a matter of judgement. Whilst there is a body of theory that may provide a framework for the derivation on an appropriate discount rate, it is important to recognise that given the level of subjectivity involved in selecting various inputs to the theoretical framework there is no absolute “correct” discount rate.

We consider the rates adopted to be reasonable discount rates that purchasers would use in the current market in assessing each project and are reflective of the commercial, operational and technical risks of the projects.

WACC

The WACC of a project is the expected cost of the various classes of capital (i.e. its equity and debt) employed in the project, weighted by the proportion of each class of capital to the total capital employed and is represented by the following formula, which calculates an after tax nominal rate:

$$\text{WACC} = K_d \times (1 - t_c) \times \left(\frac{D}{D + E} \right) + K_e \times \left(\frac{E}{D + E} \right)$$

Where the key inputs are defined as follows:

K_e	the after-tax cost of equity, which is the rate of return required by the providers of equity capital
K_d	the pre-tax cost of debt, which is the expected long-term average future borrowing cost of the relevant project and/or business
t_c	the applicable corporate tax rate
D	the market value of debt
E	the market value of equity

The WACC is an opportunity cost of capital in the sense that it reflects the returns that would have been earned in the market with the relevant capital if it was employed in the next best investment of equivalent risk profile. It represents the minimum weighted average rate of return which is required or expected by

the providers of capital as compensation for bearing the risks associated with the relevant investment or business operation.

Each of the components of the WACC formula is discussed further below:

Cost of equity (K_e)

The WACC approach represents a merger of the Capital Asset Pricing Model (**CAPM**) with capital structure theory. In the WACC formula discussed earlier, the CAPM provides the means for estimating the cost of equity.

The CAPM provides a theoretical basis for determining a discount rate that reflects the risk of a particular investment or business operation. In simple terms, the CAPM states that the returns expected by an equity investor reflect the risk of the underlying equity investment. The risk can be determined by the risk-free rate of return plus a risk premium which reflects the relative risk (as measured by the “beta” factor) and any company/project specific risk (as measured by the “alpha” factor) required to be borne by the investor. Therefore, the required rate of return for equity securities is determined as set out below.

$$K_e = R_f + (\beta \times MRP) + \alpha$$

Where the key inputs are defined as follows:

R_f	risk free rate of return
β	beta factor of the investment or business operation
MRP	equity market risk premium
α	company/project specific risk factor

A large degree of subjectivity is involved in estimating the inputs to the formula. These limitations mean that any estimate of the cost of equity must necessarily be regarded as indicative rather than as a firm and precise measure. Furthermore, because the cost of equity is a market-determined measure, changes in market conditions over time will affect its calculation.

Risk free rate (R_f)

The relevant risk-free rate of return is the return on a risk-free security, typically for a long-term period. In practice, long dated government bonds are generally accepted as a benchmark for a risk-free security. The spot yields to maturity of US Treasury Bonds have traditionally been accepted as proxies for the risk-free rates in determining a cost of equity under the CAPM.

In determining an appropriate risk-free rate we have had regard to the expected 10 year mine life for the Banfora Project and the expected 14 year mine life for the Sabodala Project.

Accordingly in determining an appropriate risk-free rate we have had regard to the:

- current yield to maturity on a 10 year US Government bond yield, as a proxy for the risk-free rate, which is currently in the order of 1.6% per annum, applicable to the Banfora Project
- current yield to maturity on the 10 year US Government yield and current yield to maturity on the 20 year US Government yield as a proxy for the risk-free rate, which are currently in the order of 1.6% per annum and 2.0% per annum respectively. As such, we have adopted 1.8% as a proxy risk-free rate applicable to the Sabodala Project, having regard to the 14 year mine life.

Further, the market in Treasury Bonds is liquid such that, in our view, the current yield on US Treasury bonds represents an appropriate indicator of the risk-free opportunity cost for the forthcoming period at any particular point in time.

MRP

The MRP represents the additional return that investors expect in return for holding risk in the form of a well-diversified portfolio of risky assets (such as a market index) over risk-free assets such as Government bonds. Given that expectations are not observable, an historical premium is generally used to proxy for the expected risk premium.

KPMG Corporate Finance has adopted a MRP of 6.0% per annum. This figure is within the range of generally accepted market risk premia in United States.

Beta factor (β)

The beta factor is a measure of the risk of an investment or business operation, relative to a well-diversified portfolio of investments. In theory, the only risks that are captured by beta are those risks that cannot be eliminated by the investor through diversification. Such risks are referred to as systematic, undiversifiable or market risk. The concept of beta is central to the CAPM given that beta risk is the only risk that is priced into investor required rates of return.

The beta for equity securities can be statistically measured by regressing the returns on an equity market index against the share price returns of the relevant stock. By definition, the market portfolio has an equity beta of 1.0. A beta greater than 1.0 implies that the returns on a stock are, on average, more volatile, and hence the stock is more risky than the market, whilst a beta of less than 1.0 implies the reverse.

The beta of a stock can be presented as either an adjusted beta or as an historical beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. Conversely, the adjusted beta is an estimate of a security's future beta. It is initially derived from the historical beta, but modified by the assumption that a security's true beta will move towards the market average of one, over time. Generally, an adjusted beta is used because of its greater predictive features.

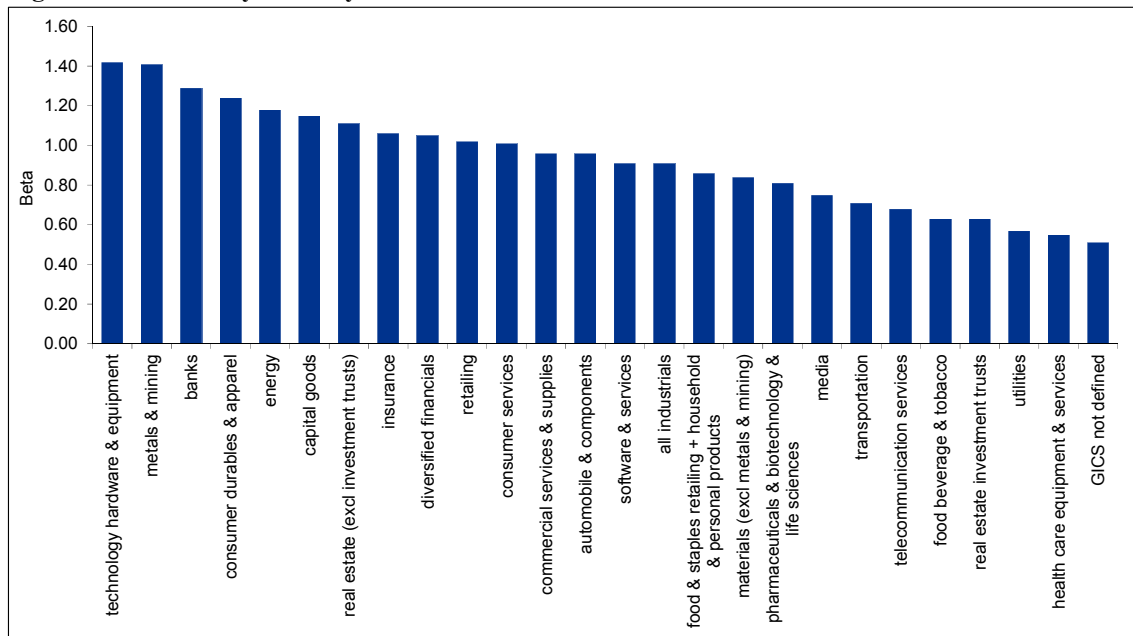
Betas derived from stock market observations represent equity betas, which reflect the degree of financial gearing of the company. Consequently, it is not possible to compare the equity betas of different companies without having regard to their gearing levels. In theory, a more valid analysis of betas can be obtained by "ungearing" the equity beta, by applying the following formula:

$$\beta_a = \frac{\beta_e}{1 + \left[\frac{D}{E} \times (1 - t)\right]}$$

where “D/E” is the debt and equity market values of the relevant equity security and “t” is the corporate tax rate. The adjustment involves stripping out the impact of financial gearing from the equity beta to obtain ungeared beta (denoted by β_a).

Set out below are the overall betas of various industries listed on the ASX which provides an indication of the relative volatility between industries.

Figure A4.1: Betas by industry - ASX



Source: Securities Industry Research Centre of Asia-Pacific (SIRCA) Limited

In considering the above outcomes in the context of Banfora Project Ore Reserves and Sabodala Project Mineral Reserves we note that mining companies usually have significant capital investment requirements (with limited ability to quickly scale up or down operations) and are driven by global commodity prices with substantial lag between movements in volatile commodity prices and cost pricing for key mining and related operations. Accordingly there is substantial risk as mining operations are leveraged to commodity price movements. The metals and mining sector as a whole has an observed beta of approximately 1.4. However, this sector comprises companies at various stages of development (from early stage exploration companies, with relatively higher risk, to companies with stable producing assets, with relatively lower risk) and exposed to various commodities with differing commodity price drivers / volatility and mining processing / operations.

The following table sets out closing market capitalisation as at 24 June 2016, the two year and five year historical average financial gearing and the adjusted ungeared two year weekly and five year monthly

beta estimates for a selection of listed production/pre-production gold companies with projects located in West Africa.

The beta factors have been calculated relative to the Morgan Stanley Capital Index – All Countries (MSCI), an international equities market index that is widely used as a proxy for the global stock market as a whole. The MSCI is often used as a benchmark in respect of assets likely to be attractive to international buyers, which we believe is likely to be the case in relation to the Banfora and Sabodala projects.

Table A4-1: Selected listed companies – financial gearing and ungeared beta

Company	Mkt Cap \$m ¹	Gearing % ^{2,3}		Two year weekly ungeared beta	Five year monthly ungeared beta
		2 year	5 year	MSCI	MSCI
West African Producers					
IAMGOLD Corp.	2,336	10%	0%	0.09	0.23
SEMAFO Inc.	2,151	0%	0%	-0.17	0.15
Endeavour Mining	1,887	23%	15%	0.28	0.27
Asanko Gold	1,136	0%	0%	0.21	0.81
Resolute Mining	888	15%	9%	0.75	0.28
Perseus Mining	423	0%	0%	0.48	0.62
Teranga Gold	459	0%	0%	0.28	0.58
Golden Star Resources	237	50%	21%	0.18	0.54
Robex Resources	66	35%	24%	1.13	1.22
Aureus Mining	42	33%	8%	0.99	1.23
Avocet Mining	32	112%	10%	0.04	0.39
West African Developers					
Roxgold Inc.	532	0%	0%	0.36	0.63
Hummingbird Resources P	137	13%	0%	0.61	0.49
Orezone Gold Corporation	145	0%	0%	0.40	0.93
West African Resources	86	3%	0%	0.97	1.86
Gryphon Minerals Ltd.	74	0%	0%	-0.11	1.06
Bassari Resources Limited	36	2%	0%	0.55	0.57
Xtra-Gold Resources Corp.	24	0%	0%	-0.24	0.80
Azumah Resources Ltd	23	0%	0%	-0.14	0.82
African Gold Group Inc.	21	0%	0%	0.44	0.85
Oklo Resources Limited	22	0%	n/a	1.23	n/a
Sarama Resources Limited	18	0%	n/a	0.19	n/a
Savary Gold Corp.	17	0%	0%	1.75	0.14
Golden Rim Resources Ltd.	6	0%	0%	0.55	2.05
Mean		12%	4%	0.45	0.75
Median		0%	0%	0.38	0.63
Mean (excl. outliers)		8%	1%	1.44	1.54

Median (excl. outliers)	0%	0%	1.44	1.54
<i>Notes</i>				
1. Market capitalisation as at 24 June 2016 converted to AUD as at the same date based on prevailing spot price (where relevant).				
2. Where a company does not have any interest bearing debt or the resultant net debt figure is negative, i.e. where cash exceeds debt, the ratio of net debt to equity has been recorded as 0%.				
3. Gearing ratio calculated as average Net debt / (Net debt + equity) at each annual reporting date for the five-year period prior to 24 June 2016.				
4. Outliers have been identified based on the level of statistical confidence in the beta observations and have been shaded and excluded from the mean and median				
5. n/a denotes insufficient observations.				

Source: Capital IQ, latest available financial statements of the relevant companies and KPMG Corporate Finance Analysis

The above analysis indicates that in the vast majority of cases, the observed beta observations exhibit a low level of statistical confidence, such that only limited reliance can be given to these directly observed beta factors.

In selecting an appropriate beta for Banfora Project Ore Reserves and Sabodala Project Mineral Reserves we have also considered that:

- gold mining companies, whilst subject to similar exploration, development and production risks as other commodity mining companies, often experience value cycles counter to other commodity miners. This is driven by counter-cyclical movements in gold prices as gold is perceived as a safe haven asset for investment purposes. Given the use of gold as a countercyclical investment asset, there are proposed theories that gold related investments (including investments in gold companies) could have a negative beta (i.e. generate returns in opposing direction to the overall market). Whilst we do not consider a negative beta to be appropriate (as this is not supported by historical beta observations for gold companies that pass statistical significance tests), we do consider the resulting risk of cash flows from gold mining operations to have lower risk relative to cash flows for mining of other commodities, all other things being equal.
- the cash flow forecast being valued are underpinned by Reserves over relatively short mine lives and therefore are considered to incorporate less risk than exploration / early stage assets and also cash flows which incorporate value beyond Proved and Probable Reserves.
- only minimal financial leverage has been assumed.

Having regard to the analysis set out above we consider a range of ungeared betas for gold production forecasts, such as for the Banfora Project and the Sabodala Project, are each in the order of 0.9 to 1.0. We have considered the stage of development of each project, and other specific risk factors that may be appropriate, in the following sections.

Having determined an appropriate ungeared beta, it is necessary to “regear” the beta to a specified level of financial gearing to determine the equivalent beta.

Debt/equity mix

The selection of an appropriate capital structure is a subjective exercise. The tax deductibility of the cost of debt means that the higher the proportion of debt, the lower the WACC for a given cost of equity. However, at significantly higher levels of debt, the marginal cost of borrowing would increase due to the greater risk which debt holders are exposed to. In addition, the cost of equity would also be likely to increase due to equity investors requiring a higher return given the higher degree of financial risk that they have to bear.

Ultimately for each company there is likely to be a level of debt/equity that represents the optimal capital structure for that company. In estimating the WACC, the debt/equity level assumption should reflect what would be the optimal or target capital structure for the relevant asset. Optimal (as opposed to actual) capital structures are not readily observable. Accordingly, any estimate of optimal capital structure is necessarily subjective. In practice, the existing capital structures of comparable businesses can be used as a guide to the likely capital structure for a firm/project, taking into consideration the specific financial circumstances of that firm/project. In drawing any conclusions from the comparable company information, it is important to note that the observed gearing levels usually represent current gearing levels, which may or may not be representative of optimal, long term gearing levels. Furthermore, the gearing level of a company at a given point in time can reflect recent new issues of debt or equity.

In selecting an appropriate capital structure we have had regard to the gearing level of the set of comparable companies set out in Table A4-1 and have also had regard to the fact that recent gearing levels likely reflect the impact of global macroeconomic uncertainty and, in particular, general global restrictions on the availability of debt funding. We consider there to be reasonable prospects to adopt a higher gearing level than those shown in Table 4-1, particularly for production companies over the medium to longer term. On this basis, we consider an appropriate long term gearing level for the Banfora and Sabodala projects as at the 24 June 2016 to be in the order of 15% to 20% debt and 85% to 80% equity.

On this basis, the regear beta range of the the Banfora and Sabodala projects are each in the order of 1.0 to 1.2.

Company/project specific risk factor

Under CAPM theory, it is assumed that diversified investors require no additional returns to compensate for specific risks because the net effect of specific risks across a diversified portfolio will, on average, be zero i.e. portfolio investors can diversify away all specific risk. In reality many investors will include an additional risk premium to reflect such factors as project location and stage of development. Certainly, it is common for companies to set “hurdle rates” for investments above their own estimates of the cost of capital, to deal with these issues.

It can be argued that the approach of a valuer to this issue should reflect the approach most likely to be adopted by actual or potential purchasers of similar assets. Accordingly, we have considered the estimated base costs of equity by including:

- a risk premium to reflect sovereign and development risk associated with the cash flows emerging from Gryphon’s Banfora Project located in Burkina Faso

- a risk premium to reflect sovereign risk associated with the cash flows emerging from Teranga’s Sabodala Project located in Senegal

The Banfora Project

Sovereign risk – Burkina Faso

Country or sovereign risk is diverse in nature, incorporating aspects of the investment environment including, but not limited to, the economic outlook, Government monetary and fiscal responsibility, political stability and legal and regulatory frameworks.

In determining whether a country risk premium (**CRP**) should apply to the USD WACC calculated for Gryphon’s Banfora Project in Burkina Faso, we have considered the following:

- the EIU’s country risk ratings based on factors including, among others, security risk and political stability. The risk ratings assigned to Burkina Faso, along with the corresponding rankings for the United States for comparative purposes, are summarised in the table below:

Table A4-3: Summary of EIU country risk ratings

	Overall assessment	Security	Political stability	Government effectiveness	Legal & regulatory	Macroeconomic	Foreign trade	Tax policy	Labour market	Infrastructure
Burkina Faso	C	C	D	D	D	A	C	C	C	D
United States	A	A	A	B	A	B	B	A	B	A

Note:
1. Ranking of E represents the highest risk category

Source: EIU

- the World Bank ranks Burkina Faso 153 out of 189 countries globally in its 2016 Ease of Doing Business survey. To put Burkina Faso’s ranking in perspective, the United States is ranked 7th in the world. The survey considers variables such as dealing with construction permits, protecting investors, trading across borders and enforcing contracts. Results of the survey for Burkina Faso, along with the corresponding rankings for the United States are illustrated in the table below.

Table A4-4: Summary of the “Ease of Doing Business Index” rankings

	Ease of doing business rank	Starting a business	Dealing with permits	Getting electricity	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Burkina Faso	153	78	76	183	149	133	144	153	103	163	112
United States	7	49	33	44	34	2	35	53	34	21	5

Source: The World Bank Ease of Doing Business survey

- the latest equity market CRP estimate based on Moody’s country rating of “B3” for Burkina Faso published by Professor Aswath Damodaran of 10.02% per annum
- the government of Burkina Faso has a financial incentive to support the Banfora Project as a result of its free carry interest of 10% in the project, which will generate income for the government in the form of taxes and royalties. Further, seven new gold mines have been successfully commissioned in Burkina Faso since 2008, demonstrating the government’s intention to support local mining projects.

Having regard to our analysis, we consider that, on balance, it is reasonable to conclude that the sovereign risk for a foreign company doing business in Burkina Faso is significantly more than it would be if the project was located in the United States.

Based on the above, we consider a CRP in the range of 5.0% to 6.0% per annum in respect of Gryphon’s Banfora Project located in Burkina Faso to be appropriate.

Project development risk – Burkina Faso

Construction activities at the Banfora Project have not yet commenced. As such, there is a degree of inherent risk in the development, construction and commissioning of any new operation which can be considered to add to the risk of the underlying cash flows emerging as projected in comparison to an established production project with known operating parameters.

Accordingly, we have applied an alpha factor for development risk in the range of 1.0% to 2.0% per annum.

The Sabodala Project

Sovereign risk - Senegal

In determining whether a CRP should apply to the USD WACC calculated for Teranga’s Sabodala Project in Senegal, we have considered the following sources:

- the 5.7% interest rate differential on 5 year US Treasury Bonds and 5 year Senegalese Government Bonds issued in USD as at 24 June 2016
- the EIU risk ratings assigned to Senegal, along with the corresponding rankings for the United States, are presented in the table below:

Table A4-5: Summary of EIU country risk ratings

	Overall assessment	Security	Political stability	Government effectiveness	Legal & regulatory	Macroeconomic	Foreign trade	Tax policy	Labour market	Infrastructure
Senegal	C	B	B	D	D	A	B	C	C	D
United States	A	A	A	B	A	B	B	A	B	A

Note:
 1. Ranking of E represents the highest risk category

Source: EIU

- the World Bank ranks Senegal 143 out of 189 countries globally in its 2016 Ease of Doing Business survey. We note, the World Bank has not published ranks for individual categories for Senegal in its 2016 survey
- the latest equity market CRP estimate based on Moody's country rating of "B1" for Senegal published by Professor Aswath Damodaran of 6.94% per annum
- the government of Senegal has a financial incentive to support the Sabodala Project as a result of its free carry interest of 10% in the project, which will generate income for the government in the form of taxes and royalties.

Having regard to our analysis, we consider that, on balance, it is reasonable to conclude that the sovereign risk for a foreign company doing business in Senegal is significantly more than it would be if the project was located in the United States, albeit, slightly lower risk than Burkina Faso.

Based on the above, we consider that, on balance, a CRP in the range of 3.0% to 4.0% per annum in respect of Teranga's Sabodala Project located in Senegal to be appropriate.

Project development risk – Senegal

Given the Sabodala Project has a long standing history of production, we consider no alpha factor for development risk to be necessary.

Cost of equity calculation (K_e)

The following table sets out our cost of equity estimate based on the assumptions and inputs discussed above:

Table A4-6: USD nominal cost of equity – Gryphon's Banfora Project

Input	Definition	Low	High
R_f	Risk free rate of return	1.6%	1.6%
β_α	Asset beta (ungeared beta estimate)	0.90	1.00
β_e	Equity beta (regeared beta estimate)	1.03	1.21
MRP	Equity market risk premium	6.0%	6.0%
α	Project specific risk factor	6.0%	8.0%
K_e	Cost of equity (post-tax)	13.8%	16.8%

Note: May not calculate exactly due to rounding

Source: KPMG Corporate Finance Analysis

Table A4-7: USD nominal cost of equity – Teranga's Sabodala Project

Input	Definition	Low	High
R_f	Risk free rate of return	1.8%	1.8%
β_α	Asset beta (ungeared beta estimate)	0.90	1.00
β_e	Equity beta (regeared beta estimate)	1.02	1.19
MRP	Equity market risk premium	6.0%	6.0%
α	Project specific risk factor	3.0%	4.0%
K_e	Cost of equity (post-tax)	10.9%	12.9%

Note: May not calculate exactly due to rounding

Source: KPMG Corporate Finance Analysis

Cost of debt calculation (K_d)

In considering the cost of debt appropriate for the Banfora and Sabodala projects we have considered:

- current yields of BBB rated United States corporate bonds of maturities commensurate with our risk free rate assumptions
- our aforementioned analysis of country risk associated with operations in Burkina Faso and Senegal and which providers of debt capital are likely to require a premium for.

Based on the above considerations, we consider the following nominal, pre-tax costs of debt to be appropriate:

- Banfora Project – 9.4% to 10.4% per annum
- Sabodala Project – 7.5% to 8.5% per annum

Corporate tax rate (t_c)

The Burkina Faso corporate tax rate for mining companies of 17.5% has been applied to calculate the post-tax, nominal discount rates for the Banfora Project.

A corporate tax rate of 25.0% has been applied to calculate the post-tax, nominal discount rates for the Sabodala Project.

Calculation of the WACC

The following table summarises the implied base calculation of a nominal post-tax WACC for application in our valuation assessment based on the assumptions/inputs discussed above.

Table A4-8: Summary of the WACC - Gryphon's Banfora Project

Input	Definition	Low	High
K_d	Cost of debt (pre-tax)	9.4%	10.4%
K_e	Cost of equity (post-tax)	13.8%	16.8%
t_c	Corporate tax rate	17.5%	17.5%
$D/(D+E)$	Proportion of debt in the capital mix	15.0%	20.0%
$E/(D+E)$	Proportion of equity in the capital mix	85.0%	80.0%
WACC	Weighted average cost of capital (nominal, post-tax)	12.9%	15.2%
<i>Note: May not calculate exactly due to rounding</i>			

Source: KPMG Corporate Finance analysis

Table A4-9: Summary of the WACC - Teranga's Sabodala Project

Input	Definition	Low	High
K_d	Cost of debt (pre-tax)	7.5%	8.5%
K_e	Cost of equity (post-tax)	10.9%	12.9%
t_c	Corporate tax rate	25.0%	25.0%
$D/(D+E)$	Proportion of debt in the capital mix	15.0%	20.0%
$E/(D+E)$	Proportion of equity in the capital mix	85.0%	80.0%
WACC	Weighted average cost of capital (nominal, post-tax)	10.1%	11.6%
<i>Note: May not calculate exactly due to rounding</i>			

Source: KPMG Corporate Finance analysis

Having regard to the above variables, we consider a discount rate in the order of:

- 12.9% to 15.2% per annum for Gryphon's Banfora Project
- 10.1% to 11.6% per annum for Teranga's Sabodala Project

to be reasonable.

Appendix 5 – Selected listed companies

Company Name	Market Capitalisation US\$m	Enterprise Value US\$m	Resources ^{2,3} Moz	Reserves ^{2,4} Moz	No control premium		25% control premium		40% control premium	
					Resource Multiple ⁵ US\$/Moz	Reserve Multiple ⁷ US\$/Moz	Resource Multiple US\$/Moz	Reserve Multiple US\$/Moz	Resource Multiple US\$/Moz	Reserve Multiple US\$/Moz
Gold Production in West Africa										
IAMGOLD Corp.	1,806.1	1,996.4	30.3	7.6	65.8	263.9	80.7	323.6	89.6	359.4
SEMFOJ Inc.	1,477.7	1,429.8	4.6	2.9	312.6	486.4	393.3	612.0	441.8	687.4
Endeavour Mining Corporation	1,515.4	1,677.9	9.6	4.5	174.9	368.9	214.4	452.2	238.1	502.2
Asanko Gold Inc.	733.0	765.3	9.4	4.7	81.5	162.3	101.0	201.2	112.8	224.5
Resolute Mining Limited	723.8	722.6	8.2	5.1	88.2	141.1	110.3	176.4	123.5	197.6
Persus Mining Limited	439.6	377.4	7.9	2.4	48.1	158.0	62.1	204.0	70.4	231.6
Golden Star Resources, Ltd.	271.1	219.1	7.1	1.9	31.0	113.6	40.6	148.8	46.4	169.8
Robex Resources Inc.	48.9	58.2	1.4	0.4	41.7	164.0	50.4	198.5	55.7	219.2
Aureus Mining Inc.	33.2	137.8	2.5	0.8	54.2	164.8	57.5	174.7	59.5	180.7
Aureus Mining plc	27.5	56.4	6.9	0.7	8.2	81.6	9.2	91.5	9.8	97.5
Average (Gold Production)					90.6	210.5	112.0	258.3	124.8	287.0
Median (Gold Production) (excluding outliers)					60.0	163.2	71.4	199.8	80.0	221.8
Average (Gold Production) (excluding outliers)					66.0	179.8	80.7	219.0	89.5	242.5
Median (Gold Production) (excluding outliers)					54.2	162.3	62.1	198.5	70.4	219.2
Gold Exploration/Development in West Africa										
Roxgold Inc.	424.7	438.5	1.2	0.7	372.0	641.7	462.1	797.1	516.1	890.4
Orezone Gold Corporation	115.7	111.9	4.7	1.3	23.6	84.9	29.7	106.8	33.4	120.0
Hummingbird Resources Plc	107.7	115.5	5.8	0.6	20.0	191.3	24.7	235.9	27.5	262.6
West African Resources, Ltd.	72.1	68.9	1.8	0.4	39.4	182.3	48.8	225.8	54.5	251.9
Bassat Resources Limited	27.0	27.3	0.7	0.1	24.7	247.5	49.0	308.7	54.9	345.4
Xtra-Gold Resources Corp.	15.8	14.0	0.4	0.6	36.6	n/a	46.9	n/a	53.1	n/a
Azarah Resources Ltd	20.3	20.6	1.8	0.6	11.5	36.7	14.3	45.7	16.0	51.1
Olo Resources Limited	18.2	16.2	-	-	n/a	n/a	n/a	n/a	n/a	n/a
African Gold Group Inc.	17.3	16.9	2.1	0.5	8.2	36.9	10.2	46.3	11.5	51.9
Sarama Resources Limited	17.1	15.9	2.1	-	7.7	n/a	9.8	n/a	11.0	n/a
Savery Gold Corp.	12.0	10.9	0.4	-	27.0	n/a	34.5	n/a	39.0	n/a
Golden Rim Resources Ltd.	11.8	8.4	-	-	n/a	n/a	n/a	n/a	n/a	n/a
Average (Gold Exploration/Development)					58.5	203.0	73.0	252.3	81.7	281.9
Median (Gold Exploration/Development)					25.3	182.3	32.1	225.8	36.2	251.9
Average (Gold Exploration/Development) (excluding outliers)					23.7	129.9	29.8	161.5	33.4	180.5
Median (Gold Exploration/Development) (excluding outliers)					23.6	133.6	29.7	166.3	33.4	186.0

Notes:

- Enterprise Value has been calculated as Market Capitalisation as at 20 July 2016 converted to AUD as at the same date based on prevailing spot price (where relevant) and the latest net debt/cash of the selected company reported prior to 20 July 2016
- Where the Resources/Reserves are not 100 percent owned, the calculation of the multiple is based on the company's relevant interest.
- Resources include Measured, Indicated and Inferred Resources.
- Reserves include Proven and Probable Reserves.
- Resources are quoted inclusive of reserves.
- Calculated as enterprise value divided by total resource.
- Calculated as enterprise value divided by total reserve.
- "n/a" indicates the information is not available.
- Outliers have been identified based on an 80 percent confidence level and have been shaded and excluded from the calculation of average and median (where specified).

Source: Capital IQ, company financial statements and reports, publicly available Resource/Reserve information of relevant companies and KPMG Corporate Finance Analysis

Company	Description
Gold production in West Africa	
IAMGOLD Corp.	IAMGOLD Corporation explores for, develops, and operates mining properties in North and South America, and West Africa. The company explores for gold, copper, zinc, and silver. The company owns interest in the Rosebel gold mine located in Suriname, South America; Essakane gold mine in Burkina Faso, West Africa; Westwood gold mine located in Québec, Canada; and Côté gold development project located in Gogama, Ontario. It also holds interests in various exploration projects, including Boto gold project in Senegal and Pitangui project located in Brazil. IAMGOLD Corporation was incorporated in 1990 and is headquartered in Toronto, Canada.
SEMAFO Inc.	SEMAFO Inc. engages in the exploration, development, and operation of gold properties in West Africa. It operates the Mana Mine in Burkina Faso, which includes the satellite deposits of Siou and Fofina; and is developing the gold deposit of Natougou. SEMAFO Inc. was founded in 1994 and is headquartered in Saint-Laurent, Canada.
Endeavour Mining Corporation	Endeavour Mining Corporation operates as an intermediate gold producer in West Africa. It owns interests in five gold mines located in Côte d'Ivoire, Mali, Ghana, and Burkina Faso. It also has interest in the Houndé Project located in Burkina Faso. Endeavour Mining Corporation was incorporated in 2002 and is based in Paris, France.
Asanko Gold Inc.	Asanko Gold Inc. engages in the exploration, development, and production of gold in Ghana. Its flagship property is Asanko Gold Mine located in Ghana, West Africa. Asanko Gold Inc. was incorporated in 1999 and is headquartered in Vancouver, Canada.
Resolute Mining Limited	Resolute Mining Limited produces gold, and prospects and explores for minerals. It operates two gold mines in Africa and Australia. The company primarily holds 80% interest in the Syama Gold Project located in the south of Mali, West Africa. The company also produces silver and is based in Perth, Australia.
Perseus Mining Limited	Perseus Mining Limited engages in the exploration, evaluation, development, and mining of gold properties in West Africa. The company operates through Australia, Ghana, and Côte d'Ivoire segments. Its principal project is the Edikan Gold Mine in Ghana. The company was incorporated in 2003 and is based in Perth, Australia.

