BANRO CORPORATION

## CONSOLIDATED FINANCIAL STATEMENTS

**December 31, 2016 and 2015**

**(Expressed in U.S. dollars)**

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# Management's Reports

**Management's Responsibility for Financial Statements**

The consolidated financial statements, the notes thereto and other financial information contained in the Management's Discussion and Analysis have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are the responsibility of the management of Banro Corporation. The financial information presented elsewhere in the Management's Discussion and Analysis is consistent with the data that is contained in the consolidated financial statements. The consolidated financial statements, where necessary, include amounts which are based on the best estimates and judgments of management.

In order to discharge management's responsibility for the integrity of the financial statements, the Company maintains a system of internal controls. These controls are designed to provide reasonable assurance that the Company's assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, proper records are maintained and relevant and reliable information is produced. These controls include maintaining quality standards in hiring and training of employees, policies and procedures manuals, a corporate code of conduct and ensuring that there is proper accountability for performance within appropriate and well-defined areas of responsibility. The system of internal controls is further supported by a compliance function, which is designed to ensure that we and our employees comply with securities legislation and conflict of interest rules.

The board of directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The Audit Committee, which is composed of non-executive directors, meets with management as well as the external auditors to ensure that management is properly fulfilling its financial reporting responsibilities to the Directors who approve the consolidated financial statements. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal controls and review reporting issues.

The consolidated financial statements for the year ended December 31, 2016 have been audited by Deloitte LLP, Independent Registered Public Accounting Firm, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States).

| | |
|---|---|
| (Signed) *"John Clarke"* | (Signed) *"David Langille"* |
| John Clarke | David Langille |
| Chief Executive Officer | Chief Financial Officer |

Toronto, Canada

April 2, 2017

# Management's Reports

**Internal Control Over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the design and operation of the Company's internal control over financial reporting as of December 31, 2016, based on the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2016 and no material weaknesses were identified.

The effectiveness of the Company's internal controls over financial reporting as at December 31, 2016 has been audited by Deloitte LLP, Independent Registered Public Accounting firm, as stated in their report located on page 6 of the Annual Consolidated Financial Statements.

(Signed) *"John Clarke"*

John Clarke

Chief Executive Officer

(Signed) *"David Langille"*

David Langille

Chief Financial Officer

Toronto, Canada

April 2, 2017

**To the Board of Directors and Shareholders of Banro Corporation**

We have audited the accompanying consolidated statements of financial position of Banro Corporation and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive (loss)/income, consolidated statements of changes in equity, and consolidated statements of cash flow for each of the three years in the period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and the results of their operations and their cash flow for each of the three years in the period ended December 31, 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Without modifying our opinion, we draw attention to Note 2(b) in the consolidated financial statements, which indicates that there exists a material uncertainty as to the Company's ability to secure additional financing along with other matters as set forth in Note 2(b) that raises substantial doubt on the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2(b). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 2, 2017, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 2, 2017

**To the Board of Directors and Shareholders of Banro Corporation**

We have audited the internal control over financial reporting of Banro Corporation and subsidiaries (the "Company") as of December 31, 2016, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2016 of the Company and our report dated April 2, 2017 expressed an unqualified opinion on those financial statements and included an emphasis of matter paragraph regarding the Company's ability to continue as a going concern.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 2, 2017

## BANRO CORPORATION
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
**(Expressed in thousands of U.S. dollars)**

| | Notes | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | 1,294 | 2,262 |
| Restricted cash | 5 | 10,079 | - |
| Trade and other receivables | 6 | 25,662 | 13,020 |
| Prepaid expenses and deposits | 7 | 9,218 | 7,081 |
| Inventories | 8 | 68,869 | 28,189 |
| | | **115,122** | **50,552** |
| **Non-Current Assets** | | | |
| Inventories | 8 | 4,802 | 3,802 |
| Property, plant and equipment | 9 | 628,777 | 289,627 |
| Exploration and evaluation | 10 | 149,239 | 139,738 |
| Mine under construction | 11 | - | 388,012 |
| | | **782,818** | **821,179** |
| **TOTAL ASSETS** | | **897,940** | **871,731** |
| | | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 12 | 93,627 | 82,235 |
| Deferred revenue | 13 | 11,458 | 5,838 |
| Bank loans | 14 | 9,513 | 11,921 |
| Other liabilities | 15 | 6,959 | 2,033 |
| Derivative instruments - mark-to-market | 16 | 9,018 | 28,763 |
| Long-term debt | 18, 32 | 196,479 | - |
| Preference shares | 19, 32 | 42,658 | - |
| | | **369,712** | **130,790** |
| **Non-Current Liabilities** | | | |
| Deferred revenue | 13 | 94,794 | 42,529 |
| Bank loans | 14 | - | 3,012 |
| Other liabilities | 15 | 6,254 | 5,366 |
| Derivative instruments - mark-to-market | 16 | 2,940 | 25,004 |
| Provision for closure and reclamation | 17 | 6,256 | 8,066 |
| Long-term debt | 18, 32 | 10,000 | 168,127 |
| Preference shares | 19 | 30,576 | 69,337 |
| | | **150,820** | **321,441** |
| **Total Liabilities** | | **520,532** | **452,231** |
| | | | |
| **Shareholders' Equity** | | | |
| Share capital | 20 | 526,987 | 518,629 |
| Warrants | 20b | 13,356 | 13,356 |
| Contributed surplus | 21 | 43,913 | 43,431 |
| Deficit | | (206,848) | (155,916) |
| | | **377,408** | **419,500** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **897,940** | **871,731** |
| | | | |
| Commitments and contingencies | 22 | | |

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

Approved and authorized for issue by the board of directors on April 2, 2017. Signed on behalf of the board of directors by:

/s/ John Clarke

John Clarke, President and CEO

/s/ Richard Brissenden

Richard Brissenden, Chairman of the Board

## Banro Corporation

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME

**(Expressed in thousands of U.S. dollars)**

| | Notes | For the years ended<br>December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|---|
| | | $ | $ | $ |
| Operating revenue | | 228,346 | 156,710 | 125,436 |
| Operating expenses | | | | |
| Production costs | 8, 25 | (145,918) | (74,917) | (69,148) |
| Depletion and depreciation | 9 | (59,994) | (25,748) | (26,897) |
| Total mine operating expenses | | (205,912) | (100,665) | (96,045) |
| **Gross earnings from operations** | | **22,434** | **56,045** | **29,391** |
| General and administrative | 26 | (16,035) | (12,074) | (11,318) |
| Share-based payments | 21 | (483) | (733) | (552) |
| Other charges and provisions, net | 27 | (8,886) | (11,842) | (1,141) |
| Impairment of mine under construction | 11 | - | (84,300) | - |
| **Net (loss)/income from operations** | | **(2,970)** | **(52,904)** | **16,380** |
| Finance expenses | 28 | (45,693) | (20,195) | (15,623) |
| Foreign exchange loss | | (1,872) | (47) | (442) |
| Interest income | | 3 | 3 | 5 |
| **Net (loss)/income before tax** | | **(50,532)** | **(73,143)** | **320** |
| Income tax expense | 31 | (400) | (400) | - |
| **Net (loss)/income** | | **(50,932)** | **(73,543)** | **320** |
| **Items that may be reclassified to profit or loss:** | | | | |
| Fair value loss on available-for-sale financial asset | | - | (989) | 380 |
| Fair value loss realized on sale of financial asset | | - | 609 | - |
| **Total comprehensive (loss)/income** | | **(50,932)** | **(73,923)** | **700** |
| **(Loss)/income per share** | | | | |
| Basic | 20c | (0.17) | (0.29) | 0.00 |
| Diluted | 20c | (0.17) | (0.29) | 0.00 |
| Basic | 20c | 294,881 | 252,137 | 252,101 |
| Diluted | 20c | 294,881 | 252,137 | 252,101 |

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

**Banro Corporation**

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

**(Expressed in thousands of U.S dollars)**

| | | Share capital | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Notes | Number of common shares (in thousands) | Amount $ | Warrants $ | Contributed Surplus $ | Currency Translation Adjustment $ | Available-for-sale asset $ | Deficit $ | Total $ |
| **Balance as at January 1, 2014** | | **252,101** | **518,615** | **13,356** | **41,793** | **(87)** | **-** | **(82,693)** | **490,984** |
| Net income | | - | - | - | - | - | - | 320 | 320 |
| Share-based payments | 21 | - | - | - | 747 | - | - | - | 747 |
| Long-term investment | | - | - | - | (14) | 110 | - | - | 96 |
| Foreign currency translation differences of foreign investment | | - | - | - | - | (23) | - | - | (23) |
| Fair value gain on available-for-sale financial asset | | - | - | - | - | - | 380 | - | 380 |
| **Balance as at December 31, 2014** | | **252,101** | **518,615** | **13,356** | **42,526** | **-** | **380** | **(82,373)** | **492,504** |
| Net loss | | - | - | - | - | - | - | (73,543) | (73,543) |
| Exercise of stock options | 21 | 58 | 14 | - | (5) | - | - | - | 9 |
| Share-based payments | 21 | - | - | - | 910 | - | - | - | 910 |
| Fair value loss on available-for-sale financial asset | | - | - | - | - | - | (989) | - | (989) |
| Fair value loss realized on sale of financial asset | | - | - | - | - | - | 609 | - | 609 |
| **Balance as at December 31, 2015** | | **252,159** | **518,629** | **13,356** | **43,431** | **-** | **-** | **(155,916)** | **419,500** |
| Net loss | | - | - | - | - | - | - | (50,932) | (50,932) |
| Private placement | 20 | 50,000 | 8,068 | - | - | - | - | - | 8,068 |
| Exercise of stock options | 21 | 1,323 | 290 | - | (103) | - | - | - | 187 |
| Share-based payments | 21 | - | - | - | 585 | - | - | - | 585 |
| **Balance as at December 31, 2016** | | **303,482** | **526,987** | **13,356** | **43,913** | **-** | **-** | **(206,848)** | **377,408** |

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

## Banro Corporation

## CONSOLIDATED STATEMENTS OF CASH FLOW

**(Expressed in thousands of U.S dollars)**

| | Notes | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|---|
| | | For the years ended | | |
| | | $ | $ | $ |
| **Cash flows from operating activities** | | | | |
| Net (loss)/income after tax | | (50,932) | (73,543) | 320 |
| Adjustments for: | | | | |
| Recognition of non-cash revenue | 13 | (23,502) | (18,951) | (13,369) |
| Depletion and depreciation | 9 | 60,048 | 25,823 | 26,985 |
| Unrealized foreign exchange (gain)/loss | | (280) | (141) | 348 |
| Share-based payments | 21 | 483 | 733 | 552 |
| Employee retention allowance | 15 | 714 | 522 | 501 |
| Finance expense excluding bank charges, net of interest income | 28 | 41,801 | 18,060 | 11,745 |
| Accretion on closure and reclamation | 17 | 687 | 676 | 620 |
| Impairment of mine under construction | 11 | - | 84,300 | - |
| Other charges and provisions, net | 27 | 8,082 | 10,651 | 50 |
| Income tax expense | 31 | 400 | 400 | - |
| Interest paid | | (18,651) | (4,615) | (4,741) |
| Taxes paid | | (472) | - | - |
| Interest received | | 3 | 3 | 5 |
| Operating cash flows before working capital adjustments | | 18,381 | 43,918 | 23,016 |
| Working capital adjustments | 30 | (14,702) | (9,372) | 18,512 |
| **Net cash flows provided by operating activities** | | **3,679** | **34,546** | **41,528** |
| **Cash flows from investing activities** | | | | |
| Movement in restricted cash | 5 | (10,079) | - | - |
| Acquisition of property, plant, and equipment | 9 | (28,668) | (25,004) | (15,754) |
| Exploration and evaluation expenditures and associated working capital movements | 10 | (9,186) | (10,407) | (8,658) |
| Expenditures on mine under construction and associated working capital movements, net of pre-production revenue | 11 | (13,515) | (31,950) | (49,031) |
| Interest paid | 11 | (5,122) | (18,199) | (19,091) |
| Repayment of deferred revenue | 13 | - | - | (2,000) |
| Proceeds from sale of Investment | | - | 110 | - |
| Advances – Long-term investment | | - | - | (1) |
| **Net cash used in investing activities** | | **(66,570)** | **(85,450)** | **(94,535)** |
| **Cash flows from financing activities** | | | | |
| Bank overdraft | 12 | 1,167 | 2,385 | 3,163 |
| Net proceeds from non-equity financing | 30 | 100,175 | 62,324 | 70,337 |
| Net proceeds from equity financing | 30 | 8,255 | 9 | - |
| Repayment of derivative liabilities | 16 | (31,761) | - | - |
| Payment of dividends | 19 | (8,249) | (5,251) | (2,287) |
| Finance lease payments | 15 | (2,239) | (1,172) | - |
| Net repayments of bank loans | 14 | (5,420) | (6,059) | (21,614) |
| **Net cash provided by financing activities** | | **61,928** | **52,236** | **49,599** |
| **Effect of foreign exchange on cash and cash equivalents** | | (5) | (72) | (42) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(968)** | **1,260** | **(3,450)** |
| Cash and cash equivalents, beginning of the year | | 2,262 | 1,002 | 4,452 |
| **Cash and cash equivalents, end of the year** | | **1,294** | **2,262** | **1,002** |

Other cash flow items and non-cash transactions (Note 30)

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

# 1. CORPORATE INFORMATION

Banro Corporation's business focus is the exploration, development and production of mineral properties in the Democratic Republic of the Congo (the "Congo"). Banro Corporation (the "Company") was continued under the *Canada Business Corporations Act* on April 2, 2004. The Company was previously governed by the Ontario *Business Corporations Act*.

These consolidated financial statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 include the accounts of the Company and of its wholly-owned subsidiary incorporated in the United States, Banro American Resources Inc., as well as its subsidiary in the Congo, Banro Hydro SARL, and its subsidiary in Barbados, Banro Group (Barbados) Limited. The Company is a publicly traded company whose outstanding common shares are listed for trading on the Toronto Stock Exchange and on the NYSE MKT LLC. The head office of the Company is located at 1 First Canadian Place, 100 King St. West, Suite 7070, Toronto, Ontario, M5X 1E3, Canada.

# 2. BASIS OF PREPARATION

## a) Statement of Compliance

These consolidated financial statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, have been prepared in accordance with IFRS issued and effective, at December 31, 2016 and 2015, respectively.

The date the Company's board of directors approved these consolidated financial statements was April 2, 2017.

## b) Continuation of Business

These consolidated financial statements have been prepared on a going concern basis, under the historical cost basis, except for certain financial instruments which are presented at fair value.

The Company had a net loss of $50,932 for the year ended December 31, 2016 (year ended December 31, 2015 – net loss of $73,543 and year ended December 31, 2014 – net income of $320) and as at December 31, 2016 had a working capital deficit of $15,453, excluding long-term debt and preference shares (December 31, 2015 - $80,238).

