Condensed Interim Consolidated Financial Statements

For the three and six-months ended June 30, 2017 and 2016

(Expressed in U.S. Dollars)

(Unaudited)

Roxgold Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
(Expressed in U.S. Dollars)

As at	Notes	June 30, 2017	December 31, 2016
Assets			
Current assets			
Cash	3	49,827,000	68,902,000
Taxes recoverable and other receivables	4	13,659,000	4,651,000
Prepaid expenses and deposits		2,269,000	1,047,000
Inventories	5	7,134,000	8,011,000
		72,889,000	82,611,000
Non-current assets			
Property, plant and equipment	6	139,041,000	134,597,000
Deferred income tax asset		-	462,000
Restricted cash	9	511,000	-
Total assets		**212,441,000**	**217,670,000**
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		15,403,000	17,817,000
Deferred revenue		1,463,000	-
Current portion of finance leases	13	2,556,000	2,231,000
Current portion of long-term debt	7	10,317,000	17,766,000
Current portion of derivative financial instruments	8	2,942,000	1,563,000
		32,681,000	39,377,000
Non-current liabilities			
Long-term debt	7	39,069,000	53,302,000
Derivative financial instruments	8	8,752,000	6,290,000
Asset retirement obligations	9	2,473,000	2,362,000
Finance leases	13	2,675,000	3,285,000
Deferred share units liability	10	283,000	302,000
Deferred income tax liability		2,235,000	-
Total liabilities		**88,168,000**	**104,918,000**
Equity			
Share capital	10	206,273,000	206,026,000
Reserves	10	23,022,000	22,006,000
Accumulated other comprehensive income		13,315,000	12,606,000
Deficit		(122,141,000)	(129,326,000)
Equity attributable to Roxgold Shareholders		120,469,000	111,312,000
Non-controlling interest	16	3,804,000	1,440,000
Total equity		**124,273,000**	**112,752,000**
Total liabilities and equity		**212,441,000**	**217,670,000**
Contingencies	14		

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Approved on August 14, 2017 on behalf of the directors

/s/ John Dorward
Director

/s/ John Knowles
Director

Roxgold Inc.
Condensed Interim Consolidated Statements of Income (loss)
(Unaudited)
(Expressed in U.S. Dollars)

For three and six-month periods ended June 30,	**Notes**	**2017**	**2016**	**2017**	**2016**
			(as adjusted) (note 2D)		(as adjusted) (note 2D)
Mine operations					
Revenues – gold sales		34,703,000	-	77,680,000	-
Mine operating expenses	11	(13,667,000)	-	(27,831,000)	-
Royalties		(1,387,000)	-	(3,106,000)	-
Depreciation	6	(7,072,000)	-	(14,367,000)	-
Mine operating profit		**12,577,000**	-	**32,376,000**	**-**
Other expenses					
General and administrative		(934,000)	(917,000)	(2,134,000)	(1,659,000)
Sustainability and other in-country costs		(330,000)	-	(773,000)	-
Exploration and evaluation		(3,514,000)	(1,764,000)	(6,861,000)	(2,418,000)
Share-based payments	10	(514,000)	(452,000)	(1,065,000)	(872,000)
Depreciation	6	(248,000)	(130,000)	(518,000)	(279,000)
Operating profit (loss)		**7,037,000**	**(3,263,000)**	**21,025,000**	**(5,228,000)**
Financial income (expenses)					
Interest income		7,000	8,000	13,000	10,000
Interest expense	7	(1,187,000)	-	(3,169,000)	-
Financing fees		(463,000)	(58,000)	(757,000)	(140,000)
Change in fair value of derivative financial instruments	8	485,000	(5,405,000)	(5,267,000)	(14,747,000)
Foreign exchange gain (loss)		710,000	(246,000)	605,000	(2,145,000)
Other expenses		(103,000)	(32,000)	(204,000)	(61,000)
Income (loss) before income taxes		**6,486,000**	**(8,996,000)**	**12,246,000**	**(22,311,000)**
Income tax expense					
Deferred income tax expense		(769,000)	-	(2,697,000)	-
Net income (loss) for the period		**5,717,000**	**(8,996,000)**	**9,549,000**	**(22,311,000)**
Attributable to:					
Roxgold shareholders		4,767,000	(8,996,000)	7,185,000	(22,311,000)
Non-controlling interest		950,000	-	2,364,000	-
Income (loss) per share					
Basic		0.02	(0.03)	0.03	(0.07)
Diluted		0.02	(0.03)	0.03	(0.07)
Weighted Average Number of Common Shares Outstanding		371,437,429	353,135,175	371,099,698	342,241,744