Company	Description
Golden Star Resources, Ltd.	Golden Star Resources Ltd. operates as a gold mining and exploration company. The company owns and operates the Wassa open-pit gold mine, the Wassa underground development project, and a carbon-in-leach processing plant in Ghana; and Bogoso gold mining and processing operation in Ghana. It also has a 90% interest in the Prestea Underground mine in Ghana; and holds interests in various gold exploration projects in Ghana and other parts of West Africa and in South America, as well as holds and manages exploration properties in Brazil. The company was founded in 1984 and is headquartered in Toronto, Canada.
Robex Resources Inc.	Robex Resources Inc. engages in the acquisition, exploration, and production of gold. It holds five exploration licenses in Mali, West Africa. The company focuses on the exploration of Mininko and Diangounté permits, as well as Nampala deposit. Robex Resources Inc. was founded in 1985 and is headquartered in Quebec, Canada.
Aureus Mining Inc.	Aureus Mining Inc. engages in the exploration, development, and operation of gold assets in West Africa. It principally owns interest in the New Liberty Gold project located in Liberia. The company was incorporated in 2011 and is based in Toronto, Canada.
Avocet Mining plc	Avocet Mining PLC operates as a gold mining and exploration company in West Africa. The company operates through three segments: UK, Burkina Faso, and Guinea. The company owns a 90% interest in the Inata gold project located in Burkina Faso; and a 100% interest in the Tri-K project located in Guinea. It also has a pipeline of exploration projects in Burkina Faso and Guinea. Avocet Mining PLC was incorporated in 1996 and is based in London, the United Kingdom.
Gold exploration/development in West Africa	
Roxgold Inc.	Roxgold Inc. acquires, explores, evaluates, and develops mineral properties. Its principal asset is the Yaramoko gold project located in Burkina Faso, West Africa. The company is headquartered in Toronto, Canada.
Orezone Gold Corporation	Orezone Gold Corporation engages in the investigation, acquisition, exploration, development, and operation of gold projects in Burkina Faso, West Africa. It primarily owns a 100% interest in the Bomboré gold project in the Ganzourgou province. Orezone Gold Corporation was incorporated in 2008 and is headquartered in Ottawa, Canada.
Hummingbird Resources PLC	Hummingbird Resources PLC engages in the exploration, evaluation, and development of mineral exploration properties in West Africa. It primarily explores for gold metals. The company primarily holds interests in the Dugbe 1 project located in the Liberia. The company was founded in 2005 and is based in London, the United Kingdom.

Company	Description
West African Resources, Ltd.	West African Resources Limited engages in the identification, acquisition, exploration, assessment, and development of mineral resource projects in West Africa. The company explores for gold and copper deposits. It primarily holds interest in the Boulsa gold project in Burkina Faso, West Africa. The company was incorporated in 2006 and is based in Perth, Australia.
Bassari Resources Limited	Bassari Resources Limited engages in the exploration, development, and production of gold resources in Senegal, West Africa. The company owns interests in three contiguous permits comprising Moura, Sambarabougou, and Bounsankoba, which are located on the Birimian gold belt. It also focuses on Makabingui Gold Project located within the Sambarabougou permit. Bassari Resources Limited is headquartered in Melbourne, Australia.
Xtra-Gold Resources Corp.	Xtra-Gold Resources Corp. engages in the exploration and development of gold properties in the Republic of Ghana, West Africa. It primarily holds five mining leases located in the Kibi Gold Belt. Xtra-Gold Resources Corp. was incorporated in 1998 and is based in Toronto, Canada.
Azumah Resources Ltd	Azumah Resources Limited engages in the exploration and development of mineral properties. It primarily explores for gold deposits. The company primarily owns a 100% interest in the Wa Gold Project that is located in the northwest Ghana, West Africa. The company is based in Perth, Australia.
Oklo Resources Limited	Oklo Resources Limited engages in the exploration and development of gold properties in South and West Mali, West Africa. The company primarily holds interest in the Dandoko located in Mali. The company is based in Sydney, Australia.
African Gold Group Inc.	African Gold Group, Inc. engages in the acquisition, exploration, and development of precious and base metal mineral resources properties in West Africa. The company primarily focuses on the Kobada gold project located in Mali. It also has interest in the Nyankumasi and Asankrangwa exploration tenements located in Ghana. The company was founded in 1988 and is headquartered in Toronto, Canada.
Sarama Resources Limited	Sarama Resources Ltd engages in the sourcing, exploration, and development of mineral properties in West Africa. The company explores for gold deposits. Its principal property is the South Houndé project located in south-west Burkina Faso. The company was founded in 2010 and is headquartered in Perth, Australia.

Company	Description
Savary Gold Corp.	Savary Gold Corp. engages in the exploration and evaluation of gold properties in West Africa. It focuses on the Hounde South property that consists of two exploration licenses, Diosso and Mandiasso, and two exploration concession applications located in Burkina Faso. Savary Gold Corp. was incorporated in 2008 and is headquartered in Toronto, Canada.
Golden Rim Resources Ltd.	Golden Rim Resources Ltd. engages in the exploration and development of mineral resource properties in Australia, Europe, and Africa. The company primarily explores for gold resources. It holds interests in the Babonga project in Burkina Fas, the Balogo project in Burkina Faso and the Korongou project in Ouagadougou. The company also holds interests in the Sebba project in Ouagadougou, and the Yako project in Burkina Faso. Golden Rim Resources Ltd. is headquartered in Sydney, Australia.

Source: Capital IQ, company websites, KPMG Corporate Finance Analysis

Appendix 6 – Selected transactions

Target	Acquirer	Percentage Acquired	Date Announced	Implied Enterprise Value ^{1,2} US\$m	Gold Equivalent		Resource Multiple ^{6,7} US\$/Moz	Reserve Multiple ^{6,7} US\$/Moz
					Reserves ^{3,4} Moz	Reserves ⁵ Moz		
True Gold Mining Inc.	Endavour Mining Corporation	100.0%	4-Mar-16	162.7	4.49	0.86	36.27	190.21
Burkina Mining Company	MING ORKO MADENCILIK A NONIM SIRKETI	90.0%	29-Feb-16	28.1	0.95	0.13	29.48	219.96
Endavour Mining Corporation	La Mancha Holding SARL	30.0%	21-Sep-15	476.3	9.06	3.95	52.58	120.54
Village Main Reef Limited ⁸	Heaven-Sent Capital Management Group Co., Ltd.	100.0%	4-Feb-15	42.0	34.80	1.45	1.21	28.90
Orbis Gold Limited	SEMAFO Inc.	100.0%	13-Oct-14	151.1	2.30	0.00	65.70	n/a
Papillon Resources Pty. Ltd.	B2Gold Corp.	100.0%	3-Jun-14	504.0	4.99	0.00	101.04	n/a
AngloGold Ashanti Namibia (Proprietary) Limited	QKR Corporation Management (UK) Ltd.	100.0%	10-Feb-14	110.0	3.91	1.92	28.13	57.23
PMI Gold Corporation	Asanko Gold Inc.	100.0%	17-Dec-13	70.7	4.37	2.43	16.17	29.11
Ampella Mining Limited	Centamin Plc	100.0%	10-Dec-13	25.4	2.91	0.00	8.73	n/a
Volta Resources Inc.	B2Gold Corp.	100.0%	28-Oct-13	62.3	4.77	0.00	13.06	n/a
Evander Gold Mines (Pty) Limited	Pan African Resources PLC	100.0%	30-May-12	180.4	32.52	7.61	5.55	23.72
Blanket Mine (1983) (Private) Limited	Republic of Zimbabwe	51.0%	20-Feb-12	59.0	0.47	0.47	125.52	126.43
Blyvooruitzicht Gold Mining Ltd.	Village Main Reef Limited	74.0%	13-Feb-12	26.2	30.37	0.89	0.86	29.34
Average				10.95	1.57	0.68	37.34	79.40
Median				4.57			22.15	43.29

Notes:

1. Implied enterprise value calculated using the consideration offered by the acquirer and the target's net debt/cash position reported prior to the announcement of the transaction.
2. Where the transaction involved a company acquiring an interest of below 100 percent, the consideration has been grossed up to reflect an implied acquisition of 100 percent.
3. Resources are based on Measured, Indicated and Inferred Resources. Resources are quoted inclusive of Reserves.
4. If the relevant resource statement does not disclose whether Resources are inclusive/exclusive of Reserves, we have assumed that resources are disclosed as being inclusive of Reserves.
5. Reserves are based on proven and probable Reserves
6. Resource and Reserve multiples are calculated using the Enterprise Value implied by the transaction and resources and reserves sourced from latest resource and reserve statement announced by the target prior to the announcement of the transaction.
7. In relation to the Reserve and Resource multiples, "n/a" indicates that Reserve or Resource figures were not available to calculate the multiple or the multiple was not meaningful given the negative enterprise value.
8. A total contained Au equivalent Resource or Reserve has been calculated (based on the spot uranium price as at the announcement date of the transaction) to take into account Village Main Reef Limited's 100% interest in the Buffels Uranium project. The uranium spot price used as at 4 February 2015 is US\$38/lb.

Source: S&P Capital IQ, MergerMarket, company websites and announcements

Appendix 7 – Snowden – Independent Technical Specialist Report

SNOWDEN

Gryphon Minerals Limited

KPMG Gryphon review

Project Number AU9763

July 2016

Final

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Issued by: Perth Office
Doc ref: 160725 Final Report AU9763 KPMG Gryphon
Review_1.docx
Last edited: 25 July 2016

Number of copies

Snowden:	2
Gryphon Minerals Limited:	2

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1 EXECUTIVE SUMMARY

1.1 Report scope and basis

Snowden Mining Industry Consultants (Snowden) has been engaged to act as independent specialist for an opinion of the mineral assets of Gryphon Minerals Limited (Gryphon) and Teranga Gold Corporation (Teranga), consisting of:

- An opinion of the validity of the parameters that inform the discounted cash flow model
- A Technical Valuation opinion of the assets not included in the above cash flow model.

Snowden undertook a high-level review of the geological block models, Mineral Resource, the Ore Reserve, mine planning and processing parameters.

1.2 Summary of Mineral Assets

1.2.1 Gryphon

The Banfora gold project (Banfora or “the Project”), located in Burkina Faso in West Africa, is wholly owned by Gryphon. It is a greenfield site and comprises a series of 32 proposed open pits located within a radius of between 6.5 kilometres (km) and 25 km of the Nogbele deposit, where the plant and infrastructure are planned to be located.

The proposed open pits are divided into four geographic areas:

- The Central area includes the four Nogbele open pits
- Fourkoura (about 6.5 km from Nogbele)
- Samavogo (about 25 km from Nogbele)
- Stinger satellite (about 12 km from Nogbele).

Gryphon has reported the results of the following studies:

- In 2013, a 2.0 million tonnes per annum (Mt/a) carbon-in-leach (CIL) feasibility study (FS) with Ore Reserves reported in accordance with JORC (2012)
- In 2014, a 2.0 Mt/a heap leach (HL) feasibility study
- In 2015, various combinations of a 2.0 Mt/a HL and a deferred 1.0 Mt/a CIL operation at a scoping study level.

1.2.2 Teranga

Teranga is a Canadian based gold company created to acquire the Sabodala gold mine and a large regional exploration package in Senegal. Teranga’s interests in Senegal are represented by two Senegalese subsidiary companies; Sabodala Gold Operations (SGO) and the Sabodala Mining Company (SMC). The Sabodala open pit mine (Sabodala) is 90% owned by SGO with the Government of Senegal retaining a 10% free-carried interest. SMC is 100% owned by Teranga and is the company engaged in exploring the 967 km² regional exploration permits.

The Sabodala mine is located in south-eastern Senegal, approximately 650 km east-southeast of the capital Dakar. The Sabodala open pit has been in operation since 2009 and has produced an average of 180 kilo ounces (Koz) Au/year from multiple open pit mines. Milling at Sabodala is through a conventional CIL plant, located central to the Sabodala pit area. The Sabodala processing plant was expanded in late 2012 to a design capacity of approximately 3.5 Mt/a (fresh ore) and 4.0 Mt/a with a mix of fresh and oxidised ore. With the commissioning of an additional primary crusher in Q3 2016, this capacity is expected to increase by 10% with the increasing proportions of fresh ore delivered to the run of mine (ROM) pad.

1.2.3 Summary of Mineral Resources

Snowden reviewed the Mineral Resources by carrying out a review of the estimation processes, independent validation of the estimated grades and independent reporting of the Mineral Resource to ensure the reported numbers can be reproduced.

The Samavogo and Stinger Mineral Resources were estimated by CSA Global Pty Ltd (CSA) in 2013. The Fourkoura and Nogbele (Central, North and South) deposits were estimated by Gryphon in 2015 (Table 1.1).

Snowden notes that the previous CSA models for Fourkoura and Nogbele were used for some studies. While Snowden has not reviewed these models, they are likely to have the same issues as the other CSA models discussed here.

Samavogo and Stinger

Overall, the estimation is acceptable. While Snowden has concerns about the block size and estimation parameters, the estimate validates well and hence any risk in this area is not material.

Snowden cannot fully reproduce the Mineral Resource reported by CSA, however the differences are not material.

Snowden's main concern is the method of reporting which uses a proportional method. The resource blocks are small (10 m x 10 m x 5 m parent cell), and no minimum mining width, typically 2 m, or minimum proportion is applied to the reporting meaning the reported numbers are likely highly and unrealistically selective. Because of this, it is Snowden's opinion that tonnages may be under-estimated and grades over-estimated.

While this is not considered good practice as some of the blocks are potentially not economic, it may not be material to the Ore Reserve and mine plan as long as sufficient dilution is accounted for during these processes.

Fourkoura, Nogbele Central, Nogbele North and Nogbele South

Overall, the estimation is acceptable. While Snowden has some concerns about the estimation parameters, the estimates validate reasonably well (and are conservative if anything) and hence any risk in this area is not material.

Snowden reported the models and was able to reproduce the tonnes and grades reported by Gryphon with only minor differences.

Table 1.1 Gryphon published Mineral Resources, global and by deposit

	Measured					Indicated					Inferred					Total				
	Cut-off	Mt	Au (g/t)	Oz (M)		Mt	Au (g/t)	Oz (M)		Mt	Au (g/t)	Oz (M)		Mt	Au (g/t)	Oz (M)		Mt	Au (g/t)	Oz (M)
Nogbela	0.5	6.63	1.47	0.31		26.41	1.24	1.05		0.97	1.13	0.04		34	1.28	1.4		23.21	1.6	1.19
	0.7	4.71	1.82	0.28		17.9	1.54	0.89		0.6	1.45	0.03								
	1	3.16	2.31	0.23		10.5	2.05	0.69		0.35	1.92	0.02		14	2.1	0.95				
Fourkoura	1.5	1.98	2.96	0.19		5.26	2.89	0.49		0.16	2.8	0.01		7.41	2.9	0.69				
	0.5	-	-	-		7.26	1.18	0.28		1.13	1.14	0.04		8.39	1.18	0.32				
	0.7	-	-	-		5.16	1.42	0.24		0.75	1.41	0.03		5.92	1.42	0.27				
Samavogo	1	-	-	-		3.04	1.83	0.18		0.42	1.87	0.03		3.47	1.83	0.2				
	1.5	-	-	-		1.54	2.43	0.12		0.22	2.46	0.02		1.76	2.43	0.14				
	0.5	-	-	-		12.5	1.77	0.71		8.52	1.33	0.36		21.02	1.59	1.07				
Stinger	0.7	-	-	-		10.52	1.99	0.67		7.03	1.48	0.34		17.55	1.79	1.01				
	1	-	-	-		7.89	2.37	0.6		4.56	1.83	0.27		12.46	2.17	0.87				
	1.5	-	-	-		5.21	2.96	0.5		2.23	2.46	0.18		7.44	2.81	0.67				
Global Resource	0.5	6.63	1.47	0.31		14.26	1.39	0.64		5.26	1.31	0.22		19.52	1.37	0.86				
	0.7	4.71	1.82	0.28		11.08	1.61	0.57		3.81	1.57	0.19		14.89	1.6	0.77				
	1	3.16	2.31	0.23		7.34	2.01	0.47		2.49	1.96	0.16		9.83	1.99	0.63				
Global Resource	1.5	1.98	2.96	0.19		4.09	2.63	0.35		1.22	2.73	0.11		5.31	2.65	0.45				
	0.5	6.63	1.47	0.31		60.42	1.38	2.67		15.88	1.3	0.66		82.93	1.37	3.65				
	0.7	4.71	1.82	0.28		44.65	1.65	2.37		12.2	1.51	0.59		61.56	1.64	3.24				
Global Resource	1	3.16	2.31	0.23		28.77	2.1	1.94		7.83	1.87	0.47		39.76	2.07	2.65				
	1.5	1.98	2.96	0.19		16.09	2.8	1.45		3.83	2.56	0.32		21.91	2.77	1.95				

1.2.4 Summary of Ore Reserves and Mineral Reserves

Gryphon has reported an Ore Reserve of 16.7 Mt at 1.9 g/t for its 100%-owned Banfora Project. The Ore Reserve was estimated by Cube Consulting for a 2.0 Mt/a open pit operation and CIL processing plant based on Mineral Resource estimates prepared by CSA.

A number of 2.0 Mt/a HL options have also been assessed and Gryphon has published an Ore Reserve for its CIL option (Table 1.2) and its HL option (Table 1.3).

Table 1.2 Gryphon's CIL Ore Reserve estimate, December 2012

Proved			Probable			Total		
Tonnes (Mt)	Au (g/t)	Au (Koz)	Tonnes (Mt)	Au (g/t)	Au (Koz)	Tonnes (Mt)	Au (g/t)	Au (Koz)
2.7	1.8	156	14.0	2.0	892	16.7	1.9	1,048

Table 1.3 Gryphon's HL Ore Reserve estimate (2014)

Proved			Probable			Total		
Tonnes (Mt)	Au (g/t)	Au (Koz)	Tonnes (Mt)	Au (g/t)	Au (Koz)	Tonnes (Mt)	Au (g/t)	Au (Koz)
4.0	1.4	176	13.4	1.5	650	17.4	1.4	826

Teranga's Mineral Reserve is summarised in Table 1.4. Teranga's Mineral Reserves comprise current open pit operations and planned open pit and underground operations at its Sabodala mine in Senegal.

Table 1.4 Teranga's Mineral Reserves as at 31 December 2015

Proven		Probable		Proven and Probable	
Tonnes (Mt)	Grade (g/t Au)	Tonnes (Mt)	Grade (g/t Au)	Tonnes (Mt)	Grade (g/t Au)
21.23	0.99	38.11	1.6	59.34	1.38

1.2.5 Technical and operating assumptions

Gryphon

For this report, Snowden has selected the 2.0 Mt/a standalone CIL and the 2.0 Mt/a standalone HL as the likely preferred options. Some mining costs have been adjusted to reflect increased competition in contract mining rates and lower diesel, cyanide and cement costs since the studies were completed.

For the projects, no unreasonable technical or operating assumptions were noted for the cash flow model.

Normal sensitivities of -15% to +15% would apply. However, the ore grades used for the Gryphon 2.0 Mt/a CIL operation may be overstated. We would recommend a sensitivity range of -15% to 0% be applied for this case.

Teranga

For the projects, no unreasonable technical or operating assumptions were noted for the cash flow model.

Normal sensitivities of -15% to +15% would apply.

1.2.6 Summary of Mineral Asset valuation not contemplated by financial models

Snowden's opinion of the value of Gryphon's Mineral Resources not contemplated by financial models at between \$10.45 million and \$28.20 million, with a preferred value of \$15.41 million.

Snowden's opinion of the value of Teranga's Mineral Resources, exploration potential and mineral inventory outside Mineral Reserves is between \$38.57 million and \$96.49 million, with a preferred value of \$51.10 million (Table 1.5).

Table 1.5 Exploration valuation opinion summary

Entity	Component	Low (\$ M)	High (\$ M)	Preferred (\$ M)
Gryphon	Resources	6.07	17.83	8.03
	Exploration	3.55	9.56	6.56
	Boss JV	0.82	0.82	0.82
	Total	10.45	28.20	15.41
Teranga	Resources	15.86	27.77	21.81
	Exploration	22.71	68.72	29.28
	Total	38.57	96.49	51.10

2 INTRODUCTION

2.1 Scope of report

Snowden was engaged to act as independent specialist for an opinion of the Technical Value of the mineral assets of Gryphon and Teranga, consisting of an opinion of the validity of the parameters that inform the cash flow model.

- An opinion of the validity of the parameters that inform the discounted cash flow model
- A Technical Valuation opinion of the assets not included in the above cash flow model.

Snowden undertook a high-level review of the geological block models, Mineral Resource, the Ore Reserve, mine planning and processing parameters.

All financial figures are reported in United States dollars (US\$) unless otherwise stated.

2.2 Contributors

Contributors to this report are listed in Table 2.1.

Table 2.1 Report contributors

Name	Contribution	Employed by	Position	Professional qualifications
Allan Earl	Mining, Ore Reserve, capital and operating costs	Snowden	Principal Consultant	FAusIMM, AWASM
Lindsay Farley	Mineral Resource	Snowden	Senior Consultant	BSc (Geol), MAusIMM CP
Lucette Hugo	Mining, Ore Reserve, capital and operating costs	Snowden	Principal Consultant	BSc (MinEx and MinGeol), MAusIMM CP
Kath McGuckin	Report compilation and project management	Snowden	Principal Consultant	BSc (Hons), BEc, MAusIMM
Lynn Olssen	Mineral Resource review	Snowden	General Manager Geosciences	BSc (Geol), Grad.Cert Geostatistics, MAusIMM CP, GAICD
Jeremy Peters	Valuation and project management	Snowden	Principal Consultant	BSc, BEng, FAusIMM CP
Russell Heins	Mineral processing, capital and operating costs	The Mineral Corporation	Metallurgical Consultant	BSc (Hons) Minerals Eng, CEng MIOMMM FSAIMM
John Hearne	Overall review	Snowden	CEO	B.Eng(Min), MBA, FAusIMM CP

2.2.1 Data sources

Data has been supplied by Gryphon and Teranga.

2.2.2 Site visits

Ms Lucette Hugo, Principal Consultant from Snowden (Johannesburg), undertook a site visit to Teranga's Sabodala mine in Senegal between 10 July 2016 and 14 July 2016. Snowden was able to engage with site personnel in the disciplines of mining, exploration, geology, finance and community.

Snowden observed the site to be well managed by suitably qualified and experienced personnel. The mining fleet is adequate and appropriate for the style of mining and maintained in accordance with requirements. Other site assets and infrastructure are suitable for their purpose and maintained appropriately.

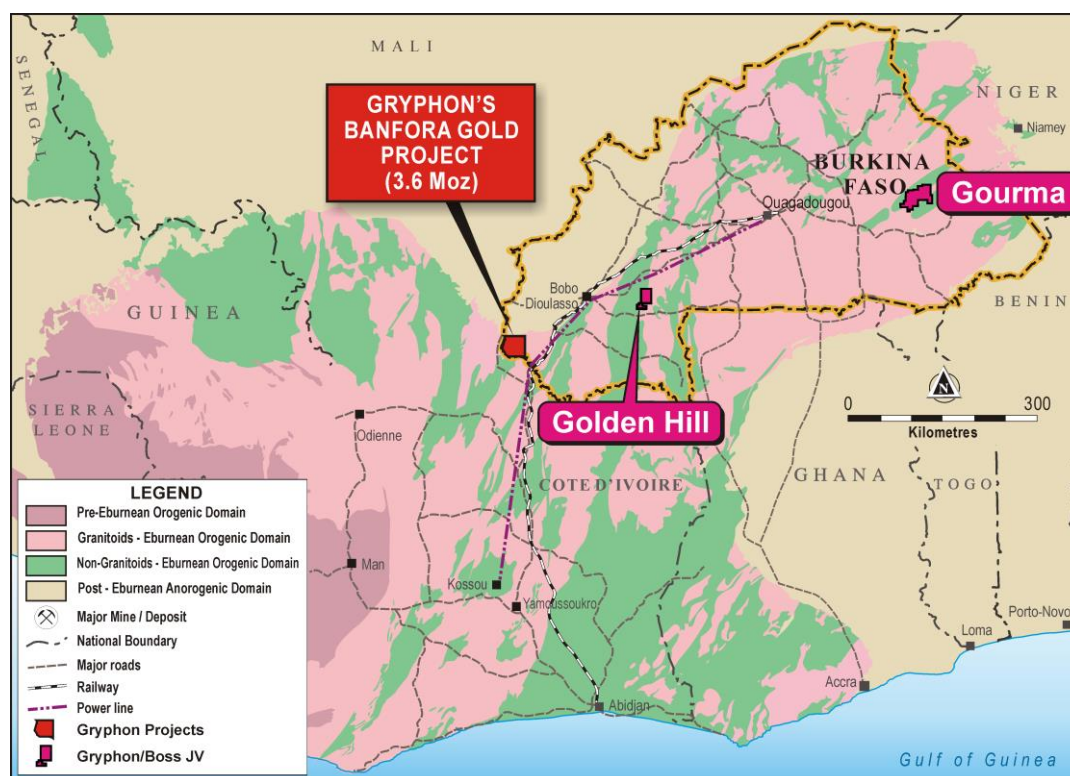
Snowden did not visit the Banfora project area in Burkina Faso. In its opinion, travel to site would not provide any material information in addition to that could be accessed remotely from site.

3 GRYPHON'S PROJECT DESCRIPTION

3.1 Location and description

Gryphon plans to develop the 100% owned Banfora Gold Project in Burkina Faso, West Africa. The Project site is located approximately 540 km by road southwest of the capital Ouagadougou and is close to the borders of Côte d'Ivoire and Mali.

Figure 3.1 Banfora Gold Project location



Source: Gryphon, 2016

Gryphon holds six exploration permits which cover a combined area of 1,093 km². All six of these permits are 100% held by Gryphon. The Project contemplates open pit mining from four major gold deposits within the lease areas; the Nogbele, Fourkoura and Stinger deposits fall in the Mining Exploitation Licence Wahgnion, issued by Burkina Faso government in 2014 to Societe Miniere Gryphon SA, under Decree No. 2014-675.

Mineralisation is structurally controlled and is widely associated with hematite, iron carbonate, sericite, pyrite and locally, with albitic alteration. Higher gold grades are commonly associated with stylolitic laminated quartz veins or pyrite veinlets. Mineralisation is predominantly of a lode-style gold type, associated with discrete structures. Au is hosted both within granodiorite/gabbroic plutons and dykes and the surrounding mafic volcanic packages.

A significant amount of drilling has been completed at the four main prospects that form the basis for the resource estimate. All drilling, sampling and assaying have been completed conforming with industry standards of best practice and have been independently verified by CSA, including review of quality assurance/quality control (QAQC) analysis and sample recovery. Drilling has been completed on a sufficient density using inclined diamond and reverse circulation (RC) to allow the estimation of resources. A total of 421,838 m of RC and diamond drilling has been completed across the four deposits.

3.2 Mineral Resource review

Snowden reviewed the Mineral Resources by:

- Carrying out a review of the estimation processes
- Independent validation of the estimated grades
- Independent reporting of the Mineral Resource to ensure the reported numbers can be reproduced.

Snowden has based its review on the data supplied by Gryphon.

3.2.1 Samavogo

Samavogo estimation review

The Samavogo deposit was estimated by CSA in January 2013. CSA elected to estimate the Samavogo deposit using ordinary kriging (OK) with a top cut which Snowden considers appropriate.

A composite length of 1 m was used by CSA since the majority of samples are 1 m in length. Snowden agrees with 1 m compositing.

The block sized used for estimation is 10 mN x 10 mE x 5 mRL, which Snowden considers too small given the majority of drilling is on a grid of approximately 40 m x 40 m. Industry standard is to use a block size of half the drill grid spacing (i.e. 20 mN x 20 mE x 5 mRL) at the smallest. The likely impact of the small block size is over-smoothing in the estimated grades; however, Snowden notes that the model validation indicates an acceptable level of smoothing and hence this is not a material risk.

The number of samples used for estimation is a minimum of three and maximum for 12 for the first and second pass, and a minimum of one and maximum of 12 for subsequent passes. This is a low number of samples which has the effect of keeping the interpolation local, which can result in an overly selective estimate; however, the estimate has produced a model that has validated satisfactorily likely as a result of additional smoothing due to the block size, as discussed above.

A dynamic search has been used for interpolation with the first pass being two-thirds of the range, the second pass equal to the range and the third pass two times the range. Snowden agrees with the implementation of a dynamic search and the ranges used.

For interpolation CSA used a discretisation of 2 x 2 x 2 (eight points), which Snowden considers inappropriate. Snowden recommends that discretisation be set to at least 30 points with the number per direction aligned with the anisotropy of the parent block (e.g. 10 x 10 x 5 m parent block, 4 x 4 x 2 discretisation).

Samavogo model validation

Snowden was not able to validate domains on an individual basis as the data supplied did not contain information differentiating individual domains; as such, validation was completed on a global basis for all domains.

Samavogo statistical validation

The summary statistics for gold are presented in Table 3.1; estimates and declustered top cut composite statistics are provided. The results show that the block model underestimates grade by approximately 5%, which Snowden considers to be satisfactory.

Table 3.1 Samavogo model and drilling statistics for gold

Domain	Estimate(g/t)			Drilling (g/t)			Difference (%)
	Min.	Max.	Mean	Min.	Max.	Mean	Mean
All	0.01	15.38	1.26	0.01	27.00	1.32	-5.0

Samavogo grade trend plots

The grade trend plots are satisfactory and show that the block model grades follow the local trend of the composite grades.

Samavogo theoretical change of support

Snowden carried out a theoretical global change of support to validate the level of smoothing in the estimate. The results show a reasonable correlation between the estimated model and the theoretical change of support indicating an appropriate level of smoothing has been incorporated into the estimate.

Samavogo reporting

CSA reported its model using a field that was generated during estimation. The interpreted orebodies at Samavogo are generally narrow, less than 1 m in some places, and the field appears to represent the proportion of the block that is within the mineralised wireframe. Snowden has some concerns about this as there is no minimum criteria applied to reporting, therefore blocks with very small proportions have been included which are potentially not mineable.

Snowden examined the model supplied by Gryphon at the multiple cut-offs as per the CSA reporting. Snowden reported tonnes and grades using the ore field to replicate the reporting done by CSA. The tonnes and grades reported by Snowden using this field differ somewhat to those reported by CSA, however the differences are not material.

Samavogo summary

The Samavogo deposit was estimated by CSA in January 2013. Overall, the estimation is acceptable. While Snowden has concerns about the block size and estimation parameters, the estimate validates well and hence any risk in this area is not material.

Snowden cannot fully reproduce the Mineral Resource reported by CSA, however the differences are not material.

Snowden's main concern is the method of reporting which uses a proportional reporting method. The resource blocks are small (10 m x 10 m x 5 m parent cell), and no minimum mining width, typically 2 m, or minimum proportion is applied to the reporting meaning the reported numbers are likely highly and unrealistically selective. Because of this, it is Snowden's opinion that tonnages may be under-estimated and grades over-estimated. While this is not considered good practice as some of the blocks are potentially not economic, it may not be material to the Ore Reserve and mine plan as long as sufficient dilution is accounted for during these processes.

3.2.2 Stinger

Stinger estimation review

The Stinger deposit was estimated by CSA in January 2013. CSA elected to estimate the Stinger deposit using OK with a top cut, which Snowden considers appropriate.

A composite length of 1 m was used by CSA since the majority of samples are 1 m in length. Snowden agrees with 1 m compositing.

The block sized used for estimation 10 mN x 10 mE x 5 mRL is too small considering the majority of drilling is on a grid of approximately 40 m x 40 m. Snowden recommends using an industry standard approach of a block size of half the drill grid spacing (i.e. 20 mN x 20 mE x 5 mRL) at the smallest.