For the year ended December 31, 2016, the consolidated statement of comprehensive (loss)/income includes the activity of the Namoya mine as commercial production was declared on January 1, 2016 (see Note 11). The Company's ability to continue operations in the normal course of business is dependent on several factors, including its ability to secure additional funding. In addition to the financings closed in the current period, management is exploring all available options to secure additional funding, including forward sale agreements, equity financing, debt financing and strategic partnerships. Given the continuation of weak investor sentiment and capital market conditions, there exists an uncertainty as to the Company's ability to raise additional funds on favorable terms. In addition, the recoverability of the amount shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to continue to perform exploration activity or complete the development of the properties where necessary, or alternatively, upon the Company's ability to recover its incurred costs through a disposition of its interests, all of which are uncertain.

In the event the Company is unable to identify economically recoverable resources, receive the necessary permitting, or arrange appropriate financing, the carrying value of the Company's assets and liabilities could be subject to material adjustment. Furthermore, these conditions indicate the existence of a material uncertainty that raises substantial doubt on the Company's ability to continue as a going concern.

On January 31, 2017, the Company announced that it had entered into a support agreement (the "Support Agreement") with major stakeholders to recapitalize the Company by refinancing a total of $207,500 of outstanding debt, equitizing the

outstanding preferred shares and raising $45,000 by way of a gold forward sale (the "Recapitalization"). This Recapitalization is expected to reduce debt, improve liquidity, and position the Company to optimize operations and enhance its gold mining assets in the Congo (See note 32).

The Company's board of directors has unanimously recommended that all holders of Notes (as defined in note 18) and shareholders support the Recapitalization. The Company has entered into the Support Agreement with various parties supporting the Recapitalization.

On March 31, 2017, meetings of Noteholders, preference shareholders and common shareholders of the Company were held and the requisite security holder approvals for the Recapitalization were obtained at those meetings. Implementation of the Recapitalization remains subject to successfully obtaining all other required approvals including those from the court, the Toronto Stock Exchange and the NYSE MKT.

If the remaining requisite approvals are not obtained, the Company may immediately seek to enter Canadian insolvency proceedings under the Companies' Creditor Arrangement Act ("CCAA"). The Support Agreement contemplates that any CCAA plan must be acceptable to certain of the supporting parties and may provide that the existing common shares and all options, warrants, rights or similar instruments be cancelled and extinguished without consideration. Subject to the agreement of certain supporting parties, the Notes, the Term Loan (as defined in note 18), the Preference Shares and the Private Placement Preferred Shares (each as defined in note 19) shall be treated in a manner consistent with the Recapitalization or in a manner otherwise acceptable to certain of the supporting parties in the event of a CCAA plan.

These consolidated financial statements do not include any additional adjustments to the recoverability and classification of recorded asset amounts, classification of liabilities and changes to the statements of comprehensive income that might be necessary if the Company was unable to continue as a going concern.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The accounting policies set out below have been applied consistently by all group entities and for all periods presented in these consolidated financial statements.

### a) Basis of Consolidation

#### i. Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an entity, exposure or rights to variable returns from the Company's involvement with the entity, and the ability to use its power over the entity to affect the amount of the Company's returns. The financial statements of subsidiaries are included in the consolidated financial statements of the Company from the date that control commences until the date that control ceases. The consolidated financial statements include the accounts of the Company and its subsidiaries.

#### ii. Associate

Where the Company has the power to significantly influence but not control the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter for the post-acquisition changes in the Company's share of the net assets of the associate, under the equity method of accounting. The Company's share of post-acquisition profits and losses is recognized in the consolidated statement of comprehensive income, except that losses in excess of the Company's investment in the associate are not recognized unless there is a legal or constructive obligation to recognize such losses. If the associate subsequently reports profits, the Company's share of profits is recognized only after the Company's share of the profits equals the share of losses not recognized.

Profits and losses arising on transactions between the Company and its associates are recognized only to the extent of unrelated investor's interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the Company's investment in an associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

**iii. Transactions eliminated on consolidation**

Inter-company balances, transactions, and any unrealized income and expenses, are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

## b) Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS as issued by the IASB requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements is included in the following notes:

**Estimates:**

**i. Provision for closure and reclamation**

The Company's operations are subject to environmental regulations in the Congo. Upon establishment of commercial viability of a site, the Company estimates the cost to restore the site following the completion of commercial activities and depletion of reserves. These future obligations are estimated by taking into consideration closure plans, known environmental impacts, and internal and external studies, which estimate the activities and costs that will be carried out to meet the decommissioning and environmental rehabilitation obligations. The Company records a liability and a corresponding asset for the present value of the estimated costs of legal and constructive obligations for future mine rehabilitation. During the mine rehabilitation process, there will be a probable outflow of resources required to settle the obligation and a reliable estimate can be made of those obligations. The present value is determined based on current market assessments using the risk-free rate of borrowing which is approximated by the yield of government bonds with a maturity similar to that of the mine life. The discounted liability is adjusted at the end of each period with the passage of time. The provision represents management's best estimate of the present value of the future mine rehabilitation costs, which may not be incurred for several years or decades, and, as such, actual expenditures may vary from the amount currently estimated. The decommissioning and environmental rehabilitation cost estimates could change due to amendments in laws and regulations in the Congo. Additionally, actual estimated costs may differ from those projected as a result of a change over time of actual remediation costs, a change in the timing for utilization of reserves and the potential for increasingly stringent environmental regulatory requirements.

**ii. Impairment**

Assets, including property, plant and equipment, exploration and evaluation and mine under construction, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts, which is the higher of fair value less cost of disposal ("FVLCD") and value in use. The assessment of the recoverable amounts often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, rehabilitation and restoration costs, future capital requirements and future operating performance. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management.

**iii. Mineral reserve and resource estimates**

Mineral reserves and resources are estimates of the amount of ore that can be economically and legally extracted from the Company's mineral properties. The Company estimates its mineral reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body. This exercise requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine under construction assets, property, plant and equipment, recognition of deferred tax assets, and expenses.

**iv. Share-based payment transactions**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 21.

**v. Depletion of mining assets**

The Company applies the units of production method for depletion of its mine assets in commercial production based on reserve ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgment is required in assessing the available reserves to be amortized under this method. Factors that are considered in determining reserves are the economic feasibility of the reserves, expected life of the project and proven and probable mineral reserves, the complexity of metallurgy, markets and future developments. Estimates of proven and probable reserves are prepared by appropriately qualified persons in extraction, geology and reserve determination. When these factors change or become known in the future, such differences will impact profits and the carrying value of assets.

**vi. Depreciation of property, plant and equipment**

Each property, plant and equipment life, which is assessed annually, is assessed for both its physical life limitations and the economic recoverable reserves of the property at which the asset is used. For those assets depreciated on a straight-line basis, management estimates the useful life of the assets. These assessments require the use of estimates and assumptions including market conditions at the end of the assets useful life. Asset useful lives and residual values are re-evaluated annually.

**vii. Financial instruments**

The Company makes estimates on the timing and amount of future cash flows of financial instruments based on the underlying nature of each financial instrument.

**Judgments:**

**i. Commercial production**

Prior to reaching pre-determined levels of operating capacity intended by management, costs incurred are capitalized as part of mine under construction and proceeds from sales are offset against capitalized costs. Depletion of capitalized costs for mining properties begins when pre-determined levels of operating capacity intended by management have been reached. Management considers several factors in determining when a mining property has reached levels of operating capacity intended by management, including:

- when the mine is substantially complete and ready for its intended use;
- the ability to produce a saleable product;
- the ability to sustain ongoing production at a steady or increasing level;
- the mine has reached a level of pre-determined percentage of design capacity;
- mineral recoveries are at or near the expected production level; and,
- the completion of a reasonable period of testing of the mine plant and equipment.

When a mine development project moves into the production stage, the capitalization of certain mine development and construction costs cease. Subsequent costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate.

**ii. Provisions and contingencies**

The amount recognized as a provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, the assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant laws and other appropriate requirements.

**iii. Exploration and evaluation expenditure**

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. There are a few circumstances that would warrant a test for impairment, which include: the expiry of the right to explore, substantive expenditure on further exploration is not planned, exploration for and evaluation of the mineral resources in the area have not led to discovery of commercially viable quantities, and/or sufficient data exists to show that the carrying amount of the asset is unlikely to be recovered in full from successful development or by sale. If information becomes available suggesting impairment, the amount capitalized is written off in the consolidated statement of comprehensive income during the year the new information becomes available.

**iv. Income taxes**

The Company is subject to income taxes in various jurisdictions and subject to various rates and rules of taxation. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

In addition, the Company has recognized deferred tax assets relating to tax losses carried forward to the extent there is sufficient taxable income relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilized. However, future realization of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped, including current and future economic conditions, production rates and production costs.

**v. Functional and presentation currency**

Judgment is required to determine the functional currency of the Company and its subsidiaries. These judgments are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances.

**vi. Financial instruments**

The Company makes judgments with respect to the timing of the extinguishment of financial instruments. These judgments are continuously evaluated and are based on the underlying nature of each financial instrument.

With respect to financial instruments related to commodities, the Company made judgments with regards to their appropriate recognition and presentation based on the intent of the arrangement, the option to settle in cash and the impact of the Company's quantity and timing of expected future production.

## c) Foreign Currency Translation

**i. Functional and presentation currency**

These consolidated financial statements are presented in United States dollars ("$"), which is the Company's and its subsidiaries' functional and presentation currency and all values are rounded to the nearest thousand, unless otherwise indicated.

**ii. Foreign currency transactions**

The functional currency for each of the Company's subsidiaries and associates is the currency of the primary economic environment in which the entity operates. Transactions entered into by the Company's subsidiaries and associates in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur except depreciation, depletion and amortization which are translated at the rates of exchange applicable to the related assets, with any gains or losses recognized in the consolidated statement of comprehensive income. Foreign currency monetary assets and liabilities are translated at current rates of exchange with the resulting gain or losses recognized in the consolidated statement of comprehensive income. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss. Non-monetary assets and liabilities are translated using their respective historical exchange rates. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

## d) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts.

## e) Financial Assets

A financial asset is classified as either financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held to maturity investments ("HTM"), or available for sale financial assets ("AFS"), as appropriate at initial recognition and, except in very limited circumstances, the classification is not changed subsequently. The classification is determined

at initial recognition and depends on the nature and purpose of the financial asset. A financial asset is derecognized when contractual rights to the asset's cash flows expire or if substantially all the risks and rewards of the asset are transferred.

**i. Financial assets at FVTPL**

A financial asset is classified as FVTPL when the financial asset is held for trading or it is designated upon initial recognition as at FVTPL. A financial asset is classified as held for trading if (1) it has been acquired principally for the purpose of selling or repurchasing in the near term; (2) it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short term profit taking; or (3) it is a derivative that is not designated and effective as a hedging instrument. Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in profit or loss. Transaction costs are expensed as incurred.

**ii. Loans and receivables**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost less losses for impairment. The impairment loss of loans and receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company has classified cash and cash equivalents, restricted cash, and trade and other receivables as loans and receivables.

**iii. HTM investments**

HTM financial instruments, which include short-term investments and the related transaction costs, are initially measured at fair value. Subsequently, HTM financial assets are measured at amortized cost using the effective interest rate method, less any impairment losses.

**iv. AFS financial assets**

Non-derivative financial assets not included in the above categories are classified as AFS financial assets. They are carried at fair value with changes in fair value generally recognized in other comprehensive income and accumulated in the AFS reserve. Impairment losses are recognized in profit or loss. Purchases and sales of AFS financial assets are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the AFS reserve. On sale, the cumulative gain or loss recognized in other comprehensive income is reclassified from the AFS reserve to profit or loss.

**v. Impairment of financial assets**

The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

The carrying amount of all financial assets, excluding advances and other receivables, is directly reduced by the impairment loss. The carrying amount of receivables is reduced through the use of an allowance account. Associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. A provision for impairment is made in relation to advances and other receivables, and an impairment loss is recognized in profit and loss when there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms. The carrying amount of the receivable is reduced through the use of an allowance account.

With the exception of AFS equity instruments, if in a subsequent period the amount of impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had the impairment not been recognized. Reversals for AFS equity instruments are not recognized in profit or loss.

**vi. Effective interest method**

The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income or cost over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts or payments over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

## f) Financial Liabilities

Financial liabilities are classified as FVTPL, or other financial liabilities, as appropriate upon initial recognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

i. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to the initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The Company's other financial liabilities include trade and other payables, bank loans, long term debt and other liabilities.

ii. Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments (including separated embedded derivatives) held-for-trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income. The Company has derivative liabilities and preferred shares classified as FVTPL.

## g) Borrowing Costs

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

## h) Commercial Production

The Company assesses the stage of each mine under construction to determine when a mine has moved into the commercial production phase. Capitalization of costs, including certain mine development and construction costs, ceases when the related mining property has reached a pre-determined level of operating capacity intended by management. Costs incurred prior to this point, including depreciation of related plant and equipment, are capitalized and proceeds from sales during

this period are offset against capitalized costs. During the production phase of a mine, costs incurred relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate.

## i) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts for mineral sales in the normal course of business, net of discounts and sales related taxes. Revenue from the sale of gold is recognized when control of the gold and the significant risks and rewards of ownership are transferred to the customer, which is usually when title has passed to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, collection is reasonably assured, and costs can be measured reliably.

The Company recognizes deferred revenue in the event it receives payments from customers before a sale meets the criteria for revenue recognition.

## j) Income Per Share

Basic income per share is computed by dividing the net income applicable by the weighted average number of common shares outstanding during the reporting period. Diluted income per share is computed by dividing the net income by the sum of the weighted average number of common shares issued and outstanding during the reporting period and all additional common shares for the assumed exercise of convertible instruments outstanding for the reporting period, if dilutive. The treasury stock method is used for the assumed proceeds upon the exercise of convertible instruments that are used to purchase common shares at the average market price during the reporting period.

## k) Inventories

Inventories include gold bullion, gold-in-process, stockpiled ore, and mine operating supplies. Inventories are valued at the lower of cost and net realizable value (“NRV”). Gold-in-process is comprised of ore in circuit and ore on heap leach pads. The cost of stockpiled ore is based on the weighted average cost per tonne. The cost of gold bullion and gold-in-process is based on the average cost of production, which includes all costs attributable to the extraction and processing of ore. The costs of production include: i) materials, equipment, labor and contractor expenses directly attributable to the extraction and processing of ore; ii) depletion and depreciation of property, plant, and equipment used in the extraction and processing of ore; and iii) related production overheads based on normal operating capacity. The quantities of recoverable gold placed on the leach pads are reconciled by comparing the grades of ore placed on the leach pads to the quantities of gold actually recovered (metallurgical balancing); however, the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. Variances between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write downs to NRV are accounted for on a prospective basis. The ultimate actual recovery of gold from a leach pad will not be known until the leaching process has concluded. NRV is the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

## l) Property, Plant and Equipment (“PPE”)

### i. Recognition and measurement

Items of PPE are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labor and any other cost directly attributable to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company. Assets in the course of construction are capitalized in the construction in progress category and transferred to the appropriate category of

PPE upon completion. When components of an asset have different useful lives, depreciation is calculated on each separate component.

**ii. Subsequent costs**

The cost of replacing part of an item of PPE is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized and included in net income. If the carrying amount of the replaced component is not known, it is estimated based on the cost of the new component less estimated depreciation. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

**iii. Depletion and Depreciation**

Depreciation is based on the cost of an asset less its residual value. PPE associated with mining operations are depreciated over the estimated useful lives of the assets on a unit of production basis which is measured by the portion of the mine's economically recoverable ore reserves produced during the period. All other equipment is depreciated over the estimated useful life of the asset using the straight line method, declining balance method at a rate of 20% to 30% as appropriate, or service meter units.