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Roxgold Inc.
Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(Expressed in U.S. Dollars)

For periods ended June 30,	Three-months 2017	Three-months 2016	Six-months 2017	Six-months 2016
		(as adjusted) (note 2D)		(as adjusted) (note 2D)
Net income (loss)	**5,717,000**	**(8,996,000)**	**9,549,000**	**(22,311,000)**
Other item that may be reclassified subsequently to the consolidated statements of income (loss)				
Other comprehensive income (loss)				
Currency translation adjustment	416,000	552,000	709,000	3,040,000
Comprehensive income (loss)	**6,133,000**	**(8,444,000)**	**10,258,000**	**(19,271,000)**
Attributable to:				
Roxgold shareholders	5,183,000	(8,444,000)	7,894,000	(19,271,000)
Non-controlling interest	950,000	-	2,364,000	-
	6,133,000	**(8,444,000)**	**10,258,000**	**(19,271,000)**

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Roxgold Inc.
Condensed Interim Consolidated Statements of Equity
(Unaudited)
(Expressed in U.S. Dollars)

For the six-month periods ended June 30,	2017	2016
		(as adjusted) (note 2D)
Share capital		
Balance – Beginning of year	206,026,000	175,344,000
Shares issued for bought deal or private placement	-	16,759,000
Share issuance costs	-	(1,084,000)
Shares issued for exercise of options	247,000	829,000
Balance – End of Period	**206,273,000**	**191,848,000**
Warrants		
Balance – Beginning of period	4,676,000	6,211,000
Balance – End of Period	**4,676,000**	**6,211,000**
Options		
Balance – Beginning of period	13,024,000	13,276,000
Shares issued for exercise of options	(77,000)	(305,000)
Share-based payments	468,000	792,000
Balance – End of Period	**13,415,000**	**13,763,000**
Restricted and deferred share units		
Balance – Beginning of period	4,306,000	3,637,000
Restricted and deferred share units	625,000	354,000
Balance – End of Period	**4,931,000**	**3,991,000**
Accumulated other comprehensive income (loss)		
Balance – Beginning of period	12,606,000	10,881,000
Other comprehensive income	709,000	3,040,000
Balance – End of Period	**13,315,000**	**13,921,000**
Deficit		
Balance – Beginning of period	(129,326,000)	(126,815,000)
Income (loss) attributable to Roxgold shareholders	7,185,000	(22,311,000)
Balance – End of Period	**(122,141,000)**	**(149,126,000)**
Total equity attributable to Roxgold shareholders	**120,469,000**	**80,608,000**
Non-controlling interests		
Balance – Beginning of period	1,440,000	-
Income attributable to non-controlling interests	2,364,000	-
Balance – End of Period	**3,804,000**	**-**
TOTAL EQUITY	**124,273,000**	**80,608,000**

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Refer to Note 10 for further information on changes to equity.

Roxgold Inc.

Condensed Interim Consolidated Statements of Cash Flow

(Unaudited)

(Expressed in U.S. Dollars)