The number of samples used for estimation is a minimum of three and maximum for 12 for the first and second pass, and a minimum of one and maximum of 12 for subsequent passes. Having a low number of samples has the effect of keeping the interpolation local which can result in an overly selective estimate; however, as with Samavogo, the estimate has produced a model that has validated satisfactorily likely as a result of additional smoothing due to the block size, as discussed above.

A dynamic search has been used for interpolation with the first pass being two-thirds of the range, the second pass equal to the range and the third pass two times the range. Snowden agrees with the implementation of a dynamic search and the ranges used.

For interpolation CSA used a discretisation of 2 x 2 x 2 (eight points), which Snowden considers inappropriate. Snowden recommends that discretisation be set to at least 30 points with the number per direction aligned with the anisotropy of the parent block (e.g. 10 x 10 x 5 m parent block, 4 x 4 x 2 discretisation).

Stinger model validation

Snowden was not able to validate domains on an individual basis as the data supplied did not contain information differentiating individual domains; as such, validation was completed on a global basis for all domains.

Stinger statistical validation

The summary statistics for gold are presented in Table 3.2; estimates and declustered top cut composite statistics are provided. The results show that the block model results are very similar to the input data.

Table 3.2 Stinger model and drilling statistics for gold

Domain	Estimate (g/t)			Drilling (g/t)			Difference (%)
	Min.	Max.	Mean	Min.	Max.	Mean	Mean
All	0.00	16.50	1.23	0.00	20.00	1.20	2.3

Stinger grade trend plots

Grade trend plots were created for the declustered top cut composites and block grades (plots generated on 10 m easting slices, 10 m northing slices and 5 m elevation slices). The grade trend plots are satisfactory and show that the block model grades follow the local trend of the composite grades.

Stinger theoretical change of support

Snowden carried out a theoretical global change of support to validate the level of smoothing in the estimate. The results show a reasonable correlation between the estimated model and the theoretical change of support indicating an appropriate level of smoothing has been incorporated into the estimate.

Stinger reporting

CSA reported its model using an "ore_part" field as with Samavogo.

Snowden reported the model supplied by Gryphon at the multiple cut-offs as per the CSA reporting. Snowden reported tonnes and grades using the "ore_part" field to replicate the reporting done by CSA. As with Samavogo the tonnes and grades reported by Snowden using the "ore_part" field differ slightly to those reported by CSA, however the differences are not material.

Stinger summary

The Stinger deposit was estimated by CSA in January 2013. As with Samavogo, while Snowden has concerns about the block size and estimation parameters, the estimate validates well and hence any risk in this area is not material.

Snowden cannot fully reproduce the Mineral Resource reported by CSA, however the differences are not material.

As with Samavogo, Snowden's main concern is the method of reporting which uses a proportional reporting method. While this is not considered good practice as some of the blocks are potentially not economic, it may not be material to the Ore Reserve and mine plan as long as sufficient dilution is accounted for during these processes.

3.2.3 Fourkoura

Fourkoura estimation review

The Fourkoura deposit was estimated by Gryphon in April 2015.

The distribution of gold data for the Fourkoura deposit domains is highly skewed. Gryphon elected to estimate using multiple indicator kriging (MIK), which Snowden considers appropriate in this highly skewed dataset.

A composite length of 3 m was used by Gryphon. Snowden recommends that a composite length of 1 m is used since approximately 98% of the samples are at one metre intervals. The use of the longer composite length limits the selectivity which can be estimated and results in a smaller dataset for analysis.

The block sized used for estimation is 25 mN x 25 mE x 10 mRL, which Snowden considers appropriate since the majority of drilling is on a grid of approximately 50 mN x 25 mE with some closer spaced drilling in some areas.

The number of samples used for estimation is a minimum of 24 and maximum for 36 for the first and second pass, and a minimum of 12 and maximum of 36 for the third pass. Snowden considers that the minimum number may be too high, however this is not material. A dynamic search has been used for interpolation which Snowden agrees with. The ranges used for the searches look reasonable.

Fourkoura model validation

Snowden validated domains on an individual basis with the data supplied by Gryphon.

Fourkoura statistical validation

The results of statistical validation for gold show that the block model underestimates grade by approximately 26% in domain 8001 which is conservative. For domain 8002 the difference is negligible.

Table 3.3 Fourkoura model and drilling statistics for gold

Domain	Estimate (g/t)			Drilling (g/t)			Difference (%)
	Min.	Max.	Mean	Min.	Max.	Mean	Mean
8001	0.05	12.95	0.50	0.00	295.29	0.0.67	-26
8002	0.10	3.95	0.55	0.00	28.36	0.54	2

Fourkoura grade trend plots

The trend plots are satisfactory and show that the block model grades follow the local trend of the composite grades.

Fourkoura theoretical change of support

Snowden carried out a theoretical global change of support for the main domains, to validate the level of smoothing in the estimate. The results show a reasonable correlation between the estimated model and the theoretical change of support indicating an appropriate level of smoothing has been incorporated into the estimate.

Fourkoura reporting

Snowden reported the model supplied by Gryphon at the multiple cut-offs as per the Gryphon reporting. Snowden was able to reproduce the tonnes and grades reported by Gryphon with only minor differences.

Fourkoura summary

The Fourkoura deposit was estimated by Gryphon in April 2015. Overall, the estimation is acceptable. While Snowden has concerns about the estimation parameters, the estimate validates reasonably well (and is conservative if anything) and hence any risk in this area is not material.

Snowden reported the model and was able to reproduce the tonnes and grades reported by Gryphon with only minor differences.

Snowden notes that the previous CSA model was used for some studies. While Snowden has not reviewed this model, it is likely to be similar to the other CSA models discussed previously.

3.2.4 Nogbele Central**Nogbele Central estimation review**

The Nogbele Central deposit was estimated by Gryphon in April 2015.

The distribution of gold data for the Nogbele Central deposit domains is highly skewed with CVs of 2.06, 1.01 and 2.11 respectively for domains 5001, 5007 and 5008. Gryphon elected to estimate using MIK which Snowden considers appropriate in this highly skewed dataset.

As with Fourkoura, a composite length of 3 m was used by Gryphon. Snowden recommends that a composite length of 1 m is used since approximately 98% of the samples are at 1 m intervals.

As with Fourkoura, Gryphon used top cut composites to create indicator variograms which Snowden considers unnecessary.

The block sized used for estimation 25 mN x 25 mE x 10 mRL which Snowden considers appropriate since the majority of drilling is on a grid of approximately 25 mN x 25 mE with some closer spaced and wider spaced drilling in some areas.

The number of samples used for estimation is a minimum varies from 12 to 24, depending on the pass number and domain. A maximum of 36 is used for all pass numbers and domains. Snowden considers that the minimum number may be too high and the optimal number of samples should be checked by completing a kriging neighbourhood analysis (KNA).

A dynamic search has been used for interpolation which Snowden agrees with. The ranges used for the searches look reasonable.

Nogbele Central model validation

Snowden validated the main domains with the data supplied by Gryphon.

Nogbele Central statistical validation

The summary statistics for gold are presented in Table 3.4; estimates and naïve top cut composite are provided, clustering does not result in a bias in these domains and hence declustered statistics are not presented.

The results show that the block model under-estimates grade by approximately 35% in domain 5007, which Snowden considers to be very conservative. Snowden notes that there is some data lying outside of the modelled area which may impact this comparison.

The remainder of the domains are within around 10% which Snowden considers satisfactory.

Table 3.4 Nogbele Central model and drilling statistics for gold

Domain	Estimate (g/t)			Drilling (g/t)			Difference (%)
	Min.	Max.	Mean	Min.	Max.	Mean	Mean
5001 (MIK)	0.16	16.68	1.01	0.00	20.00	1.01	0.0
5007 (MIK)	0.05	3.07	0.38	0.00	3.58	0.58	-34
5008 (MIK)	0.06	4.87	0.46	0.00	18.00	0.52	-12
5002 (OK)	0.20	5.19	0.95	0.01	21.10	0.95	0.3
5003 (OK)	0.14	6.63	1.02	0.01	17.48	1.11	-8

Nogbele Central grade trend plots

The grade trend plots for domain 5007 highlight the under-estimation evident in the global statistical comparison. Grade trend plots for the other domains are satisfactory.

Nogbele Central theoretical change of support

Snowden carried out a theoretical global change of support for domains 5001 and 5008 to validate the level of smoothing in the estimate. Snowden did not complete a change of support on domain 5007 because as a variogram could not be modelled for this domain. Variography for domains 7002 and 7004 was not easily defined and the change of support shows that too much smoothing has been incorporated into the estimate. Snowden recommends that the variography for these domains is reviewed.

Nogbele Central reporting

Snowden reported the model supplied by Gryphon at the multiple cut-offs as per the Gryphon reporting. Snowden was able to reproduce the tonnes and grades reported by Gryphon with only minor differences.

Nogbele Central summary

The Nogbele Central deposit was estimated by Gryphon in April 2015. Snowden considers the estimation method appropriate; however, some of the parameters are not optimal. The composite length is 3 m which Snowden considers inappropriate; 1 m would be more sensible. In addition, the maximum number of samples used is very high. These two factors combined are likely to result in over-smoothing of the estimated grades.

The model validation shows that domains 5001 and 5008 validate reasonably well; however, domain 5007 validates very poorly with a significant under estimation and over-smoothing of gold grades (35% under-estimation). This model may be conservative as a result. Additional work is required to find the source of this under-estimation.

Snowden reported the model and was able to reproduce the tonnes and grades reported by Gryphon with only minor differences.

Snowden notes that the previous CSA model was used for some studies. While Snowden has not reviewed this model, it is likely to have the same issues as the other CSA models discussed previously, the main concern being the selectivity of the reporting.

3.2.5 Nogbele North

Nogbele North estimation review

The Nogbele North deposit was estimated by Gryphon in April 2015.

Snowden was unable to review the appropriateness of the estimation method and parameters as no composite file was supplied. However, documentation indicates that the methodology and parameters are similar to those used for Nogbele Central and as such, Snowden's comments on that deposit are likely also relevant to Nogbele North.

Nogbele North model validation

Snowden was unable to complete a model validation as no composite file was supplied.

Nogbele North reporting

Snowden reported the model supplied by Gryphon at the multiple cut-offs as per the Gryphon reporting. Snowden was able to reproduce the tonnes and grades reported by Gryphon with only minor differences.

Nogbele North summary

The Nogbele North deposit was estimated by Gryphon in April 2015. Snowden was unable to review the appropriateness of the estimation method and parameters as no composite file was supplied. However, documentation indicates that the methodology and parameters are similar to those used for Nogbele Central and as such, Snowden's comments on that deposit are likely also relevant to Nogbele North.

Snowden reported the model and was able to reproduce the tonnes and grades reported by Gryphon with only minor differences.

Snowden notes that the previous CSA model was used for some studies. While Snowden has not reviewed this model, it is likely to have the same issues as the other CSA models discussed previously, the main concern being the selectivity of the reporting.

3.2.6 Nogbele South

Nogbele South estimation review

The distribution of gold data for the Nogbele South deposit domains is highly skewed. Gryphon elected to estimate using MIK which Snowden considers appropriate in this highly skewed dataset.

As with Fourkoura and Nogbele Central, a composite length of 3 m was used by Gryphon. Snowden recommends that a composite length of 1 m is used since approximately 98% of the samples are at 1 m intervals.

The block sized used for estimation 25 mN x 25 mE x 10 mRL, which Snowden considers appropriate since the majority of drilling is on a grid of approximately 25 mN x 25 mE with some closer spaced and wider spaced drilling in some areas.

The number of samples used for estimation is a minimum varies from six to 24 and a maximum of 24 to 36, depending on the pass number and domain. Snowden considers that the minimum number may be too high, however this is not material. A dynamic search has been used for interpolation, which Snowden agrees with. The ranges used for the searches look reasonable.

Nogbele South model validation

Snowden validated the main domains with the data supplied by Gryphon.

Nogbele South statistical validation

The summary statistics for gold are presented in Table 3.5; estimates and declustered top cut composites are provided.

The results show that the differences are within 10%, which Snowden considers satisfactory.

Table 3.5 Nogbele South model and drilling statistics for gold

Domain	Estimate (g/t)			Drilling (g/t)			Difference (%)
	Min.	Max.	Mean	Min.	Max.	Mean	Mean
7002	0.11	9.21	0.65	0.00	20.00	0.72	-10
7003	0.16	5.17	0.84	0.00	13.01	0.84	0
7004	0.23	4.06	1.14	0.00	9.50	1.05	8

Nogbele South grade trend plots

Grade trend plots were created for the composites and block for the main domains (plots generated on 5 m easting slices, 5 m northing slices and 2.5 m elevation slices). The grade trend plots for all domains show that the block model grades follow the trend of the sample composite grades, which Snowden considers satisfactory.

Nogbele South theoretical change of support

Snowden carried out a theoretical global change of support for the main domains to validate the level of smoothing in the estimate.

Domains where variography was clear show a good correlation between the estimated model and the theoretical change of support indicating an appropriate level of smoothing has been incorporated into the estimate.

Nogbele South reporting

Snowden reported the model supplied by Gryphon at the multiple cut-offs as per the Gryphon reporting. Snowden was able to reproduce the tonnes and grades reported by Gryphon with only minor differences.

Nogbele South summary

The Nogbele South deposit was estimated by Gryphon in April 2015. Overall, the estimation is acceptable. While Snowden has concerns about the estimation parameters, the estimate validates reasonably well and hence any risk in this area is not material.

Snowden reported the model and was able to reproduce the tonnes and grades reported by Gryphon with only minor differences.

Snowden notes that the previous CSA model was used for some studies. While Snowden has not reviewed this model, it is likely to be similar to the other CSA model discussed previously.

3.3 Mining studies

Gryphon has carried out a number of development studies to identify the preferred mining and processing method for the Project, including:

- A 2.0 Mt/a CIL FS with Ore Reserves reported in accordance with JORC 2012 (“the 2013 CIL”). The study used CSA’s Mineral Resource block models for the four deposits.
- In 2014, a 2.0 Mt/a HL FS, with Ore Reserves reported in accordance with JORC 2012 (“the 2014 HL”). In 2015, Gryphon updated the 2014 HL FS to include updated block models for Nogbele and Fourkoura, lower mining costs and revised capital costs (“the 2015 updated HL study”).
- In July 2015, Gryphon reported the results of scoping studies for a 2.0 Mt/a HL and a deferred 1.0 Mt/a CIL operations (“the 2015 scoping studies”).

3.3.1 2013 CIL Ore Reserves

In early 2013, Gryphon reported the results of the 2013 CIL FS, which was prepared by Lycopodium Minerals Pty Ltd (Lycopodium) on the basis of a conventional CIL plant processing about 2.0 Mt/a from 16.7 Mt of ore from over an eight-year period to produce an average 120,000 ounces (oz) of gold (Au) doré annually. The study used a base case gold price of US\$1,300/oz and used the Measured and Indicated Resources only. The Ore Reserves for the 2013 CIL estimate were reported by Gryphon in accordance with the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC, 2012).

The tabulation of Ore Reserves (Table 3.6) is reported by cut-off grades. The Ore Reserves are estimated based on the Measured and Indicated proportion of CSA’s Mineral Resources after application of the modifying factors within designed open pits and taking into consideration accessibility and geotechnical recommendations. Gryphon applied the following dilution and mining recovery factors:

- Where the percentage of ore in the resource model block was 80% to 95% a 5% reduction of grade was applied (equivalent to 5% ore loss and a 5% dilution at zero gold grade)
- Where the percentage of ore was less than 80% a 15% reduction of grade was applied (equivalent to 15% ore loss and a 15% dilution at zero gold grade)

- For the flat lying mineralisation in the western part of the main Nogbele North pit the resource model was regularised to a block size of 5 m x 5 m x 2.5 m.

Overall, at a 0.5 g/t Au cut-off, the dilution modelled by Gryphon results in the Ore Reserve having slightly less tonnes and 10% to 15% less metal compared with the Mineral Resource.

In Snowden's opinion, the dilution modifying factors applied to the Mineral Resource block models are unlikely to adequately reflect the amount of dilution that will actually be achieved. In Snowden's experience, narrow 1 m to 2 m wide mineralisation can incur dilution in excess of 15% in oxide and transitional rock and over 30% in fresh rock. In Snowden's opinion, the grades shown in the CIL studies (which used the four CSA block models) may be overstated.

In Snowden's opinion, the pit designs are appropriate.

Table 3.6 Banfora CIL Ore Reserve estimate, December 2012 (2 Mt/a CIL)

Mine area	Proved			Probable			Total		
	Tonnes (Mt)	Au (g/t)	Au (Koz)	Tonnes (Mt)	Au (g/t)	Au (Koz)	Tonnes (Mt)	Au (g/t)	Au (Koz)
Nogbele	2.7	1.8	156	6.5	2.1	436	9.2	2.0	592
Fourkoura	-	-	-	1.4	1.9	86	1.4	1.9	86
Samavogo	-	-	-	3.3	2.1	218	3.3	2.1	218
Stinger	-	-	-	2.7	1.7	151	2.7	1.7	151
Total	2.7	1.8	156	14.0	2.0	892	16.7	1.9	1,048

The 2013 CIL FS was evaluated at a US\$1,300/oz gold price. At this gold price, the study generated a pre-tax cash flow of US\$256.3 million and a net present value (NPV) (5% discount rate) of US\$120.8 million.

At a gold price of US\$1,600/oz Au, the study generated a pre-tax cash flow of US\$515.5 million and a NPV (5% discount rate) of US\$328.1 million.

3.3.2 2014 Heap Leach study inventory

In 2014, Gryphon engaged Lycopodium to prepare the 2014 HL FS. The 2014 HL FS was evaluated at a US\$1,250/oz gold price. At this gold price, the study generated a pre-tax cash flow of US\$131.5 million and a NPV (5% discount rate) of US\$78.1 million. At a gold price of US\$1,385/oz, the study generated a pre-tax cash flow of US\$205.6 million and a NPV (5% discount rate) of US\$134.1 million.

Gryphon's HL Ore Reserve for the HL option is summarised in Table 3.7

Table 3.7 Gryphon's HL Ore Reserve estimate (2014)

Proved			Probable			Total		
Tonnes (Mt)	Au (g/t)	Au (Koz)	Tonnes (Mt)	Au (g/t)	Au (Koz)	Tonnes (Mt)	Au (g/t)	Au (Koz)
4.0	1.4	176	13.4	1.5	650	17.4	1.4	826

Gryphon updated this study in 2015. The 2015 HL update study mined 18.1 Mt at 1.3 g/t Au. Similar dilution and ore loss modifying factors to the 2013 CIL FS were applied. The 2015 updated HL study used the Mineral Resource block models for Samavogo and Stinger (by CSA), and the Mineral Resource block models for Fourkoura and Nogbele, prepared by Gryphon. The tonnages and grades scheduled in the HL studies are, in Snowden's opinion, reasonable.

3.4 Options studies

The Project is at an advanced study stage and two viable options (CIL and HL) have been identified.

In 2015, Gryphon carried out a number of Option Studies, which assessed the potential for various combinations of a 1.0 Mt/a CIL plant and a 2.0 Mt/a HL. The results were encouraging but cannot be directly compared with the two feasibility study results as the Options Studies were done at a scoping study level and Inferred Resources were also included. As the studies completed were only at scoping level, Snowden did not consider them appropriate for discounted cash flow (DCF) valuation.

For this report, Snowden has selected the 2.0 Mt/a standalone CIL and the 2.0 Mt/a standalone HL as the likely preferred options. Some mining costs have been adjusted to reflect increased competition in contract mining rates and lower diesel, cyanide and cement costs since the studies were completed.

3.4.1 2.0 Mt/a CIL mining and processing operation

The 2013 CIL FS proposed a conventional open pit mining method using a contract mining fleet. Gryphon's FS included pit optimisation studies using optimisation parameters which targeted a 2.0 Mt/a production rate at a US\$1,250/oz gold price and a government royalty. Mining costs were based on 2012 mining contract rates.

Gryphon developed pit designs and mine schedules using Measured and Indicated Mineral Resources from the CSA 2012 Mineral Resource models, geotechnical parameters provided by an independent geotechnical engineer and pit design standards applicable for an operation of this size.

Ore from Nogbele Central will be hauled to a ROM pad adjacent to the processing plant. Ore from the satellite pits will be stockpiled at the individual pits then hauled to the ROM pad as required. Waste rock will be hauled to waste dumps located adjacent to each open pit.

A Project LOM (CIL) schedule, prepared by Gryphon using the Ore Reserves only for each pit, shows a mine life of about eight years. The plant has a notional capacity of 2.0 Mt/a of fresh rock but can process over 2.3 Mt/a of oxide rock. The LOM schedule has been designed and scheduled to "front-end" high grade material from the various open pits in order to maximise cash flow. About 16% of the ore tonnes scheduled for mining and processing are classified as Proved Ore Reserve and the remaining 84% is classified as Probable Ore Reserve.

Gryphon applied a maximum vertical mining rate of advance of 60 m per year. Snowden has verified this based on the bench schedule provided and observed a maximum of 19 benches per period (47.5 vertical metres per year), which is an appropriate and reasonable constraint.

Snowden has reviewed Gryphon's 2012 CIL FS schedule and has applied the following changes:

- All studies and project finance will be completed at 30 June 2016
- Project construction commencing in January 2017
- First gold production will occur in 2018.

Snowden's schedule is summarised in Table 3.8 and shows a mine plan of 16.7 Mt of ore being mined and processed at 1.95 g/t Au over an eight-year period following two years of construction and commissioning.

3.4.2 2.0 Mt/a heap leach mining and processing operations

The 2015 updated HL study uses conventional open pit mining method using a contract mining fleet. Mining costs were based on 2015 contract mining rates.

Pit designs and mine schedules used Measured and Indicated Mineral Resources from the Gryphon Mineral Resource block models (Nogbele and Fourkoura) and CSA's Mineral Resource models (Samavogo and Stinger) and geotechnical parameters and pit design standards used for earlier studies.

Ore from Nogbele Central will be hauled to a leach pads adjacent to the processing plant. Ore from the satellite pits hauled to the leach pads as required. Waste rock will be hauled to waste dumps located adjacent to each open pit.

The HL has a notional dumping capacity of 2.0 Mt/a and the Project LOM (HL) schedule, prepared by Gryphon using the inventory within the pits, shows a mine life of about 8.5 years.

Gryphon applied similar vertical mining rates as used in the 2012 CIL FS. Snowden has reviewed Gryphon's 2012 CIL FS schedule and has applied the following changes:

- All studies and project finance will be completed at 30 June 2016
- Project construction commencing in January 2017
- First gold production will occur in 2018.

3.5 Operating and capital costs

3.5.1 2.0 Mt/a CIL operation

Capital costs

Lycopodium, with assistance from Gryphon and Knight Piesold, developed a capital cost estimate and operating cost estimate for the 2013 CIL FS with an accuracy level of +/-15%. Pre-production capital costs were forecast to be US\$229.4 million, as summarised in Table 3.8. The contingency item covers anticipated variances between specific items allowed in the estimate and the final total installed cost.

Table 3.8 2012 CIL FS Project capital costs

Cost centre	Estimate (US\$ M)
Construction indirect costs	24.8
Treatment plant costs	48.7
Reagents and plant services	15.5
Infrastructure	53.0
Management costs	23.4
Owner and project costs	38.8
Capitalised operating costs	4.2
Total direct costs	208.4
Contingency	21.0
Total capex	229.4

The total capital estimate for the 2.0 Mt/a CIL option includes the tailings dam, roads, a permanent camp, contingency, indirect and EPCM costs. The estimate excludes an airstrip, government import charges, exchange rate variations and any sunk costs. The Project capital cost was compared with other recent CIL post-production capital costs include allowance for land clearing and haul road construction.

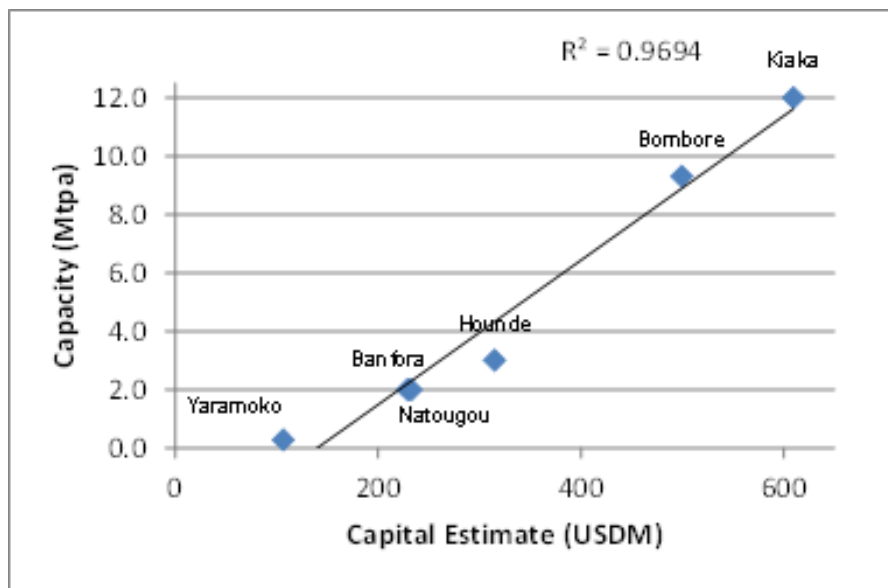
A further US\$1.5 million has been allowed in 2016 for Gryphon's holding costs and ongoing drilling program.

Snowden presents benchmark FS capital costs for Burkina Faso CIL projects for comparison (benchmarking purposes in Figure 3.2). A linear relationship exists between capital cost and tonnage throughput, as evidenced by the correlation coefficient (R²) value of 0.97. Snowden notes that the capital costs for two projects targeting a throughput of 2.0 Mt/a (Banfora and Natougou) are coincident at around US\$230 million and lie on the best-fit line.

In Snowden's opinion, the 2.0 Mt/a CIL capital costs for Banfora appear reasonable for 2016.

A number of opportunities have subsequently been identified by Gryphon to reduce the capital costs, including increased competition in the market, lower construction costs for the village and exchange rate fluctuation. However, the magnitude of these savings has not been quantified and is not factored into the cash flow model.

Figure 3.2 Benchmark capital costs for CIL projects in Burkina Faso



Operating costs

Mining

Mine operating costs were sourced from mining contractors with experience operating in West Africa. Mining costs used to derive the Ore Reserve and LOM schedules for the 2013 CIL FS are shown in Table 3.9. In 2015, Gryphon, received updated mining costs which take into account the availability of a mining fleet with written-down capital cost which reduced the ownership component of the costs and a shallower starter pit.

The Government of Burkina Faso sets the fuel price. Both mining costs were quoted at US\$1.20/L for diesel. The current fuel price is about US\$1.00/L. Fuel typically forms 30% to 40% of the total mining costs and this may present an opportunity to reduce the 2015 mining costs.

The mining costs derived for the 2015 Ore Reserve have been applied by Gryphon in a manner consistent with usual practice for mine scheduling and reporting. Based on benchmarking data and contractor quotations, the costs are within reasonable limits for an operation of this size in this region.

Snowden undertook a benchmarking exercise for Banfora which showed costs were above the average for other operations in this region. A portion of this premium is due to contract mining and the haulage distances to Nogbele. Snowden believes that the costs fairly represent mining activities in Burkina Faso.

Snowden has adjusted the 2015 mining costs by applying a lower management fee (\$0.54/t), and adjusted for a fuel price of US\$1.00/L. On average, 2016 contract mining costs are about 4% lower than used in the 2013 CIL FS as shown in Table 3.9.

Table 3.9 2013 CIL FS mining operating cost adjustment

Pit	2013 CIL FS mining costs		Adjusted 2015 mining costs	
	Waste cost (US\$/t)	Ore cost (US\$/t)	Waste cost (US\$/t)	Ore cost (US\$/t)
Fourkoura	3.45	3.65	3.21	3.44
Nogbele	3.38	3.86	3.24	3.75
Samavogo	3.26	3.50	3.28	3.51
Stinger	3.57	3.80	3.23	3.52

LOM operating costs include provision for:

- Drill and blast
- Load and haul
- Ore haulage
- Crusher feed.

Total mining costs are forecast to be US\$397 million, equivalent to unit cost of US\$3.69/t of rock.

Snowden considers that the adjusted 2015 cost estimates are reasonable and fall within the standard +/- 15% estimate range of Snowden's expectations.

Processing costs

The operating costs for the 2 Mt/a CIL option were estimated by Lycopodium using the LOM blend of 10 different ore types, as summarised in Table 3.10.

Table 3.10 Processing cost by ore type (2013 CIL FS)

Ore source	Lithology	LOM blend	Total process cost (US\$/t)
Nogbele/Fourkoura	Oxide	31%	15.03
	Transition	6%	16.07
	Primary Granitoid	17%	17.47
	Primary Mafic	19%	16.71
Samavogo	Oxide	5%	15.79
	Transition	2%	16.34
	Primary	12%	16.31
Stinger	Oxide	6%	13.95
	Primary Granitoid	1%	17.98

	Primary Granitoid/Mafic	7%	17.14
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Operating costs are based on the metallurgical testwork performed on the individual samples provided to the laboratories over the course of the 2012 study. The operating costs stated comprise fixed and variable elements of operating consumables, maintenance, labour, power, laboratory costs, and general and administration (G&A) costs.

Consumables and power accounted for 55% of the total LOM process costs, which in turn account for approximately 36% of the total on mine cash costs.

Based on the complexities and variety of different ores and lithologies which are planned to be treated in the CIL plant, Snowden concludes that the total cash costs and processing operating costs are reasonable for 2016. This opinion is corroborated by benchmarking against other projects and operations within Burkina Faso.

Other operating costs

Other operating costs include:

- G&A costs of US\$2.8 million per year incurred by Gryphon
- A management fee of US\$6.95 million per year
- Rehabilitation at the end of the mine's life (US\$17.2 million)
- Royalties, equivalent to 5% of the gold sales.

Snowden was instructed by KPMG Corporate Finance to exclude land taxes and royalties from their assessment of the Project. No value was assigned to the plant and infrastructure at the end of the mine life.

Mineral processing and metallurgical testing

There are 10 different types of material with different metallurgical recoveries which will be processed over the LOM. The estimation of metallurgical recovery is complex, resulting from the differential recoveries of the different materials. This situation is further compounded in that the shortfall against nominal plant capacity of 2.0 Mt/a is made up from Year 4 onwards by stockpiled material. A breakdown of the LOM processing schedule tonnes by lithology is presented in Table 3.11.

Table 3.11 Average recovery factors by rock type

Area	Rock type	2 Mt/a CIL FS (2013)	
		Ore mix	Au recovery
Nogbele/Fourkoura	Oxide	31%	91.2%
	Transition	6%	98.1%
	Primary granitoid	11%	87.8%
	Primary mafic	19%	88.7%
Samavogo	Oxide	5%	95.2%
	Transition	2%	95.7%
	Primary	12%	92.7%
Stinger	Oxide	6%	96.5%
	Primary granitoid	1%	91.5%
	Primary granitoid/mafic	7%	84.8%
LOM weighted average			91.1%

Production and cost schedules

Figure 3.3 summarises, by calendar year, the mine production and processing production for the 2.0 Mt/a CIL operations. Figure 3.4 summarises, by calendar year, the operating and capital costs for the 2.0 Mt/a CIL operation.