Depreciation methods, useful lives and residual values are reviewed at each annual reporting period and adjusted, if appropriate. Changes in estimates are accounted for prospectively. Depreciation commences when an asset is available for use or in production.

**iv. Gains and losses**

Gains and losses on disposal of an item of PPE are determined by comparing the net proceeds from disposal with the carrying amount of the PPE, and are recognized net within other charges and provisions in the consolidated statement of comprehensive income.

**v. Repairs and maintenance**

Repairs and maintenance costs are charged to production costs as incurred, except major inspections or overhauls that are performed at regular intervals over the useful life of an asset are capitalized as part of PPE.

**vi. Derecognition**

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is included within other changes and provisions in the consolidated statement of comprehensive income in the period the item is derecognized.

## m) Exploration and Evaluation Assets

All direct costs related to exploration and evaluation of mineral properties, net of incidental revenues, are capitalized under exploration and evaluation assets. Exploration and evaluation expenditures include such costs as acquisition of rights to explore; sampling, trenching and surveying costs; costs related to topography, geology, geochemistry and geophysical studies; drilling costs and costs in relation to technical feasibility and commercial viability of extracting a mineral resource.

A regular review of each property is undertaken to determine the appropriateness of continuing to carry forward costs in relation to exploration and evaluation of mineral properties. Should the carrying value of the expenditure not yet amortized exceed its estimated recoverable amount in any year, the excess is written off to the consolidated statement of comprehensive income.

## n) Mine Under Construction

Upon the conclusion to actively develop a facility to extract mineral resources, exploration and development expenditures are transferred to mine under construction. All subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized to mine under construction until the commencement of commercial production. Development expenditures are net of proceeds from sale of ore extracted during the development phase. When commercial production starts, all assets included in mine under construction are transferred to PPE. Capitalized development expenditures are not depreciated until the assets are ready for their intended use. Upon completion of construction, mining assets are amortized on a unit of production basis which is measured by the portion of the mine's economically recoverable ore reserves produced during the period. Impairment is tested using the same method as other non-financial assets.

## o) Impairment and Reversals of Impairment for Non-financial Assets

### i. Impairment

The Company's non-financial assets are assessed for indication of impairment at each reporting date when facts and circumstances suggest that the carrying amount of any asset may exceed its recoverable amount. If any indications of impairment are present, an entity shall measure, present and disclose any resulting impairment in accordance with IAS 36 *Impairment of Assets*. Internal factors, such as budgets and forecasts, as well as external factors, such as expected future prices, costs and other market factors are also monitored to determine if indications of impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the FVLCD and the asset's value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or the Company's assets. If this is the case, the individual assets are grouped together into cash generating units ("CGU") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets. Exploration and evaluation assets are assessed to determine whether they are to be grouped into an operating CGU or if they must be assessed individually if no relevant CGU exists for the purpose of grouping for impairment purposes.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statement of comprehensive income as to reduce the carrying amount to its recoverable amount (i.e., the higher of FVLCD and value in use). FVLCD is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources, and operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate.

During the year ended December 31, 2016, the Company recognized an impairment charge of $1,034 (year ended December 31, 2015 - $84,300) for its non-financial assets (see notes 8 and 11).

### ii. Impairment reversals

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the CGU's recoverable amount since the last impairment loss was recognized. This reversal is recognized in the consolidated statement of comprehensive income and is limited to the carrying value that would have been determined, net of any depreciation where applicable, had no impairment charge been recognized in prior years.

## p) Lease Liabilities

The determination of whether an arrangement is, or contains, a lease is based on the substance of the contractual arrangement at inception date, including whether the arrangement contains the use of a specific asset and the right to use that asset. Where the Company receives substantially all the risks and rewards of ownership of the asset, these arrangements are classified as finance leases. Finance leases are recorded as an asset with a corresponding liability at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance costs using the effective interest method, with the interest element of the lease charged to the consolidated statement of comprehensive income as a finance cost. PPE acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

All other leases are classified as operating leases. Operating lease payments are recognized in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

## q) Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at future anticipated tax rates, which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred taxation is provided on all qualifying temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are only recognized to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

## r) Share-Based Payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as share-based payments expense in the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the Company's estimate of the number of share-based awards that will eventually vest. The number of forfeitures likely to occur is estimated on grant date and is revised as deemed necessary. Any consideration paid by directors, officers and employees on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on stock options granted to non-employees is measured on the date when the goods or services are received at the fair value of goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the share-based payments, which is measured by use of a Black-Scholes valuation model, is used. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

## s) Provisions and Contingencies

Provisions are recognized when a legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate. The increase in the provision due to the time value of money is recognized as interest expense.

When a contingency substantiated by confirming events, can be reliably measured and is probable to result in an economic outflow, a liability is recognized as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

## t) Newly Applied Accounting Standards

The following amended standards were applied as of January 1, 2016:

- IFRS 10, Consolidated Financial Statements (amendment);
- IAS 1, Presentation of Financial Statements (amendment);
- IAS 16, Property, Plant and Equipment (amendment); and
- IAS 38 Intangible Assets (amendment).

The adoption of these amended standards did not have a significant impact on the Company’s consolidated financial statements.

## u) Accounting Standards Issued But Not Yet Effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

Amendments to IAS 7, Statement of Cash Flows (“IAS 7”) was issued by the IASB in January 2016. The amendment clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment to IAS 7 is effective for annual periods beginning on or after January 1, 2017. The Company is evaluating the impact of this standard on its consolidated financial statements.

IFRS 9, Financial instruments (“IFRS 9”) was issued by the IASB on July 24, 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is intended to reduce the complexity for the classification, measurement, and impairment of financial instruments. The mandatory effective date is for annual periods beginning on or after January 1, 2018. The Company is evaluating the impact of this standard on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) was issued by the IASB on May 28, 2014 and will replace IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. IFRS 15 provides a more detailed framework for the timing of revenue recognition and increased requirements for disclosure of revenue. IFRS 15 uses a control-based approach to recognize revenue which is a change from the risk and reward approach under the current standard. The mandatory effective date is for annual periods beginning on or after January 1, 2018. The Company is evaluating the impact of this standard on its consolidated financial statements.

IFRS 16, Leases (“IFRS 16”) was issued by the IASB in January 2016 and will replace IAS 17 Leases. IFRS 16 specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The mandatory effective date is for annual periods beginning on or after January 1, 2019. The Company is evaluating the impact of this standard on its consolidated financial statements.

## 4. SUBSIDIARIES

The following table lists subsidiaries of the Company:

| Name of Subsidiary | Place of Incorporation | Proportion of Beneficial Common Share Ownership Interest | Principal Activity |
|---|---|---|---|
| Twangiza Mining SA | Congo | 100% | Mining |
| Namoya Mining SA | Congo | 100% | Mining |
| Lugushwa Mining SA | Congo | 100% | Mining |
| Kamituga Mining SA | Congo | 100% | Mining |
| Banro Congo Mining SA | Congo | 100% | Mining |
| Banro Hydro SARL | Congo | 100% | Infrastructure |
| Banro American Resources Inc. | United States of America | 100% | Inactive |
| Twangiza (Barbados) Limited | Barbados | 100% | Holding and Financing |
| Namoya (Barbados) Limited | Barbados | 100% | Holding and Financing |
| Lugushwa (Barbados) Limited | Barbados | 100% | Holding |
| Kamituga (Barbados) Limited | Barbados | 100% | Holding |
| Banro Congo (Barbados) Limited | Barbados | 100% | Holding |
| Banro Group (Barbados) Limited | Barbados | 100% | Holding and Financing |

## 5. CASH AND CASH EQUIVALENTS

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | $ | $ |
| Cash | 1,294 | 2,207 |
| Cash equivalents | - | 55 |
| **Cash and cash equivalents** | **1,294** | **2,262** |
| | | |
| Restricted cash[1] | 10,079 | - |
| | **10,079** | **-** |

[1] Restricted cash relates to deposits for future payments on long-term debt until stated maturity (see Note 18) and reclamation deposits for permit renewal (see Note 17).

## 6. TRADE AND OTHER RECEIVABLES

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | $ | $ |
| Trade receivables and advances to employees | 460 | 299 |
| VAT receivable | 14,723 | 10,014 |
| Other receivables | 10,479 | 2,707 |
| | **25,662** | **13,020** |

As at December 31, 2016, there were no allowances as all amounts are expected to be fully recovered (December 31, 2015 - $nil). Some receivables, although contractually not past their due dates, are not considered impaired as there has not been a significant change in the credit quality of the relevant counterparty.

## 7. PREPAID EXPENSES AND DEPOSITS

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | $ | $ |
| Supplier prepayments and deposits - Twangiza | 3,946 | 3,078 |
| Supplier prepayments and deposits - Namoya | 3,709 | 3,160 |
| Prepaid insurance and rent | 1,563 | 843 |
| | **9,218** | **7,081** |

## 8. INVENTORIES

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | $ | $ |
| Ore in stockpiles | 2,906 | 1,431 |
| Gold in process | 13,787 | 761 |
| Gold bullion | 10,111 | 2,022 |
| Mine operating supplies | 42,065 | 23,975 |
| Total current portion | 68,869 | 28,189 |
| | | |
| Non-current ore in stockpiles[1] | 4,802 | 3,802 |
| **Total** | **73,671** | **31,991** |

[1] Includes stockpiles not scheduled for processing within the next twelve months.

The Company transferred $14,312 from mine under construction to inventories upon the declaration of commercial production at the Company's Namoya mine effective January 1, 2016. During the year ended December 31, 2016, the Company recognized $145,918, (year ended December 31, 2015 and 2014 - $74,631 and $69,148, respectively) of inventories as an expense as production costs and $1,034 (year ended December 31, 2015 and 2014 - $nil and $nil, respectively), for impairment of inventories as other charges and provisions in the consolidated statement of comprehensive (loss)/income.

## 9. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment ("PPE") are summarized as follows:

| | Mining assets | Construction in progress | Plant and equipment | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **I) Cost** | | | | |
| Balance as at January 1, 2015 | **54,771** | **1,532** | **327,408** | **383,711** |
| Additions | - | 52 | 29,089 | 29,141 |
| Disposals | - | - | (2,754) | (2,754) |
| **Balance as at December 31, 2015** | **54,771** | **1,584** | **353,743** | **410,098** |
| Additions | - | 17,888 | 15,524 | 33,412 |
| Transfers from mine under construction | 51,921 | 479 | 321,300 | 373,700 |
| Transfers | - | (3,818) | 3,818 | - |
| Disposals | - | - | (23,420) | (23,420) |
| **Balance as at December 31, 2016** | **106,692** | **16,133** | **670,965** | **793,790** |
| **II) Accumulated Depreciation** | | | | |
| Balance as at January 1, 2015 | **20,448** | - | **68,253** | **88,701** |
| Depreciation | - | - | 30,726 | 30,726 |
| Depletion | 3,591 | - | - | 3,591 |
| Disposals | - | - | (2,547) | (2,547) |
| **Balance as at December 31, 2015** | **24,039** | - | **96,432** | **120,471** |
| Depreciation | - | - | 58,660 | 58,660 |
| Depletion | 9,165 | - | - | 9,165 |
| Disposals | - | - | (23,283) | (23,283) |
| **Balance as at December 31, 2016** | **33,204** | **-** | **131,809** | **165,013** |
| **III) Carrying amounts** | | | | |
| **Balance as at December 31, 2015** | **30,732** | **1,584** | **257,311** | **289,627** |
| **Balance as at December 31, 2016** | **73,488** | **16,133** | **539,156** | **628,777** |

The Company transferred $373,700 from mine under construction to PPE upon the declaration of commercial production at the Company's Namoya mine effective January 1, 2016. During the year ended December 31, 2016, the Company removed assets not in use with a total cost of $23,420, and accumulated depreciation of $23,283 resulting in a loss on disposition of $134 in the consolidated statement of comprehensive (loss)/income and $3 in exploration and evaluation. During the year ended December 31, 2015, the Company removed assets with a total cost of $2,754 (year ended December 31, 2014 - $1,619), and accumulated depreciation of $2,547, (year ended December 31, 2014 - $1,466) from its accounting records that were no longer in use and a loss on disposition of assets of $125 was reported in the consolidated statement of comprehensive (loss)/income (year ended December 31, 2014 – $153) and $82 was reported in mine under construction (year ended December 31, 2014 - $nil). The Company's PPE in the Congo are pledged as security.

## 10. EXPLORATION AND EVALUATION

| | Twangiza | Namoya | Lugushwa | Kamituga | Banro Congo Mining | Total |
|---|---|---|---|---|---|---|
| **Cost** | $ | $ | $ | $ | $ | $ |
| Balance as at January 1, 2015 | 31,026 | 16,843 | 53,433 | 24,410 | 4,247 | 129,959 |
| Additions | 1,516 | 1,185 | 2,921 | 2,924 | 1,233 | 9,779 |
| **Balance as at December 31, 2015** | 32,542 | 18,028 | 56,354 | 27,334 | 5,480 | 139,738 |
| Additions | 1,376 | 1,154 | 2,906 | 2,823 | 1,242 | 9,501 |
| **Balance as at December 31, 2016** | **33,918** | **19,182** | **59,260** | **30,157** | **6,722** | **149,239** |

## 11. MINE UNDER CONSTRUCTION

Development expenditures with respect to the construction of the Company's Namoya mine are as follows:

| **Cost** | $ |
|---|---|
| **Balance as at January 1, 2015** | 414,258 |
| Additions | 111,372 |
| Pre-commercial production revenue | (53,318) |
| Impairment | (84,300) |
| **Balance as at December 31, 2015** | **388,012** |
| Transfers to inventories | (14,312) |
| Transfers to PPE | (373,700) |
| **Balance as at December 31, 2016** | **-** |

Effective January 1, 2016 the Company declared commercial production at its Namoya mine. All capital costs related to the Namoya mine prior to January 1, 2016 have been transferred to property, plant and equipment. Revenues realized from the sale of inventories produced and sold before commencement of commercial production ("pre-commercial production revenue") are recorded as a reduction of the respective mining asset. This treatment ceased on December 31, 2015, and proceeds from sales beginning January 1, 2016 have been recognized in the consolidated statement of comprehensive (loss)/income. During the year ended December 31, 2016, cash payments in the amount of $13,515 were made against accounts payable that related to mine under construction balances from December 31, 2015.

The Company performed impairment testing for its mine under construction when indications of potential impairment are identified. As at December 31, 2015, the Company identified the aggregate impact of the current period economic performance of Namoya compared to expectations, continued capitalization of pre-operating losses, a decrease in the long-term gold environment as well as a consolidated enterprise value that is lower than the net assets of the Company as indicators of a potential impairment. The Company performed an impairment assessment to determine the recoverable amount of the Namoya cash generating unit ("CGU"). The assessment indicated that the carrying amounts of the CGU exceeded the recoverable amount. Accordingly, the Company recognized an impairment charge of $84,300 for the year ended December 31, 2015 (year ended December 31, 2014 - $nil).