For the six-month periods ended June 30,	Notes	2017	2016
			(as adjusted) (note 2D)
Operating activities			
Income (loss) for the period		**9,549,000**	**(22,311,000)**
Items not affecting cash:			
Depreciation	6	14,885,000	279,000
Share-based payments	10	1,065,000	872,000
Change in fair value of derivative financial instruments	8	5,267,000	14,746,000
ARO accretion	9	111,000	-
Long-term debt accretion	7	1,092,000	-
Deferred income tax		2,697,000	-
Deferred revenue		1,463,000	-
Unrealized foreign exchange (gain) loss		(605,000)	2,144,000
		35,524,000	(4,270,000)
Changes in non-cash working capital		(10,157,000)	(12,136,000)
		25,367,000	**(16,406,000)**
Financing activities			
Proceeds from issuance of common shares	10	-	16,759,000
Share issuance costs	10	-	(1,084,000)
Proceeds from stock option exercise	10	170,000	516,000
(Repayment) proceeds from long-term debt	7	(21,150,000)	22,650,000
Financing fees	7	(1,624,000)	(244,000)
Settlement of hedging contracts	8	(1,160,000)	-
Payments of finance lease obligations	13	(936,000)	(874,000)
		(24,700,000)	**37,723,000**
Investing activities			
Acquisition of exploration and evaluation assets	6	-	(62,000)
Additions to property, plant and equipment	6	(20,661,000)	(35,108,000)
Restricted cash	9	(511,000)	-
Proceeds from pre-commercial production revenue			4,594,000
		(21,172,000)	**(30,576,000)**
Net change in cash		**(20,505,000)**	**(9,259,000)**
Effect of foreign exchange rates on cash		1,430,000	732,000
Cash and cash equivalents, beginning of period		**68,902,000**	**42,285,000**
Cash and cash equivalents, end of period		**49,827,000**	**33,758,000**
Interest paid		2,454,000	-

Refer to note 12 for supplemental cash flow information

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

1. Nature of operations

Roxgold Inc. (the "Company") is a Canadian-based gold mining company with its key asset, the Yaramoko Gold Mine, located in the Houndé greenstone belt of Burkina Faso, West Africa. The Company declared commercial production as of October 1, 2016. The Company is a reporting issuer in all provinces and territories of Canada other than Quebec and its common shares were listed for trading on the TSX Venture Exchange under the symbol "ROG" until March 29, 2017 and started trading on the Toronto Stock Exchange under the symbol "ROXG" on March 30, 2017. The Company trades as part of the Nasdaq International Designation program with the symbol OTC: ROGFF, with its corporate head office located at Suite 500, 360 Bay Street, Toronto, Ontario, M5H 2V6.

2. Summary of significant accounting policies

A. Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

B. Statement of compliance

The Company's condensed interim consolidated financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of the interim statements, including IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

The accounting policies followed in these financial statements are consistent with those applied in the Company`s annual consolidated financial statements for the year ended December 31, 2016. These financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2016, with the exception of the adopted accounting polices described below, which have been prepared according to IFRS as issued by IASB. The Board of Directors authorized for publication the condensed interim consolidated financial statements on August 14, 2017.

C. Segment reporting

The Company currently has two reportable segments: mining operations and the exploration and evaluation of mineral properties, located in Burkina Faso. Corporate includes the activities from the head office located in Toronto and the subsidiaries in British Virgin Islands and Cayman Islands. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the management team that makes strategic decisions.

D. Change in accounting policy

Prior to September 30, 2016, the Company presented its annual and condensed interim consolidated financial statements in Canadian Dollars ("CAD"). Effective September 30, 2016, the Company changed its presentation currency to the United States ("U.S.") dollars to better reflect its business activities in anticipation of the start of commercial production of the Yaramoko Gold Mine in the fourth quarter of 2016.

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", financial statements of all years presented were translated into presentation currency (U.S. dollars). All assets and liabilities have been translated using the exchange rate prevailing on the consolidated statements of financial position dates. The statements of income (loss) and cash flow were translated using the average spot rate prevailing during each reporting period. Comparative figures of equity have been translated at the average rate prevailing during each reporting period. Equity transactions have been translated into presentation currency using the average rate prevailing during each reporting period. All exchange differences resulting from the translation have been recognized in a separate component of other comprehensive income (loss). All comparative financial information has been adjusted to reflect the Company's results as if they had been historically reported in U.S. dollars.

(Expressed in U.S. Dollars)

2. Summary of significant accounting policies (continued)

E. New accounting standards issued and in effect

IAS 7, Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They were effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted. There has been no impact on the Company's consolidated financial statements.

F. New accounting standards issued but not yet in effect

The International Accounting Standards Board ("IASB") has not issued new standards that have relevance to the Company.