Figure 3.3 CIL annual production and processing schedule

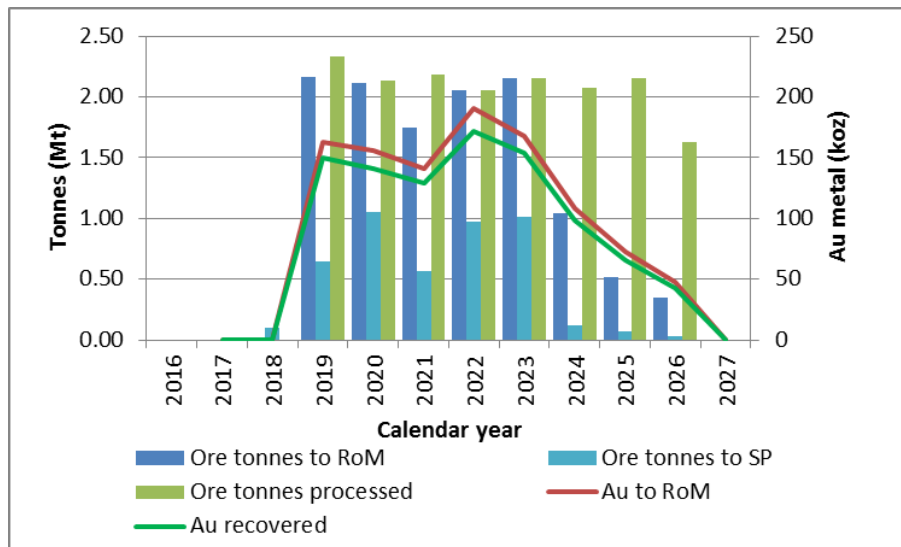
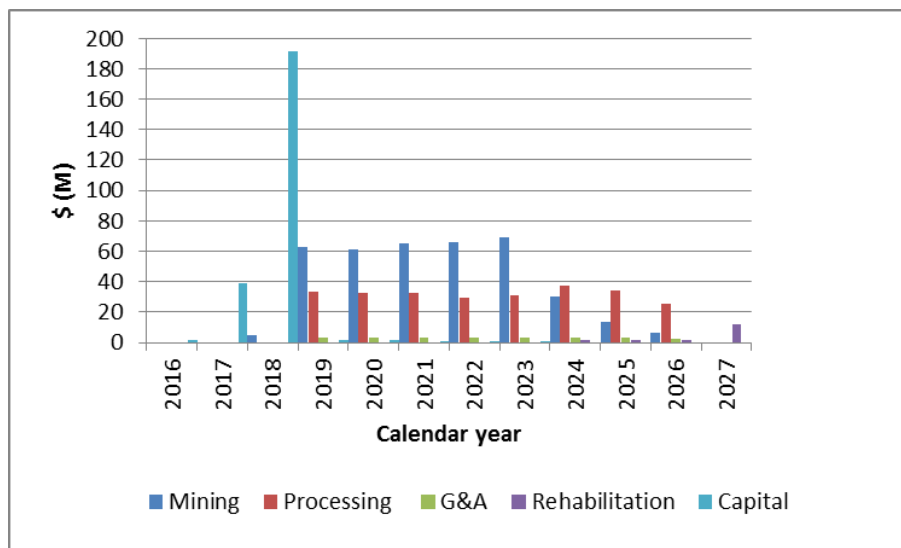


Figure 3.4 CIL schedule of annual operating and capital costs



3.5.2 2.0 Mt/a heap leach operation

Capital costs

For the 2013 CIL FS, Lycopodium (with assistance from Gryphon and Knight Piesold) developed a capital cost estimate and operating cost estimate with an accuracy level of +/-15%. Capital costs were revised during the HL update study. Pre-production capital costs were forecast to be \$85.5 million and deferred capital \$37.2 million, including a contingency item for anticipated variances between specific items allowed for in the estimate and the final total installed cost.

The total capital estimate for the 2.0 Mt/a HL option includes the HL facilities, roads, a permanent camp, contingency, indirect and EPCM costs and village relocation. The estimate excludes an airstrip, government import charges, exchange rate variations and any sunk costs. A further US\$1.5 million has been allowed in 2016 for Gryphon's holding costs and ongoing drilling program.

Snowden considers that the capital cost estimates are reasonable and fall within the standard +/- 15% estimate range of Snowden's expectations.

Operating costs

Mining

The mining costs derived for the 2015 Ore Reserve have been applied by Gryphon in a manner consistent with usual practice for mine scheduling and reporting.

Based on benchmarking data and contractor quotations, the costs are within reasonable limits for an operation of this size in this region.

Processing costs

The operating cost estimate for the various ore types and lithologies is based on crushing to a nominal 12.5 mm, with a leaching time of 150 days for the oxide material, increasing to 220 days for the primary material. Testwork has indicated low to moderate reagent consumptions when compared with industry standards.

The processing operating cost of US\$133 million per year has been built up from a schedule of ore types treated at different throughputs and rates dependent on the ore source and lithology, which will require separation of the materials for individual processing and stacking.

Snowden considers the operating cost estimate for the HL option to be reasonable.

Other operating costs

Other operating costs include:

- G&A costs of US\$2.8 million per year incurred by Gryphon
- An annual management fee
- Rehabilitation at the end of the mine's life.

Snowden was instructed by KPMG Corporate Finance to exclude land taxes and royalties from their assessment of the Project. No value was assigned to the plant and infrastructure at the end of the mine life.

3.5.3 Mineral processing and metallurgical testing

Gold recoveries from the HL vary by year as a result of the different ore types being processed. The LOM recovery projected for the HL operation is 78.3%, which compares with the Lycopodium BFS Reserve recovery for the project LOM of 78.6%.

The increase in recovery to 95.2% in the final year is due to the delayed recovery of gold from the HL. In Snowden's opinion, the HL recovery projections are in line with the metallurgical testing and recovery results obtained in the various studies.

3.5.4 HL production and cost schedules

Figure 3.5 summarises, by calendar year, the mine production and processing production for the 2.0 Mt/a CIL operations. Figure 3.6 summarises, by calendar year, the operating and capital costs for the 2.0 Mt/a CIL operation.

Figure 3.5 HL annual production and processing schedule

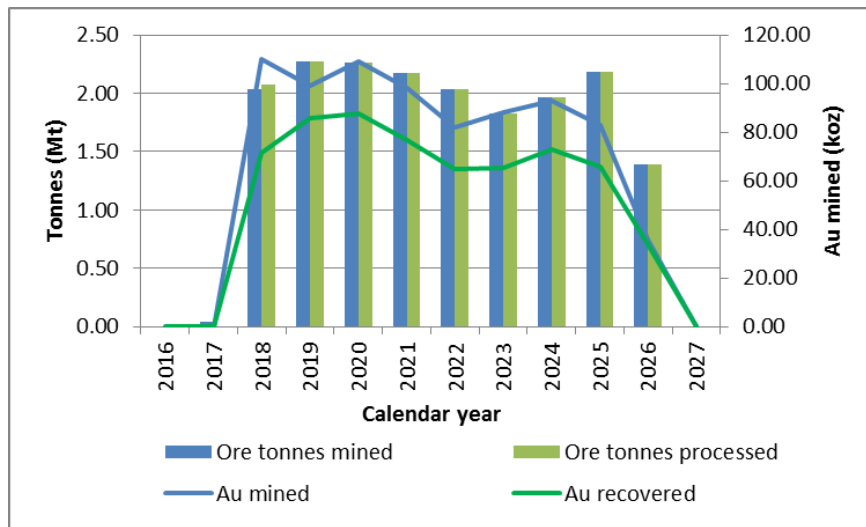
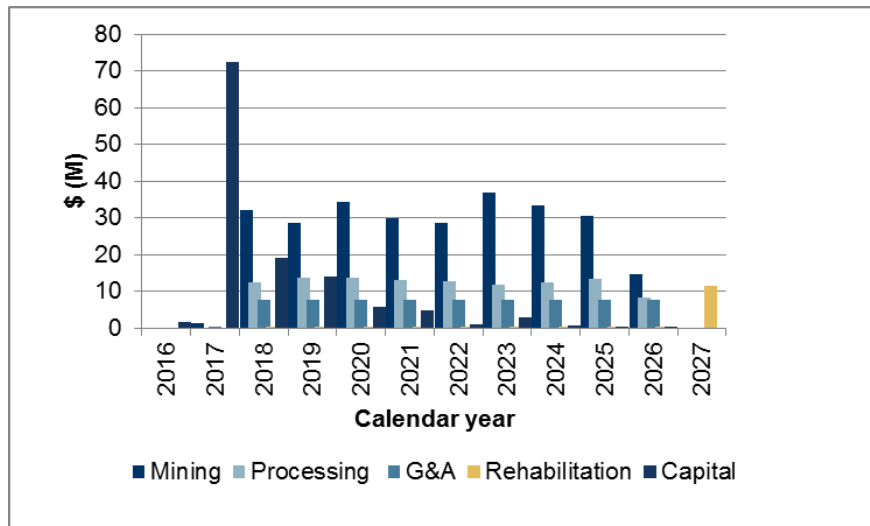


Figure 3.6 HL schedule of annual operating and capital costs



4 TERANGA PROJECT DESCRIPTION

4.1 Location and description

Senegal (officially the Republic of Senegal) is located at the western most point of the African continent and has a land area of 196,722 km² and a population of about 13 million. Senegal's geographic centre is located at 14 00 North and 14 00 West.

Senegal is bordered by the North African country of Mauritania in the north, Mali to the east, Guinea to the southeast, and Guinea-Bissau to the southwest. Senegal further borders the country of The Gambia, a sovereign enclave occupying a narrow sliver of land along the banks of the Gambia River, which separates Senegal's southern region of Casamance from the rest of the country. Senegal also shares a maritime border with the country of Cape Verde¹.

Teranga is a Canadian based gold company created to acquire the Sabodala gold mine and a large regional exploration package in Senegal. Teranga's interests in Senegal are represented by two Senegalese subsidiary companies; Sabodala Gold Operations (SGO) and the Sabodala Mining Company (SMC). The Sabodala open pit mine (Sabodala) is 90% owned by SGO with the Government of Senegal retaining a 10% free-carried interest. SMC is 100% owned by Teranga and is the company engaged in exploring the 967 km² regional exploration permits.

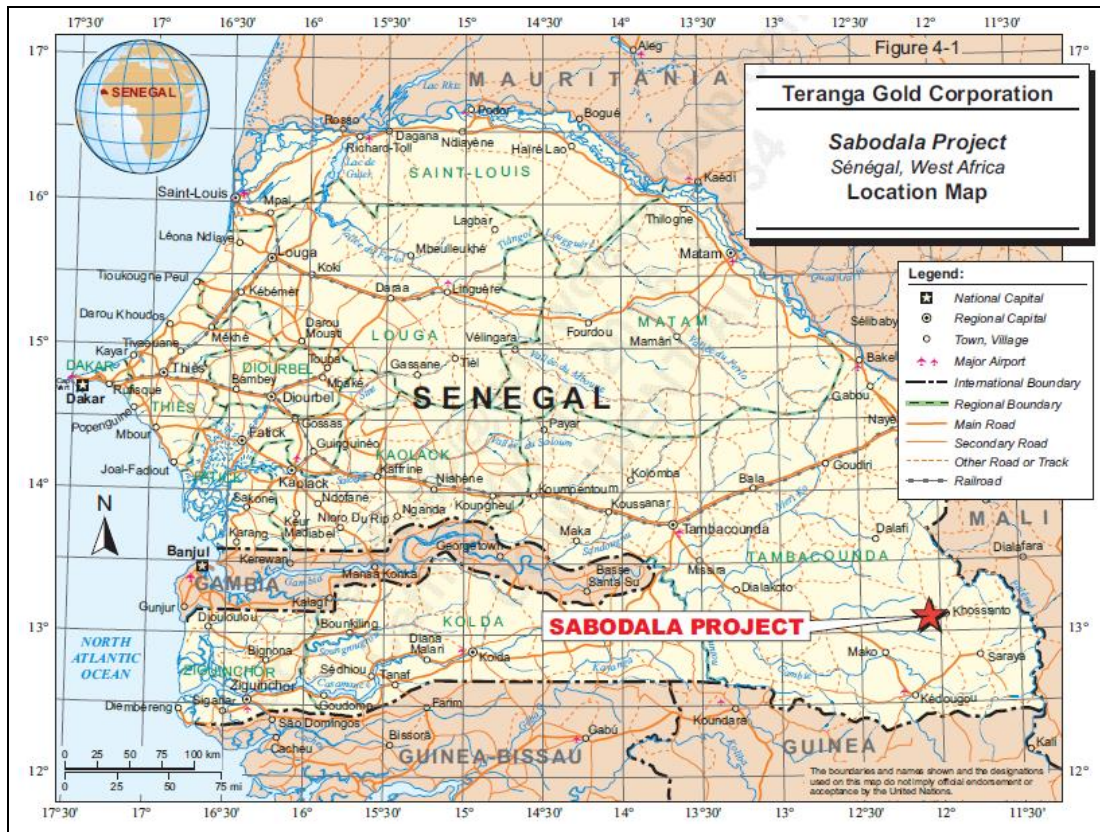
The Sabodala Project is located in southeast Senegal, approximately 650 km east-southeast of the capital city, Dakar, and 96 km north of the town of Kedougou (Figure 4.1).

The Sabodala project site is accessed via a sealed road from Dakar, Highway N1, to the regional centre of Tambacounda then via sealed road, Highway N7, 230 km southeast to Kedougou, connecting with 96 km of partially sealed road which connects with Faloumbo and Sabodala. Access by air for light aircraft is via a 1,250 m sealed government airstrip, adjacent to the property.

In the project area, the main activities are gold mining, agriculture, livestock and forestry; gold mining and agriculture are the main sources of income for the local population for the two adjacent villages, Sabodala and Faloumbo.

¹ <https://www.cia.gov/library/publications/the-world-factbook/geos/sg.html>

Figure 4.1 Sabodala Project location map



The Sabodala open pit has been in operation since 2009 and has produced an average of 180 Koz Au/year from multiple open pit mines. Milling at Sabodala is through a conventional CIL plant, located central to the Sabodala pit area. The Sabodala processing plant was expanded in late 2012 to a design capacity of approximately 3.5 Mt/a (fresh ore) and 4.0 Mt/a with a mix of fresh and oxidised ore. With the commissioning of an additional primary crusher in Q3 2016, this capacity is expected to increase by 10% with the increasing proportions of fresh ore delivered to the ROM pad.

Gold ore, with minor silver credits, was produced from the Sabodala open pit and is now being sourced from a number of satellite pit operations. The mining method is conventional truck and shovel open pit mining. The Sabodala open pit is currently under care and maintenance, and a final phase is planned to be mined in 2017. The Masato and Gora open pit are currently being mined. The Kerekounda pit commenced recently and the Niakafiri pit will commence in 2019.

Sabodala practises an active stockpiling strategy, having historically mined ore at a higher rate than required for processing, resulting in low grade, strategic stockpiled ore. This material is currently used as buffer feed to the mill when producing open pits are not capable of fulfilling the required capacity.

The mining at Niakafiri will occur in two phases, with the first phase starting in 2019. This phase includes Niakafiri SE and Niakafiri SW. These two deposits are located outside of the village relocation zone and, as a result, mining can occur prior to the relocation of Sabodala village. The second phase of mining at Niakafiri starts in 2023 and is made up entirely of the Niakafiri Main deposit. The relocation of Sabodala village will start in 2021, in order to prepare for the mining operation.

The open pit mining ends in 2024 and the remaining LOM comprises mining from the underground operations. The proposed underground mining method is proposed to be cut and fill.

Construction of the underground commences in 2020, with ore production commencing in 2021. Two underground deposits will be mined concurrently in order to meet the current mine life schedule. Kerekounda and Golouma South will be first to be mined, starting in 2021. Once they are completed, the Golouma West underground deposits will be mined.

4.2 Mineral Reserve

Teranga's total Mineral Reserve² at 31 December 2015 was reported as 59.3 Mt at 1.38 g/t Au, as reported in Table 4.1.

Table 4.1 Teranga's Mineral Reserve as at 31 December 2015

Deposits	Proven		Probable		Proven and Probable	
	Tonnes (Mt)	Grade (g/t Au)	Tonnes (Mt)	Grade (g/t Au)	Tonnes (Mt)	Grade (g/t Au)
Sabodala	1.57	1.57	2.33	1.36	3.9	1.44
Gora	0.31	4.94	1.15	4.74	1.46	4.78
Niakafiri Main	4.06	1.23	3.41	0.94	7.47	1.1
Masato	-	-	21.41	1.06	21.41	1.06
Golouma West	-	-	3.23	1.96	3.23	1.96
Golouma South	-	-	1.27	3.09	1.27	3.09
Kerekounda	-	-	0.79	3.44	0.79	3.44
Maki Medina	-	-	0.9	1.17	0.9	1.17
Niakafiri SE	-	-	1.12	1.09	1.12	1.09
Niakafiri SW	-	-	0.37	0.92	0.37	0.92
Golouma West 1	-	-	0.62	6.07	0.62	6.07
Golouma West 2	-	-	0.45	4.39	0.45	4.39
Golouma South	-	-	0.47	4.28	0.47	4.28
Kerekounda	-	-	0.61	4.95	0.61	4.95
Stockpiles	15.27	0.79	0	0	15.27	0.79
Total	21.23	0.99	38.11	1.6	59.34	1.38

Teranga provided the following guidance notes:

- CIM definitions were followed for Mineral Reserves
- Mineral Reserve cut-off grades range from are 0.35 g/t Au to 0.63 g/t Au for oxide and 0.42 g/t Au to 0.73 g/t Au for fresh, based on a US\$1,100/oz gold price
- Mineral Reserve cut-off grades for Sabodala are 0.45 g/t Au for oxide and 0.55 g/t Au for fresh, based on a US\$1,100/oz gold price
- Underground reserves cut-off grades range from 2.3 g/t Au to 2.6 g/t Au, based on a US\$1,200/oz gold price
- Sum of individual amounts may not equal due to rounding.

² Reported to CIM definitions

The Niakafiri Main deposit is adjacent to the Sabodala village and relocation of at least some portion of the village will be required which will necessitate a negotiated resettlement program with the affected community members.

Snowden was able to reproduce the Mineral Reserves numbers and classifications for the main open pits (Sabodala, Gora, Masato, Golouma, and Kerekounda).

A minor inconsistency in application of cut-off grades for Sabodala and Masato was noted but this is not considered to be material. The Sabodala pit design has a number of potential design issues associated with narrow (or non-existent) access which may result in some additional waste mining costs although the change is not expected to be material.

Snowden also completed pit optimisations using the Mineral Reserve parameters reported in Teranga's current NI 43-101 Technical Report and was able to reasonably match the ore and waste tonnes from each deposit. The Mineral Reserves were developed at a gold price of US\$1,100/oz and there is an opportunity to add about 36% more tonnes and 23% more ounces in the main pits at a US\$1,300/oz gold price as summarised in Table 4.2.

The operating costs and recoveries used in the optimisation were applied from current operations and appear to be a reasonable basis for developing the mining inventory.

Table 4.2 Comparison of Whittle results for the main deposits at US\$1,100/oz and US\$1,300/oz

Deposits	US\$1,100/oz				US\$1,300/oz			
	Total (t '000)	Ore (t '000)	Strip (t:t)	Au (g/t)	Total (t '000)	Ore (t '000)	Strip (t:t)	Au (g/t)
Kerekounda	17,756	829	20.42	3.47	28,935	1,165	23.84	3.17
Golouma	66,202	5,405	11.25	2.34	83,922	6,372	12.17	2.25
Sabodala	56,179	5,702	8.85	1.70	94,463	8,932	9.58	1.56
Masato	103,639	14,853	5.98	1.21	138,069	20,742	5.66	1.11
Gora	34,914	1,660	20.04	4.85	36,878	1,727	20.35	4.76
Total	278,690	28,449	8.80	1.80	382,267	38,938	8.82	1.62

In Snowden's opinion, the tonnes used in the Mineral Reserve production schedule are reasonable.

Snowden was provided with diluted block models. The reconciliation of recent production is positive for Golouma. The reconciliation for Gora is negative and Snowden understands that this may be due to excavation of the >1.0 g/t Au mineralisation by artisanal mining down to the 620 level. Thereafter, reconciliation returns to positive. Overall, the Sabodala reconciliation is robust. In Snowden's opinion, the grades used in the Mineral Reserve production schedule are reasonable.

Snowden is comfortable with the basis of the mining inventory used in the Mineral Reserve, subject to validation of the diluted ore grades.

4.3 Mining

Sabodala is a conventional open pit truck and shovel operation. Mining is undertaken on 10 m and 5 m high benches with selective material excavated on 2.5 m flitches in the areas where mineralisation is narrow. Ore is initially defined using RC grade control drilling in advance of mining. The results from the RC drilling are modelled by personnel on site using methods which suit the style of mineralisation. The ore is marked on the ground after being blasted. There is good visual control over ore and waste and ore spotters are utilised to assist in sending material to the correct destination. The amount of ore mining on night shifts is minimised.

The original fleet was purchased from Komatsu on an “as-needs” basis. A renewal of the mobile fleet repair and maintenance contract (RAMP) with Komatsu has recently been signed for another three years. Snowden was able to confirm that there is sufficient mining equipment on site to meet the production requirements. Blasting is carried out on a total load service contract basis by Orica. Table 4.3 summarises the current mining fleet at Sabodala.

Table 4.3 Sabodala mining fleet

Make	Model	Function	No. of machines
Komatsu	785	Haul truck	24
Komatsu	PC3000	Hydraulic shovel bulk/selective mining	3
Komatsu	PC2000	Hydraulic shovel selective mining	1
Komatsu	PC1250	Hydraulic excavator selective mining	3
Komatsu	WA900	Wheel loader floor clean-ups/ancillary	3
Sandvik	DP1500	5 m bench drill rig	9
SKF		10 m drill rig	3
Komatsu	HD465-7R	Water cart	4
Komatsu	GD825A-2	Road maintenance	6
Komatsu	D375-6R	Dumps, pit floor clean-up	8
Komatsu	WD600	Dumps, pit floor clean-up	2

Performance of the primary fleet (trucks and shovels) is as per plan, while performance of the ancillary fleet (track dozers, graders) is reported by Teranga to be inadequate. Drilling is done on 10 m and 5 m high benches using 152 mm diameter blast holes and 127 mm blast holes respectively.

Snowden observed the commencement of pre-stripping at Kerekounda pit, the operations at Gora and Galouma pits and the currently non-operating Masato and Sabodala pits. Snowden reviewed the satellite maintenance facilities at Gora and the new fuelling station at Galouma. The mining infrastructure is a mix of old from the initial plan construction with new facilities being installed as required.

4.4 Mineral processing and metallurgical testing

The processing facility at Sabodala comprises crushing, milling and CIL gold recovery. It has been in operation since 2010, treating ores from the Sabodala, Masato and Gora pits. Future ore is planned from Kerekounda, Goulouma, Niakafiri, Maki Medina and Sabodala underground deposits in the future.

An RPA report indicates a past three-year average recovery of 91.2% whilst the Mineral Reserve cash flow model reports an average recovery of 89.9% over the LOM.

The reported capacity of the plant is 3.5 Mt/a processing only primary (harder) ore; and 4.0 Mt/a treating a mix of primary and oxide ores. The parallel primary crusher (PPC) project which is due for completion late 2016 is expected to increase the plant capacity by a further 10%. The May 2016 monthly report indicates that the plant is already achieving in excess of 4.0 Mt/a, with the PPC project still to be commissioned.

In Snowden's opinion, the CIL processing rates shown in the Mineral Reserve schedule are reasonable. The grade/recovery forecasts are influenced by the different source and lithology of material treated in any given year. The recovery performance of these materials has all been tested the results incorporated into the Mineral Reserve schedule.

Actual year-to-date (YTD) grades and recoveries to May 2016 indicate that the grades and recoveries budgeted are currently being achieved. Overall, a CIL recovery of about 90% is reasonable.

4.5 Capital and operating costs

4.5.1 Capital costs

The Sabodala mine is an operating, well established facility, as such the only capital requirement is for sustaining and project capital. The 2016 capital forecast from H2 2016 onwards (Table 4.4) is reported as US\$190.7 million, inclusive of tailings dam raises, development of Maki Medina, underground mining equipment and the completion of the parallel primary crushing project.

Sustaining capital comprises mining equipment, processing plant replacements and community projects.

Table 4.4 2016 Project and sustaining capital costs

Cost centre	Estimate (US\$ M)
Maki Medina	1.0
TSF1 raise	1.8
TSF2	7.2
PPC and upgrades	4.2
Underground equipment	102.1
Mining	25.19
Processing	18.1
Administration and other sustaining	6.68
Community relations	24.5
Total capital	190.70

Three process related capital projects are listed in the RPA NI 43-101 report; raising of TSF1, which is currently on schedule for completion by Q4 2016, construction of TSF2 planned for completion by 2021 and the completion of the PPC project. This project is nearing completion and planned to be commissioned by August 2016.

Snowden considers that the capital cost estimates are reasonable for the style and location of this project.

4.5.2 Operating costs

Mining

Mine operating costs for YTD show an average of \$2.20/t against an operating budget of \$2.30/t. Mineral Reserve mining costs for the LOM are stated to be \$2.25/t. Snowden verified this cost from the Mineral Reserve cash flow model and calculated it to be \$2.16/t mined. The lower mining costs assigned for the Mineral Reserve cash flow include about \$2 million in business improvement initiatives, resulting in the stated mining cost of \$2.25/t.

The mining costs derived for the 2015 Mineral Reserve have been applied in a manner consistent with usual practise for Mineral Reserve estimation and reporting. Based on current operating performance, mining costs will have to be reduced by 12% to 13% in order to achieve the stated LOM assumptions for mining costs.

Given the exchange rate of the Central African Franc (CFA), this is most likely achievable; however, this reduction also relies on the business improvement initiatives also being realised.

Snowden considers that the cost estimates are reasonable and fall within the standard +/- 15% estimate range of Snowden's expectations.

Processing costs

The March 2016 RPA NI 43-101 report presents a LOM operating cost for processing of \$10.33/t milled, whilst the LOM cash flow model projects a LOM processing cost of \$15.12/t milled. The cost decreases projected in the RPA report are premised on reductions in the fuel price, and significant government granted exemptions to levies and productivity improvements estimated due to the installation and commissioning of the PPC project. These will be quantified once the project is commissioned.

The processing cost for the 2016 YTD as reported in the Teranga monthly report for May indicates an actual YTD cost of \$10.30/t milled. This figure is in line with RPA's cost projected.

As a result, Snowden is of the opinion that the operating costs projection should be achievable, based on 2016 YTD actual data reported.

Other operating costs

Other operating costs included in the Teranga LOM forecast are:

- G&A costs
- Management fees
- Social funding costs at mine closure)
- Allowance for rehabilitation at the end of the mine's life.

There is a salvage value allowed at the end of the mine life.

4.5.3 Production and cost schedules

The Mineral Reserve production schedule appears to conform to reasonable production rates from each area and reasonable advance rates. The use of this schedule for cash flow modelling is reasonable.

Figure 4.2 summarises, by calendar year, the mine production and processing production. Figure 4.3 summarises, by calendar year, the operating and capital costs.

Figure 4.2 Teranga LOM mining and processing schedule

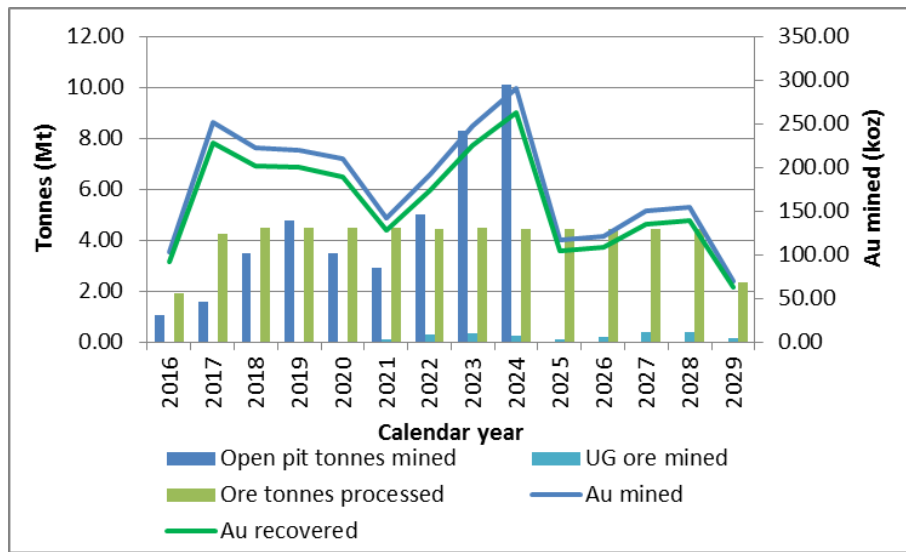
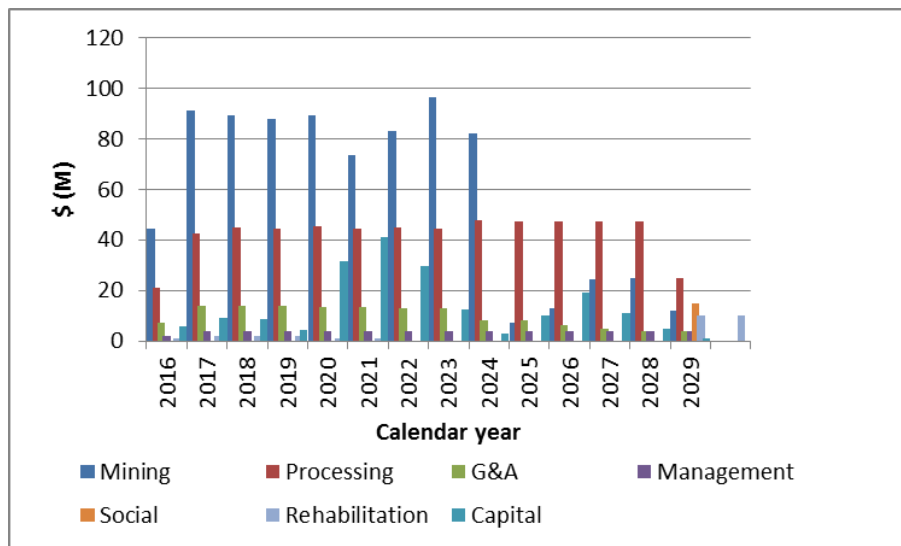


Figure 4.3 Teranga operating and capital cost schedule



5 MINERAL ASSET VALUATION OPINION

Snowden is qualified to and has provided an opinion of Technical Value of both Teranga and Gryphon's Mineral Assets¹ that are not contemplated by financial models. This includes Exploration Targets, exploration tenements, and Inferred Mineral Resources that cannot be included in mining models.

This valuation opinion has been prepared in accordance with the VALMIN Code (2015). Compliance with the Code is obligatory to all members of the Australasian Institute of Mining and Metallurgy (AusIMM), the Mineral Industry Consultants Association (MICA) and the Australian Institute of Geoscientists (AIG) who are involved in independent technical and valuation reports.

5.1 Valuation Date

Snowden opinion is effective 1 July 2016. As at this date, Gryphon's Banfora project remained an active advanced exploration project and mine operations at Teranga's Sabodala project continued as described (refer Section 4 above).

The opinions expressed and conclusions drawn with respect to this opinion are appropriate at the Valuation Date. This opinion is only valid for this date and may change with time in response to variations in economic, market, legal or political conditions in addition to ongoing exploration results.

5.2 Currency

The financial statements of the Company and valuations are reported in United States dollars (US\$). Some of the underlying data has been expressed in Central African Francs (CFA) and Snowden has applied the approximate US\$ exchange rate current at the Valuation Date of 0.0017.

5.3 Snowden

Snowden is an independent firm providing specialist mining industry consultancy services in the fields of geology, exploration, resource estimation, mining engineering, geotechnical engineering, risk assessment, mining information technology, and corporate services. The company operates from offices in Perth, Brisbane and Johannesburg (South Africa) and has prepared independent technical reviews and mineral asset valuations on a variety of mineral commodities in many countries for more than 28 years.