The key assumptions for 2015 recoverable amount of the Namoya CGU was determined by calculating the FVLCD, which has been determined to be greater than the value in use. The key assumptions used in determining the FVLCD for the CGU are life-of-mine ("LOM") plans, long-term commodity prices, discount rates and contribution of non-reserve mineralization. The estimates of future cash flows were derived from the most recent LOM plan. LOM plans are typically developed annually and are based on management's current best estimates of optimized mine and processing plans, future operating costs and the assessment of capital expenditures of a mine site. The Company used estimated annual gold prices with a range from $1,190 to $1,250 per ounce based on observable market data including spot price, and industry analyst consensus. A discount rate of 8.4% was applied to present value the net future cash flows based on the weighted average cost of capital to account for geopolitical risk and other CGU specific risks, which have not been included in the cash flows such as project risk.

## 12. TRADE AND OTHER PAYABLES

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | $ | $ |
| Bank overdrafts | 7,206 | 6,039 |
| Accounts payable | 62,990 | 51,715 |
| Accrued liabilities | 23,431 | 23,615 |
| Promissory note | - | 866 |
| | **93,627** | **82,235** |

## 13. DEFERRED REVENUE

In February 2016, the Company closed a gold streaming transaction relating to the Twangiza mine (the "Twangiza Transaction") with RFW Banro Investments Limited ("RFWB"). The Company received from RFWB a deposit of $67,500 for the delivery of a certain percentage (the "Entitlement Percentage") of the gold produced at the Twangiza mine (effective January 1, 2016) for an initial term of 40 years with automatic renewals for successive 15-year periods unless there is no mining activity for the last 15 years. The Entitlement Percentage is 11% based on a gold price between $1,150 and $1,500 per ounce, 12.5% based on a gold price of less than $1,150 per ounce, and 9.5% based on a gold price greater than $1,500 per ounce. When total gold production from the Twangiza mine has reached 1.14 million ounces from the commencement of the delivery term, the Entitlement Percentages above will each be reduced by 50%. The ongoing payments by RFWB to Twangiza upon delivery of the gold are $150 per ounce. The value of deliveries between January 1, 2016 and the closing of the transaction, totaling $1,037, have been reflected as an adjustment to the proceeds from deferred revenue on initial recognition. At any time after the third anniversary of the closing of the Twangiza Transaction, the Company may, at its discretion, terminate the stream by paying to the purchaser in cash a buyback price equal to an amount which would result in the purchaser achieving an implied internal rate of return of 17.5% on the cash flows arising from the stream during the period from the closing of the Twangiza Transaction to the date that is 12 months following the date of payment of the buyback price.

In April 2015, the Company closed a gold streaming transaction for the Namoya mine with an entity funded by investment funds managed by Gramercy Funds Management LLC ("Gramercy"). The Company received a deposit of $50,000 in exchange for the delivery of 8.33% of the gold produced at the Namoya mine for an initial term of 40 years with automatic renewals for successive 15-year periods unless there is no mining activity for the last 15 years. At each point of delivery, the amount of the deposit is reduced by the market value of the gold delivered less the ongoing price of $150 per ounce paid by Gramercy. In the Company's consolidated financial statements, the deposit is accounted for as deferred revenue. This deferred revenue is recognized based on an implied value per ounce deliverable over the estimated output of the life-of-mine.

The current portion of deferred revenue reflects expected deliveries within the next 12 months.

| | Namoya | Twangiza | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance as at January 1, 2015** | - | - | - |
| Prepayment received | 50,000 | - | 50,000 |
| Gold delivered | (1,633) | - | (1,633) |
| **Balance as at December 31, 2015** | **48,367** | **-** | **48,367** |
| Prepayment received | - | 66,463 | 66,463 |
| Gold delivered | (3,906) | (4,672) | (8,578) |
| **Balance as at December 31, 2016** | **44,461** | **61,791** | **106,252** |
| Current portion | 5,205 | 6,253 | 11,458 |
| Non-current portion | 39,256 | 55,538 | 94,794 |

## 14. BANK LOANS

| Lender | Ecobank | Rawbank | Banque Commerciale du Congo | Banque Commerciale du Congo | Rawbank | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Balance as of January 1, 2015 | 15,000 | 1,000 | 4,992 | - | - | 20,992 |
| Proceeds | - | - | - | 11,500 | - | 11,500 |
| Repayments | (11,131) | (1,000) | (4,992) | (436) | - | (17,559) |
| **Balance as of December 31, 2015** | **3,869** | **-** | **-** | **11,064** | **-** | **14,933** |
| Proceeds | - | - | - | 1,500 | 5,000 | 6,500 |
| Repayments | (3,869) | - | - | (5,551) | (2,500) | (11,920) |
| **Balance as of December 31, 2016** | **-** | **-** | **-** | **7,013** | **2,500** | **9,513** |
| Current portion | - | - | - | 7,013 | 2,500 | 9,513 |
| Non-Current portion | - | - | - | - | - | - |
| | | | | | | |
| Start Date | February 2013 | July 2013 | September 2013 | September 2015 | June 2016 | |
| End Date | February 2016 | September 2015 | October 2015 | July 2017 | May 2017 | |
| Interest rate | 8.5% | 10.0% | 9.5% | 9.5% | 12.0% | |
| Payment Frequency | Quarterly | Monthly | Monthly | Monthly | Monthly | |

The Company accrued interest on the bank loans of $59 as of December 31, 2016 (December 31, 2015 - $99), which is included in accrued liabilities in its consolidated statement of financial position. The Company recorded interest expense of $1,291 in the consolidated statement of comprehensive (loss)/income, for the year ended December 31, 2016 (year ended December 31, 2015 and 2014 - $nil and $1,070, respectively) and $nil was capitalized to mine under construction for the year ended December 31, 2016 (year ended December 31, 2015 and 2014 - $1,596 and $2,070, respectively) in relation to the bank loans.

## 15. OTHER LIABILITIES

a) Finance lease

The gross values of minimum lease payments are as follows:

| | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| | $ | $ |
| Within one year | 1,153 | 2,537 |
| Between two and five years | - | 1,382 |
| | 1,153 | 3,919 |
| Future interest | (61) | (591) |
| Present value of finance lease liability | 1,092 | 3,328 |

The present values of minimum lease payments are as follows:

| | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| | $ | $ |
| Within one year | 1,092 | 2,033 |
| Between two and five years | - | 1,295 |
| Present value of finance lease liability | **1,092** | 3,328 |

The carrying amounts of the assets under lease as at December 31, 2016 is $4,268 (December 31, 2015 - $4,908).

b) Employee retention allowance

The Company has an employee retention incentive plan under which an amount equal to one-month salary per year of service is accrued to each qualified employee up to a maximum of 10 months (or 10 years of service with the Company). To qualify for this retention allowance, an employee must complete two years of service with the Company. The full amount of retention allowance accumulated by a particular employee is paid out when the employee is no longer employed with the Company, unless there is a termination due to misconduct, in which case the retention allowance is forfeited. There is uncertainty about the timing of these outflows but with the information available and assumption that eligible employees will not be terminated due to misconduct, as at December 31, 2016, the Company had accrued a liability of $3,839 (December 31, 2015 - $4,071)

The following table summarizes information about changes to the Company's employee retention allowance during the years ended December 31, 2016 and 2015. Retention allowance is classified as a non-current liability in the statement of financial position.

| | $ |
|---|---|
| **Balance as at January 1, 2015** | 3,405 |
| Additions | 1,123 |
| Forfeitures | (127) |
| Payments to employees | (330) |
| **Balance as at December 31, 2015** | 4,071 |
| Additions | 919 |
| Forfeitures | (82) |
| Payments to employees | (1,069) |
| **Balance as at December 31, 2016** | **3,839** |

c) Equipment financing

| | Twangiza | Namoya | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance as at January 1, 2016** | - | - | - |
| Financed amount | 7,168 | 3,462 | 10,630 |
| Payments | (1,310) | (1,038) | (2,348) |
| **Balance as at December 31, 2016** | **5,858** | **2,424** | **8,282** |
| Current portion | 3,800 | 2,067 | 5,867 |
| Non-current portion | 2,058 | 357 | 2,415 |

During the year ended December 31, 2016, the Company entered into equipment financing arrangements in relation to mobile equipment, which bear an interest rate of 8% per annum. Of the financed amount at December 31, 2016, $7,214 is payable in 8 quarterly installments and $1,068 is payable in 11 equal monthly installments.

## 16. DERIVATIVE INSTRUMENTS

a) Gold Prepayment Arrangements

In February 2015, the Company closed a gold forward sale agreement relating to the Twangiza mine. The agreement provided for the prepayment by the purchaser of $20,000 for its purchase of 22,248 ounces of gold from the Twangiza mine, with the gold deliverable over three years, at 618 ounces per month. The forward sale may be terminated at any time upon payment to the purchaser of a one-time termination amount that would result in the purchaser receiving an internal rate of return of 20%. The terms of the forward sale also include a gold floor price mechanism whereby, if the gold price falls below $1,100 per ounce in any month, additional ounces are deliverable to ensure a realized gold price of $1,100 per ounce for that month. In April 2015, the Company closed a second gold forward sale agreement relating to the Twangiza mine. This agreement also provided for the prepayment by the purchaser of $20,000 for its purchase of 22,248 ounces of gold from the Twangiza mine, with the same terms as the first gold forward sale agreement referred to above. In September 2015, the second gold forward sale agreement was amended for an additional prepayment by the purchaser of $7,000 for its purchase of an additional 8,481 ounces of gold from the Twangiza mine, with the deliverable gold beginning January 2016 over 33 months at 257 ounces per month.

The Company has classified the obligation under the agreements as a financial instrument at fair value through profit or loss based on the intent, terms and nature of the agreements. Transaction costs of $300 were expensed during the year ended December 31, 2015 to the consolidated statement of comprehensive (loss)/income. In January 2016, the said second gold forward sale agreement was further amended for an additional prepayment by the purchaser of $3,480 for its purchase of an additional 123.835 ounces of gold per month from the Twangiza mine beginning in January 2016 for 32 months. The terms and conditions for the agreement remain unchanged and the Company has classified the obligation under the agreement as a financial instrument at fair value through profit or loss based on the intent, terms and nature of the agreement. During year ended December 31, 2016, transaction costs of $300 were included in finance expenses in the consolidated statement of comprehensive (loss)/income. In February 2016, the Company extinguished gold forward sales for $31,761 that had been closed by the Company in February and April 2015 and, for the year ended December 31, 2016, realized a gain of $30 on extinguishment in the consolidated statement of comprehensive (loss)/income. As at December 31, 2016, the remaining ounces to be delivered are 7,998.

In May 2015, the Company closed a gold forward sale agreement with Rawbank SA relating to the Twangiza mine. The agreement provided a prepayment of $10,000 for the delivery of 9,508 ounces of gold in monthly quantities of 396 ounces over a period of 24 months. The agreement may be terminated at any time upon payment to the purchaser of a one-time termination amount that would result in the purchaser receiving an internal rate of return of 13%. The terms of the agreement also include a gold floor price mechanism whereby, if the gold price falls below $1,150 per ounce in any month, additional ounces are deliverable to ensure a realized gold price of $1,150 per ounce for that month. As at December 31, 2016, the remaining ounces to be delivered are 1,866.

In August 2015, the Company closed an agreement with a project vendor to deliver 2,842 ounces of gold in monthly quantities of 129 ounces over a period of 22 months to settle an outstanding balance of $2,894. The agreement may be terminated at any time upon payment to the purchaser of a one-time termination amount that would result in the purchaser receiving an internal rate of return of 19%. The terms of the agreement also include a gold floor price mechanism whereby, if the gold price falls below $1,100 per ounce in any month, additional ounces are deliverable to ensure a realized gold price of $1,100 per ounce for that month. As at December 31, 2016 the remaining ounces to be delivered are 391.

In October 2015, the Company closed a gold forward sale agreement with Auramet International, LLC ("Auramet") relating to the Twangiza mine for $2,000 and an additional $3,000 in December 2015. The final gold delivery occurred in 2016. In February 2015, the Company delivered all ounces to Auramet for the outstanding obligation valued at $1,291 from 2014.

During the year ended December 31, 2016, the Company reflected a fair value loss of $5,005 in the consolidated statement of comprehensive (loss)/income relating to the revaluation of these gold prepayment arrangements (year ended December 31, 2015 and 2014 - $6,205 and $nil, respectively).

The fair value of the gold forward sale agreements is determined using a discounted cash flow model that takes into account the scheduled deliveries and the expected future price of gold.

| | Twangiza GSA | Rawbank | Project Vendor | Auramet | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance as at January 1, 2015** | - | - | - | 1,291 | 1,291 |
| Prepayment received | 47,000 | 10,000 | 2,894 | 5,000 | 64,894 |
| Gold delivered | (12,737) | (3,214) | (1,168) | (2,787) | (19,906) |
| Fair value loss | 5,504 | 357 | 140 | 204 | 6,205 |
| **Balance as at December 31, 2015** | **39,767** | **7,143** | **1,866** | **3,708** | **52,484** |
| Prepayment received | 3,480 | - | - | - | 3,480 |
| Gold delivered | (7,111) | (5,894) | (1,919) | (3,805) | (18,729) |
| Fair value loss | 3,558 | 850 | 500 | 97 | 5,005 |
| Extinguishment | (31,761) | - | - | - | (31,761) |
| **Balance as at December 31, 2016** | **7,933** | **2,099** | **447** | - | **10,479** |
| Current portion | 4,993 | 2,099 | 447 | - | 7,539 |
| Non-current portion | 2,940 | - | - | - | 2,940 |

b) Call Options

| | $ |
|---|---|
| Fair value, January 1, 2015 | 16 |
| Issuance of call options | 148 |
| Fair value gain | (124) |
| **Balance as at December 31, 2015** | **40** |
| Issuance of call options | **115** |
| Fair value loss | **394** |
| Exercise | **(549)** |
| **Balance as at December 31, 2016** | **-** |

The fair value of call options is determined using a Black-Scholes option pricing model that takes into account the gold price, the term of the call option, the expected life, the gold price at valuation date, expected gold price volatility based on the historical data, and the risk free interest rate for the term of the call option.

During the year ended December 31, 2016, the Company reflected a fair value loss of $394 in the consolidated statement of comprehensive (loss)/income (years ended December 31, 2015 and 2014 – gains of $124 and $36, respectively).

c) Warrants to Purchase Common Shares

In February 2016, warrants were issued as a part of the term loan and common share private placement transactions (see notes 18 and 20) that entitle the holders thereof to acquire 10 million and 2.5 million common shares of the Company, respectively, at a price of $0.2275 per share for a period of 3 years, expiring February 26, 2019.

In August 2014, warrants were issued as a part of a liquidity backstop facility (the "Backstop Facility") (the Backstop Facility has since been extinguished; see note 18). The warrants entitled the holders thereof to acquire 13.3 million common shares of the Company at a price of Cdn$0.269 per share for a period of 3 years, expiring August 18, 2017. As of February 26, 2016, the exercise price was adjusted to Cdn$0.236 per share, as per the terms of these warrants.

| | $ |
|---|---|
| Fair value, January 1, 2015 | 86 |
| Fair value loss | 1,157 |
| **Fair value, December 31, 2015** | 1,243 |
| Issuance of warrants | 1,818 |
| Fair value gain | (1,582) |
| **Balance as at December 31, 2016** | **1,479** |

The fair value of warrants is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the warrant, the expected life, the share price at valuation date, expected price volatility of the underlying share based on the historical weekly share price, the expected dividend yield, the historical forfeiture rate and the risk free interest rate for the term of the warrant.