G. Critical accounting estimates and judgments

During 2017, the Company identified certain adjustments associated with its previously reported 2016 deferred income tax balances. These adjustments were recorded in 2017 and resulted in a tax recovery of $2,100,000 in the six-month period ended June 30, 2017.

3. Cash

As at June 30, 2017, cash on hand totalling $49,827,000 (December 31, 2016: $68,902,000) consisted of cash in bank chequing accounts. As at June 30, 2017, the Company's cash balance is comprised of $29,231,000 U.S. Dollars, the West African Franc equivalent of €17,308,000 ($19,787,000), $11,000 Australian Dollars ($9,000), and $1,038,000 Canadian Dollars ($800,000).

4. Receivables

As at June 30, 2017, receivables were mainly related to VAT (value added tax) receivable in Burkina Faso. They are non-interest bearing and they are generally settled within six to twelve months.

5. Inventories

As at	June 30, 2017	December 31, 2016
Stockpiled ore	2,467,000	4,235,000
Gold-in-circuit (GIC)	593,000	1,558,000
Doré bars	932,000	-
Consumables inventory	3,142,000	2,218,000
Total	**7,134,000**	**8,011,000**

The amount of depreciation (cumulative) included within inventory at June 30, 2017 is $849,000 (December 31, 2016 - $1,354,000). The cost of inventory that was charged to expenses represents mostly mine operating expenses and essentially all of the depreciation of property, plant and equipment. $2,029,000 of net realizable value adjustments were recorded for stockpiled ore in the three and six-months ended June 30, 2017 (six-months ended June 30, 2016 - $nil).

(Expressed in U.S. Dollars)

6. Property, plant and equipment

	Furniture, mining vehicles, and computer equipment	Processing plant	Underground mine	Infrastructure, and other development costs	Exploration and evaluation costs	Mineral properties under development	TOTAL
COST							
As at December 31, 2015	**11,466,000**	**-**	**-**	**4,376,000**	**-**	**98,115,000**	**113,957,000**
Pre-commercial production revenue	-	-	-		-	(56,625,000)	(56,625,000)
Mining operating expenses	-	-	-		-	14,728,000	14,728,000
Royalties	-	-	-		-	2,730,000	2,730,000
Sustainability and other in-country costs	-	-	-		-	460,000	460,000
Underground mine development	-	-	-		-	11,097,000	11,097,000
Other additions	682,000	-	6,971,000	263,000	66,000	56,126,000	64,108,000
Foreign exchange	11,000	-	-	-	-	89,000	100,000
Transfers	-	39,409,000	30,045,000	43,551,000	-	(118,604,000)	(5,599,000)
As at December 31, 2016	**12,159,000**	**39,409,000**	**37,016,000**	**48,190,000**	**66,000**	**8,116,000**	**144,956,000**
Additions	1,010,000	9,000	15,979,000	290,000	-	1,405,000	18,693,000
Foreign exchange	22,000			134,000	-	1,000	157,000
Transfers				9,522,000	-	(9,522,000)	-
As at June 30, 2017	**13,191,000**	**39,418,000**	**52,995,000**	**58,136,000**	**66,000**	**-**	**163,806,000**
ACCUMULATED DEPRECIATION							
As at December 31, 2015	**(2,012,000)**	**-**	**-**	**(104,000)**	**-**	**-**	**(2,116,000)**
Additions	(2,899,000)	(1,644,000)	(1,614,000)	(2,075,000)	-	-	(8,232,000)
Foreign exchange	(11,000)	-	-	-	-	-	(11,000)
As at December 31, 2016	**(4,922,000)**	**(1,644,000)**	**(1,614,000)**	**(2,179,000)**	**-**	**-**	**(10,359,000)**
Additions	(1,885,000)	(3,541,000)	(4,872,000)	(4,082,000)	-	-	(14,380,000)
Foreign exchange	(17,000)	-		(9,000)	-	-	(26,000)
As at June 30, 2017	**(6,824,000)**	**(5,185,000)**	**(6,486,000)**	**(6,270,000)**	**-**	**-**	**(24,765,000)**
NET BOOK VALUE							
Cost	12,159,000	39,409,000	37,016,000	48,190,000	66,000	8,116,000	144,956,000
Accumulated depreciation	(4,922,000)	(1,644,000)	(1,614,000)	(2,179,000)	-	-	(10,359,000)
Net book value as at December 31, 2016	**7,237,000**	**37,765,000**	**35,402,000**	**46,011,000**	**66,000**	**8,116,000**	**134,597,000**
Cost	13,191,000	39,418,000	52,995,000	58,136,000	66,000	-	163,806,000
Accumulated depreciation	(6,824,000)	(5,185,000)	(6,486,000)	(6,270,000)	-	-	(24,765,000)
Net book value as at June 30, 2017	**6,367,000**	**34,233,000**	**46,509,000**	**51,866,000**	**66,000**	**-**	**139,041,000**