5.4 Disclaimer

Snowden has relied on the accuracy and completeness of the documentation and advice supplied to it by Gryphon and Teranga and has made reasonable enquiries into the material aspects of the project, including a site visit to Sabodala. Snowden makes no warranty or representation as to the accuracy or completeness of the information provided. Furthermore, Snowden accepts no responsibility for the information or statements, opinions, or matters expressed or implied arising out of, contained in, or derived from information contained in this report, unless specifically disclosed by Snowden.

This report is provided subject to the following assumptions and qualifications:

- Gryphon and Teranga and their agents have made available to Snowden all material information in their possession or known to them in relation to the technical, development, mining and financial aspects of the project areas, that they have not

withheld any material information and that the information provided is accurate and up to date in all material respects.

- All reports and other technical documents provided by Gryphon and Teranga and their agents correctly and accurately record the results of all geological and other technical activities conducted to date in relation to the project areas, and accurately record advice from any relevant technical experts.
- In assessing Gryphon and Teranga Mineral Assets, Snowden has relied on the information provided by Gryphon and Teranga and their agents and has not undertaken independent audits of the data used to prepare the Mineral Resource estimates.
- All necessary governmental consents and approvals (including those regarding environmental issues) required to manage mineral production from the project areas have been obtained or will be forthcoming without any material delay and on terms which will not cause any material change to any mining, exploration or other activities proposed and will not cause any material change to the costs of such activities.
- All of the information provided by Gryphon and Teranga and their agents pertaining to project areas or their history or future intentions, financial forecasting or the effect of relevant agreements is correct and accurate in all material respects.

In relation to the above qualifications, Snowden did not undertake any independent enquiries or audits to verify that the assumptions are correct and gives no representation that they are correct. Snowden has not carried out any type of audit of Gryphon and Teranga's records to verify that all material documentation has been provided.

Snowden has endeavoured, by making reasonable enquiry of Gryphon and Teranga and their agents to ensure that all material information in their possession has been fully disclosed to Snowden. Gryphon and Teranga and their agents have agreed to indemnify Snowden from any liability arising from Snowden's reliance upon information provided or not provided to it.

5.5 Independence

At the date of the valuation opinion, Mr Peters and Snowden had no association with Gryphon and Teranga and their agents, or their individual employees, or any interest in the securities of Gryphon and Teranga and their agents, which could be regarded as affecting the ability to give an independent valuation opinion.

5.6 Fees, commissions and other benefits that Snowden may receive

Snowden charges fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to Snowden for this engagement is approximately A\$78,000. The fees are not contingent on the results of the valuation opinion.

Except for the fees referred to above, neither Snowden, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

5.7 Responsibility

The Snowden person responsible for the valuation opinion is Mr Jeremy Peters FAusIMM CP (Min, Geo), Principal Consultant, a full-time employee of Snowden.

Mr Peters is a mining engineer and geologist with 25 years' relevant practical experience in mining and exploration. He has a Bachelor of Engineering in Mining and a First Class Mine Manager's Certificate (Western Australia). He has a Bachelor of Science, majoring in geology and has the appropriate qualifications, expertise and experience to form this valuation opinion, as described by the VALMIN Code (2015).

Mr John Hearne, CEO Snowden, undertook the peer review of the valuation opinion to ensure it complies with the guidelines of both the VALMIN Code (2015) and JORC Code (2012).

5.8 Valuation opinion methodology

5.8.1 Valuation opinion considerations

The authors and reviewers of this report are members of the AusIMM and therefore are obliged to prepare mineral asset valuations in accordance with the Australian reporting requirements as set out in the VALMIN Code.

The objective of the engagement is to establish an opinion of mineral asset value for an asset in the context of the factors outlined in the body of this report.

5.8.2 Technical value of mineral assets

Mineral Assets are defined in the VALMIN Code as all property including, but not limited to real property, mining and exploration tenements held or acquired in connection with the exploration, the development of and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

The VALMIN Code defines Technical Value of a mineral asset as an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.

The Valuation Expert is effectively assumed to have the knowledge and experience necessary to establish a realistic value for a mineral asset. The real value of an asset can only be established in an open market situation where an informed public is able to bid for an asset. The most open valuation of mineral assets occur when they are sold to the public through a public share offering by a company wishing to become a public listed resource company, or by a company raising additional finance. In this instance, the public is given a free hand to make the decision, whether to buy or not buy shares at the issue price, and once the shares of the company are listed, the market sets a price.

Valuation Experts recognise two distinct markets operate and that values achieved for mineral assets sold through public flotation are higher than where values are established through other means such as the cash sale by a liquidator; the sale by a small prospector to a large company neighbour, or through joint venture arrangements.

The VALMIN Code describes the value of a Mineral Asset as consisting of two components; the underlying or Technical Value, and the Market component which is a premium or discount relating to market, strategic or other considerations. When the Technical and Market components of value are added together the resulting value is referred to as the Market Value.

The value of mineral assets is time and circumstance specific. The asset value and the market premium or discount changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change. Other factors that can influence the valuation of a specific asset include the size of the company's interest, whether it has sound management and the professional competence of the asset's management. All these issues can influence the market's perception of a mineral asset over and above its technical value.

5.8.3 Valuation of mineral assets with Ore Reserves

Where Ore Reserves have been defined, Snowden's approach is to excise them from the mineral property and to value them separately on a value per resource tonne/metal unit basis or on the basis of a Discounted Cash Flow (DCF). The value of the exploration potential of the remainder of the property can then be assessed. Where appropriate, discounts are applied to the estimated contained metal to represent uncertainty in the information.

In Snowden's opinion, an Expert valuing a development or production project must consider technical issues as well as make a judgement about the market:

- Confidence in the Mineral Resource/Ore Reserve estimate
- Metallurgical characteristics
- Difficulty and cost of extraction
- Economies of scale
- Proximity of and access to supporting infrastructure.

A DCF analysis determines the Technical Value of a project by approximating its value if it were developed under the prevailing economic conditions.

When an Ore Reserve is scheduled for mining and capital costs, financing and taxes are considered, the net present value (NPV) of the project is established by discounting future annual cash flows using an appropriate discount rate.

The resulting "classical" NPV has several recognised deficiencies linked to the fact that the approach assumes a static approach to investment decision making; however, the NPV represents a fundamental approach to valuing a proposed or ongoing mining operation and is widely used within the mining industry.

5.8.4 Valuation of mineral assets with Mineral Resources

When the economic viability of a Mineral Resources has not been determined by financial studies, then a comparable market transaction value approach is typically applied. This approach for resources is a similar process to that for exploration property however, a dollar value per resource tonne/metal in the ground is determined.

As no two mineral assets are the same, the Expert must be cognisant of the quality of the assets in the comparable transactions, with specific reference to:

- The grade of the resource
- The metallurgical qualities of the resource
- The proximity to infrastructure such as an existing mill, roads, rail, power, water, skilled work force, equipment, etc.
- Likely operating and capital costs
- The amount of pre-strip (for open pits) or development (for underground mines) necessary

- The likely ore to waste ratio (for open pits)
- The size of the tenement covering the mineral asset
- The overall confidence in the resource.

5.8.5 Valuation of mineral assets in the exploration stage

When valuing an exploration property, the Expert is attempting to arrive at a value that reflects the potential of the property to yield a mineable Ore Reserve and which is, at the same time, in line with what the property will be judged to be worth when assessed by the market. Arriving at the value estimate by way of a desktop study is difficult and no single approach.

Such Valuations are based entirely on professional judgement, where the judgement reflects the Expert's previous geological experience, local knowledge of the area, knowledge of the market. Valuers are likely to differ on the merits of a particular property and their assessments of value are likely to differ.

The most commonly employed methods of exploration asset valuation are:

- Multiple of exploration expenditure method (exploration based) also known as the premium or discount on costs method or the appraised value method
- Joint venture terms method (expenditure based)
- Geoscience rating methods such as the Kilburn method (potential based)
- Comparable market value method (real estate based).

It is possible to identify positive and negative aspects of each of these methods and most valuers favour a single method of valuation, although all methods are largely subjective. It is obvious that the Expert must be cognisant of actual transactions taking place in the industry in general to ensure that the value estimates are realistic.

In Snowden's opinion, a valuer charged with the preparation of a tenement valuation must consider:

- Geological setting of the property
- The relative size of the landholding
- Results of exploration activities on the tenement
- Evidence of mineralisation on adjacent properties
- Proximity to existing production facilities of the property.

In addition to these technical issues, the Expert has to take particular note of the market's demand for the type of property being valued Snowden's view is that an adjustment of the technical value of a mineral tenement should only be made if the technical and market values are obviously out of phase with each other.

Snowden's observation of the market for mineral deposits in Africa is that the market may pay a premium over the technical value for assets that hold defined resources that are likely to be mined profitably in the short term or projects that are believed to have the potential to develop into mining operations in the short term, even though no Mineral Resources have been defined. Exploration tenements that have no defined attributes apart from interesting geology or a "good address" may well trade at a discount to technical value. Deciding upon the level of discount or premium is entirely a matter of the Expert's professional judgement. This judgement must of course take account of the commodity potential of the tenement, the proximity of an asset to an established processing facility and the size of the land holding.

5.8.6 Snowden's valuation methodology

Snowden's view is that no single valuation approach should be used in isolation, as each approach has its own strengths and weaknesses. Where practicable, Snowden undertakes its valuation opinions using a combination of valuation techniques in order to help form its opinion.

Snowden has formed its opinion of value of Gryphon and Teranga's exploration mineral assets based on recent comparable transactions for similar African projects. Snowden's criteria is a selection of West African projects that involve Australian and Canadian operators with identified Reserves and Resources, irrespective of the commercial nature of the transaction.

Snowden has identified a number of transactions that it considers to be comparable to the Teranga/Gryphon transaction. These have been sourced from a public subscription database.

Noyem-Nyafoman

On 16 October 2014, Ghana-based AKA Petroleum Ghana Ltd (AKA) acquired a 100% of Ghana-based AQ Ghana Gold Limited (AQ) from Vancouver-based African Queen Mines. The principal asset of AQ is its Noyem-Nyanfoman exploration licence in the Birim North district of eastern Ghana. AKA paid \$1 million in cash and issued a 2% net smelter royalty to acquire a reported 1.15 million ounces endowment. This implies a mineral inventory³ value of \$0.90/oz.

Central Houndé

On 27 November 2014, Toronto-based Barrick Gold Corporation's London-based subsidiary Acacia Mining plc (Acacia) finalised an agreement to acquire up to an 80% interest in the Central Houndé project from Vancouver-based Thor Explorations Ltd, through an earn-in joint venture transaction. Central Houndé consists of three early stage gold exploration licences located in South West Burkina Faso, approximately 260 km southwest of the capital city, Ouagadougou. Acacia will spend approximately \$3.5 million over a four-year period to earn up to a 51% interest in Central Houndé project and will complete a prefeasibility study on the project to earn an additional 29% interest. This implies a mineral inventory value of \$13.35/oz.

Ity

On 21 October 2015, Vancouver-based Endeavour Mining Corporation's Halifax-based subsidiary Endeavour Resources Inc. (Endeavour) acquired a 55% interest in Cote d'Ivoire-based Société des Mines d'Ity S.A. (SMI) from Luxembourg-based Orascom TMT Investments S.à r.l. SMI operates the Ity gold mine in Côte d'Ivoire and various regional exploration properties. Endeavour issued 177,061,572 shares of its common stock to acquire a 55% interest in SMI. This implies a mineral inventory value of \$44.82/oz.

³ "Mineral inventory" has no definition under the JORC Code, but in this context is interpreted to consider the identified mineral endowment of a project, Ore Reserves and Mineral Resources of any classification.

Karma

On 11 October 2014, Canadian Franco-Nevada Corporation and Sandstorm Gold Ltd (investors) acquired the Burkina Faso Karma gold project from Vancouver -based True Gold Mining Inc. (True). The investors paid \$100.0 million to acquire 100,000 oz of gold produced within five years and 6.5% of gold produced thereafter from Karma, starting 31 March 2016. The parties will pay 20% of the spot price of gold to True for each ounce delivered under the agreement. This implies a mineral inventory value of \$20.07/oz.

Mansounia

On 19 May 2014, Ghana-based Waratah Investments Ltd's (Waratah's) subsidiary Vancouver-based Blox Inc. acquired a 78% stake in the Mansounia gold project from an investor group comprised of Perth-based Burey Gold Ltd and Sydney-based Equus Mining Ltd. The Mansounia project is located in Guinea. Waratah paid approximately FG1.055 billion in cash and issued 6,514,350 common shares of Blox Inc. to acquire a 78% interest in Mansounia. In addition, within 14 days of commercial gold production being publicly declared from ore mined from the property the company will issue a second tranche of Blox Inc. shares valued at FG8.087 billion. This implies a mineral inventory value of \$0.002/oz.

Valuation range

Snowden's analysis indicates a per-ounce in-ground valuation of between US\$44.82/oz and less than US\$0.01/oz (Table 5.1). Both Teranga and Gryphon have been valued according to the NPV of their Ore Reserves.

Table 5.1 Comparable transaction statistics

Comparable transactions	Value (US\$/oz)
Mean	19.72
Median	13.35
Minimum	0.002
Maximum	44.82

For Gryphon, Snowden's attitude is that identified ounces, whether this be Inferred Resource and that Measured and Indicated Resource which has not been included in the Base Case Ore Reserve ("unassigned Measured and Indicated Mineral Resource") attract a range of between US\$3.00/oz and US\$8.00/oz (Table 5.2). This range is predicated on Snowden's observation that gold exploration and development projects in any jurisdiction do not currently attract the type of premium observed to be attached to gold producers with significant Ore Reserves and established processing facilities.

Snowden has identified a preferred value at the lower end of this range, recognising the situation for gold exploration projects and the fact that significant capital must be expended to develop the project.

Table 5.2 Gryphon exploration inventory valuation opinion

Mineral Resource	Low (US\$/oz in-ground)	High (US\$/oz in-ground)	Preferred (US\$/oz in-ground)
Unassigned M&I	3.00	8.00	3.83
Inferred	0.20	3.00	0.67

For Teranga, Snowden’s attitude is that identified ounces beyond and within the Ore Reserve attract a range of between US\$5.00/oz and US\$44.82/oz (Table 5.3), dependent on confidence. This range is predicated on Snowden’s observation that gold production projects with established processing facilities in any jurisdiction attract a premium to exploration or development projects.

Table 5.3 Teranga exploration inventory valuation opinion

Mineral Resource	Low (US\$/oz in-ground)	High (US\$/oz in-ground)	Preferred (US\$/oz in-ground)
Ore Reserve	19.72	44.82	32.27
Upside 1	13.35	19.72	16.53
Upside 2	5.00	13.35	9.17

5.8.7 Gold price

Snowden’s understanding of the consensus view of the gold price is that it remained elevated in US dollar terms during the period of US monetary policy of “quantitative easing” (Figure 5.1). When it became apparent that the US economy was gradually recovering from the lingering effects of the 2008 Financial Crisis and that this policy would be replaced, the US dollar appreciated and gold reduced in value in US dollar terms.

Snowden does not forecast metal prices but understands that the current recovery in the gold price is largely due to uncertainty relating to world political events, including Islamic terrorism in Europe, Britain’s vote to exit the European Union, China’s militarism in the South China Sea, the result of impending US elections and war in Syria and other places.

Figure 5.1 Gold price (last five years)



5.9 Valuation Opinion

Snowden's opinion of the value of Gryphon's Mineral Resources not contemplated by financial models at between \$10.45 million and \$28.20 million, with a preferred value of \$15.41 million.

Snowden's opinion of the value of Teranga's Mineral Resources, exploration potential and mineral inventory outside Mineral Reserves is between \$38.57 million and \$96.49 million, with a preferred value of \$51.10 million (Table 5.4).

Table 5.4 Exploration valuation opinion summary

Entity	Component	Low (\$ M)	High (\$ M)	Preferred (\$ M)
Gryphon	Resources	6.07	17.83	8.03
	Exploration	3.55	9.56	6.56
	Boss JV	0.82	0.82	0.82
	Total	10.45	28.20	15.41
Teranga	Resources	15.86	27.77	21.81
	Exploration	22.71	68.72	29.28
	Total	38.57	96.49	51.10

5.9.1 Gryphon valuation opinion

Gryphon has internally analysed its exploration potential, supported by the results of extensive field sampling, interpretation of magnetic imagery and scout drilling programs⁴. Snowden attributes two sources of value to Gryphon's exploration projects:

- The value of the Mineral Resource beyond that incorporated in the Ore Reserve
- The value of the exploration tenements, based on Snowden's subjective assessment of the results of exploration to date in relation to overall prospectivity.

Mineral Resource

Snowden has removed the Measured and Indicated Mineral Resource incorporated in the Ore Reserve from Gryphon's Global Mineral Resource and has separately valued conjectural, but supported, mineral inventory. The remaining inventory has been valued by Snowden based on its observation of the behaviour of comparable transactions (refer Table 5.1). Snowden has similarly valued the Inferred Mineral Resource (Table 5.5).

Snowden considers that this approach implies a valuation for Gryphon's Mineral Resources outside of the Ore Reserve of somewhere between \$6.07 million and \$17.83 million, with a preferred value at the lower and of the range of \$8.03 million. Snowden observes that gold exploration projects in any jurisdiction and at any stage of development remain a suppressed market, as opposed to gold producers.

⁴ A document titled *BGP_exploration_upside_geology_report_July15 – final.pdf*

Table 5.5 Gryphon Resource valuation opinion

Deposit	Ownership	Resources	Tonnes (Mt)	Au (g/t)	Moz	Low (\$ M)	High (\$ M)	Preferred (\$ M)
Nogbele	100%		33	1.3	1.36			
Fourkoura	100%	Measured and Indicated	7.3	1.2	0.28			
Samavogo	100%		12.5	1.8	0.71			
Stinger	100%		14.3	1.4	0.64			
Subtotal – Measured and Indicated			67.10	1.40	2.99			
Reserve			(16.70)	(1.95)	(1.05)			
TOTAL – Unassigned Measured and Indicated			50.40	1.22	1.98	5.94	15.85	7.59
Nogbele	100%		1.0	1.1	0.04	0.01	0.12	0.05
Fourkoura	100%	Inferred	1.1	1.1	0.04	0.01	0.12	0.05
Samavogo	100%		8.5	1.3	0.36	0.07	1.08	0.24
Stinger	100%		5.3	1.3	0.22	0.04	0.66	0.15
Subtotal Inferred						0.13	1.98	0.44
TOTAL – Unassigned and Inferred						6.07	17.83	8.03

Gryphon tenements

Gryphon’s projects are spread across six tenements (Figure 5.2) that attract a minimum expenditure from the Burkina Faso authorities, based on the area of these tenements (Figure 5.3). This is conventional practice in most jurisdictions. Snowden’s view is that at a minimum, a mineral tenement is valued at its minimum statutory expenditure.

Figure 5.2 Gryphon tenements

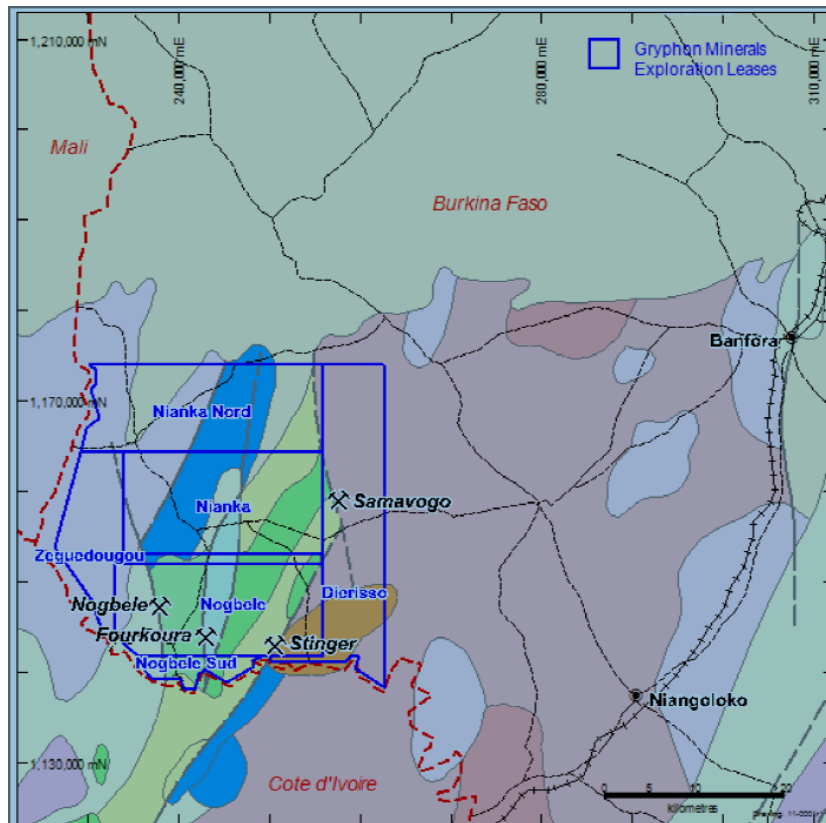


Figure 5.3 Banfora statutory minimum expenditure

Permis [sq.kms]	[CFA/sq.km/pe r year)	cfa	
		Permis	
228	271,702	Nogbele	61,947,990
245	272,420	Nianka	66,742,920
223	271,613	Diorisso	60,569,640
250	262,797	Nianka Nord	65,699,370
127	270,991	Zeguedougou	34,415,820
39	270,000	Nogbele Sud	10,530,000
1,112	1,619,523	TOTAL	299,905,740

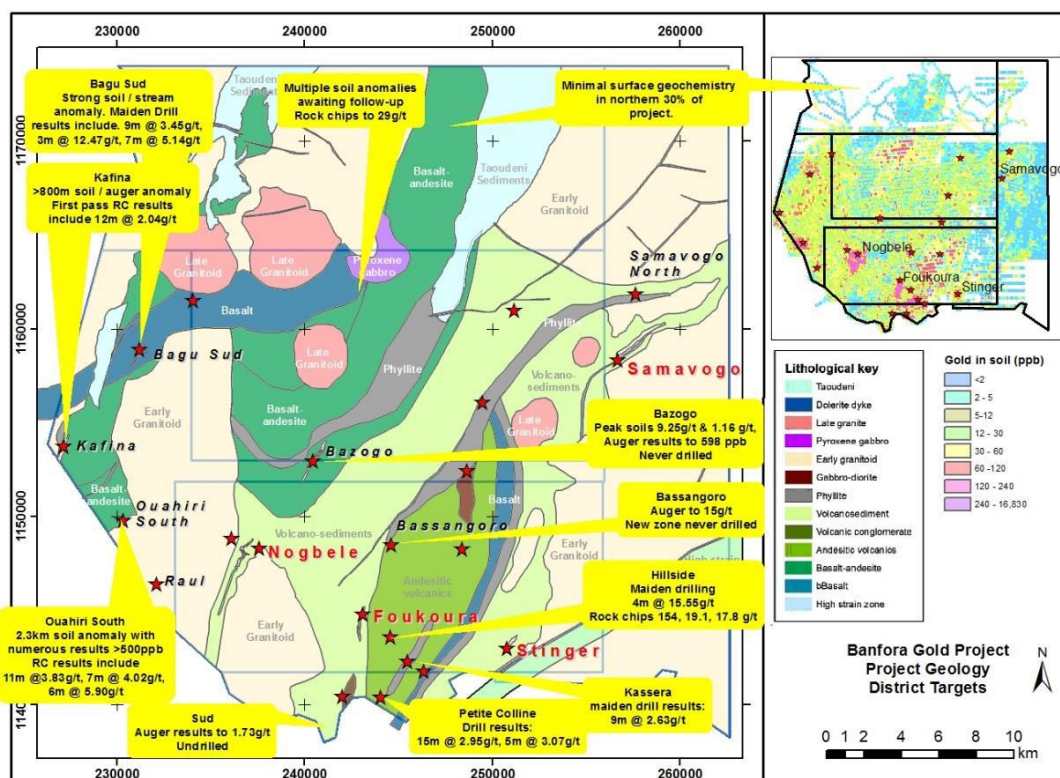
At the time of Snowden’s valuation opinion, a CFA was valued at \$0.0017⁵ and Snowden has used this commitment to set a minimum value on Gryphon’s interests using the Geoscientific (Kilburn) method, as modified by Snowden through its experience in the field.

⁵ https://www.google.com.au/?gws_rd=cr,ssl#q=conversion+cfa+en+dollars+us

Snowden has examined the exploration results described in Gryphon’s publicly released statements⁶, cf. Figure 5.4) and in its internal exploration documents and multiplied the statutory holding cost of each project area according to its view of these results. As for the unassigned and Inferred Mineral Resource valuation, Snowden observes that there is a suppressed market for gold exploration projects in any jurisdiction, particularly in the absence of an established processing facility.

Snowden’s opinion of the value of the exploration tenements (Table 5.6) consequently lies between \$3.55 million and \$9.56 million. Snowden’s preferred value, \$6.56 million, lies at the median of this range, reflecting its view that the value of these tenements is already suppressed by reportedly favourable holding costs on the part of the statutory authority.

Figure 5.4 Gryphon exploration targets and geology



Boss Joint Venture

On 17 July 2014, Gryphon announced that it could earn a majority interest in two Burkina Faso exploration projects, Golden Hill and Gourma, by meeting the minimum annual statutory commitments for these projects. Gryphon advises that the holding is strategic and that the projects remain low level grassroots exploration projects, distal to its main interest, Banfora.

Snowden’s view is that, under the circumstances, the projects should be valued at the exploration commitment only and Snowden has applied this uniformly (Table 5.4).

⁶ <http://www.gryphonminerals.com.au/index.php/en/investors-4/asx-announcements>

Table 5.6 Gryphon exploration valuation opinion

Exploration property	Ownership	Area (km ²)	Annual cost (US\$ M)	Off property		On property		Anomaly		Geology		Low (US\$ M)	High (US\$ M)	Preferred (US\$ M)
				Low	High	Low	High	Low	High	Low	High			
Nogbele	100%	228	0.11	2.0	2.5	2.0	2.5	3.0	3.5	2	2.5	2.53	5.76	4.14
Nainka	100%	245	0.11	1.0	1.5	1.0	1.5	1.5	2.0	1	1.5	0.17	0.77	0.47
Dierisso	100%	223	0.10	1.0	1.5	1.0	1.5	1.5	2.0	1.5	2.0	0.23	0.93	0.58
Nianka Nord	100%	250	0.11	2.0	2.5	1.0	1.5	1.5	2.0	1.5	2.0	0.50	1.68	1.09
Zeguedougou	100%	127	0.06	2.0	2.5	1.0	1.5	1.0	1.5	0.8	1.0	0.09	0.33	0.21
Nogbele Sud	100%	39	0.02	2.0	2.5	1.0	1.5	1.0	1.5	0.8	1.0	0.03	0.10	0.06
Subtotal												3.55	9.56	6.56
Nogbele	Farmin	1,322	0.61	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.61
Nainka	Farmin	468	0.21	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.21
Subtotal												0.82	0.82	0.82
TOTAL												4.37	10.38	7.38

5.9.2 Teranga valuation opinion

Snowden identifies three aspects of value to Teranga's Senegalese Mineral Assets and has formed an opinion of the value:

- The Upside1 Inferred Mineral Resources, outside the Ore Reserves of the Banfora project
- The Upside 2 mineral inventory, beyond the Inferred Mineral Resources
- The subjective exploration potential of Teranga's exploration assets.

Upside 1 and Upside 2

Snowden is aware of and includes in its valuation opinion, extrapolations of mining inventory, as identified by its own work and examination of Teranga's work. Upside 1 material is derived from inclusion of Inferred Mineral Resource in the informing optimisations and Upside 2 includes Upside 1 and any other material identified at a moderately elevated gold price. In Snowden's view this represents a conjectural mining inventory and it has valued this accordingly.

In valuing the Upside 1 and Upside 2 mining inventories, Snowden considers that it is effectively valuing the upside potential of the mining concessions and has not applied a geoscientific value to the area of these concessions. Snowden has incrementally valued this mineral inventory over and above that estimated for the Ore Reserve, which has been valued elsewhere (Table 5.7).

Table 5.7 Teranga incremental mineral inventory valuation opinion

Inventory	Constituents	Tonnes (Mt)	Au (g/t)	Oz (Moz)	Low (US\$ M)	High (US\$ M)	Preferred (US\$ M)
Ore Reserve	Measured + indicated	59.3	1.38	2.63	NPV	NPV	NPV
Upside1	Measured + indicated + Inferred	19.60	1.45	0.91	12.21	18.04	15.10
Upside 2	Measured + Indicated + Inferred + upside	12.70	1.79	0.73	3.64	9.73	6.70
Incremental valuation					15.86	27.77	21.81

Exploration permits

Snowden has applied a geoscientific (Kilburn) approach to valuing Teranga's exploration permits, in a similar manner to that used to value Gryphon's tenure. The tenements are currently in a state of conversion and Snowden explains this to support its valuation opinion.

Current situation

The regional exploration package consists of eight permits (Table 5.8) covering an area of 967 km². Permits are grouped into near mine, Feleme, Dembala and Massakounde. Snowden has not independently verified the validity of these permits and has relied on the Sabodala Project Technical Report NI 43-101, March 2016 for this information.

Table 5.8 Granted gold exploration permits and applications

Project	Permit	Original grant date	SMC interest	Status	Area (km ²)	Renewal due	Maximum validity (inc. two-year extensions)
Near mine	Bransan	Dec 2016	70%	3rd validity period	200.00	May 2016	May 2018
	Bransun Sud	Nov 2010	100%	2nd validity period	6.00	Nov 2016	Nov 2019
	Sabodala Ouest	Oct 2010	100%	2nd validity period	2.00	Nov 2016	Nov 2019
Feleme	Sounkounkou	Sep 2006	100%	2nd year extension period	166.00	NA	Sep 2017
	Heremakono	Oct 2005	100%	2nd year extension period	182.00	NA	Oct 2016
Dembala	Dembala Berola	Jan 2005	100%	2nd year extension period	208.00	NA	Jan 2017
	Saiansoulltou	Nov 2010	100%	2nd validity period	57.00	Nov 2016	Nov 2019
Massakounda	Massakounda	Jan 2005	100%	3rd validity period	146.00	NA	Nov 2017
Total					967.00		

Source: Teranga Gold Corporation – Sabodala Project Technical Report NI 43-101 (22 March 2016)

Revised situation

Snowden has been advised⁷ that as of May 2012, Teranga has material reason to expect that the statutory authority will accept its proposal to relinquish a significant proportion of the tenure and re-establish a reduced holding under new tenure (Figure 5.5) and conditions (Table 5.9).