During the year ended December 31, 2016, the Company reflected a fair value loss of $394 and transaction costs of $32 related to issued and outstanding warrants in the consolidated statement of comprehensive (loss)/income (year ended December 31, 2015 - fair value loss of $1,157 and year ended December 31, 2014 - fair value gain of $274 and transaction costs of $10). As at December 31, 2016, all warrants issued and outstanding which were classified as a derivative instruments, were accounted for as a current liability in the consolidated statement of financial position.

## 17. PROVISION FOR CLOSURE AND RECLAMATION

The Company recognizes a provision related to its constructive and legal obligations in the Congo to restore its properties. The cost of this obligation is determined based on the expected future level of activity and costs related to decommissioning the mines and restoring the properties. The provision for the Twangiza mine is calculated at the net present value of the estimated future undiscounted cash flows using an interest rate of 11.74% (December 31, 2015 – 8.83%), a mine life of 14 years, and estimated future undiscounted liability of $8,563 (December 31, 2015 - $9,188). The provision for the Namoya mine is calculated at the net present value of the future estimated undiscounted liability using an interest rate of 11.47% (December 31, 2015 – 8.65%), a mine life of 8 years, and estimated future undiscounted liability of $10,593 (December 31, 2015 - $10,565). For the year ended December 31, 2016, the Company recorded accretion expense of $687 (year ended December 31, 2015 and 2014 - $676 and $620, respectively) in the consolidated statement of comprehensive (loss)/income.

| | Twangiza Mine | Namoya Mine | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance at January 1, 2015 | 3,633 | 4,122 | 7,755 |
| Change in life of mine | (1,142) | - | (1,142) |
| Additions | 38 | 101 | 139 |
| Change in discount rate | 258 | 380 | 638 |
| Unwinding of the discount rate | 272 | 404 | 676 |
| **Balance at December 31, 2015** | **3,059** | **5,007** | **8,066** |
| Change in life of mine | (481) | (3) | (484) |
| Decrease in obligation | (191) | (4) | (195) |
| Change in discount rate | (808) | (1,010) | (1,818) |
| Unwinding of the discount rate | 233 | 454 | 687 |
| **Balance at December 31, 2016** | **1,812** | **4,444** | **6,256** |

## 18. LONG-TERM DEBT

In July 2016, the Company entered into a gold dore purchase agreement in connection with a $10,000 loan facility (the "Baiyin Loan") with Baiyin International Investment Ltd ("Baiyin"). Baiyin is an affiliate of RFWB, which at December 31, 2016 owned approximately 16.5% of the outstanding common shares of the Company. The Baiyin Loan was funded in two equal tranches. The first tranche was funded in July 2016 with an initial maturity date of July 15, 2018 and the second tranche was funded in September 2016 with an initial maturity date of September 1, 2018. The Baiyin Loan bears an initial interest rate of 10% per annum up to August 31, 2016 and 11% per annum thereafter. The Company can prepay the principal at any time without penalty. The terms of the gold dore purchase agreement contemplate that Baiyin will purchase at market prices approximately 50% of the gold dore produced by Twangiza and approximately 50% of the gold dore produced by Namoya, in each case until the date the Baiyin Loan is repaid. As at December 31, 2016, such arrangement has not yet been fully implemented.

The Company recognized the Baiyin Loan at its fair value of $10,000. For the year ended December 31, 2016, the Company recognized $431 of interest under finance expense in its consolidated statement of comprehensive (loss)/income. As at December 31, 2016 the Company accrued interest on the Baiyin Loan of $277 (See Note 32).

In February 2016, the Company closed a $22,500 term loan facility (the "Term Loan") funded by RFWB and investment funds managed by Gramercy Funds Management LLC ("Gramercy"). The Term Loan represents a loan of $22,500 with an initial maturity date of November 30, 2016 subsequently amended to March 1 2017. While the initial terms of this loan provided that (i) it may be extended until November 30, 2020 provided certain financial tests are met, (ii) it bore interest at a rate of 8.5% per annum for the first 21 months of the term and then at a rate of the 3-month LIBOR rate plus 8.0% for the last two years of the term (iii) interest is payable quarterly with the principal repayable in full at the end of the term of the facility, (iv) it may be prepaid at any time without penalty and (v) Gramercy and RFWB may require repayment of the Term Loan at any time after the second anniversary, changes have been made to these terms (see note 32). The Company issued to the lenders a total of 10 million common share purchase warrants of the Company (5 million warrants each to RFWB and to Gramercy in proportion to their advance of the Term Loan), with each such warrant entitling the holder to purchase one common share of the Company at a price of $0.2275 for a period of three years (see notes 16 and 20).

The Company recognized the Term Loan at its fair value of $22,500 less transaction costs of $268 and a fair value of $1,455 attributed to the warrants. For the year ended December 31, 2016, the Company recognized $3,369 of interest under finance expense in its consolidated statement of comprehensive (loss)/income. As at December 31, 2016, the Company included accrued interest on the term loan of $165 under accrued liabilities in its consolidated statement of financial position.

In August 2014, the Company closed the Backstop Facility for gross aggregate proceeds of up to $35,000. The Backstop Facility provided for the issuance by the Company of two classes of notes, defined as Priority Lien Notes and Parity Lien Notes, as well as common share purchase warrants of the Company (see note 16c). The notes had a maturity date of July 31, 2016, but were prepaid as a part of the Namoya gold streaming transaction completed on April 30, 2015 (see note 13). Any interest payable on or before July 31, 2015 could be capitalized monthly by the Company by adding the accrued interest to the outstanding principal of the notes. The amount of capitalized interest for the year ended December 31, 2015 was $2,509 (year ended December 31, 2014 - $2,369).

The Company recognized the long-term debt portion of the securities issued under the Backstop Facility, at a fair value of $36,640 less transaction costs of $1,143, in its consolidated statement of financial position. As a portion of the proceeds from the Backstop Facility is attributable to the construction of the Namoya mine, the Company capitalized 100% of borrowing costs for the $2,000 in Parity Lien Notes and the related portion of all other borrowing costs calculated using a rate of 21.91%. For the year ended December 31, 2015, the Company capitalized borrowing costs of $680 to mine under construction (year ended December 31, 2014 - $542) and recognized $1,829 of borrowing costs under finance (year ended December 31, 2014 - $1,827) expense in its consolidated statement of comprehensive (loss)/income. In April 2015, the entire Backstop Facility was repaid in the amount of $40,701, including capitalized interest of $4,878 and a loss on extinguishment of $326.

On March 2, 2012, the Company closed a debt offering for gross proceeds of $175,000 (the ''Offering''). A total of 175,000 units (the ''Units'') of the Company were issued. Each Unit consisted of $1 principal amount of notes (the "Notes") and 48 common share purchase warrants (the "Warrants") of the Company. The Notes have a maturity date of March 1, 2017 and bear interest at a rate of 10%, accruing and payable semi-annually in arrears on March 1 and September 1 of each year. Each Warrant entitles the holder thereof to acquire one common share of the Company at a price of $6.65 for a period of five years, expiring March 1, 2017 (see note 32).

The Company recognized the long-term debt portion of the Units, at its fair value of $160,959 less transaction costs of $9,197, in its consolidated statement of financial position. The residual value of $14,041 less $789 in transaction costs has been attributed to the Warrants. As a portion of the proceeds from the Offering was attributable to the construction of the Namoya mine, the Company capitalized the related portion, 88%, of all borrowing costs prior to the Namoya mine entering commercial production. As at December 31, 2016, the fair value of the long-term debt is $150,500 (December 31, 2015 - $105,000) which is valued using a market approach. For the year ended December 31, 2016, the Company capitalized borrowing costs of $nil (year ended December 31, 2015 and 2014 – $19,819 and $19,277, respectively) to mine under construction and recognized $23,401 (year ended December 31, 2015 and 2014 - $2,754 and $2,677, respectively) of borrowing costs under finance expense in its consolidated statement of comprehensive (loss)/income. As at December 31, 2016, the Company included accrued interest on the long-term debt of $5,849 (December 31, 2015 - $5,833) under accrued liabilities in its consolidated statement of financial position.

The Company has complied with its long-term debt covenants as at December 31, 2016.

| | Offering | Backstop Facility | Term Loan | Baiyin Loan | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at January 1, 2015** | **163,055** | **37,866** | - | - | **200,921** |
| Accretion and capitalized interest | 5,072 | 2,509 | - | - | **7,581** |
| Extinguishment | - | (40,375) | - | - | **(40,375)** |
| **Balance at December 31, 2015** | **168,127** | **-** | **-** | **-** | **168,127** |
| Loan issued | - | - | 20,777 | 10,000 | 30,777 |
| Accretion | 5,852 | - | 1,723 | - | 7,575 |
| **Balance at December 31, 2016** | **173,979** | - | **22,500** | **10,000** | **206,479** |
| Current | 173,979 | - | 22,500 | - | 196,479 |
| Non-current | - | - | - | 10,000 | 10,000 |

The table below details the timing of payments for principal and interest on the long-term debt:

| | | Payments due by period | | | |
|---|---|---|---|---|---|
| | Total | Less than one year | One to three years | Three to four years | After four years |
| | $ | $ | $ | $ | $ |
| Offering debt | 175,000 | 175,000 | - | - | - |
| Offering debt interest | 8,678 | 8,678 | - | - | - |
| Term Loan principal | 22,500 | 22,500 | - | - | - |
| Term Loan interest | 478 | 478 | - | - | - |
| Baiyin Loan | 10,000 | - | 10,000 | - | - |
| Baiyin Loan interest | 2,042 | 1,377 | 665 | - | - |

## 19. PREFERENCE SHARES

The Company may issue preference shares at any time and from time to time in one or more series with designations, rights, privileges, restrictions and conditions fixed by the board of directors. The preference shares of each series shall be ranked on a parity with the preference shares of every other series and are entitled to priority over the common shares and any other shares of the Company ranking junior to the preference shares, with respect to priority in payment of dividends and the return of capital and the distribution of assets of the Company in the event of liquidation, dissolution or winding up of the Company.

On April 25, 2013 (the “Closing Date”), the Company issued 116,000 series A preference shares of the Company at a price of $25 per series A preference share (“Series A Shares”) and 1,200,000 preferred shares of a subsidiary (“Subco”) of the Company (the “Subco Shares”) combined with 1,200,000 associated series B preference shares (“Series B Shares”) of the Company at a price of $25 per combined Subco Share and Series B Share, for gross aggregate proceeds of $32,900. Collectively, the Series A Shares and Subco Shares are referred to as the “Preference Shares”.

Quarterly preferential cumulative cash dividends accrue and, if, as and when declared by the applicable board of directors are payable on the last day of each of March, June, September and December in each year from the date of issuance. The amount of dividends that accrue on the Preference Shares on any dividend payment date shall be an amount per share equal to the product obtained by multiplying (i) the Dividend Liquidation Preference (as defined below) on such dividend payment date by (ii) the quotient obtained by dividing (A) the Production Schedule Yield (as defined below) on such dividend payment date by (B) four.

The “Dividend Liquidation Preference” of a Preference Share on any dividend payment date means an amount equal to (i) the simple average of the afternoon London Gold Fix price per troy ounce for each trading day during the three-month period ending on the immediately preceding dividend payment date multiplied by (ii) 0.017501.

The “Production Schedule Yield” means for any dividend payment date the percentage rate corresponding to the Monthly Production Level for such dividend payment date (where Monthly Production Level for any dividend payment date refers to the average monthly production level during the three-month period ending on the immediately preceding dividend payment date).

The Preference Shares are not redeemable at the option of the Company or Subco, as applicable, until the later of (i) the first date on which the Company and its subsidiaries have achieved total cumulative gold production of 800,000 ounces from and including the Closing Date and (ii) the date that is five years from the Closing Date.

Commencing on the first day after the date that is five years from the Closing Date, for so long as the Company and its subsidiaries have achieved total cumulative gold production that is less than 800,000 ounces from the Closing Date, each holder of the Preference Shares will have the option at any time to require the Company or Subco, as applicable, to redeem all or a part of its Preference Shares.

Commencing on the tenth anniversary of the Closing Date, each holder of a Preference Share will have the option at any time to require the Company or Subco, as applicable, to redeem the Preference Shares legally available for such purpose.

The Series B Shares were issued for a nominal price and are held by the sole holder of all of the Subco Shares. The terms of the Series B Shares provide that, in the event that two quarterly dividend payments (whether or not consecutive) on the Subco Shares or the Series A Shares shall have accrued and been unpaid, the holders of the Series B Shares will be entitled to notice of, and to attend, at each annual and special meeting of shareholders or action by written consent at which directors of the Company will be elected and will be entitled to a separate class vote, together with the holders of the Series A Shares and the holders of any other series of shares of the Company ranking on a parity with such Series B Shares or Series A Shares either as to dividends or the distribution of assets upon liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable to elect two members to the board of directors of the Company until dividends on the Subco Shares or Series A Shares have been paid in full or declared and set apart in trust for payment (whereupon such right shall cease unless and until another quarterly dividend payment on the Subco Shares or Series A Shares shall have accrued and been unpaid).

The Company has classified the Preference Shares as financial instruments measured at fair value through profit or loss for reporting purposes given that the shares contain an embedded derivative since they may be redeemed at the option of the holder at a future date at a value based on future circumstances. The Preference Shares are revalued at each reporting date, with a gain or loss reported in the Company's consolidated statement of comprehensive (loss)/income. On issuance, the Company recognized the Preference Shares at their fair value of $32,900 in its consolidated statement of financial position. As at December 31, 2016, the Company has recognized the Preference Shares at their fair value of $30,576 (December 31, 2015 - $28,315) (see note 32). For the year ended December 31, 2016, a loss of $1,970 was recorded in the consolidated statement of comprehensive (loss)/income for the change in fair value of the derivative financial liability (for the year ended December 31, 2015 and 2014 – gain of $4,596 and loss of $3,064, respectively). The fair value of the Preference Shares was obtained by using a discounted cash flow approach and market based inputs, where applicable.

During the year ended December 31, 2016, the Company declared and paid dividends on the Preference Shares in the amount of $3,928 (year ended December 31, 2015 and 2014 - $3,514 and $1,487). As at December 31, 2016 accrued dividends of $2,173 in respect of the dividend payment dates of September 30, 2016 and December 31, 2016 were included in the Preference Shares balance (December 31, 2015 - $1,875). For the year ended December 31, 2016, dividend expense of $4,219 was reflected in the consolidated statement of comprehensive (loss)/income (year ended December 31, 2015 and 2014 - $3,178 and $3,064, respectively) and $nil of dividends were capitalized to mine under construction (year ended December 31, 2015 and 2014 - $620 and $774, respectively).