(Expressed in U.S. Dollars)

6. Property, plant and equipment (continued)

The net book value of the assets held in Canada and in Burkina Faso totalled $111,000 and $138,930,000, respectively, as at June 30, 2017 (December 31, 2016: $120,000 and $134,477,000, respectively). Included under mining equipment are assets under finance leases at a net book value of $4,567,000 (December 31, 2016: $5,338,000). This lease is not in the legal form of a finance lease but is considered a finance lease based on its terms and conditions (note 18). For the six-month period ended June 30, 2017, depreciation for assets under finance leases totalling $1,443,000 (June 30, 2016: $nil) were expensed in the statement of income (loss), and depreciation for assets under finance leases totalling $nil (June 30, 2016: $870,000) has been capitalized to mineral properties under development.

7. Long-term debt

As at	June 30, 2017	December 31, 2016
Opening balance	71,068,000	47,878,000
Add: loan proceeds	-	23,160,000
Deduct: loan repayments	(21,150,000)	-
Deduct: transaction costs	(1,624,000)	(2,162,000)
Add: accretion	1,092,000	2,192,000
Ending balance	**49,386,000**	**71,068,000**
Less: current portion	(10,317,000)	(17,766,000)
Non-current portion	**39,069,000**	**53,302,000**

In June 2015, the Company signed an agreement with Société Générale Corporate & Investment Banking and BNP Paribas (collectively the "Banks") for a credit facility of $75 million (the "Credit Facility"), with a requirement that the Company fund a $15 million cost overrun account. The Credit Facility had a six-year loan term that will bear interest at a rate of LIBOR plus 4.25% to 4.75%. The Credit Facility encompassed a hedging component of 65,000 ounces of gold, or approximately 8.5% of the Yaramoko project's current reserves, over the life of the loan. The Credit Facility was also supported by secured guarantees from the Company and each of its material subsidiaries.

On January 19, 2017, the Company made an early repayment of $15 million on the Credit Facility and amended its term, reducing it to a $60 million credit facility (the "Amended Facility"), amortizing on a quarterly basis, maturing in June 2021, with an interest rate of LIBOR plus 3.75%. Several key requirements of the Credit Facility, such as the requirement for a $15 million cost overrun account, are no longer in place.

The Amended Facility, similar to the Credit Facility, includes covenants customary for a transaction of this nature, including the following financial and operational covenants (all maintained as of June 30, 2017):

- i) Maintaining a loan life ratio of at least 130%;
- ii) Maintaining a historical debt service coverage ratio greater than or equal to 120% at all times;
- iii) Maintaining a projected debt service coverage ratio greater than or equal to 120% at all times; and
- iv) Maintaining proven and probable reserves greater than or equal to 25% at the final payment date compared to the proven and probable reserve at the first drawdown date.

As the change in future payment terms expected was determined to not be substantial, the amendment was recorded as a debt modification. Accordingly, the effective interest rate on the Credit Facility was recalculated at the amendment date based on the carrying value of the Amended Facility, and its expected future payment terms, and no gain or loss was recorded within the Company's consolidated statement of income (loss).