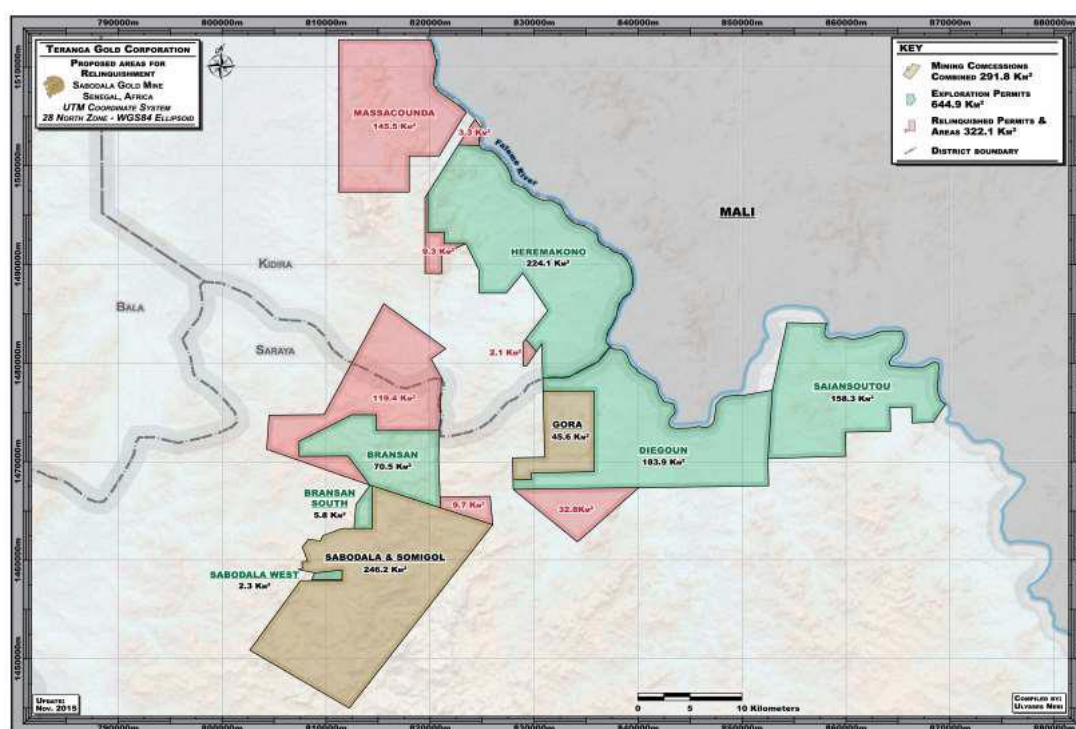
Snowden has formed an opinion of the value of this reduced tenure, recognising that this process was well in train as at the Valuation Date and it has been advised that there is no indication that the authorities wish to reject the proposal.

Table 5.9 Revised Teranga commitments

New property	New area (km ²)	New budget (\$ M)	Period
Heremakono	224	10.01	3 years
Sounkounkou	77	4.19	3 years
Bransan	79	1.84	3 years
Dembala Berola	266	5.90	3 years

⁷ Email to Jeremy Peters from Andrew Bradbury, of Teranga, dated 18 July 2016

Figure 5.5 Teranga proposed relinquishment (pink)



Source: Teranga

Geoscientific valuation

Snowden has used the revised annual commitments and has subjectively discounted these for uncertainty relating to unexpected decisions on the part of the issuing authorities. Snowden's view of the prospectivity of each area has been informed by publicly released exploration results and descriptions provided to it in the supplied data.

Snowden's opinion of the value of Teranga's exploration projects according to its view of the prospectivity implied by the exploration results to date and has arrived at a range of values that lies between \$22.71 million and \$68.72 million (Table 5.10).

Snowden's preferred value, \$29.28 million, lies toward the lower end of this range, reflecting its view that the value of these tenements is affected by regulatory uncertainty and the large future exploration expenditure required to develop the identified prospects into future mill feed.

5.9.3 Comparable transactions

Snowden compares its valuation opinions of Gryphon and Teranga's exploration potential against its selected comparable transactions and identifies the Ity and Karma transactions as being most similar.

Ity represents a transaction of a reported inventory of 1.8 Moz equivalent in Cote d'Ivoire for a reported equivalent of \$83.28 million at a then current gold price of \$1,007/oz.

Karma represents a transaction of a reported inventory of 5.0 Moz equivalent in Burkina Faso for a reported equivalent of \$100.0 million at a then current gold price of \$1,050/oz.

Snowden considers that these figures support its valuation of the exploration potential of each party.

Table 5.10 Teranga exploration assets valuation opinion

Exploration property	Ownership	Area (km ²)	Annual cost (\$M/km ²)	Off property		On property		Anomaly		Geology		Low (US\$ M)	High (US\$ M)	Preferred (US\$ M)
				Low	High	Low	High	Low	High	Low	High			
Heremakono	100%	224	0.01	1.50	2.0	1	1.5	2	2.5	0.9	1	9.00	25.01	11.29
Sounkounkou	100%	77	0.02	2.00	2.5	1	1.5	2	2.5	1	1.5	5.59	19.66	7.60
Bransan	100%	79	0.01	2.00	2.5	1.5	2	1.5	2	1.5	2	4.14	12.25	5.30
Dembala Berola	100%	266	0.01	1.50	2.0	1	1.5	1.5	2	0.9	1	3.98	11.79	5.10
Total												22.71	68.72	29.28

6 REFERENCES

Pertel, D, 2013. NI 43-101 Technical Report, Gryphon Minerals Limited, Banfora Gold Project, Burkina Faso, West Africa, January 2013, unpublished report.

Brooks, S, 2014. Nogbele and Fourkoura Deposits, Banfora Gold Deposit, Burkina Faso, Resource Estimate January 2014, January 2014, unpublished report.

Brooks, S, 2015. Banfora Gold Deposit, Burkina Faso, Resource Estimate Update April 2015 Addendum to January 2014 Resource Report, April 2015, unpublished report.



Appendix A
Data supplied by Gryphon

Data supplied by Gryphon for the Samavogo deposit

Filename	File type
CSA_SAM_diluted_model.csv	Block model
Composites used in estimation.csv	Composited assays
R229.2013 Banfora Report NI 43 101 CSA.pdf	Resource report

Data supplied by Gryphon for the Stinger deposit

Filename	File type
CSA_STG_diluted_model.csv	Block model
Composites used in estimation.csv	Composited assays
R229.2013 Banfora Report NI 43 101 CSA.pdf	Resource report

Data supplied by Gryphon for the Fourkoura deposit

Filename	File type
Fourkoura_LMIK_model_0515.csv	Block model
FKR_8001_8002_3m_comps.csv	Composited assays
Banfora Gold Deposit, Burkina Faso, Resource Estimate Update April 2015 Addendum to January 2014 Resource Report.pdf	Resource report

Data supplied by Gryphon for the Nogbele Central deposit

Filename	File type
Nogbele Central_LMIK_model_0515.csv	Block model
NGC_3m_LMIKcomposites.csv	Composited assays
Banfora Gold Deposit, Burkina Faso, Resource Estimate Update April 2015 Addendum to January 2014 Resource Report.pdf	Resource report

Data supplied by Gryphon for the Nogbele North deposit

Filename	File type
Nogbele North_LMIK_model_0515.csv	Block model
Banfora Gold Deposit, Burkina Faso, Resource Estimate Update April 2015 Addendum to January 2014 Resource Report.pdf	Resource report

Data supplied by Gryphon for the Nogbele South deposit

File name	File type
Nogbele South_LMIK_model_0515.csv	Block model
NGS_7002_3m_comps.csv	Composite file
NGS_7003_4_3m_comps.csv	Composite file
Banfora Gold Deposit, Burkina Faso, Resource Estimate Update April 2015 Addendum to January 2014 Resource Report.pdf	Resource report

Gryphon tenement register

Region	Name	Arrete	Grant date	Expiry date	Current status
	Wahgnion	2014-675 PRES/PM/MME/MEF/MEDD	01/08/2014	1/8/2016(?)	Renewal, as permitted under the Mining Code, has been lodged with Ministry and is expected to be granted
	Nianka	2013-000133/MME/SG/DGMG	08/03/2003	08/07/2016	Subject of new permit application by GRY with Ministers consent, under Article 42 of the 2015 Mining Code, following excision of ground by grant of Wahgnion Mining permit
	Nopbale:	2013-0000 95/MME/SG/DGMG	08/03/2003	08/07/2016	Subject of new permit application by GRY with Ministers consent, under Article 42 of the 2015 Mining Code, following excision of ground by grant of Wahgnion Mining permit
	Dierisso	2015-000-210 /MME/SG/DGMGC	12/09/2005	12/09/2017	Subject of new permit application by GRY with Ministers consent, under Article 42 of the 2015 Mining Code, following excision of ground by grant of Wahgnion Mining permit
	Nianka Nord	2015-000-211 MME/SG/DGMG	03/02/2005	12/09/2017	Subject of new permit application by GRY with Ministers consent, under Article 42 of the 2015 Mining Code, following excision of ground by grant of Wahgnion Mining permit
	Zeguedougou	2015-000-09/MME/SG/DGMG	08/03/2003	12/09/2017	Subject of new permit application by GRY with Ministers consent, under Article 42 of the 2015 Mining Code, following excision of ground by grant of Wahgnion Mining permit
	Nopbale Sud	16-042 /MEMC/SG/DGMG	03/02/2005	10/09/2018	Subject of new permit application by GRY with Ministers consent, reconfiguring the BGP tenure
	Boutouanou	2012-074/MCE/SG/DGMGC	17/12/2008	16/12/2017	Current and in good standing
	Diabatou	2012-076/MCE/SG/DGMGC	17/12/2008	16/12/2017	Current and in good standing
	Tyara	2013-0112/MME/SG/DGMG	15/05/2007	14/05/2016	Technically expired. Exceptional renewal lodged. Awaiting decision of whether exceptional renewal will be granted
Gourma	Foutouri	2013-090/MME/SG/DGMG	27/03/2007	26/03/2016	Technically expired. Exceptional renewal lodged. Awaiting decision of whether exceptional renewal will be granted
	Tyabo	2010-144/MCE/SG/DGMGC	23/08/2010	23/08/2016	Transfer from Cluff Mining pending Ministerial sign-off/issue of Arrete. Ministry has accepted all fees and payments and indicated that the letter is on the Ministers desk
	Kankandi	2010-142/MCE/SG/DGMGC	23/08/2010	23/08/2016	Transfer from Cluff Mining pending Ministerial sign-off/issue of Arrete. Ministry has accepted all fees and payments and indicated that the letter is on the Ministers desk
Golden Hill	Baniri	2013-031 /MME/SG/DGMG	17/05/2005	02/03/2018	Current and in good standing
	Inttedougou	2013-030 /MME/SG/DGMG	17/05/2005	02/03/2018	Current and in good standing
	Mougue	2013-018 /MME/SG/DGMG	17/05/2005	02/03/2018	Current and in good standing



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PART TWO – FINANCIAL SERVICES GUIDE

Dated 25 July 2016

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- the services KPMG Corporate Finance and its Authorised Representatives are authorised to provide
- how KPMG Corporate Finance and its Authorised Representatives are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representatives
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

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- superannuation;
- carbon units;
- Australian carbon credit units; and
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Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If

you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representatives cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (**FOS**). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1800 367 287

Facsimile: (03) 9613 6399 Email: info@fos.org.au

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representatives using the contact details:

KPMG Corporate Finance

A division of KPMG Financial Advisory Services (Australia)

Pty Ltd

10 Shelley St

Sydney NSW 2000

Jason Hughes

PO Box H67

Australia Square

NSW 1213

Telephone: (02) 9335 7000

Facsimile: (02) 9335 7200

Annexure B – Comparison of Australian and Canadian legal regimes

References to ‘Australian law’ where they appear in this Annexure are references to the Corporations Act, ASX Listing Rules, ASX Settlement Rules and Australian common law, as applicable. References to ‘Canadian law’ are references to the CBCA, TSX Company Manual, applicable provincial securities laws in Canada and Canadian common law, as applicable.

This comparison is not an exhaustive statement of all relevant laws, rules and regulations and is intended as a general guide only. Gryphon Shareholders should consult with their own legal adviser if they require further information. The following description of Canadian corporate law, Canadian securities law and Teranga’s constating documents does not purport to be complete and is qualified in its entirety by reference to the full text of such materials. Gryphon Shareholders should review the full text of such materials.

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
Rights attaching to shares		
Share capital	Under Australian law there is no concept of authorised capital, and the shares of a company have no par value.	Under Teranga’s constating documents, Teranga is authorised to issue an unlimited number of common shares. There is no minimum share capital prescribed by the CBCA. All shares of CBCA corporations must be issued as fully paid and non-assessable.
Purchase of own shares	<p>Under the Corporations Act, Gryphon may buy-back its shares under a specific buy-back scheme:</p> <ul style="list-style-type: none"> • if the buy-back does not materially prejudice Gryphon’s ability to pay its creditors; and • Gryphon follows the procedures set out in the Corporations Act. <p>Share buy-backs that intend to buy-back more than 10% of the votes attaching to the smallest number of shares in the previous 12 months require approval by Gryphon’s Shareholders by way of ordinary resolution.</p> <p>The form of shareholder approval (e.g. ordinary resolution or special/unanimous resolution), if required, and the notice period and disclosure requirements to be given to Gryphon Shareholders will depend on the type of buy-back. Generally, buy-back schemes can be characterised as minimum holding, equal access, selective, on-market or relating to employee share schemes.</p>	<p>Under the CBCA, Teranga may repurchase its shares provided that there are no reasonable grounds for believing that the company is insolvent or making the payment or providing the consideration would render the company insolvent.</p> <p>The TSX Company Manual permits, subject to at least two clear trading days prior notice by an issuer, a normal course issuer bid to be conducted by an issuer for a period of up to one year which would allow the listed company to repurchase up to a prescribed percentage of the class of listed shares. A variety of restrictions are imposed upon the issuer including limitations upon the size and price at which purchases can be conducted. Within 10 days of the end of any month in which normal course issuer bid purchases are made, whether the securities were purchased through the TSX or otherwise, the issuer must report to the TSX on average prices and disposition of the securities that have been purchased.</p> <p>Under Canadian securities legislation, a repurchase of its shares in certain specified circumstances by Teranga may constitute an “issuer bid” and could only be effected in accordance with the provisions of the Canadian securities legislation.</p>
Transfer of shares	<p>Under Gryphon’s constitution, the directors may refuse to register any transfer of Gryphon Shares where the ASX Listing Rules permit or require Gryphon to do so. The directors will refuse to register any transfer of Gryphon Shares where:</p> <ul style="list-style-type: none"> • the Corporations Act or the ASX Listing Rules require Gryphon to do so, or the transfer is in breach of the ASX Listing Rules; or • those Gryphon Shares are 	<p>Under Teranga’s constating documents, no transfer of Teranga’s shares will be registered except upon:</p> <ul style="list-style-type: none"> • presentation of the security certificate representing the security with an endorsement which complies with the CBCA (or if no certificate has been issued, a duly executed security transfer power); • payment of all applicable taxes

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
	restricted securities and the transfer is in breach of any restriction agreement in respect of those Gryphon Shares.	and fees permitted under the ASX Listing Rules and the ASX Settlement Rules; and <ul style="list-style-type: none"> compliance with Teranga's articles.
Voting rights	Under Gryphon's constitution, generally, each Gryphon Shareholder has one vote on a show of hands and, on a poll, one vote for each share fully paid and if not fully paid, a fraction of a vote equivalent to the portion of the share paid up.	Under the CBCA and Teranga's constituting documents, each common share of Teranga entitles the holder as of the record date to one vote at a meeting of shareholders. On a show of hands, each shareholder present in person or by proxy and entitled to vote has one vote. If a ballot is called, each shareholder present in person or by proxy will have one vote for each share in Teranga held. The CBCA and Teranga's constituting documents provide that a ballot (or poll) may be directed by the chair or demanded by any shareholder entitled to vote at the meeting or by their proxy.
Dividends and distribution	Under Gryphon's constitution, the directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by Gryphon of that dividend to Gryphon Shareholders. Directors may also authorise the payment or crediting by Gryphon of an interim dividend to Gryphon Shareholders if the payment of an interim dividend appears to the directors to be justified by the profits of Gryphon. Under the Corporations Act, Gryphon must not pay a dividend unless: <ul style="list-style-type: none"> Gryphon's assets exceed its liabilities immediately prior to the dividend declaration (and the excess is sufficient for the payment of the dividend); the payment of the dividend is fair and reasonable to the Gryphon Shareholders as a whole; and the payment of the dividend does not materially prejudice Gryphon's ability to pay its creditors. 	Under the CBCA, Teranga may pay a dividend by issuing fully paid shares or in property, including money. Teranga may not declare or pay a dividend if there are reasonable grounds for believing that Teranga is insolvent or the payment of the dividend would render Teranga insolvent.
Variation of class rights	Under Gryphon's constitution, if at any time the share capital of Gryphon is divided into different classes of Gryphon Shares, the rights attached to any class may be varied or cancelled (unless otherwise provided by the terms of the issue of that class of Gryphon Shares) with the consent in writing of holders of 75% of the issued shares of that class or by a special resolution passed at a separate meeting of the Gryphon Shareholders included in that class.	If at any time the share capital of Teranga is divided into different classes of shares, under the CBCA, rights attaching to a class of shares may only be varied by an amendment to the articles of Teranga approved by special resolution of the holders of that class of shares and a separate special resolution of all shareholders.
Capital raising		
Issue of shares	Under Gryphon's constitution, unissued Gryphon Shares are under the control of the directors who, subject to the Corporations Act, the ASX Listing Rules and any rights attached to any special class of Gryphon Shares may, on behalf of Gryphon, allot or dispose of all or any of those unissued Gryphon Shares to such persons, at such times at such price and on such terms and conditions, with such preferred, deferred, or other special rights or restrictions as the directors think fit.	Under the CBCA, the Teranga Board is authorised to issue any shares in the capital of Teranga. Under the CBCA, shares issued by Teranga are non-assessable and may only be issued if consideration for such shares is fully paid. Stated capital accounts must be maintained for each class of share. Upon the issuance of a share, Teranga may not add to the stated capital account in respect of the share an amount greater than the amount of the consideration it received for the share.

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
ASX Listing Rules/TSX Company Manual	<p>Under ASX Listing Rules (subject to specified exceptions for pro rata issues etc.), Gryphon is restricted from issuing or agreeing to issue more shares than the number calculated below in any 12 month period unless Gryphon has shareholder approval, that is 15% of the total of:</p> <ul style="list-style-type: none"> • the number of shares on issue 12 months before the date of the issue or agreement to issue; plus • the number of shares issued in the 12 months before the date of the issue or agreement to issue without shareholder approval but pursuant to one of the specified exceptions; plus • the number of shares issued in the preceding 12 months with shareholder approval; less • the number of partly paid shares that became fully-paid in the 12 months; plus • the number of shares cancelled in that 12 month period; less • the number of shares issued or agreed to be issued in the preceding 12 months without shareholder approval and without the benefit of one of the specified exceptions. <p>Under the ASX Listing Rules, shares or options may be issued to the directors with the approval of Gryphon Shareholders.</p>	<p>Under the TSX Company Manual, Teranga will require the approval of the TSX to issue securities other than unlisted non-voting, non-participating securities. The TSX may impose conditions in connection with any approval of a transaction or grant exemptions from its own requirements. The TSX will consider various factors, including the involvement of insiders in the transaction, whether the transaction materially affects control of the issuer, the issuer's corporate governance practices and disclosure practices, the size of the transaction relative to the liquidity of the issuer and whether a court or administrative body has considered the interest of shareholders.</p> <p>The TSX will generally require shareholder approval of any transaction that materially affects control of the issuer or provides consideration to insiders that represents 10% or more of the issuer's market capitalisation (subject to certain conditions) during any six month period, and has not been negotiated at arm's length. For distributions of listed securities in reliance on a prospectus exemption (known as private placements), the TSX may require shareholder approval depending on the price at which the securities are being sold and the number being sold in relation to the number outstanding. Issuers may qualify for exemptions from the shareholder approval requirements in certain situations including financial distress of the issuer.</p> <p>If the price is below the TSX "market price" (being a 5 day volumed weighted average price) and the number of securities to be issued represents more than 25% of the number outstanding (on a non-diluted basis), shareholder approval will be required, while if the price is at or above such market price, shareholder approval will generally not be required regardless of the number of securities issued. If the issuance is to be less than or equal to 25% of the number outstanding, shareholder approval will not be required unless the price is below a permitted discount to market (which can be up to 25%, 20% or 15% depending on the trading price of the shares in question).</p> <p>TSX-listed issuers must obtain shareholder approval when the number of securities issued in payment for an acquisition exceeds 25% of the number of issued and outstanding securities of the issuer (on a non-diluted basis).</p> <p>In private placements to insiders and acquisitions involving issuances of listed securities to insiders, the TSX will require shareholder approval depending on the number of securities issued in relation to the number outstanding. Specifically, if insiders will be issued, by way of private placements during any six month period, or if insiders will receive, as consideration in an acquisition, securities or options, rights or other entitlements to listed securities representing more than 10% of the number of securities outstanding on a non-diluted basis, shareholder approval will be required and the insiders may not vote their</p>

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
		<p>securities.</p> <p>The TSX also requires shareholder approval of securities-based compensation arrangements (which includes stock option plans and other executive compensation plans and arrangements), including any compensation or mechanism involving the potential issuance of securities from treasury. The TSX prescribes specific disclosure requirements for the materials provided to shareholders for the purposes of such approval, including all material information that shareholders may reasonably require to approve the arrangements.</p> <p>Certain substantive requirements are imposed that must be complied with, including:</p> <ul style="list-style-type: none"> • exercise prices for any stock options granted under a security based compensation arrangement may not be lower than market price of the securities at the time the stock options are granted; • there must be a maximum number or percentage of securities issuable; and • most amendments also require shareholder approval. <p>The TSX Company Manual permits capital raising via public offering or private placement with listing subject to approval by the TSX.</p>
Continuous disclosure	Under ASX Listing Rules, Gryphon is required to disclose to ASX any information concerning Gryphon that a reasonable person would expect to have a material effect on the price or the value of its shares (or options).	<p>Canadian securities laws require the immediate disclosure by issuing and filing a news release of any material change occurring in the affairs of an issuer. As soon as practicable thereafter, and in any such event within 10 days of the date on which the change occurs, an issuer must also file a material change report in the prescribed form with the applicable provincial and territorial securities commissions.</p> <p>The TSX Company Manual also sets out timely disclosure requirements for listed issuers, including in relation to timely disclosure of material facts.</p> <p>As a company subject to the ASX Listing Rules, Teranga is required to disclose to ASX any information concerning Teranga that a reasonable person would expect to have a material effect on the price or the value of its shares (or options).</p>
Directors		
Number of directors	<p>Under Gryphon's constitution, the number of directors must be not less than three nor more than 10, or such lesser number as the directors determine (provided that the number determined is not less than the number of directors when the determination takes place).</p> <p>Under the Corporations Act, at least two directors of Gryphon must reside in Australia.</p>	The CBCA requires that public companies have a minimum of three directors. At least 25% of the directors of a CBCA company must be resident Canadians (or if there are less than four directors at least one must be a resident Canadian). Teranga's constating documents set a minimum of one director and a maximum of 10 directors. Currently, there are nine Teranga directors.
Directors' remuneration	<p>Gryphon's constitution provides the following with respect to the remuneration of Gryphon's directors, including:</p> <ul style="list-style-type: none"> • that such remuneration will be paid 	<p>Under the CBCA, the directors of Teranga may fix the remuneration of the directors of the company.</p> <p>Teranga's constating documents provide the following with respect to the remuneration of</p>

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
	<p>out of the funds of Gryphon, by way of remuneration for their services as directors;</p> <ul style="list-style-type: none"> that such remuneration will be a sum not exceeding such fixed sum per annum as may be determined by the directors prior to the first annual general meeting of Gryphon, to be divided among themselves and, in default of agreement, then in equal shares; that such remuneration shall not be increased except pursuant to a resolution passed at a general meeting of Gryphon, where notice of the suggested increase has been given to Gryphon Shareholders in the notice convening the meeting; no executive director will be paid as whole or part of his remuneration a commission on or a percentage of operating revenue; the non-executive directors will be paid as part or whole of their remuneration, a commission on or a percentage of profits, or a commission on or a percentage of operating revenue; the remuneration of directors will accrue from day to day; and a director is entitled to be reimbursed for travelling and other expenses properly incurred by them in attending, participating in and returning from meetings or otherwise in connection with the business of the company. 	<p>Teranga's directors, including:</p> <ul style="list-style-type: none"> that such remuneration will be a sum not exceeding such fixed sum per annum as set forth in Teranga's constituting documents, to be divided among themselves and, in default of agreement, then in equal shares; shall not be increased except pursuant to a resolution passed at a general meeting of Teranga, where notice of the suggested increase has been given to Teranga Shareholders in the notice convening the meeting; no director will be paid as whole or part of his remuneration a commission on or a percentage of operating revenue; executive directors shall have their remuneration fixed by the directors, and may be in the form of salary or commission or participation in profits, or by all or any of these modes, but may not be by commission on, or a percentage of, operating revenue; the remuneration of directors will accrue from day to day; and a director is entitled to be reimbursed for travelling and other out-of-pocket expenses properly incurred by them in attending meetings and the performance of their duties as directors.
Powers of the board of directors	Under Gryphon's constitution, subject to the Corporations Act, the ASX Listing Rules and Gryphon's constitution, the business of Gryphon is to be managed by the Gryphon Board, and the Gryphon Board may exercise all such powers of Gryphon which are not required by the Corporations Act or Gryphon's constitution to be exercised by Gryphon in general meeting.	Teranga's constituting documents do not restrict the powers of the Teranga Board. Under the CBCA, the Teranga Board is to supervise the management of and the business and affairs of Teranga.
Transaction involving directors, officers and other related parties	<p>Under the Corporations Act, Gryphon is prohibited from giving related parties (including directors) a financial benefit unless it:</p> <ul style="list-style-type: none"> obtains the approval of Gryphon Shareholders and gives the benefit within 15 months after approval; or the financial benefit is exempt (including in respect of indemnities, insurance premiums and payments for legal costs which are not otherwise prohibited by the Corporations Act and benefits given on arms' length). <p>A related party is defined to include any entity which controls the public company, directors of the public company, directors of any entity which controls the public company and, in each case, spouses and certain relatives of such persons.</p> <p>Under ASX Listing Rules, listed companies such as Gryphon are prohibited from</p>	<p>The CBCA requires directors to disclose to Teranga the nature and extent of any interest that they, any other company in which they are a senior officer or director, or any other company in which they have an interest, may have in a material contract or transaction, whether made or proposed, with Teranga.</p> <p>Except as provided in the CBCA, no Teranga director having such an interest may vote on any resolution to approve such contract or transaction unless the contract or transaction:</p> <ul style="list-style-type: none"> relates primarily to his or her remuneration as a director of the company or an affiliate; is for indemnity or insurance; or is with an affiliate, <p>Under the CBCA, a director may be liable to account to the company for any profit that accrues to the director as a result of a</p>

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
	<p>acquiring a substantial asset (an asset the value or consideration for which is 5% or more of the entity's equity interests) from, or disposing of a substantial asset to, certain related parties of the company unless it obtains the approval of shareholders. The related parties include a director, a person who has or has had in the prior 6 month period an interest in 10% or more of the shares in the company and, in each case, any of their associates. The provisions apply even where the transaction may be on arms' length terms.</p> <p>Additionally, ASX Listing Rules prohibit a listed company such as Gryphon from issuing (or agreeing to issue) shares to a director unless it obtains the approval of shareholders or the share issue is exempt (such as pro rata issues to all shareholders, an underwriting agreement or under a dividend or distribution plan).</p> <p>Under the Corporations Act, a director who has a material interest in a matter that relates to the affairs of a company must give the other directors notice of that interest. This is confirmed in Gryphon's constitution.</p> <p>A director who has a material personal interest in a matter must not be present at a meeting where the matter is considered or vote on the matter unless:</p> <ul style="list-style-type: none"> • the interest did not need to be disclosed in certain prescribed circumstances; • the directors who do not have a material personal interest have passed a resolution that, identifies the director, the nature and extent of the director's interest in the matter and its relation to the affairs of the company and states that those directors are satisfied that the interest should not disqualify the director from voting or being present; or • ASIC approves. <p>Directors of Gryphon, when entering into transactions with Gryphon, are subject to the common law and statutory duties to avoid conflicts of interest imposed by Australian law.</p>	<p>contract or transaction in which the director holds a disclosable interest, except where:</p> <ul style="list-style-type: none"> • the directors approved the contract or transaction after the interest was disclosed; or • the contract or transaction is approved by a special resolution of the shareholders. <p>Where such approval is not obtained, or a director fails to comply with the procedures set forth in the CBCA, a court may set aside the contract or transaction on any terms that it thinks fit, or require the director to account to the corporation for any profit or gain realised on it, or do both those things.</p> <p>Teranga is subject to Multilateral Instrument 61-101 - <i>Protection of Minority Security Holders in Special Transactions (MI 61-101)</i>, which, among other things, imposes valuation, minority approval and disclosure requirements on entities involved in certain related party transactions. MI 61-101 contains highly detailed and technical requirements the following of which is a brief summary. Under MI 61-101, a related party transaction includes a transaction between an issuer and a person that is a related party to the issuer at the time that the transaction is agreed to, whether or not there are also other parties to the transaction, as a consequence of which, either through the transaction itself or together with a connected transaction, the issuer directly or indirectly, among other things:</p> <ul style="list-style-type: none"> • purchases or acquires an asset from a related party for valuable consideration; • sells, transfers or disposes of an asset to a related party; • leases property to or from a related party; • acquires a related party or combines with a related party through an amalgamation, arrangement or otherwise, whether alone or with joint actors; • issues a security to, or subscribes for a security of, a related party; • becomes subject to a liability of a related party or provides or materially amends the terms of a guarantee or collateral security for a debt or liability of a related party; or • borrows money from or lends money to a related party, or releases, cancels, forgives or materially amends the terms of an outstanding debt or liability owed by or to a related party. <p>Related parties of an entity include, among others: (i) "control persons" of the entity (being holders of more than 20 percent of the voting securities of that entity in absence of evidence to the contrary); (ii) control persons of persons listed in (i); (iii) persons of which the entity itself is a control person; (iv) a person having beneficial ownership, direction or control (directly or indirectly) of</p>

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
		<p>more than 10 percent of the voting securities of the entity; (v) a director or senior officer of any the entity or any person listed in (i)-(iv), and (vi)-(vii); (vi) a person which beneficially owns more than 50 percent of any of the entities listed in (i)-(iv) and (vii); and, (vii) any affiliate of any of the persons listed in (i)-(viii).</p> <p>Pursuant to MI 61-101, parties must obtain (1) a formal valuation of assets or securities that are the subject of a related party transaction, and (2) approval of a majority of the minority of holders of the class of affected securities, unless a prescribed exemption is available, or discretionary relief is obtained from the applicable Canadian securities regulatory authority.</p> <p>The valuation requirement requires that a valuation must be prepared by an appropriately qualified independent valuator no more than 120 days before the earlier of the date that a disclosure document for the transaction is first sent to securityholders (if applicable) and the date that a disclosure document is filed with the relevant securities regulatory authorities. The valuation must contain certain required content and provide sufficient disclosure to allow the securityholders to understand the principal judgments and underlying reasoning of the valuator so as to form a reasoned judgment of the valuation.</p> <p>The minority approval requirement consists of the approval of the proposed transaction by a majority of the votes cast by holders of each class of affected securities at a meeting of securityholders of that class called to consider the transaction, excluding the votes attached to the securities of the issuer held or controlled, directly or indirectly, by the issuer, any interested party, their respective directors or senior officers, and any related parties or joint actors of such persons. If minority approval is required, it must be obtained from the holders of every class of affected securities of the issuer, in each case voting separately as a class. There are additional specific rules in MI 61-101 regarding obtaining minority approval, including the determination of the excluded votes and the disclosure required to be sent to securityholders.</p> <p>MI 61-101 also requires an issuer to include certain detailed disclosure regarding related party transactions in a material change report that is required to be filed under applicable securities laws and in an information circular that is being sent to securityholders to obtain minority approval in respect of a related party transaction.</p> <p>The TSX Company Manual also prescribes requirements to obtain shareholder approval for certain transactions where securities are to be issued to insiders of a listed issuer where the number of securities issued to insiders as a group (either under one or a series of transactions in the preceding six months) exceeds 10 percent of the number of outstanding securities of the listed issuer.</p>
Removal of directors	Under the Corporations Act and Gryphon's	Under the CBCA, the shareholders of