In February 2014, the Company completed a $40,000 financing through a non-brokered private placement (the "Private Placement") involving the issuance of preferred shares (collectively, the "Private Placement Preferred Shares") of two of the Company's subsidiaries (Namoya (Barbados) Limited and Twangiza (Barbados) Limited). The Private Placement Preferred Shares pay an 8% cumulative preferential cash dividend, payable quarterly, and mature on June 1, 2017. At the option of the holders and at any time before the maturity date, the holders will be entitled to exchange their Private Placement Preferred Shares into 63 million common shares of the Company at a strike price of $0.5673 per common share. A portion of the proceeds from the Private Placement were used towards the completion of the Namoya Mine; therefore, a portion of the dividends accrued and paid were capitalized to mine under construction. The first four dividend payments on the Private Placement Preferred Shares could be deferred by the Company and accumulated at an annual rate of 10%. During the year ended December 31, 2016, dividends of $3,455 were paid (year ended December 31, 2015 and 2014 - $1,736 and $799, respectively).

The Company has elected to classify the Private Placement Preferred Shares as financial instruments measured at fair value through profit or loss for reporting purposes given that the shares comprise multiple embedded derivatives. The Private Placement Preferred Shares are revalued at each reporting date, with a gain or loss reported in the Company's consolidated statement of comprehensive (loss)/income. On issuance, the Company recognized the Private Placement Preferred Shares at their fair value of $40,000 in its consolidated statement of financial position. As at December 31, 2016, the Company has recognized the Private Placement Preferred Shares at their fair value of $42,658 (December 31, 2015 - $41,022) and classified them as current liabilities based on the date of maturity. For the year ended December 31, 2016, a loss of $1,636, was included in the consolidated statement of comprehensive (loss)/income for the change in fair value of the derivative financial liability

(year ended December 31, 2015 and 2014 – loss of $1,490 and gain of $4,101, respectively). The fair value of the Private Placement Preferred Shares was obtained by using a discounted cash flow approach and market based inputs, where applicable. For the year ended December 31, 2016, dividends of $nil were capitalized to mine under construction (year ended December 31, 2015 and 2014 - $1,285 and $1,110, respectively) and for the year ended December 31, 2016, dividend expense of $3,455 was reflected in the consolidated statement of comprehensive (loss)/income (year ended December 31, 2015 and 2014 - $2,640 and $2,280, respectively) (see note 32).

Issued and outstanding preference/preferred shares are as follows (number of shares in thousands):

| | Number of Shares (in thousands) | Fair Value $ |
|---|---|---|
| **Series A Preference Shares** | | |
| Balance as at January 1, 2015 | **116** | 2,877 |
| Accrued cumulative dividends | - | 240 |
| Dividend payments | - | (215) |
| Change in fair value | - | (405) |
| **Balance as at December 31, 2015** | **116** | **2,497** |
| Accrued cumulative dividends | - | 365 |
| Dividend payments | - | (424) |
| Change in fair value | - | 258 |
| **Balance as at December 31, 2016** | **116** | **2,696** |
| | | |
| **Subco Shares*** | | |
| Balance as at January 1, 2015 | **1,200** | 29,749 |
| Accrued cumulative dividends | - | 2,484 |
| Dividend payments | - | (2,224) |
| Change in fair value | - | (4,191) |
| **Balance as at December 31, 2015** | **1,200** | **25,818** |
| Accrued cumulative dividends | - | 3,854 |
| Dividend payments | - | (3,504) |
| Change in fair value | - | 1,712 |
| **Balance as at December 31, 2016** | **1,200** | **27,880** |
| | | |
| **Namoya Barbados Private Placement Preferred Shares** | | |
| Balance as at January 1, 2015 | **21** | **19,245** |
| Change in fair value | - | 1,266 |
| **Balance as at December 31, 2015** | **21** | **20,511** |
| Change in fair value | - | 818 |
| **Balance as at December 31, 2016** | **21** | **21,329** |
| | | |
| **Twangiza Barbados Private Placement Preferred Shares** | | |
| Balance as at January 1, 2015 | **21** | **19,245** |
| Change in fair value | - | 1,266 |
| **Balance as at December 31, 2015** | **21** | **20,511** |
| Change in fair value | - | 818 |
| **Balance as at December 31, 2016** | **21** | **21,329** |
| | | |
| **Balance as at December 31, 2015** | | **69,337** |
| **Balance as at December 31, 2016** | | **73,234** |

*There are also 1,200 series B preference shares of the Company associated with the Subco Shares.

## 20. SHARE CAPITAL

a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series, with no par value. All share, option and warrant amounts are presented in thousands.

The holders of common shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company and shall have one vote for each common share held at all meetings of shareholders of the Company, except for meetings at which only holders of another specified class or series of shares are entitled to vote separately as a class or series. Subject to the prior rights of the holders of the preference shares or any other share ranking senior to the common shares, the holders of the common shares are entitled to (a) receive any dividend as and when declared by the board of directors, out of the assets of the Company properly applicable to payment of dividends, in such amount and in such form as the board of directors may from time to time determine, and (b) receive the remaining property of the Company in the event of any liquidation, dissolution or winding up of the Company.

The Company may issue preference shares at any time and from time to time in one or more series with designation, rights, privileges, restrictions and conditions fixed by the board of directors. The preference shares of each series are ranked on parity with the preference shares of every series and are entitled to priority over the common shares and any other shares of the Company ranking junior to the preference shares, with respect to priority in payment of dividends and the return of capital and the distribution of assets of the Company in the event of liquidation, dissolution or winding up of the Company.

In February 2016, the Company closed an equity private placement to RFWB for 50 million common shares and warrants that entitle the holder to purchase 2.5 million common shares at a price of $0.2275 per share for a period of three years (see note 16). The common shares of the Company issued were valued at gross proceeds of $8,750, net of transaction costs of $319 and a fair value attributed to the warrants of $363. RFWB holds approximately 16.5% of the outstanding common shares of the Company following completion of this private placement. For so long as RFWB holds at least 10% of the outstanding common shares of the Company, RFWB has the right to nominate one person for election to the Company's board of directors at the annual shareholders' meeting.

As of December 31, 2016, the Company had 303,482 common shares issued and outstanding (December 31, 2015 – 252,159).

| | Number of shares (in thousands) | Amount |
|---|---|---|
| | | $ |
| **Balance as at January 1, 2015** | **252,101** | **518,615** |
| Exercise of stock options | 58 | 14 |
| **Balance as at December 31, 2015** | **252,159** | **518,629** |
| Private placement | 50,000 | 8,068 |
| Exercise of stock options | 1,323 | 290 |
| **Balance as at December 31, 2016** | **303,482** | **526,987** |

b) Share purchase warrants

As part of the Offering disclosed in note 18, the Company issued to the investors 8.4 million Warrants, each of which is exercisable to acquire one common share of the Company at a price of $6.65 per share until March 1, 2017. As of December 31, 2016, the Company had 8.4 million of these Warrants outstanding (December 31, 2015 – 8.4 million).

In August 2014, warrants were issued as a part of the Backstop Facility arranged by the Company and have been recorded as derivative liabilities (see note 16c and 18). The warrants entitled the holders thereof to acquire 13.3 million common shares of the Company at a price of Cdn$0.269 per share for a period of 3 years, expiring August 18, 2017. As of February 26, 2016, the exercise price was adjusted to Cdn$0.236 per share, as per the terms of these warrants. As of December 31, 2016, all of these warrants were outstanding (December 31, 2015 – 13.3 million).

On February 26, 2016, warrants were issued as a part of the Term Loan and private placement transactions arranged by the Company and have been recorded as derivative liabilities (see notes 16, 18 and 20a). The warrants entitle the holders thereof to acquire 10 million and 2.5 million common shares, respectively of the Company, at a price of $0.2275 per share for a period of 3 years, expiring February 26, 2019. As of December 31, 2016, all of these warrants were outstanding. The exercise of the warrants is limited to each holder owning no more than 19.9% of the common shares of the Company. In the event of this exercise cap being triggered, warrants exercised for which shares cannot be issued are to be settled in cash.

c) (Loss)/income per share (number of shares in thousands)

(Loss)/income per share was calculated on the basis of the weighted average number of common shares outstanding for the year ended December 31, 2016, amounting to 294,881 (year ended December 31, 2015 and 2014 – 252,137 and 252,101, respectively) common shares. Diluted income per share was calculated using the treasury stock method. The diluted weighted average number of common shares outstanding for the year ended December 31, 2016 is 294,881 common shares (year ended December 31, 2015 and 2014 – 252,137 and 252,101, respectively). During the year ended December 31, 2016, 11,460 potential common shares related to stock options and warrants that would dilute basic earnings per share have not been included as they are anti-dilutive (year ended December 31, 2015 and 2014 - 1,119 and nil, respectively).

## 21. SHARE-BASED PAYMENTS

The Company has an incentive Stock Option Plan under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company or any of its subsidiaries. No amounts are paid or payable by the recipient on receipt of the option, and the exercise of the options granted is not dependent on any performance-based criteria. In accordance with these programs, options are exercisable at a price not less than the closing market price of the shares on the day prior to the grant date (see note 32).

Options granted typically have a contractual life of five years from the date of grant. Options granted during 2016 and 2015 had a vesting schedule of one-third of the options vesting on the grant date, one-third on the 12-month anniversary of the grant date, and the remaining third on the 24-month anniversary of the grant date.

The following tables summarize information about stock options (option numbers in thousands):

For the year ended December 31, 2016:

| Exercise Price Range (Cdn$) | Opening Balance | Granted | Exercised | Forfeiture | Expired | Closing Balance | Weighted average remaining contractual life (years) | Vested & Exercisable | Unvested |
|---|---|---|---|---|---|---|---|---|---|
| 0.00 - 0.79 | 10,000 | 4,073 | (1,323) | (1,277) | - | 11,473 | 3.50 | 6,383 | 5,090 |
| 0.80 - 1.00 | 5,375 | - | - | (1,000) | - | 4,375 | 2.14 | 4,375 | - |
| 1.01 - 4.75 | 6,160 | - | - | (937) | (1,088) | 4,135 | 0.21 | 4,135 | - |
| | 21,535 | 4,073 | (1,323) | (3,214) | (1,088) | 19,983 | 2.52 | 14,893 | 5,090 |
| Weighted Average Exercise Price (Cdn$) | 1.59 | 0.40 | 0.18 | 1.71 | 3.62 | 1.31 | | 1.66 | 0.31 |

For the year ended December 31, 2015:

| Exercise Price Range (Cdn$) | Openning Balance | Granted | Exercised | Forfeiture | Expired | Closing Balance | Weighted average remaining contractual life (years) | Vested & Exercisable | Unvested |
|---|---|---|---|---|---|---|---|---|---|
| 0.00 - 0.79 | - | 10,460 | (58) | (402) | - | 10,000 | 4.08 | 3,334 | 6,666 |
| 0.80 - 1.00 | 5,690 | - | - | (315) | - | 5,375 | 3.16 | 5,375 | - |
| 1.01 - 2.35 | 1,936 | - | - | (723) | (1,213) | - | - | - | - |
| 2.36 - 4.75 | 7,921 | - | - | (1,691) | (70) | 6,160 | 1.06 | 6,160 | - |
| | 15,547 | 10,460 | (58) | (3,131) | (1,283) | 21,535 | 2.99 | 14,869 | 6,666 |
| Weighted Average Exercise Price (Cdn$) | 2.87 | 0.21 | 0.20 | 3.08 | 2.21 | 1.59 | | 2.21 | 0.21 |

For the year ended December 31, 2014:

| Exercise Price Range (Cdn$) | Openning Balance | Granted | Exercised | Forfeiture | Expired | Closing Balance | Weighted average remaining contractual life (years) | Vested & Exercisable | Unvested |
|---|---|---|---|---|---|---|---|---|---|
| 0.80 - 1.00 | 2,830 | 3,525 | - | (665) | - | 5,690 | 4.15 | 1,815 | 3,875 |
| 1.01 - 2.35 | 3,822 | - | - | (21) | (1,865) | 1,936 | 0.59 | 1,936 | - |
| 2.36 - 4.75 | 8,984 | - | - | (1,013) | (50) | 7,921 | 2.07 | 7,921 | - |
| | 15,636 | 3,525 | - | (1,699) | (1,915) | 15,547 | 2.65 | 11,672 | 3,875 |
| Weighted Average Exercise Price (Cdn$) | 3.26 | 0.80 | | 3.00 | 2.18 | 2.87 | | 3.54 | 0.83 |

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price based on the historic share price movement, the term of the stock option, the expected life based on past experience, the share price at grant date, expected price volatility of the underlying share based on the historical weekly share price, the expected dividend yield, the historical forfeiture rate and the risk free interest rate as per the Bank of Canada for the term of the stock option.

There were 4.07 million stock options granted during the year ended December 31, 2016 (year ended December 31, 2015 and 2014 – 10.46 million and 3.53 million, respectively). The assessed fair value, using the Black-Scholes option pricing model, of stock options granted during year ended December 31, 2016 was a weighted average of Cdn$0.23 per stock option.

The following table sets out model inputs for stock options granted during the years ended December 31, 2016, 2015 and 2014:

| | **December 31, 2016** | **December 31, 2015** | **December 31, 2014** |
|---|---|---|---|
| Risk free interest rate | 0.53% - 0.67% | 0.46% - 1.00% | 1.05% - 1.10% |
| Expected life | 3 years | 3 years | 3 years |
| Annualized volatility | 93.40% - 93.91% | 85.64% - 93.46% | 75.99% - 76.27% |
| Dividend yield | 0.00% | 0.00% | 0.00% |
| Forfeiture rate | 2.00% | 2.00% | 2.00% |
| Grant date fair value | Cdn$0.23 - $0.27 | Cdn$0.09 - $0.25 | Cdn$0.16 - $0.27 |

During the year ended December 31, 2016, the Company recognized in the consolidated statement of comprehensive (loss)/income an expense of $483 (year ended December 31, 2015 and 2014 – $733 and $552, respectively) representing the fair value at the date of grant of stock options granted to employees, directors and officers under the Company's Stock Option Plan. In addition, an amount of $102 for the year ended December 31, 2016, related to stock options issued to employees of the Company's subsidiaries in the Congo was capitalized to the exploration and evaluation asset (year ended December 31, 2015 and 2014 – $177 and $171, respectively, capitalized to the exploration and evaluation asset and mine under construction).

These amounts were credited accordingly to contributed surplus in the consolidated statements of financial position.

## 22. COMMITMENTS AND CONTINGENCIES

The Company has entered into a number of leases for buildings with renewal terms whereby the lease agreements can be extended based on market prices at the time of renewal. There are no restrictions placed upon the lessee by entering into these leases.

The Company's future minimum operating lease commitments for office premises as at December 31, 2016 are as follows:

| | |
|---|---|
| 2017 | $ 369 |
| 2018 | 283 |
| 2019 | 188 |
| | 840 |

The Company is committed to the payment of surface fees and taxes on its 14 exploration permits. The surface fees and taxes are required to be paid annually under the Congo Mining Code in order to keep exploration permits in good standing.

In addition to the above matters, the Company and its subsidiaries are also subject to legal proceedings and tax audits. The Company does not believe that the outcome of any of these matters, individually or in aggregate, would have a material effect on its consolidated loss, cash flow or financial position.