(Expressed in U.S. Dollars)

7. Long-term debt (continued)

The remaining repayment schedule is based on a percentage of the Amended Facility as follows:

Repayment Date	**% of total Amended Facility**
September 30, 2017	6.25%
December 31, 2017	5.50%
March 31, 2018	3.00%
June 30, 2018	4.00%
September 30, 2018	2.75%
December 31, 2018	4.25%
March 31, 2019	6.00%
June 30, 2019	5.25%
September 30, 2019	4.25%
December 31, 2019	5.75%
March 31, 2020	6.00%
June 30, 2020	5.50%
September 30, 2020	6.50%
December 31, 2020	9.25%
March 31, 2021	7.50%
June 30, 2021	8.00%

During the six-month period ended June 30, 2017, the Company made repayments of the Amended Facility, of $3,150,000, on March 31, 2017 and $3,000,000, on June 30, 2017, respectively. This is in addition to the $15 million repayment to the Credit Facility prior to the amendment. For the six-month period ended June 30, 2017, the Company had incurred fees of $1,624,000 (June 30, 2016 – $2,167,000), which consisted primarily of legal and advisory fees and other financing expenses with respect to the Amended Facility described above. These were recorded against the carrying value of the Amended Facility and will be amortized to the Company's statement of income/(loss) using the effective interest method.

For the six-month period ended June 30, 2017, interest and accretion totalling $3,169,000 (June 30, 2016 -$nil) were expensed in the Company's condensed interim consolidated statement of income (loss). For the six-month period ended June 30, 2017, interest and accretion totalling $nil (June 30, 2016- $1,859,000) were capitalized to Property, Plant, and Equipment.

As at June 30, 2017, the Company is committed to minimum future principal and interest payments for the Amended Facility, as follows:

	Long-term debt
Remaining of the year ending December 31, 2017	$8,025,000
Year ending December 31, 2018	$10,044,000
Year ending December 31, 2019	$14,006,000
Year ending December 31, 2020	$17,112,000
Thereafter	$9,432,000

(Expressed in U.S. Dollars)

8. Derivative financial instruments

The execution of a hedging program was completed in July 2015 as a condition precedent to the drawdown of the Credit Facility (note 7). The hedging program comprised of the forward sale of 65,000 ounces of gold, at an average price of US$1,052 per ounce, which is to be settled on a monthly basis from January 2017 to March 2021.

For the six-month period ended June 30, 2017, the Company recognized a change in the fair value of derivative financial instruments of $5,267,000 (June 30, 2016 - $5,405,000) in its condensed interim consolidated statement of income (loss). During the six-month period ended June 30, 2017, the Company settled the first six monthly hedging contracts totalling $1,426,000 (June 30, 2016 - $nil).

The fair value of instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on the Company's specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2. As at June 30, 2017, the derivative financial instruments have been classified as Level 2 financial instruments according to the Company's fair value hierarchy. The fair value of these instruments is determined using discounted future cash flows based on the forward gold curve.

There were no transfers between Level 1, Level 2 and Level 3 as at June 30, 2017.

As at	**June 30, 2017**	**December 31, 2016**
Opening balance	7,853,000	2,059,000
Change in fair value of derivatives	5,267,000	5,667,000
Settlement of derivative financial instruments	(1,426,000)	-
Foreign exchange	-	127,000
Ending balance	**11,694,000**	**7,853,000**
Less: Current portion	(2,942,000)	(1,563,000)
Non-current portion	**8,752,000**	**6,290,000**

9. Asset retirement obligations

The Company recognizes a provision related to its constructive and legal obligations in Burkina Faso to restore its Yaramoko property. As at June 30, 2017, the Company recorded a provision for mine rehabilitation of $2,473,000 (December 31, 2016 - $2,362,000). A related accretion expense of $111,000 for the six-month period ended June 30, 2017 (June 30, 2016 - $nil) was recorded in the Company's condensed interim consolidated statement of income (loss).

As at	**June 30, 2017**	**December 31, 2016**
Opening balance	2,362,000	1,078,000
Additions	-	1,229,000
Add: accretion	111,000	55,000
Ending balance	**2,473,000**	**2,362,000**

In January 2017, the Company established a bank account in Burkina Faso which is restricted solely for the purpose of future restoration costs of its Yaramoko property. At June 30, 2017, the restricted cash balance is totalled €448,000 ($511,000).