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
	<p>constitution, Gryphon Shareholders may remove a director by passing a resolution to do so at a general meeting.</p> <p>A notice of intention to move the resolution must be given to Gryphon at least two months before the meeting is to be held. However, if Gryphon calls a meeting after the notice of intention is given, the meeting may pass the resolution even though the meeting is held less than two months after the notice of intention is given.</p>	<p>Teranga may, by ordinary resolution at a special meeting, remove any director or directors from office.</p>
Rotation of directors	<p>Under ASX Listing Rules, the directors of Gryphon, other than the managing director, are to retire by rotation.</p> <p>Under Gryphon's constitution, at every annual general meeting, one third of the directors or, any director who has held office for three years or more (other than the managing director), must retire from office. Such directors are eligible to be re-elected.</p> <p>The directors to retire must be those who have been longest in office since their last election. No director, except a managing director, can hold office for a period of more than three years or until the third annual general meeting following his appointment, whichever is longer, without submitting himself for re-election.</p>	<p>Under the CBCA, directors shall be elected for a term not exceeding three years. The TSX requires that shareholders be provided with the opportunity to elect directors at each annual meeting of shareholders.</p> <p>Teranga has adopted a majority voting policy for the election of directors. Pursuant to this policy, any nominee for director of Teranga who, in an uncontested election, receives a greater number of votes withheld than number of votes in favour will promptly submit his or her resignation to Teranga's Board for consideration following the meeting.</p> <p>The Teranga Board will consider such resignation and may choose to accept or reject this resignation. Teranga will announce the decision within 90 days. Teranga's Board should accept such resignation absent exceptional circumstances.</p>
Retirement benefits	<p>Under the Corporations Act, Gryphon is allowed to pay benefits to directors and officers on their retirement or termination. Such benefits require shareholder approval in certain circumstances.</p> <p>Under ASX Listing Rules, termination benefits to directors (that are or may be payable to all officers) must not exceed 5% of the equity interests of Gryphon as set out in its latest financial statements given to ASX. The 5% limit may, however, be exceeded with shareholder approval.</p>	<p>There are no restrictions on the quantum of retirement benefits that Teranga may pay to its directors or officers in its constating documents.</p>
Indemnification of directors and officeholders	<p>Under the Corporations Act, indemnification of Gryphon's directors against specific liabilities is prohibited. These are liabilities:</p> <ul style="list-style-type: none"> • owed to a company or a Related Body Corporate; • for a pecuniary penalty order or a compensation order; or • that is owed to someone other than a company or a Related Body Corporate and did not arise out of conduct in good faith. <p>Additionally, under the Corporations Act an indemnity for legal costs in specific circumstances (such as where an officer is liable, found guilty or where the grounds for a court order have been made out) is prohibited. Payments by Gryphon of insurance premiums which cover conduct that involves a wilful breach of duty or a breach of certain statutory directors duties is also prohibited under the Corporations Act.</p>	<p>Teranga's constating documents provide that Teranga must indemnify to the fullest extent permitted by the CBCA:</p> <ul style="list-style-type: none"> • a director or officer; • a former director or officer; • an individual who acts or acted at Teranga's behest as a director or officer, or in a similar capacity, of another entity; and • his or her heirs and legal personal representatives. <p>The CBCA permits a company to indemnify a director or officer of a corporation or another individual who acts or acted at the corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the corporation or other</p>

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
		<p>entity.</p> <p>Under the CBCA, a company may not indemnify any of the aforementioned individuals unless:</p> <ul style="list-style-type: none"> • such individual acted honestly and in good faith with a view to the best interests of the corporation, or, as the case may be, to the best interests of the other entity for which the individual acted as director or officer or in a similar capacity at the corporation's request; and • in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful. <p>The CBCA and Teranga's constating documents authorise Teranga to purchase and maintain liability insurance for the benefit of the individuals described above against such liabilities.</p>
Directors' liability	Under the Corporations Act, there is a general prohibition on Gryphon or a Related Body Corporate exempting officers from liability.	<p>Under the CBCA, a Teranga director is not liable for a resolution he or she voted in favour of if the director has relied in good faith on:</p> <ul style="list-style-type: none"> • financial statements of the company represented to the director by an officer of the company or in a written report of the auditor of the company to fairly reflect the financial position of the company; or • a written report of a person whose profession lends credibility to a statement made by the professional person.
Directors' duties	<p>Under Australian law, the directors of Gryphon have certain fiduciary obligations to Gryphon. These fiduciary obligations include:</p> <ul style="list-style-type: none"> • a duty to act in good faith in the best interests of the company; • a duty to act for a proper purpose; • a duty not to fetter their discretion; • a duty to exercise reasonable care and diligence; • a duty to avoid conflicts of interest; • a duty not to use their position to their advantage; and • a duty not to misappropriate company property. 	<p>Under Canadian law, every director of Teranga has certain obligations in exercising their powers and discharging their duties, including to:</p> <ul style="list-style-type: none"> • act honestly and in good faith with a view to the best interests of Teranga (commonly referred to as the 'duty of loyalty'); • act for a proper purpose; • act in accordance with the applicable laws; • exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (commonly referred to as the 'duty of care'); • avoid conflicts of interest; • not use their position to their advantage; and • not misappropriate company property.
Nomination of directors	Under ASX Listing Rules, Gryphon is required to accept nominations for the election of its directors up to 35 days (30 days in the case of a meeting requested by Gryphon Shareholders) before the date of a	Teranga has adopted an advance notice by-law which sets out a prescribed mechanism for nominations of directors by shareholders in advance of shareholder meetings at which

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
	general meeting at which the directors are elected.	directors may be elected.
Casual vacancies	<p>Under Gryphon's constitution, the company in general meeting or the Gryphon Board is authorised to appoint a person to fill a casual vacancy, or as an addition to the Gryphon Board.</p> <p>Under ASX Listing Rules and Gryphon's constitution, any such appointed director may hold office only until the next annual general meeting of Gryphon. They will then be eligible for re-election at that meeting but will not be taken into account in determining the number of directors who are to retire by rotation at that meeting.</p>	Subject to the CBCA, Teranga's constating documents provide that the directors of Teranga may appoint one or more directors, however the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual meeting of shareholders. A director so appointed will hold office until a term expiring not later than the close of the next annual meeting of shareholders.
Corporate governance	The structures of the Gryphon Board, and Gryphon's corporate policies as a whole, must comply with the requirements of ASX Listing Rules in relation to corporate governance.	National Instrument 58-101 of the Canadian Securities Administrators requires issuers to annually disclose certain corporate governance information including in relation to independence of directors, board mandates, position descriptions, corporate governance practices, committee mandates and functions, director term limits and policies with respect to the representation of women on boards as part of prescribed disclosure of an issuer's corporate governance practices in its management information circular. Audit committee composition and practices are subject to separate reporting requirements mandating publication in the issuer's management information circular.
Insider trading	Under the Corporations Act, any person who possesses price sensitive information relating to Gryphon or its securities is prohibited (subject to exceptions) from buying or selling those securities or procuring others do so, or from communicating the information to third parties.	<p>Canadian securities laws prohibit certain persons (including directors, officers and employees) from trading securities of a reporting issuer with knowledge of a material fact or material change with respect to a reporting issuer that has not been generally disclosed.</p> <p>In addition, National Instrument 55-102 of the Canadian Securities Administrators establishes a mandatory system of electronic reporting of trading activity by certain insiders of each reporting issuer. Insiders generally have to report within 5 days following any trade in securities of the issuer.</p>
Members' meetings		
Quorum of shareholders	Under Gryphon's constitution, the quorum for a general meeting of Gryphon Shareholders is three Gryphon Shareholders who are entitled to vote.	Teranga's constating documents provide that the presence of two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 20% of the shares entitled to be voted at such meeting will constitute quorum for the transaction of business at the meeting of shareholders.
Annual general meeting	Under the Corporations Act, the annual general meeting of Gryphon is required to be held at least once every calendar year and within five months after the end of each financial year (unless an extension is granted by ASIC).	<p>Under the CBCA, the annual meeting of Teranga Shareholders must be called by the directors at least once per calendar year and not later than 15 months after holding the last preceding annual meeting (but no more than six months following the end of its most recent financial year).</p> <p>The TSX Company Manual mandates that each listed issuer must hold its annual meeting of shareholders within six months from the end of its fiscal year, or at such earlier time as is required by applicable law. An issuer may seek an exemption to hold a</p>

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
		meeting at a later date.
Notice of shareholders meetings	<p>Under Gryphon's constitution and the Corporations Act, not less than 28 days' notice of a general meeting must be given to Gryphon Shareholders.</p> <p>The notice of a meeting must specify the date, time and place of the meeting and state the general nature of the business to be transacted at the meeting.</p>	<p>Under Teranga's constating documents and the CBCA, notice of a general meeting of Teranga's shareholders must be given to the shareholders entitled to vote (and the directors and auditors) at least 21 days before the date of the meeting. The record date for the giving of notice of the meeting must not precede the meeting date by more than 60 days.</p> <p>A notice of a meeting at which special business is to be transacted must state the nature of that business in sufficient detail to permit the shareholder to form a reasoned judgement thereon, as well as the text of any special resolution to be submitted to the meeting. Any business, other than the election of directors, reappointment of the incumbent auditor, consideration of the financial statements and reports of the directors or auditor, and business relating to the conduct of or voting at the meeting, is deemed to be special business.</p> <p>National Instrument 51-102 of the Canadian Securities Administrators requires that a reporting issuer calling a meeting of its shareholders provide an information circular to its shareholders. The information circular must describe any matters to be acted upon in sufficient detail to enable reasonable security holders to form a reasoned judgement concerning the matter.</p> <p>National Instrument 54-101 of the Canadian Securities Administrators requires a reporting issuer that is required to give notice of a meeting to fix a date for the meeting and a record date for notice for the meeting which shall be no fewer than 30 and no more than 60 days before the meeting date, and, if required or permitted by corporate law, fix a record date for voting at the meeting. The reporting issuer is required, subject to certain exemptions, to notify certain intermediaries at least 25 days prior to the record date as part of a process of ensuring that beneficial shareholders that are not directly on the share register, receive notice of the meeting and are able to vote their shares by proxy. Certain of these timelines may be abridged by following procedures set forth in National Instrument 54-101.</p>
Calling meetings	<p>Under the Corporations Act, a general meeting of Gryphon Shareholders may be called by individual directors, or by Gryphon Shareholders holding at least 5% of the total votes that may be cast at the meeting.</p> <p>Additionally, under Gryphon's constitution, the Gryphon Board is given the power to convene a general meeting at any time, provided that if there are no directors holding office, the secretary will convene a general meeting for the purpose of electing directors.</p>	<p>Under the CBCA, the Teranga Board may call a special meeting of shareholders at any time.</p> <p>The CBCA further provides that the holders of not less than 5% of the issued shares of a company that carry the right to vote at a meeting may requisition the directors to call a meeting of shareholders for the purposes stated in the requisition unless the directors are excused from doing so.</p>
Shareholder proposed resolutions	<p>Under the Corporations Act, Gryphon Shareholders holding at least 5% of the votes that may be cast at a general meeting, or at least 100 Gryphon Shareholders who are entitled to vote at the meeting may, by written notice to the company, propose a resolution for consideration at the next</p>	<p>The CBCA entitles a registered or beneficial holder of not less than 1% (or having a fair market value in excess of the prescribed amount) of Teranga shares eligible to be voted at its annual shareholder meeting to submit to Teranga notice of any matter that the person proposes to raise at the meeting</p>

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
	<p>general meeting occurring more than two months after the date of their notice.</p>	<p>(a “Proposal”) and discuss at the meeting any matter in respect of which the person would have been entitled to submit a Proposal. If Teranga receives notice of a Proposal at least 90 days prior to the anniversary of the previous year’s annual reference date, and is soliciting proxies, it would then be required to set out the Proposal in its management proxy circular (and, if requested by the person submitting the Proposal, include or attach the Proposal and a statement in support of the Proposal not exceeding 500 words in the aggregate).</p> <p>The CBCA provides for exemptions from the requirements to include a proposal in a company’s management proxy circular in certain circumstances, including where:</p> <ul style="list-style-type: none"> • it clearly appears that the primary purpose of the proposal is to enforce a personal claim or redress a personal grievance against the company or its directors, officers or security holders; • it clearly appears that the proposal does not relate in a significant way to the business or affairs of the company; • substantially the same proposal failed to receive a certain amount of support at a prior meeting held not more than the prescribed number of years before the receipt of the proposal; • not more than the prescribed period before the receipt of a proposal, a person failed to present, in person or by proxy, at a meeting of shareholders, a proposal that at the person’s request, had been included; or • the proposal mechanism is being abused to secure publicity.
Passing resolutions at a general meeting	<p>Under Australian law, a resolution at a general meeting of Gryphon Shareholders is to be passed by a simple majority of votes cast by the Gryphon Shareholders present and voting at the meeting.</p>	<p>Under the CBCA, an ordinary resolution at a general meeting of Teranga’s shareholders is to be passed by a simple majority of votes cast by the shareholders entitled to vote on the resolution.</p>
Special resolutions	<p>Under the Corporations Act, a special resolution is to be passed by 75% of the votes cast by Gryphon Shareholders present and voting on the resolution.</p> <p>Approval by special resolution of Gryphon Shareholders is required for actions such as:</p> <ul style="list-style-type: none"> • modifying or repealing a company’s constitution; • changing a company’s name or type; • selectively reducing or buying back capital (in some circumstances); • giving financial assistance in connection with the acquisition of shares in a company; and • undertaking a voluntary winding up of a company. 	<p>Under the CBCA, a special resolution must be passed by a majority of not less than two-thirds of the votes cast by the shareholders entitled to vote on the resolution.</p> <p>Approval by special resolution of the shareholders is required for actions such as:</p> <ul style="list-style-type: none"> • amending a company’s articles; • changing a company’s name; • increasing or reducing stated capital, if the company’s stated capital is stated in its articles; • undertaking a voluntary liquidation and dissolution; • amalgamating with another arm’s length company; • continuing under the laws of another jurisdiction; and • undertaking the sale, lease or exchange of all or substantially all

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
		of the property of the company other than in the ordinary course of business.
Relationship between the company and its members		
Derivative action and shareholder class action	<p>Under the Australian common law, Gryphon Shareholders do not have the right to bring a common law action on behalf of Gryphon.</p> <p>Under the Corporations Act, a statutory derivative action may be instituted by a shareholder, former shareholder or person entitled to be registered as a shareholder.</p> <p>In all cases, leave of the court is required. Such leave will be granted if:</p> <ul style="list-style-type: none"> • it is probable that the company will not itself bring the proceedings or properly take responsibility for them; • the applicant is acting in good faith; • it is in the best interests of the company; • there is a serious question to be tried; and • either: <ul style="list-style-type: none"> ○ at least 14 days before making the application, the applicant gave written notice to the company of the intention to apply for leave and of the reasons for applying; or ○ it is otherwise appropriate for the court to grant leave. 	<p>Under the CBCA, representative shareholder actions or derivative actions are available to Teranga Shareholders and other 'complainants' (as defined under the CBCA to include among others, shareholders and any other person whom the court considers to be an appropriate person to bring an action).</p>
Relief from oppression	<p>Under the Corporations Act, any shareholder can bring an action in cases of conduct which is either contrary to the interests of Gryphon Shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any Gryphon Shareholders in their capacity as a shareholder, or themselves in a capacity other than as a shareholder. Former Gryphon Shareholders can also bring an action if it relates to the circumstances in which they ceased to be a shareholder.</p>	<p>A shareholder may apply to a Canadian court for an order under section 241 of the CBCA on the grounds that:</p> <ul style="list-style-type: none"> • any act or omission of the corporation or any of its affiliates effects a result; • the business or affairs of the corporation or any of its affiliates are or have been carried on or conducted in a manner; or • the powers of the directors of the corporation or any of its affiliates are or have been exercised in a manner, <p>that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of any security holder, creditor, director or officer, the court may make an order to rectify the matters complained of.</p> <p>On an application under this section, the court may, with a view to remedying or bringing to an end the matters complained of, make any interim or final order it considers appropriate.</p> <p>The CBCA further provides that if a company or any director, officer, employee, agent or mandatary, auditor, trustee, receiver, receiver-manager, sequestrator or liquidator of a company contravenes or is about to contravene a provision of the CBCA or the regulations or the articles of the company, a complainant may, in addition to any other rights that that person might have,</p>

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
		<p>apply to the court for an order that the person who has contravened or is about to contravene the provision comply with or refrain from contravening the provision.</p> <p>On the application of one or more shareholders, the court may appoint an inspector to conduct an investigation of the company, and determine the manner and extent of the investigation, if it appears to the court that:</p> <ul style="list-style-type: none"> • the business of the corporation or any of its affiliates is or has been carried on with intent to defraud any person; • the business or affairs of the corporation or any of its affiliates are or have been carried on or conducted, or the powers of the directors are or have been exercised in a manner that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of a security holder; • the corporation or any of its affiliates was formed for a fraudulent or unlawful purpose or is to be dissolved for a fraudulent or unlawful purpose; or • persons concerned with the formation, business or affairs of the corporation or any of its affiliates have in connection therewith acted fraudulently or dishonestly. <p>Representative shareholder actions or derivative actions are also available to other 'complainants', such as a director of a company or any other person the court considers appropriate. The CBCA allows a complainant, with leave of the court, to prosecute or defend in the name and on behalf of a company, an action, provided that:</p> <ul style="list-style-type: none"> • the complainant has given notice to the directors of the corporation or its subsidiary of the complainant's intention to apply to the court not less than 14 days before bringing the application, or as otherwise ordered by the court, if the directors of the corporation or its subsidiary do not bring, diligently prosecute or defend or discontinue the action; • the complainant is acting in good faith; and • it appears to be in the interests of the corporation or its subsidiary that the action be brought, prosecuted, defended or discontinued. <p>Whether seeking to bring an action or defend an action, certain substantive and procedural requirements must first be met. In any case, to bring a derivative action it is first necessary to obtain leave of the court. The granting of leave is not automatic, but requires the court to exercise a judicial discretion.</p> <p>The powers of the court under the CBCA in</p>

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
		making an order are broad: it may make any order it thinks fit, from a simple order amending a company's articles to an order liquidating and dissolving the company. In addition to the above, shareholders may be able to bring claims against a company based on the general laws of contract, tort or other private laws applicable in Canada.
Statutory rights of action for misrepresentations	Under the Corporations Act, any shareholder who suffers a loss as a result of misleading or deceptive conduct relating to securities can bring an action against the person engaged in the conduct. Similarly, any shareholder who suffers loss as a result of a misleading or deceptive statement contained in a disclosure document (i.e. a prospectus) can bring an action against the company, any director or the underwriter to the offer made through the disclosure document.	In jurisdictions within Canada, a statutory right of action is conferred by securities legislation on purchasers of securities of a company against various persons or companies including the issuer of securities, the underwriter, directors and officers of the issuer, and certain other persons or companies responsible for the issue of a prospectus in respect of damage suffered by reason of a misrepresentation therein. A similar right of action is available in some jurisdictions in Canada against certain persons or companies in respect of misrepresentations contained in other disclosure documents such as offering memoranda or take-over bid circulars.
Inspection of books	Under the Corporations Act, a shareholder must obtain a court order to obtain access to Gryphon's books and records.	Under the CBCA, shareholders may examine certain corporate records of Teranga (including the securities register, articles, minutes of meetings and resolutions of shareholders) at Teranga's registered office or such other place where such records are kept during Teranga's usual business hours free of charge, and copies may be obtained for a fee. Any person wishing to examine the list of shareholders must first make a request to the company, accompanied by an affidavit stating that the list will not be used except for certain purposes permitted under the CBCA.
Financial records and reports	Under the Corporations Act, Gryphon must report annually to its members, which report must include a financial report, directors report (which includes the remuneration report) and the auditors report on the financial report for each relevant year. The ASX Listing Rules also require the company to provide a preliminary financial report to the ASX annually.	Under applicable Canadian securities law Teranga is required to file audited annual financial statements and accompanying management discussions and analysis within 90 days of the most recently completed financial year end and interim (three month) financial statements and accompanying management discussions and analysis within 45 days of the end of the interim period. All financial statements and accompanying management and discussion and analysis must be filed on SEDAR, a Canadian mandatory document filing and retrieval system established by the provincial and territorial securities commissions. Teranga is also generally required to send a paper copy of the audited annual financial statements and a copy of the interim financial statements and accompanying management discussion and analysis to each shareholder who requests them from Teranga.
Takeovers		
Takeovers	Under the Corporations Act, any acquisition by a person of a "relevant interest" in a "voting share" of Gryphon is restricted where, because of a transaction, that person or someone else's percentage "voting power" in Gryphon increases above 20% (or, where the person's voting power was already above	In Canada, takeover bids are regulated primarily by provincial and territorial securities legislation and related rules and, to a limited extent, the corporate statutes under which the target company is incorporated. Unless an exemption from the formal takeover bid requirements under

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
	<p>20% and below 90%, increases in any way at all).</p> <p>There is an exception from these restrictions where the shares are acquired under takeover offers made under the Corporations Act to all shareholders, which must be on the same terms for all Gryphon Shareholders (subject to minor exceptions) and which must comply with the timetable and disclosure requirements of the Corporations Act.</p> <p>There are also other exceptions from the 20% limit for acquisitions made through permitted gateways such as acquisitions with shareholder approval or “creeping” by acquiring up to 3% every six months (if throughout the six months before the acquisition the person has had voting power in the company of at least 19%).</p> <p>The purpose of these provisions is to attempt to ensure that Gryphon Shareholders in the target company have a reasonable and equal opportunity to share in any premium for control and that they are given reasonable time and enough information to assess the merits of the proposal.</p>	<p>securities legislation is available or can be obtained, persons or companies making an offer to acquire Teranga shares in a Canadian jurisdiction where the subject shares, together with the offeror’s securities (including any securities held by joint offerors), constitute in aggregate 20% or more of the outstanding shares of the company at the time of the offer are required to extend the offer to all shareholders in the jurisdiction. These provisions require, among other things, the production, filing and mailing of a takeover bid circular to shareholders of the target company.</p> <p>Takeover bids must treat all Canadian Teranga Shareholders alike and must not involve any collateral agreements, with certain exceptions for employment compensation arrangements. Takeover bids must remain open for a minimum of 105 days from the date of the mailing of the circular (which can be reduced to 35 days on consent of the target board).</p> <p>For the protection of target shareholders, the takeover bid rules contain various additional requirements, such as restrictions applicable to conditional offers and the withdrawal, amendment or suspension of offers. Securities regulators also retain a general ‘public interest jurisdiction’ to regulate takeovers and may intervene to halt or prevent activity that is abusive.</p> <p>There are extensive disclosure requirements associated with takeover bids, beginning with early warning disclosure required generally when an acquirer crosses the 10% ownership threshold of a class of voting or equity securities. Generally, further disclosure is required for additional purchases or dispositions of 2% or more of the outstanding security for which such early warning disclosure is required. Purchases outside the bid before, during and after the bid are also restricted.</p> <p>Following a bid, second step transactions where the acquirer brings its percentage ownership to 100% are governed by the CBCA and Multilateral Instrument 61-101. No shareholder approval of the acquisition would be required if the acquirer obtained 90% of the outstanding securities owned by minority shareholders during the bid, provided that certain prescribed conditions are met. Otherwise, a special shareholder meeting must be called and associated regulations complied with for an acquisition, including obtaining a two-thirds majority approval. The acquirer is generally permitted to vote the shares acquired pursuant to the bid at such meeting. Appraisal (or dissent) rights are available for objecting shareholders who fulfil certain procedural requirements.</p> <p>Under Canadian law, certain exemptions to the formal bid requirements, on specified conditions, are allowed. For example, private agreements to purchase securities from up to five persons are permitted if certain conditions are met, including that the purchase price does not exceed 115% of the market price. Under the normal course purchase exception, the offeror (together</p>

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
		with any joint offerors) may acquire up to 5% of a class of securities within a 12-month period, provided that certain prescribed conditions are met.
Disclosure of substantial holdings	Under the Corporations Act, a shareholder who begins or ceases to have a substantial holding in a company listed on ASX or has a substantial holding in a company listed on ASX, and there is a movement by at least 1% in their holding, must give a notice to the company and ASX. A person has a substantial holding if that person and that person's associates have a relevant interest in 5% or more of the voting shares in the company	Under applicable Canadian securities laws, generally, any person that acquires beneficial ownership of, or power to exercise control or direction over, 10% of more of the voting or equity securities of Teranga is required to issue a press release and to file an early warning report in accordance with National Instrument 62-103, disclosing their shareholdings to Teranga and the public. A person that files an early warning report for Teranga will also be required to file a news release and early warning report for every additional 2% of voting or equity securities of Teranga that such person acquires. Such person will also be required to file a news release and early warning report for every disposition of 2% of voting or equity securities of Teranga. Furthermore, directors, certain executive officers, shareholders holding 10% or more of the voting securities of Teranga, and other prescribed individuals ("Reporting Insiders") are required to file an Insider report under National Instrument 55-104. Insider reports set out the percentage of Teranga Shares that an Insider owns or exercises control or direction over. Insider reports are publicly disclosed on the System for Electronic Disclosures by Reporting Insiders (www.sedi.ca) and must be filed within ten days of a person becoming a Reporting Insider and within five days of a change of that person's shareholdings in Teranga.
Winding up		
Winding up	Under Australian law, an insolvent company may be wound up by a liquidator appointed by either creditors or the court. Directors cannot use their powers after a liquidator has been appointed. If there are funds left over after payment of the costs of the liquidation, and payments to other priority creditors, including employees, the liquidator will pay these to unsecured creditors. The Gryphon Shareholders rank behind the creditors. Under Australian law, shareholders of a solvent company may decide to wind up the company if the directors are able to form the view that the company will be able to pay its debts in full within 12 months after the commencement of the winding up. A meeting at which a decision is made to wind up a solvent company requires at least 75% of votes cast by the shareholders present and voting. Gryphon's constitution states that if Gryphon is wound up, the liquidator may, with the sanction of a special resolution, divide among the Gryphon Shareholders in kind, the whole or any part of the property of Gryphon, and may for that purpose set whatever value the liquidator considers fair on any property to be so divided and determine how the division should be carried out between the Gryphon Shareholders or different classes of Gryphon Shareholders.	Under the CBCA, a company will cease to exist if it is voluntarily dissolved or if it is wound up. Liquidation and dissolution may be proposed by a director or a shareholder entitled to vote at an annual meeting (i.e. a voluntary liquidation) or by the court on the application of a shareholder, creditor or other person authorised under the legislation (i.e. an involuntary or compulsory liquidation). A liquidation may begin as a voluntary, shareholder driven proceeding, but then be continued under court supervision upon the application of any interested person. In all cases, the corporation must be neither insolvent nor bankrupt to have its existence terminated under the CBCA. Liquidation of the company may also take place completely outside the framework of the CBCA. A CBCA corporation may also be liquidated under the provisions of the <i>Bankruptcy and Insolvency Act</i> (Canada), either by way of assignment into bankruptcy (voluntary) or on petition by a creditor (involuntary) or under the <i>Companies' Creditors Arrangement Act</i> (Canada). Finally, a CBCA corporation may be liquidated informally under contractual arrangement, usually by way of the private appointment of a receiver and manager. Under the CBCA, voluntary liquidation may be initiated or proposed by the directors or

	Rights of Gryphon Shareholders	Rights of Teranga Shareholders
		<p>shareholders, but must be sanctioned by a special resolution of the shareholders.</p> <p>Under the CBCA, dissolution by the court may be commenced by application of a shareholder if the court is satisfied that there has been conduct that is oppressive or unfairly prejudicial to the interests of shareholders, creditors, directors or officers or that it is just and equitable that the company should be liquidated and dissolved. A liquidator may be appointed by the court.</p> <p>Teranga's constating documents do not place any restriction on Teranga's winding up procedure.</p>

Annexure C – Scheme of Arrangement

SCHEME OF ARRANGEMENT MADE UNDER SECTION 411 OF THE CORPORATIONS ACT 2001 (CTH)

DETAILS

Parties	Gryphon
	Name Gryphon Minerals Limited
	ABN 31 107 690 657
	Address 288 Churchill Road, Subiaco, Western Australia 6008, Australia
	Fax +61 (08) 287 4334
	Email steve.parsons@gryphonminerals.com.au
	Attention Mr Stephen Parsons, Managing Director

The registered holders of the fully paid ordinary shares in the capital of Gryphon as at 5:00pm on the Record Date

1 DEFINED TERMS & INTERPRETATION

1.1 Defined terms

In this Scheme, except where the context otherwise requires:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as appropriate.

ASX Settlement means ASX Settlement Pty Ltd ABN 49 008 504 532.

ASX Settlement Rules means ASX Settlement Operating Rules of ASX Settlement.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that the ASX declares is not a business day.

CDN means CHESS Depository Nominees Pty Ltd (ABN 75 071 346 506) (AFSL 25414), in its capacity as depository of the Teranga CDIs under the ASX Settlement Rules.

CHESS means the clearing house electronic sub-register system of share transfers operated by ASX Settlement.

Conditions Precedent means the conditions precedent set out in clause 3.1 of the Implementation Agreement.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Federal Court of Australia.

Deed Poll means the deed poll between executed by Teranga in the form of Annexure D to the Scheme Booklet, with any amendments approved in writing by Teranga and Gryphon.

Effective means, when used in relation to a Scheme, the order of the Court made under section 411(4)(b) in relation to the Scheme taking effect pursuant to section 411(10) of the Corporations Act, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

Election Form means the form accompanying the Scheme Booklet, pursuant to which Scheme Participants (other than Ineligible Shareholders) may elect whether to receive their Scheme Consideration in the form of Teranga Shares or Teranga CDIs.

Encumbrance means any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit à prendre, easement or any other security arrangement having the same effect.

End Date means 31 December 2016, or such later date as agreed to in writing between Teranga and Gryphon.

Excluded Shareholder means Teranga and any related body corporate.

Gryphon Share means a fully paid ordinary share in the capital of Gryphon.

Gryphon Shareholder means each person who is registered in the Register as the holder of Gryphon Shares.

Implementation Agreement means the Scheme Implementation Agreement dated on or about 19 June 2016 between Teranga and Gryphon, as amended or varied from time to time.

Implementation Date means the fifth Business Day after the Record Date, or such other date agreed to in writing by Teranga and Gryphon.

Ineligible Shareholder means a Gryphon Shareholder whose address shown in the Register is in a jurisdiction outside Australia, New Zealand and Canada in which Teranga determines, acting reasonably, does not permit the issue of Teranga Shares or Teranga CDIs to that Gryphon Shareholder either unconditionally or after compliance with terms that Teranga reasonably regards as acceptable and practical.

Performance Right means a performance right issued by Gryphon.

Record Date means the fifth Business Day following the Effective Date, or such other date (after the Effective Date) as Gryphon and Teranga may agree in writing.

Register means the share register of Gryphon kept pursuant to the Corporations Act.

Sale Agent means a person appointed by Teranga to sell the Teranga Shares that are attributable to Ineligible Shareholders.

Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between Gryphon and the Gryphon Shareholders as set out in this document, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Teranga and Gryphon.

Scheme Booklet means the scheme booklet published by Gryphon in connection with this Scheme.

Scheme Consideration means means 0.169 Teranga CDIs or, if so elected, 0.169 Teranga Shares, for every one Scheme Share.

Scheme Meeting means the meeting of Gryphon Shareholders convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act and includes any adjournment of that meeting.

Scheme Participant means each person who is a Gryphon Shareholder as at 5:00pm on the Record Date (other than Excluded Shareholders).