## 23. RELATED PARTY TRANSACTIONS

*Key Management Remuneration*

The Company’s related parties include key management. Key management includes directors (executive and non-executive), the Chief Executive Officer (“CEO”), the Chief Financial Officer, and the Vice Presidents reporting directly to the CEO. The remuneration of the key management of the Company as defined above, during the years ended December 31, 2016, 2015 and 2014 was as follows:

| | | Years Ended | |
|---|---|---|---|
| | **December 31, 2016** | December 31, 2015 | December 31, 2014 |
| | $ | $ | $ |
| Short-term employee benefits | 3,209 | 3,338 | 2,980 |
| Share-based payments | 409 | 583 | 609 |
| Other benefits | 57 | 68 | 73 |
| Employee retention allowance | 132 | 253 | 220 |
| | **3,807** | **4,242** | **3,882** |

As of December 31, 2016, the Company no longer has an outstanding balance owing as a part of the 2013 settlement with the former CEO (December 31, 2015- $517).

During the year ended December 31, 2016, directors fees of $469 (year ended December 31, 2015 and 2014 - $316 and $378, respectively) were incurred for non-executive directors of the Company. As of December 31, 2016, $270 was included in accrued liabilities as a payable to key management (December 31, 2015 - $109).

## 24. SEGMENTED REPORTING

The Company has three reportable segments: mining operations, mineral exploration, and the development of precious metal projects in the Congo. These segments are consistent with the manner in which the Chief Operating Decision Maker, the Company's CEO, reviews and evaluates the Company's performance. The operations of the Company are located in two geographic locations: Canada and the Congo. The Company's corporate head office is located in Canada and is not an operating segment. All of the Company's operating revenues are earned from production in the Congo and its mining, exploration and development projects are located in the Congo. As at and for the year ended December 31, 2016, the Company's Twangiza and Namoya mines are disclosed as separate mining operations. The Development segment in the previous year's table has been renamed as Mining Operations Namoya since commercial production was declared as of January 1, 2016. The segmented data was expanded to provide additional information for the production costs and depletion and depreciation included in mine operating costs for Mining Operations Twangiza and Mining Operations Namoya. The Company's sales of gold bullion are predominantly transacted with two customers, each customer purchases greater than 10% of annual revenues.

| For the year ended December 31, 2016 | Mining Operations Twangiza | Mining Operations Namoya | Exploration | Corporate | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Operating revenue | 119,445 | 108,901 | - | - | 228,346 |
| Production costs | (72,295) | (73,623) | - | - | (145,918) |
| Depletion and depreciation | (26,114) | (33,880) | - | - | (59,994) |
| Gross earnings from operations | 21,036 | 1,398 | - | - | 22,434 |
| General and administrative | (4,391) | (5,331) | - | (6,313) | (16,035) |
| Share-based payments | (39) | (24) | - | (420) | (483) |
| Other charges and provisions, net | (4,627) | (1,727) | - | (2,532) | (8,886) |
| Net income/(loss) from operations | 11,979 | (5,684) | - | (9,265) | (2,970) |
| Finance expenses | (6,819) | (7,285) | - | (31,589) | (45,693) |
| Foreign exchange (loss)/gain | (1,044) | (1,138) | - | 310 | (1,872) |
| Interest income | - | - | - | 3 | 3 |
| Net income/(loss) before tax | 4,116 | (14,107) | - | (40,541) | (50,532) |
| Income tax expense | - | - | - | (400) | (400) |
| Net income/(loss) | 4,116 | (14,107) | - | (40,941) | (50,932) |
| Gross capital expenditures | 23,006 | 12,901 | 9,501 | 2 | 45,410 |

| For the year ended December 31, 2015 | Mining Operations | Development | Exploration | Corporate | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Operating revenue | 156,710 | - | - | - | 156,710 |
| Production costs | (74,917) | - | - | - | (74,917) |
| Depletion and depreciation | (25,748) | - | - | - | (25,748) |
| Gross earnings from operations | 56,045 | - | - | - | 56,045 |
| General and administrative | (4,814) | - | - | (7,260) | (12,074) |
| Share-based payments | (97) | - | - | (636) | (733) |
| Other charges and provisions | (8,848) | (4,216) | - | 1,222 | (11,842) |
| Impairment charges | - | (84,300) | - | - | (84,300) |
| Net income/(loss) from operations | 42,286 | (88,516) | - | (6,674) | (52,904) |
| Finance expenses | (5,164) | (404) | - | (14,627) | (20,195) |
| Foreign exchange (loss)/gain | (266) | - | - | 219 | (47) |
| Interest income | - | - | - | 3 | 3 |
| Net income/(loss) before tax | 36,856 | (88,920) | - | (21,079) | (73,143) |
| Income tax expense | - | - | - | (400) | (400) |
| Net income/(loss) | 36,856 | (88,920) | - | (21,479) | (73,543) |
| Gross capital expenditures | 17,418 | 123,484 | 9,779 | - | 150,681 |

| For the year ended December 31, 2014 | Mining Operations | Development | Exploration | Corporate | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Operating revenue | 125,436 | - | - | - | 125,436 |
| Production costs | (69,148) | - | - | - | (69,148) |
| Depletion and depreciation | (26,897) | - | - | - | (26,897) |
| Gross earnings from operations | 29,391 | - | - | - | 29,391 |
| General and administrative | (4,104) | - | - | (7,214) | (11,318) |
| Share-based payments | 9 | - | - | (561) | (552) |
| Other charges and provisions, net | (337) | - | - | (804) | (1,141) |
| Net income/(loss) from operations | 24,959 | - | - | (8,579) | 16,380 |
| Finance expenses | (4,423) | (327) | - | (10,873) | (15,623) |
| Foreign exchange loss | (373) | - | - | (69) | (442) |
| Interest income | - | - | - | 5 | 5 |
| Net income/(loss) | 20,163 | (327) | - | (19,516) | 320 |
| Gross capital expenditures | 14,025 | 100,085 | 12,415 | 189 | 126,714 |

Certain items from the Company's consolidated statements of financial position are as follows:

| December 31, 2016 | Mining Operations Twangiza | Mining Operations Namoya | Exploration | Corporate | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Total non-current assets | 265,665 | 367,741 | 149,347 | 65 | 782,818 |
| Total assets | 322,911 | 414,412 | 151,428 | 9,189 | 897,940 |
| Provision for closure and reclamation | (1,812) | (4,444) | - | - | (6,256) |
| Non-current long-term debt | (10,000) | - | - | - | (10,000) |
| Total liabilities | (127,591) | (129,254) | (4,735) | (258,952) | (520,532) |

| December 31, 2015 | Mining Operations Twangiza | Development Namoya | Exploration | Corporate | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Total non-current assets | 271,415 | 409,658 | 139,989 | 117 | 821,179 |
| Total assets | 310,553 | 419,633 | 140,965 | 580 | 871,731 |
| Provision for closure and reclamation | (3,059) | (5,007) | - | - | (8,066) |
| Non-current long-term debt | - | - | - | (168,127) | (168,127) |
| Long-term portion of bank loans | - | (3,012) | - | - | (3,012) |
| Total liabilities | (93,429) | (104,213) | (4,818) | (249,771) | (452,231) |

Geographic segmentation of non-current assets is as follows:

| December 31, 2016 | Property, Plant and Equipment | Mine Under Construction | Exploration and Evaluation | Inventory | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Congo | 628,712 | - | 149,239 | 4,802 | 782,753 |
| Canada | 65 | - | - | - | 65 |
| | 628,777 | - | 149,239 | 4,802 | 782,818 |

| December 31, 2015 | Property, Plant and Equipment | Mine Under Construction | Exploration and Evaluation | Inventory | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Congo | 289,510 | 388,012 | 139,738 | 3,802 | 821,062 |
| Canada | 117 | - | - | - | 117 |
| | 289,627 | 388,012 | 139,738 | 3,802 | 821,179 |

## 25. PRODUCTION COSTS

Production costs for the Company's Twangiza and Namoya mines for the year ended December 31, 2016 and for the Company's Twangiza mine for the years ended December 31, 2015 and 2014 are as follows:

| | Years ended | | |
|---|---|---|---|
| | **December 31, 2016** | December 31, 2015 | December 31, 2014 |
| | $ | $ | $ |
| Raw materials and consumables | **(75,084)** | (32,181) | (34,441) |
| Salaries | **(32,683)** | (17,785) | (15,441) |
| Contractors | **(23,575)** | (10,666) | (9,780) |
| Overhead | **(26,373)** | (14,652) | (10,589) |
| Inventory adjustments | **11,797** | 367 | 1,103 |
| | **(145,918)** | (74,917) | (69,148) |

## 26. GENERAL AND ADMINISTRATIVE EXPENSES

| | | Years ended | |
|---|---|---|---|
| | **December 31, 2016** | December 31, 2015 | December 31, 2014 |
| | $ | $ | $ |
| Salaries and employee benefits | **(2,899)** | (3,363) | (3,102) |
| Consulting, management, and professional fees | **(2,636)** | (1,807) | (2,106) |
| Office and sundry | **(1,372)** | (2,173) | (1,394) |
| Congo corporate office | **(8,196)** | (3,715) | (3,755) |
| Depreciation | **(54)** | (75) | (89) |
| Other | **(878)** | (941) | (872) |
| | **(16,035)** | (12,074) | (11,318) |

## 27. OTHER CHARGES AND PROVISIONS, NET

| | | | Years ended | |
|---|---|---|---|---|
| | Notes | **December 31, 2016** | December 31, 2015 | December 31, 2014 |
| | | **$** | $ | $ |
| Legal and shareholder services[1] | | - | - | (671) |
| Impairment of inventories | 8 | **(1,034)** | - | - |
| Restructuring/severance | | **(295)** | - | - |
| Loss on change in fair value of financial instruments | 16, 19 | **(7,423)** | (4,205) | (336) |
| Loss on disposition of property, plant and equipment | 9 | **(134)** | (125) | (153) |
| Gain on investment, net of loss on disposition | | **-** | (570) | 48 |
| Share of loss from investment in associate | | **-** | - | (29) |
| Congo fines and penalties[2] | | **-** | (6,652) | - |
| Writeoff of receivables | | **-** | (290) | - |
| | | (8,886) | (11,842) | (1,141) |

[1] Legal and shareholder services incurred in the year ended December 31, 2014 resulted from dissident shareholder nominations for the election of directors, which nominations were subsequently withdrawn.

[2] Amounts currently in dispute

The fines and penalties provided for in the consolidated financial statements during the year ended December 31, 2015 relate to ongoing matters with various taxation authorities in the Congo relating to 2015 and historical years of operations. These matters pertain to the interpretation of tax laws and their interrelationship with the rights provided under the Company's mining convention. The Company is taking all actions available to mitigate the impact of assessments relating to prior periods and to create clarity and understanding to eliminate ongoing differences in interpretation and exposure. The Company provided for amounts that are management's best estimate. During the year ended December 31, 2016, $1,463 was paid against the provision of $6,561 recorded in the consolidated statement of financial position as at December 31, 2015. As at December 31, 2016, a total of $5,098 remains in the provision for such fines and penalties under accrued liabilities in the consolidated statement of financial position. The Company is periodically assessed for fines and penalties by government agencies in the Congo related to its operations and subsequent to year end received additional assessments. The Company is in the process of evaluating and responding to these assessments and is unable to determine amounts owing, if any, at this time.

In addition to the recorded provision for fines and penalties, the Company has recorded VAT payable under the assessments and the corresponding VAT receivable that the Company is entitled to receive.

## 28. FINANCE EXPENSES

| | Note | **December 31, 2016** | Years ended December 31, 2015 | December 31, 2014 |
|---|---|---|---|---|
| | | **$** | $ | $ |
| Dividends on Preference Shares | 19 | **(4,219)** | (3,178) | (2,304) |
| Dividends on Private Placement Preferred Shares | 19 | **(3,455)** | (2,640) | (2,280) |
| Transaction costs | 13, 16, 18 | **(3,141)** | (5,175) | (1,565) |
| Interest and bank charges | | **(34,274)** | (8,596) | (8,854) |
| Accretion | 17 | **(687)** | (676) | (620) |
| Income from derivative instruments | | **83** | 70 | - |
| | | **(45,693)** | (20,195) | (15,623) |

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Fair value of financial assets and liabilities

Cash and cash equivalents, restricted cash, trade and other receivables, bank loans, and trade and other payables approximate fair value due to their short-term nature. The fair values of financial assets and liabilities carried at amortized cost (excluding the Offering) are approximated by their carrying values.

**Fair value hierarchy**

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides information about financial assets and liabilities measured at fair value in the consolidated statement of financial position and categorized by level according to the significance of the inputs used in making the measurements:

| | December 31, 2016 | | |
|---|---|---|---|
| | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant other unobservable inputs (Level 3) |
| | $ | $ | $ |
| **Financial liabilities** | | | |
| Derivative instruments - mark-to-market | - | 11,958 | - |
| Preference Shares | - | 30,576 | - |
| Private Placement Preferred Shares | - | 42,658 | - |

| | December 31, 2015 | | |
|---|---|---|---|
| | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant other unobservable inputs (Level 3) |
| | $ | $ | $ |
| **Financial liabilities** | | | |
| Derivative instruments - mark-to-market | - | 53,767 | - |
| Preference Shares | - | 28,315 | - |
| Private Placement Preferred Shares | - | 41,022 | - |

b) Risk Management Policies

The Company is sensitive to changes in commodity prices and foreign exchange. The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Although the Company has the ability to address its price-related exposures through the use of options, futures and forward contracts, it currently does not typically enter into such arrangements.

c) Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the United States dollar and Canadian dollar or other foreign currencies will affect the Company's operations and financial results. A portion of the Company's transactions are denominated in Canadian dollars, Congolese francs, South African rand, British pounds, Australian dollars and European euros. The Company is also exposed to the impact of currency fluctuations on its monetary assets and liabilities. Significant foreign exchange gains or losses are reflected as a separate component of the consolidated statement of comprehensive (loss)/income. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. A 10 percent movement of the US dollar against foreign currencies is not expected to result in a significant impact on the financial statements.

d) Credit Risk

Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. Financial instruments, which are potentially subject to credit risk for the Company, consist primarily of cash and cash equivalents, restricted cash, and trade and other receivables. Cash and cash equivalents are maintained with several financial institutions of reputable credit and may be redeemed upon demand. Cash and cash equivalents are held in Canada, Barbados and the Congo. The sale of goods exposes the Company to the risk of non-payment by customers. The Company manages this risk by monitoring the creditworthiness of its customers. It is therefore the Company's opinion that such credit risk is subject to normal industry risks and is considered minimal.

The Company limits its exposure to credit risk on investments by investing only in securities rated R1 (the highest rating) by credit rating agencies such as the DBRS (Dominion Bond Rating Service). Management continuously monitors the fair value of its investments to determine potential credit exposures. Short-term excess cash is invested in R1 rated investments including money market funds, bankers' acceptances and other highly rated short-term investment instruments. Any credit risk exposure on cash balances is considered negligible as the Company places deposits only with major established banks in the countries in which it carries on operations. The Company does not have any short-term investments.