Scheme Share means a Gryphon Share held by a Scheme Participant as at 5:00pm the Record Date.

Second Court Date means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned or appealed application is heard.

Teranga means Teranga Gold Corporation, a company incorporated and existing under the laws of Canada, having its principal office at 121 King Street West, Suite 2600, Toronto, Ontario M5H 3T9, Canada.

Teranga CDIs means CHESS depositary interests, issued by CDN, each representing a beneficial interest in one Teranga Share.

Teranga Register means the share register of Teranga kept pursuant to applicable law in Canada.

Teranga Share means one fully paid common share in the capital of Teranga.

TSX means the Toronto Stock Exchange.

1.2 Interpretation

In this Scheme:

- 1.2.1 the singular includes the plural and vice versa, and a gender includes other genders;
- 1.2.2 another grammatical form of a defined word or expression has a corresponding meaning;
- 1.2.3 a reference to a clause, paragraph, or schedule is to a clause or paragraph of, or schedule to, this document, and a reference to this agreement includes any schedule;
- 1.2.4 a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- 1.2.5 a reference to A\$, dollar or \$ is to Australian currency;

- 1.2.6 a reference to C\$ is to the lawful currency of Canada;
- 1.2.7 a reference to time is to Perth, Western Australia time, unless otherwise noted;
- 1.2.8 a reference to a party is to a party to this agreement, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- 1.2.9 a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- 1.2.10 a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- 1.2.11 a word or expression defined in the Corporations Act and not otherwise defined in this agreement has the meaning given to it in the Corporations Act;
- 1.2.12 the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;
- 1.2.13 any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- 1.2.14 a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this document or any part of it; and
- 1.2.15 if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

2 THE SCHEME

- 2.1 Subject to and conditional on:
 - 2.1.1 approval of the Scheme by the Court pursuant to section 411(4)(b) of the Corporations Act and if applicable, Gryphon and Teranga having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act;
 - 2.1.2 lodgement with ASIC of an office copy of the order of the Court approving the Scheme pursuant to section 411(10) of the Corporations Act;
 - 2.1.3 all of the Conditions Precedent being satisfied or waived (other than those Conditions Precedent that cannot be waived) in accordance with the Implementation Agreement by the times set out in the Implementation Agreement;
 - 2.1.4 as at 8:00 am on the Second Court Date, the Implementation Agreement not having been terminated by Gryphon or Teranga; and

- 2.1.5 as at 8:00 am on the Second Court Date, the Deed Poll not having terminated in accordance with its terms,
- in consideration for the Scheme Consideration for the Scheme Shares in accordance with the terms of this Scheme, the Scheme Shares, and all rights and entitlements attaching to the Scheme Shares, will be transferred to Teranga with effect from the Implementation Date and without the need for any further act by the holders of the Scheme Shares (other than any acts performed by Gryphon or its directors or officers as attorney or agent for the Scheme Participants) on the terms of this Scheme.
- 2.2 The satisfaction of each condition in sub-paragraph 2.1.1 to 2.1.5 (inclusive) of this Scheme (**Condition**) is a condition precedent to the operation of this Scheme.
- 2.3 Gryphon will provide to the Court on the Second Court Date a certificate signed by Teranga and Gryphon (or such other evidence as the Court requests) stating whether or not the Conditions (other than the Conditions in sub-paragraphs 2.1.1 and 2.1.2) have been satisfied or waived as at 8:00am on the Second Court Date. The certificate referred to in this paragraph 2.3 will constitute conclusive evidence of whether the Conditions in sub-paragraphs 2.1.3 to 2.1.5 have been satisfied or waived as at 8:00am on the Second Court Date.
- 2.4 Subject to paragraph 2.5, this Scheme becomes Effective for all purposes on the Effective Date.
- 2.5 This Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date, unless Teranga and Gryphon otherwise agree in writing.
- 2.6 In consideration of the transfer of the Scheme Shares to Teranga (as detailed in paragraph 2.9), and subject to the other terms and conditions of this Scheme, on the Implementation Date:
- 2.6.1 each Scheme Participant (who is not an Ineligible Shareholder) will be issued the Scheme Consideration in respect of the Gryphon Shares held by them as at 5:00pm on the Record Date; and
- 2.6.2 the Sale Agent will be issued the Scheme Consideration (in the form of Teranga Shares) in respect of the Gryphon Shares held by all Ineligible Shareholders as at 5:00pm on the Record Date.
- 2.7 Notwithstanding any rule of law or equity to the contrary, holders of Scheme Shares will be entitled to exercise all voting and other rights attached to the Scheme Shares pending their transfer pursuant to paragraph 2.9, subject to the restrictions on dealing in Scheme Shares set out in paragraph 4.
- 2.8 If the Scheme becomes Effective, a holder of Scheme Shares (other than an Ineligible Shareholder) will be deemed to have agreed to become a member of Teranga and to have accepted the Teranga Shares or Teranga CDIs issued to that holder under this Scheme subject to, and to be bound by, Teranga's constitution.
- 2.9 On the Implementation Date Gryphon must:
- 2.9.1 procure the delivery of a duly completed transfer in respect of all the Scheme Shares to ASX Settlement by a broker nominated in writing by Teranga to effect a valid transfer of all the Scheme Shares to Teranga pursuant to section 1074D of the Corporations Act or, if such a procedure is not available for any reason,

deliver to Teranga a duly completed and executed instrument or instruments of transfer transferring all of the Scheme Shares to Teranga; and

- 2.9.2 subject to Teranga having executed that instrument of transfer, enter the name of Teranga in the Register as the holder of the Scheme Shares.
- 2.10 This Scheme attributes actions to Teranga but does not itself impose an obligation on Teranga to perform those actions. Teranga has agreed by executing the Deed Poll to perform (or procure the performance of) its obligations as contemplated by this Scheme, including to provide the Scheme Consideration to Scheme Participants.
- 2.11 Gryphon undertakes in favour of each Scheme Participant to enforce the Deed Poll against Teranga on behalf of and as agent and attorney for the Scheme Participants.
- 2.12 Each Scheme Participant warrants to Teranga and is deemed to have authorised Gryphon to warrant to Teranga as agent and attorney for the Scheme Participant by virtue of this clause 2.12, that:
 - 2.12.1 all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to Teranga under the Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances; and
 - 2.12.2 they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Teranga under the Scheme.

3 ELECTION PROCEDURE

- 3.1 Subject to the remaining provisions of this paragraph 3, each Scheme Participant will be entitled to elect to receive as consideration for the transfer of its Scheme Shares to Teranga, under this Scheme, either Teranga Shares or Teranga CDIs by completing the Election Form and returning it to the address specified in the Election Form so that it is received by 5:00pm on the Record Date. An election (other than a deemed election) under this paragraph 3 must be made in accordance with the terms and conditions on the Election Form.
- 3.2 An Ineligible Shareholder may not make an election pursuant to this paragraph 3 and any election purportedly made by an Ineligible Shareholder will be invalid. Ineligible Shareholders will be deemed to have elected Teranga Shares and will be dealt with in accordance with paragraph 6.
- 3.3 A Scheme Participant (who is not an Ineligible Shareholder) who does not validly elect between Teranga Shares and Teranga CDIs will be deemed to have elected to receive Teranga CDIs. Accordingly, a Scheme Participant who wishes to receive Teranga CDIs does not need to make an election under this paragraph 3.
- 3.4 Subject to paragraph 3.5, an election made, or deemed to be made by a Scheme Participant under this paragraph 3 will be deemed to apply in respect of the Scheme Participant's entire registered holding of Gryphon Shares, regardless of whether the Scheme Participant's holding of Scheme Shares at the Record Date is greater or less than the Scheme Participant's holding of Gryphon Shares at the time of the election.

- 3.5 A Scheme Participant who is noted on the Register as holding one or more parcels of Scheme Shares as trustee or nominee for, or otherwise on account of, another person, may make a separate election under this paragraph 3 in relation to each of those parcels of Scheme Shares (subject to it providing to Gryphon and Teranga any substantiating information they reasonably require), and an election made or deemed to be made in respect of any such parcel, will not be taken to extend to the other parcels.
- 3.6 Gryphon may, with the agreement of Teranga, settle as it thinks fit any difficulty, matter of interpretation or dispute which may arise in connection with determining the validity of any election under this paragraph 3, and any such decision will be conclusive and binding on Gryphon, Teranga and the relevant Scheme Participant.

4 DEALINGS IN GRYPHON SHARES

- 4.1 To establish the identity of Scheme Participants, dealings in Gryphon Shares will only be recognised if:
- 4.1.1 in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Register as holder of the relevant Gryphon Shares on or before 5:00pm on the Record Date; and
 - 4.1.2 in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 5:00pm on the Record Date at the place where the Register is kept.
- 4.2 Gryphon must register any transmission application or transfer received in accordance with paragraph 4.1 by 5:00pm on the Record Date.
- 4.3 If the Scheme becomes Effective:
- 4.3.1 no dealing in Gryphon Shares, whenever initiated, will be given effect to if it is received after 5:00pm on the Record Date;
 - 4.3.2 any purported dealing in Gryphon Shares after 5:00pm on the Record Date will be void and of no effect; and
 - 4.3.3 with the exception of Gryphon Shares to be issued in respect of vested Performance Rights, in accordance with clause 5.1.20 of the Implementation Agreement, no Gryphon Shares or options to subscribe for Gryphon Shares will be allotted or issued by Gryphon after the Effective Date.
- 4.4 For the purpose of determining entitlements to the Scheme Consideration, Gryphon will maintain the Register in accordance with the provisions of this paragraph 4 until the Scheme Consideration has been paid to the Scheme Participants and Teranga has been entered in the Register as the holder of all the Scheme Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.
- 4.5 Subject to provision of the Scheme Consideration and registration of the transfer to Teranga contemplated in paragraph 2.9, any statements of holding in respect of Gryphon Shares will cease to have effect after 5:00pm on the Record Date as documents of title in respect of those shares. After 5:00pm on the Record Date, each entry current on the Register as at 5:00pm on

the Record Date will cease to have effect except as evidence of entitlement to the Scheme Consideration.

- 4.6 As soon as practicable after the Record Date, and in any event within one Business Day of the Record Date, Gryphon will ensure that details of the names, registered addresses and holdings of Gryphon Shares for each Scheme Participant, as shown in the Register at 5:00pm on the Record Date, are available to Teranga in such form as Teranga reasonably requires.
- 4.7 Gryphon will apply to ASX to suspend trading on ASX in Gryphon Shares with effect from the close of trading on ASX on the Effective Date.
- 4.8 After the Scheme has been fully implemented, Gryphon will apply:
 - 4.8.1 for termination of the official quotation of Gryphon Shares on ASX; and
 - 4.8.2 to have itself removed from the official list of the ASX.

5 ISSUE OF TERANGA SHARES AND TERANGA CDIS

- 5.1 Not later than 1 Business Day after the Record Date, Gryphon will give to Teranga a notice specifying the persons to whom Teranga Shares or Teranga CDIs are to be issued pursuant to paragraph 2.6 and the numbers of Teranga Shares or Teranga CDIs to which they are entitled respectively. Where the calculation of the number of Teranga Shares or Teranga CDIs to be issued to a particular Scheme Participant would result in the issue of a fraction of a Teranga Share or Teranga CDI, the fractional entitlement will be rounded down to the nearest whole number of Teranga Shares or Teranga CDIs.
- 5.2 The obligation of Teranga to issue the Scheme Consideration in the form of Teranga Shares under this Scheme will be satisfied by Teranga procuring that:
 - 5.2.1 the name and address of each Scheme Participant is entered into the Teranga Register on the Implementation Date in respect of the Teranga Shares to which it is entitled; and
 - 5.2.2 a share certificate is sent to the registered address of each Scheme Participant, representing the number of Teranga Shares issued to the Scheme Participant.
- 5.3 The obligation of Teranga to issue the Scheme Consideration in the form of Teranga CDIs under this Scheme will be satisfied by Teranga:
 - 5.3.1 issuing to CDN to be held on trust that number of Teranga Shares that will enable CDN to issue Teranga CDIs envisaged by paragraph 5.3.3 on the Implementation Date;
 - 5.3.2 procuring that the name and address of CDN is entered into the Teranga Register in respect of those Teranga Shares on the Implementation Date and that a share certificate in the name of CDN representing those Teranga Shares is sent to CDN;
 - 5.3.3 procuring that, on the Implementation Date, CDN issues to each such Scheme Participant the number of Teranga CDIs to which it is entitled;

- 5.3.4 procuring that, on the Implementation Date, the name of each such Scheme Participant is entered into the records maintained by CDN as the holder of the Teranga CDIs issued to that Scheme Participant on the Implementation Date;
- 5.3.5 in the case of such Scheme Participant who held Scheme Shares on the CHESSE subregister, procuring that the Teranga CDIs are held on the CHESSE subregister on the Implementation Date and sending or procuring the sending of an allotment advice that sets out the number of Teranga CDIs issued and procuring that ASX Settlement will provide at the end of the month of allotment a Teranga CDI holding statement confirming the number of Teranga CDIs held on the CHESSE subregister by that Scheme Participant; and
- 5.3.6 in the case of each such Scheme Participant who held Scheme Shares on the issuer sponsored subregister, procuring that the Teranga CDIs are held on the issuer sponsored subregister on the Implementation Date and sending or procuring the sending of a Teranga CDI holding statement to each such Scheme Participant which sets out the number of Teranga CDIs held on the issuer sponsored subregister by that Scheme Participant.

6 INELIGIBLE SHAREHOLDERS

- 6.1 The Teranga Shares that would, but for this paragraph, have been issued to an Ineligible Shareholder must be issued by Teranga to the Sale Agent and Teranga must procure that:
 - 6.1.1 the name and registered address of the Sale Agent is entered into the Teranga Register on the Implementation Date in respect of the Teranga Shares required to be issued to in under paragraph 2.6.2; and
 - 6.1.2 a share certificate is sent to the Sale Agent representing the number of Teranga Shares so issued to it.
- 6.2 Teranga must procure that the Sale Agent:
 - 6.2.1 as soon as reasonably practicable and, in any event, not more than 20 Business Days after the Implementation Date, sells those Teranga Shares for the benefit of the Ineligible Shareholders;
 - 6.2.2 promptly after receiving the proceeds in respect of the sale of all of the Teranga Shares referred to in sub-paragraph 6.2.1, accounts to the Ineligible Shareholders for the net proceeds of sale (on an averaged basis so that all Ineligible Shareholders receive the same price per Teranga Share, subject to rounding to the nearest whole cent), and any income referable to those Teranga Shares, after deduction of any applicable costs or fees, brokerage, taxes and charges, at the Ineligible Shareholders' risk in full satisfaction of the Ineligible Shareholders' rights under this Scheme; and
 - 6.2.3 promptly after receiving the proceeds in respect of the sale of all of the Teranga Shares referred to in sub-paragraph 6.2.1, remits the net proceeds of sale to the Ineligible Shareholders by dispatching, or procuring the dispatch of, a cheque for the relevant amount in Canadian currency drawn in the name of the Ineligible

Shareholder (or in the case of joint holders, in accordance with paragraph 8.5) by ordinary pre-paid post to the address of that Ineligible Shareholder appearing in the Register at the Record Date.

7 WHEN SCHEME BECOMES BINDING

- 7.1 This Scheme will become binding on Gryphon and each Scheme Participant only if the Court makes an order under section 411(4)(b) of the Corporations Act approving the Scheme and that order becomes effective in accordance with section 411(10). Gryphon must lodge an office copy of that order with ASIC not later than 5:00pm on the Business Day after the order has been made.
- 7.2 If this Scheme becomes binding as provided by paragraph 7.1, the rights of any holder at the Record Date of a Gryphon Share are the same as the rights that a Gryphon Shareholder who held that Gryphon Share immediately prior to the Effective Date would have had if he had remained the holder of the Gryphon Share until the Record Date.
- 7.3 Where this Scheme becomes binding as provided by paragraph 7.1, a holder of Gryphon Shares (and any person claiming through that holder) may only assign, transfer or otherwise deal with those Gryphon Shares on the basis that the rights so assigned, transferred or dealt with are limited in the manner described in paragraph 7.1.

8 GENERAL

- 8.1 Gryphon may by its counsel or solicitors consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition, which the Court may think fit to approve or impose and to which Teranga has consented (such consent not to be unreasonably withheld).
- 8.2 The accidental omission to give notice of the Scheme Meeting to any holder of Gryphon Shares or the non-receipt of such a notice by any holder of Gryphon Shares will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings at the Scheme Meeting.
- 8.3 For the purpose of this Scheme, the expression "send" or "sent" means:
- 8.3.1 for the purpose of sub-paragraphs 5.2.2, 5.3.5 and 5.3.6, sending by ordinary pre-paid post to a Scheme Participant at the address of that Scheme Participant appearing in the Register at the Record Date;
 - 8.3.2 for the purpose of sub-paragraph 6.1.2, sending by ordinary pre-paid post to the Sale Agent at its address; or
 - 8.3.3 delivery to the relevant address by any other means at no cost to the recipient.
- 8.4 If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Gryphon, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Gryphon's registered office or at the office of the registrar of Gryphon Shares.

- 8.5 In the case of Scheme Shares held in joint names:
- 8.5.1 the Teranga Shares or Teranga CDIs to be issued under this Scheme must be issued to and registered in the names of the joint holders;
 - 8.5.2 any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to the holder whose name first appears in the Register as at the Record Date; and
 - 8.5.3 any other document required to be sent under this Scheme, will be forwarded to the holder whose name first appears in the Register as at the Record Date.
- 8.6 Each holder of Gryphon Shares (other than an Excluded Shareholder) will be deemed (without the need for any further act) to have irrevocably appointed Gryphon and each of its officers, jointly and severally, as the holder's attorney for the purpose of executing any document necessary to give effect to this Scheme, including executing a share transfer form or master share transfer form for the Gryphon Shares.
- 8.7 The Scheme Participants:
- 8.7.1 agree to the transfer of their Gryphon Shares to Teranga in accordance with the terms of this Scheme and consent to Gryphon doing all things necessary for or incidental to the implementation of this Scheme; and
 - 8.7.2 acknowledges that this Scheme binds Gryphon and all Scheme Participants (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against the Scheme at that Meeting).
- 8.8 Gryphon must execute all deeds and other documents and do all acts and things as may be necessary or expedient on its part to implement this Scheme in accordance with its terms.
- 8.9 Neither Gryphon nor any of its officers will be liable for anything done or for anything omitted to be done in performance of this Scheme in good faith.
- 8.10 To the extent of any inconsistency, this Scheme overrides Gryphon's constitution and binds Gryphon and the holders of Gryphon Shares.
- 8.11 The proper law of this Scheme is the law of Western Australia and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

Annexure D – Deed Poll

DEED POLL

Date **August 15** 2016

BY Name Teranga Gold Corporation (**Teranga**)
Address 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9
Fax +1 416 594 0088
Email dsavarie@terangagold.com
Attention David Savarie

IN FAVOUR OF Each registered holder of fully paid ordinary shares in Gryphon Minerals Limited ACN 107 690 657 of 228 Churchill Avenue, Subiaco, Western Australia, 6008 (**Gryphon**) as at 5:00pm on the Record Date

INTRODUCTION

- A Teranga and Gryphon are parties to a scheme implementation agreement dated 19 June 2016 in respect to the Scheme and associated matters (**Implementation Agreement**).
- B In accordance with clause 5.3.12 of the Implementation Agreement, Teranga is entering into this deed poll to covenant in favour of the Scheme Participants that it will observe and perform its obligations under the Implementation Agreement and the Scheme, including providing the Scheme Consideration.

AGREED TERMS

1 DEFINED TERMS AND INTERPRETATION

1.1 Defined terms

In this deed poll:

Business Day for the purpose of receiving a notice under clause 6 means a day that is not a Saturday, Sunday, bank holiday or public holiday in Toronto, Ontario.

Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between Gryphon and Gryphon Shareholders, substantially in the form of Annexure A to this deed poll, or as otherwise agreed by Gryphon and Teranga.

All other capitalised words and phrases have the same meaning as given to them in the Scheme.

LSA

1.2 Interpretation

In this deed poll, headings and boldings are for convenience only and do not affect its interpretation and, unless the context requires otherwise:

- 1.2.1 words importing the singular include the plural and vice versa;
- 1.2.2 a reference to any document (including the Scheme) is to that document as varied, novated, ratified or replaced; and
- 1.2.3 a reference to a clause, party, annexure or schedule is a reference to a clause of, and a party, annexure and schedule to, this deed poll and a reference to this deed poll includes any annexure and schedule.

1.3 Nature of deed poll

Teranga acknowledges that:

- 1.3.1 this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms, even though the Scheme Participant is not party to it; and
- 1.3.2 under the Scheme, each Scheme Participant irrevocably appoints Gryphon and each of its directors and officers (jointly and severally) as its agent and attorney to enforce this deed poll against Teranga on behalf of that Scheme Participant.

2 CONDITIONS PRECEDENT

2.1 Conditions precedent to obligations of the Scheme

The obligations of Teranga under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Teranga under this deed poll to the Scheme Participants will automatically terminate and the terms of this deed poll will be of no force or effect if:

- 2.2.1 the Implementation Agreement is terminated in accordance with its terms; or
- 2.2.2 the Scheme is not Effective by the End Date,

unless Teranga and Gryphon otherwise agree in writing.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

- 2.3.1 Teranga is released from its obligations to further perform this deed poll, except obligations under clause 7.6 and any other obligations which by their nature survive termination; and

- 2.3.2 each Scheme Participant retains the rights, powers and remedies they have against Teranga in respect of any breach of this deed poll which occurs before it is terminated.

3 SCHEME OBLIGATIONS

3.1 Undertaking to pay Scheme Consideration

Subject to clause 2, Teranga:

- 3.1.1 offers to acquire all the Gryphon Shares held by the Scheme Participants;
- 3.1.2 in consideration of the acceptance of that offer and the transfer of each Gryphon Share to Teranga, undertakes in favour of each Scheme Participant to issue and provide to the Scheme Participant the Scheme Consideration for each Gryphon Share held by each Scheme Participant; and
- 3.1.3 agrees to undertake all other actions attributed to it under the Scheme and Implementation Agreement and do all acts and things necessary or desirable on its part to give full effect to the Scheme,

all in accordance with the terms of the Scheme and the Implementation Agreement.

4 WARRANTIES

Teranga represents and warrants in favour of each Scheme Participant that:

- 4.1.1 it is a corporation validly existing under the laws of its place of registration;
- 4.1.2 it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- 4.1.3 it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- 4.1.4 the Teranga Shares and Teranga CDIs which are issued to Scheme Participants, in accordance with the Scheme, will:
- 4.1.4.1 rank equally with all existing Teranga Shares and Teranga CDIs (as applicable); and
- 4.1.4.2 be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest;
- 4.1.5 this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
- 4.1.6 this deed poll does not conflict with, or result in the breach of or default under, any provision of the constitution of Teranga or any material term or provision of

any agreement, or any writ, order or injunction, judgment, law, rule or regulation to which Teranga is a party, is subject to, or is bound by.

5 CONTINUING OBLIGATIONS

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

5.1.1 Teranga has fully performed its obligations under this deed poll; or

5.1.2 the earlier termination of this deed poll under clause 2.

6 NOTICES

6.1 Notices

Any notice or other communication to Teranga in respect of this deed poll must be in legible writing and in English and:

6.1.1 must be addressed as shown below:

Teranga

Attention: Mr David Savarie, VP General Counsel

Address: 121 King Street West, Suite 2600, Toronto, Ontario M5H 3T9,
Canada

Email: dsavarie@terangagold.com,

with a copy to: marc.wilshaw@dlapiper.com;

6.1.2 must be signed by the person making the communication or by a person duly authorised by that person;

6.1.3 must be delivered or posted by prepaid post to the address of Teranga in accordance with clause 6.1.1 or sent by email to the email address specified above; and

6.1.4 will be regarded as received by the addressee:

6.1.4.1 if by delivery, on delivery at the address of Teranga as provided in clause 6.1.1, unless that delivery is not made on a Business Day or after 5:00 pm (in Toronto, Ontario) on a Business Day, when that communication will be regarded as received at 9:00 am (in Toronto, Ontario) on the next Business Day;

6.1.4.2 if sent by prepaid post, seven Business Days after posting; and

6.1.4.3 if sent by email, on the earlier of the sender receiving an automated message confirming delivery or, provided no automated message is received stating that the email has not been delivered, three hours

after the time the email was sent by the sender, such time to be determined by reference to the device from which the email was sent, unless that local time is not a Business Day or is after 5:00 pm (in Toronto, Ontario) on a Business Day when that communication will be regarded as received at 9:00 am (in Toronto, Ontario) on the next Business Day.

7 GENERAL

7.1 Governing law and jurisdiction

This deed poll is governed by the law of Western Australia and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

7.2 Waiver

A party does not waive a right, power or remedy if it fails to exercise or delays in exercising the right, power or remedy. A single or partial exercise by a party of a right, power or remedy does not prevent another or further exercise of that or another right, power or remedy. A waiver of a right, power or remedy must be in writing and signed by the party giving the waiver.

7.3 Alterations

This deed poll may not be altered unless:

7.3.1 if before the First Court Date, the variation is agreed to by Gryphon; or

7.3.2 if on or after the First Court Date, the variation is agreed to by Gryphon and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Teranga will enter into a further deed poll in favour of the Scheme Participants giving effect to the variation.

7.4 Cumulative rights

The rights, powers and remedies of Teranga and the Scheme Participants under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.5 Assignment

The rights created by this deed poll are personal to Teranga and each Scheme Participant and may only be assigned with the prior written consent of Teranga and Gryphon.

7.6 Stamp duty and costs

Teranga must:

7.6.1 pay any stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under or pursuant to this deed poll;

- 7.6.2 pay other costs incurred in connection with the transfer of Gryphon Shares to Teranga in accordance with the terms of the Scheme; and
- 7.6.3 indemnify on demand each Scheme Participant against any liability arising from failure to comply with clauses 7.6.1 or 7.6.2.

7.7 Further assurances

Teranga must promptly do all things necessary or expedient to be done by it in connection with the matters referred to in this deed poll and to implement the Scheme.

Executed as a Deed

Executed as a deed by **Teranga Gold Corporation** in accordance with its constituent documents and the laws of its place of incorporation

.....

Signature of director/officer

..David Roger Swaine.....

Name of director/officer (print)

Annexure A

Scheme

[ATTACHED]

Annexure E – Notice of meeting

Gryphon Minerals Limited
(ACN 107 690 657)
("Company")

Notice of Meeting

Notice is hereby given that by an order of the Federal Court of Australia made on 16 August 2016 pursuant to section 411(1) of the Corporations Act 2001 (Cth) ("Corporations Act") a meeting of the holders of ordinary shares will be held at 38 Station Street, Subiaco WA 6008 on 23 September 2016 at 10:00am.

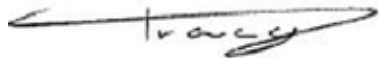
Business of the Meeting

To consider and, if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

"That, in accordance with the provisions of section 411 of the *Corporations Act 2001* (Cth):

- (a) the arrangement proposed between Gryphon and the holders of its ordinary shares, as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting, is agreed to; and
- (b) the directors of Gryphon are authorised to agree to such alterations or conditions as are thought fit by the Court and, subject to approval of the scheme by the Court, the board of directors of Gryphon is authorised to implement the Scheme with any such modifications or conditions"

By order of the Court



Carl Travaglini
Company Secretary

Date: 17 August 2016

Explanatory Notes:

These notes should be read in conjunction with this Notice of Scheme Meeting.

Terminology

Capitalised terms which are defined in section 11 of the Scheme Booklet which accompanies this Notice of Scheme Meeting have the same meaning when used in this notice (including these notes) unless the context requires otherwise.

Chairperson

The Court has directed that Mr Mel Ashton act as Chairperson of the Scheme Meeting or, failing them, Mr Didier Murcia (unless the members at the meeting elect some other person to act as Chairperson of the meeting) and has directed the Chairperson to report the result of the meeting to the Court.

Majority required

In accordance with section 411(4)(a)(ii) of the Corporations Act, the resolution contained in this Notice of Scheme Meeting must be passed by:

- (a) a majority in number of those Gryphon Shareholders present and voting at the Scheme Meeting (either in person, by proxy or (in the case of Gryphon Shareholders that are incorporated), by a corporate representative); and
- (b) at least 75% of the votes cast on the resolution contained in this Notice of Scheme Meeting.

The vote will be conducted by poll.

Voting exclusion statement

The Company will disregard any votes cast on a resolution by Teranga or any associate of Teranga. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form.

Entitlement to vote

The Court has ordered that, for the purposes of the Scheme Meeting, Gryphon Shares will be taken to be held by the persons who are registered as Gryphon Shareholders at 10:00am on 21 September 2016. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

Voting in person

To vote in person at the Scheme Meeting, you must attend the Scheme Meeting to be held at 38 Station Street, Subiaco WA 6008 on 23 September 2016 at 10:00am.

You will be admitted to the Scheme Meeting and given a voting card upon disclosure at the point of entry of your name and address.

Voting by proxy

Proxy appointment

- (a) A member entitled to attend and vote may appoint a proxy.
- (b) A member entitled to cast two or more votes may appoint not more than two proxies.
- (c) A proxy can be an individual or a body corporate and need not be a member.
- (d) If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes, each proxy may exercise half of the votes.

- (e) At least 48 hours before the meeting, the Company must receive:
- the proxy's appointment; and
 - any authority under which the appointment was signed or a certified copy of the authority.

(f) The proxy appointment and any authority appointing an attorney must be:

- sent by post or fax to the address or fax number set out below:

Mail:

Gryphon Minerals Limited
C/-Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

Fax:

+61 (02) 9287 0309

- hand delivered to:

Gryphon Minerals Limited
C/-Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138 or

Gryphon Minerals Limited
C/-Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

or

- lodged on-line at www.linkmarketservices.com.au by logging in to the Link website using the holding details as shown on the proxy form, selecting 'Voting' and following the prompts to lodge your vote.

Jointly held securities

If the Gryphon Shares are jointly held, only one of the joint Gryphon Shareholders is entitled to vote. If more than one joint Gryphon Shareholder votes, only the vote of the Gryphon Shareholder whose name appears first in the Register will be counted.

Voting by attorney

A Gryphon Shareholder entitled to attend and vote at the Scheme Meeting may appoint an attorney to vote at the Scheme Meeting.

Persons who are attending as an attorney should bring the original or a certified copy of the power of attorney to the Scheme Meeting, unless Gryphon has already noted it.

Voting by corporate representative

To vote at the Scheme Meeting a corporation who is a Gryphon Shareholder, or who has been appointed as a proxy by a Gryphon Shareholder, may appoint a person to act as its representative.

Persons who are attending as a corporate representative for a corporation must bring evidence of their appointment. The appointment must comply with section 250D of the Corporations Act. An authorised corporate representative will be admitted to the Scheme Meeting and given a voting card upon providing, at the point of entry to the Scheme Meeting, written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer.

Court approval

If the resolution contained in this Notice of Scheme Meeting is approved at the Scheme Meeting by the Requisite Majority, the implementation of the Scheme (with or without modification) will be subject to, among other things, the subsequent approval of the Court.

CORPORATE DIRECTORY

Gryphon Minerals Limited	288 Churchill Road Subiaco WA 6008 Australia
Gryphon Share Registry	Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia
Australian Legal Adviser	King & Wood Mallesons Level 30, QVI Building 250 St Georges Terrace Perth WA 6000 Australia
Canadian Legal Adviser	Blake, Cassels & Graydon LLP 199 Bay Street, Suite 4000, Toronto ON M5L 1A9 Canada
Financial Adviser	Maxit Capital Brookfield Place 181 Bay Street, Suite 830 Toronto, ON M5J 2T5 Canada