The carrying amount of financial assets represents the maximum credit exposure. The Company's gross credit exposure at December 31, 2016 and December 31, 2015 is as follows:

| | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| | $ | $ |
| Cash and cash equivalents | 1,294 | 2,262 |
| Restricted cash | 10,079 | - |
| Trade and other receivables | 25,662 | 13,020 |
| | **37,035** | **15,282** |

e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company attempts to ensure that there is sufficient cash to meet its liabilities when they are due and manages this risk by regularly evaluating its liquid financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. The Company's liquidity requirements are met through a variety of sources, including cash and cash equivalents, existing credit facilities and capital markets. Should the Company experience production shortfalls at Twangiza, and/or at Namoya, equipment breakdowns, or delays in completion schedules, or should the price of gold decrease, the Company may need to further examine funding options. The Company has entered into a Recapitalization which is expected to improve liquidity (see note 32). The Company has the following financial obligations, excluding preferred shares, classified as financial liabilities:

| **December 31, 2016** | | | **Payments due by year** | | |
|---|---|---|---|---|---|
| | **Total** | **Less than one year** | **One to three years** | **Three to four years** | **After four years** |
| | $ | $ | $ | $ | $ |
| Trade and other payables | 93,627 | 93,627 | - | - | - |
| Long-term debt, including interest | 218,698 | 208,033 | 10,665 | - | - |
| Bank loans | 9,513 | 9,513 | - | - | - |
| Derivative instruments | 11,958 | 9,018 | 2,940 | - | - |
| Other liabilities | 13,213 | 6,959 | 6,254 | - | - |

| **December 31, 2015** | | | **Payments due by year** | | |
|---|---|---|---|---|---|
| | **Total** | **Less than one year** | **One to three years** | **Three to four years** | **After four years** |
| | $ | $ | $ | $ | $ |
| Trade and other payables | 82,235 | 82,235 | - | - | - |
| Long-term debt, including interest | 201,230 | 17,500 | 183,730 | - | - |
| Bank loans | 14,933 | 11,921 | 3,012 | - | - |
| Derivative instruments | 53,767 | 28,763 | 25,004 | - | - |
| Other liabilites | 7,399 | 2,033 | 5,366 | - | - |

f) Mineral Property Risk

The Company's operations in the Congo are exposed to various levels of political risk and uncertainties, including political and economic instability, government regulations relating to exploration and mining, military repression and civil disorder, all or any of which may have a material adverse impact on the Company's activities or may result in impairment or loss of part or all of the Company's assets. In recent years, the Congo has experienced two wars and significant political unrest. Operating in the Congo may make it more difficult for the Company to obtain any required financing because of the perceived investment risk.

g) Market Risk

Market risk is the potential for financial loss from adverse changes in underlying market factors, including foreign-exchange rates, commodity prices, interest rate and share based payment costs.

h) Commodity Price Risk

The price of gold has fluctuated widely. The future direction of the price of gold will depend on numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of gold, and therefore on the economic viability of the Company's properties, cannot accurately be predicted. To date the Company has not adopted specific strategies for controlling the impact of fluctuations in the price of gold. The following table demonstrates the impact of a 10% weakening in the spot price of gold:

| | Years ended | | |
|---|---|---|---|
| | **December 31, 2016** | December 31, 2015 | December 31, 2014 |
| | **$** | $ | $ |
| Net loss | **(50,932)** | (73,543) | 320 |
| Impact of a 10% weakening of the spot price of gold | **(22,835)** | (15,671) | (12,544) |
| Net loss after impact | **(73,767)** | (89,214) | (12,224) |

i) Title Risk

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. Although the Company has investigated title to all of its mineral properties for which it holds concessions or other mineral licenses, the Company cannot give any assurance that title to such properties will not be challenged or impugned and cannot be certain that it will have valid title to its mineral properties. The Company relies on title opinions by legal counsel who base such opinions on the laws of countries in which the Company operates.

j) Capital Management

The Company manages its bank overdraft, net of cash, bank loans, derivative instruments, preference shares, long-term debt, common shares, warrants, stock options, and deficit as capital. The Company's goal is to maintain a sufficient capital base in order to meet its short term obligations and at the same time preserve investors' confidence required to sustain future development of the business.

| | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| | **$** | $ |
| Bank overdraft, net of cash | **5,912** | 3,777 |
| Bank loans | **9,513** | 14,933 |
| Derivative liabilities | **11,958** | 53,767 |
| Preference shares | **73,234** | 69,337 |
| Long term debt | **206,479** | 168,127 |
| Share capital | **526,987** | 518,629 |
| Warrants | **13,356** | 13,356 |
| Contributed surplus | **43,913** | 43,431 |
| Deficit | **(206,848)** | (155,916) |
| | **684,504** | **729,441** |

## 30. CASH FLOWS

a) Operating Cash Flows – Working Capital Adjustments

| | Notes | | Years Ended | |
|---|---|---|---|---|
| | | **December 31, 2016** | December 31, 2015 | December 31, 2014 |
| | | $ | $ | $ |
| Trade and other receivables | 6 | **(12,515)** | (4,662) | 1,606 |
| Prepaid expenses and deposits | 7 | **(916)** | (168) | 2,282 |
| Inventories | 8 | **(20,971)** | 975 | (638) |
| Trade and other payables | 12 | **24,500** | (7,142) | 9,441 |
| Employee retention allowance | 15 | **(1,070)** | (330) | (179) |
| Deferred revenue | 13 | **-** | - | 6,000 |
| Derivative instruments - mark-to-market | 16 | **(3,730)** | 1,955 | - |
| | | **(14,702)** | (9,372) | 18,512 |

b) Investing Cash Flows – Non-Cash Additions

| | Notes | | Years Ended | |
|---|---|---|---|---|
| | | **December 31, 2016** | December 31, 2015 | December 31, 2014 |
| | | $ | $ | $ |
| **Exploration and evaluation** | | | | |
| Depreciation | 9 | **346** | 637 | 805 |
| Share-based payments | 21 | **102** | 141 | 144 |
| Employee retention allowance | 15 | **98** | 185 | 204 |
| **Mine under construction** | | | | |
| Depreciation | 9 | **-** | 7,657 | 7,628 |
| Share-based payments | 21 | **-** | 36 | 28 |
| Employee retention allowance | 15 | **-** | 426 | 192 |
| Accrued interest | 14 | **-** | 5,916 | 6,492 |

c) Financing Cash Flows – Issuance Proceeds, Repayments and Costs

| **Gross proceeds from/(repayments) of non-equity financing** | Notes | | Years Ended | |
|---|---|---|---|---|
| | | **December 31, 2016** | December 31, 2015 | December 31, 2014 |
| | | **$** | $ | $ |
| Derivative instruments | 16 | **3,480** | 57,000 | - |
| Deferred revenue | 13 | **66,463** | 50,000 | - |
| Long-term debt | 18 | **31,045** | (40,701) | 32,700 |
| Share purchase warrants | 16 | **1,818** | - | - |
| Private placement preferred shares | 19 | **-** | - | 40,000 |
| | | **102,806** | 66,299 | 72,700 |

| **Issuance costs from non-equity financing** | Notes | | Years Ended | |
|---|---|---|---|---|
| | | **December 31, 2016** | December 31, 2015 | December 31, 2014 |
| | | **$** | $ | $ |
| Derivative instruments | 16 | **(300)** | (3,675) | - |
| Deferred revenue | 13 | **(2,031)** | (300) | - |
| Long-term debt | 18 | **(268)** | - | (1,153) |
| Share purchase warrants | 16 | **(32)** | - | - |
| Private placement preferred shares | 19 | - | - | (1,210) |
| | | **(2,631)** | (3,975) | (2,363) |

| **Gross proceeds from equity financing** | Notes | | Years Ended | |
|---|---|---|---|---|
| | | **December 31, 2016** | December 31, 2015 | December 31, 2014 |
| | | $ | $ | $ |
| Issuance of common shares | 20, 21 | **8,574** | 9 | - |

| **Issuance costs from equity financing** | Notes | | Years Ended | |
|---|---|---|---|---|
| | | **December 31, 2016** | December 31, 2015 | December 31, 2014 |
| | | $ | $ | $ |
| Issuance of common shares | 20 | **(319)** | - | - |

## 31. INCOME TAXES

The following table outlines the composition of income tax expense between current tax and deferred tax:

| | | Years Ended | |
|---|---|---|---|
| | **December 31, 2016** | December 31, 2015 | December 31, 2014 |
| **Current income tax expense (recovery)** | $ | $ | $ |
| Canada | - | - | - |
| Foreign | 400 | 400 | - |
| | 400 | 400 | - |
| **Deferred income tax expense (recovery)** | | | |
| Canada | - | - | - |
| Foreign | - | - | - |
| | - | - | - |
| **Total income tax expense (recovery)** | 400 | 400 | - |

The following table reconciles the income taxes calculated at statutory rates with the income tax expense in the consolidated statement of comprehensive (loss)/income:

| | Years Ended | | |
|---|---|---|---|
| | **December 31, 2016** | December 31, 2015 | December 31, 2014 |
| | $ | $ | $ |
| Net (loss)/income for the year | (50,532) | (73,143) | 320 |
| Combined federal and provincial income tax rates | 26.50% | 26.50% | 26.50% |
| Income tax (recovery)/expense at Canadian federal and provincial statutory rates | (13,391) | (19,383) | 85 |
| Different statutory rates on earning of foreign subsidiaries | 15,929 | (8,212) | 2,504 |
| Permanent differences | 208 | (3,988) | (3,642) |
| Non deductible Namoya impairment charge | - | 22,340 | - |
| Change in unrecognized net deductible temporary differences | (2,260) | 9,643 | 1,053 |
| Other | (86) | - | - |
| **Current income tax expense** | 400 | 400 | - |

The Company has net deductible temporary differences in Canada of $118,342 (year ended December 31, 2015 and 2014 - $112,182 and 99,169, respectively) for which no deferred tax asset was recognized:

| | Years Ended | | |
|---|---|---|---|
| | **December 31, 2016** | December 31, 2015 | December 31, 2014 |
| | $ | $ | $ |
| Non-capital losses | 90,804 | 101,307 | 83,018 |
| Net capital losses | 23,367 | 23,367 | 23,284 |
| Financing costs | 4,795 | 8,460 | 9,716 |
| Reserves | 930 | 853 | - |
| Investments | - | - | (140) |
| Fixed assets | 6 | - | - |
| **Deductible temporary differences** | 119,902 | 133,987 | 115,878 |
| Fixed assets | - | (17) | 47 |
| Compound financial instrument and others | (1,560) | (21,788) | (16,756) |
| **Taxable temporary differences** | (1,560) | (21,805) | (16,709) |
| **Net deductible temporary differences** | 118,342 | 112,182 | 99,169 |

The Company has available non-capital losses in Canada of $90,804 that if not utilized will expire as follows:

| | $ |
|---|---|
| 2028 | 6,017 |
| 2029 | 11,115 |
| 2030 | 13,377 |
| 2031 | 12,798 |
| 2032 | 18,054 |
| 2033 | 7,058 |
| 2034 | 4,095 |
| 2035 | 18,290 |
| | 90,804 |

The Company also has available net capital losses in Canada of approximately $23,367, which can be carried forward indefinitely.

As at December 31, 2016, the Company has available losses and other net deductible temporary differences of approximately $108,848 in relation to its operations in the Congo for which no deferred tax asset has been recognized:

| | $ |
|---|---|
| Tax losses | 134,514 |
| Other temporary differences | (25,666) |
| **Net deductible temporary differences** | 108,848 |

In the Congo, the Company is subject to a mining convention signed with the Congolese government that provides the Company with a 10-year tax holiday from the date of commercial production. The tax holiday enables the Company to earn income in the Congo that is exempt from corporate income tax during the period of the tax holiday.

## 32. EVENTS AFTER THE REPORTING PERIOD

The Recapitalization (see note 2b) contemplates (a) the refinancing of the maturing $175,000 Notes and $22,500 Term Loan with new $197,500 senior secured notes with a 4-year maturity and new common shares of the Company, (b) the conversion of the Preference Shares and the Private Placement Preferred Shares (including the value of accrued and unpaid dividends with the exception of an estimated $1,600) into common shares of the Company, representing approximately 60% of the common shares of the Company on a fully-diluted basis (c) the execution of a gold forward sale agreement to raise $45,000 to be used by the Company for working capital and general corporate purposes, including to fund transaction costs and repay a $6,500 interim loan facility provided in February 2017 (which loan facility has an interest rate of 15% and a maturity date of April 14, 2017) and (d) the extension of the maturity dates on the $10,000 Baiyin Loan from July 15, 2018 and September 1, 2018 to February 28, 2020.

In connection with this Recapitalization, holders of the new senior secured notes will be issued 575.11449 common shares per $1 of principal, in aggregate representing approximately 10% of the common shares of the Company on a fully-diluted basis. Outstanding stock options with an exercise price of Cdn$0.80 per share or higher will be cancelled. Existing shareholders together with outstanding warrants and stock options not cancelled, will in aggregate retain approximately 30% of the common shares of the Company on a fully-diluted basis.

The Company intends to implement the Recapitalization by way of a corporate plan of arrangement (a “Plan”) under the Canada Business Corporations Act (the “CBCA”). The Company will continue to operate in the ordinary course of business; trade payables, employees, banks and operations in the DRC and Canada will be unaffected by the Recapitalization and the

Plan. The board of directors of the Company has determined that the Recapitalization offers benefits to the Company and is in the best interests of the Company and its stakeholders.

On February 24, 2017, the Company announced that the Ontario Superior Court of Justice issued an interim order (the "Interim Order") which, among other things, authorizes the Company to convene meetings of holders of its Notes and the Company's series A preference shares and series B preference shares to approve, among other things, the Plan under the CBCA to implement the Recapitalization.

As the Notes and Term Loan are contemplated to be exchanged pursuant to the terms of the Plan as described above, the principal repayment on the Notes and the Term Loan were not made on March 1, 2017 and the Notes and the Term Loan are expected to remain outstanding until the implementation of the Recapitalization, which implementation is expected to occur in early to mid-April 2017.

The Interim Order also provides a stay whereby, until the earlier of April 30, 2017 and the date the Recapitalization is implemented, any person, including the holders of the Notes, is stayed from exercising certain rights or remedies, including rights or remedies arising as a result of the commencement of proceedings under the CBCA or any default or cross default under the Notes, against or in respect of the Company or any of its material subsidiaries or any of their respective properties or assets.

On March 31, 2017, meetings of Noteholders, preference shareholders and common shareholders of the Company were held and the requisite security holder approvals for the Recapitalization were obtained at those meetings. Implementation of the Recapitalization remains subject to successfully obtaining all other required approvals including those from the court, the Toronto Stock Exchange and the NYSE MKT.

If the remaining requisite approvals are not obtained, the Company may immediately seek to enter Canadian insolvency proceedings under the CCAA. The Support Agreement contemplates that any CCAA plan must be acceptable to certain of the supporting parties and may provide that the existing common shares and all options, warrants, rights or similar instruments be cancelled and extinguished without consideration. Subject to the agreement of certain supporting parties, the Notes, the Term Loan, the Preference Shares and the Private Placement Preferred Shares shall be treated in a manner consistent with the Recapitalization or in a manner otherwise acceptable to certain of the supporting parties in the event of a CCAA plan.

On March 1, 2017, $8,678 of interest on the Notes was paid from restricted cash.

In March, 2017, the Company entered into a new bank loan arrangement with Banque Commerciale du Congo ("BCDC") in the amount of $5,000 that was primarily used to repay an existing facility with BCDC. The loan has an interest rate of 9.5% per annum which is payable monthly and a term of three months ending in May, 2017. Principal payments are not required until the end of the term. In May, 2017, there is an option to extend the principal repayment for an additional three months.