(Expressed in U.S. Dollars)

10. Share capital and reserves

For the six-month periods ended June 30,	2017	2016
Shares		
Balance – Beginning of period	371,078,762	324,081,829
Shares issued for bought deal or private placement	-	28,750,000
Shares issued for exercise of options	358,667	1,200,556
Balance – End of period	**371,437,429**	354,032,385

A. Authorized

The authorized share capital of the Company is comprised of an unlimited number of voting common shares.

B. Share issuances

During the six-month period ended June 30, 2017, the Company issued 358,667 shares pursuant to the exercise of stock options with a weighted average exercise price of $0.47 (C$0.64) per share, for total net proceeds of $170,000 (C$226,000). At the time the options were exercised the weighted average share price was $1.54 (C$2.0).

On March 8, 2016, pursuant to a bought deal equity financing (the "Financing"), the Company issued 28,750,000 common share at a purchase price of $0.58 (C$0.80) per common share for gross proceeds of $16,759,000 (C$23.0 million). The Company incurred $1,092,000 in professional fees, commissions and other share issuance costs in connection with the Financing.

Between April 7, 2016 June 30, 2016, the Company issued 1,200,556 shares pursuant to the exercise of various stock options with a weighted average exercise price $0.43 (C$0.57) per share, for total net proceeds of $516,000 (C$684,000). At the options were exercised, the weighted average closing share price was $1.00 (C$1.33).

C. Share-based payments

A summary of the share-based payment expenses is detailed as follows:

For the periods ended June 30,	Three-month 2017	Three-month 2016	Six-month 2017	Six-month 2016
		(as adjusted) (note 2D)		(as adjusted) (note 2D)
Stock options costs	241,000	264,000	468,000	791,000
Stock options costs capitalized to Mineral properties under development	-	(147,000)	-	(405,000)
Stock options costs – expensed	241,000	117,000	468,000	386,000
Deferred units costs – expensed	(49,000)	249,000	(29,000)	310,000
Performance share units costs – expensed	51,000	-	106,000	-
Restricted share units costs	271,000	172,000	520,000	354,000
Restricted share units costs capitalized to Mineral properties under development	-	(86,000)	-	(178,000)
Restricted share units costs – expensed	271,000	86,000	520,000	176,000
Total share-based payments expensed	514,000	452,000	1,065,000	872,000

(Expressed in U.S. Dollars)

10. Share capital and reserves (continued)

D. Stock options

A summary of the Company's stock option activities for the three-month period ended June 30, 2017 is presented below:

	Number of stock options	Weighted average exercise price $ (CAD)
Balance as at December 31, 2016	**10,714,003**	**0.75**
Granted	2,062,499	1.50
Exercised	(358,667)	0.64
Expired	(100,000)	2.00
Balance as at June 30, 2017	**12,317,835**	**0.86**

During the six-month period ended June 30, 2017, the Company granted 2,062,499 options to employees (June 30, 2016: 4,800,000 options) with a fair value of $1,088,000 (C$1,441,000) (June 30, 2016: $1,400,000). One-third of the options granted vest over each of the next 12, 24, and 36-month periods, respectively. The exercise price of the options was equal to the market price on the grant date.

The following assumptions were used for the Black-Scholes valuation of stock options granted during the six-month periods ended June 30, 2017 and 2016, respectively.

For the six-month periods ended June 30,	2017	2016
Dividend rate	0%	0%
Expected annualized volatility	54%	59-60%
Risk free interest rate	1.05%	0.60%-0.71%
Expected life of stock options (years)	5	5
Weighted average fair value of options granted	$0.70 (C$0.93)	$0.29 (C$0.38)

Expected annualized volatility was based on the Company's historical volatility. As at June 30, 2017, the Company had the following stock options outstanding:

Expiry date	Number of stock options outstanding	Number of stock options vested	Exercise price $CAD	Weighted average number of years to expiry
October 4, 2017	200,000	200,000	0.96	0.26
December 18, 2017	625,000	625,000	0.75	0.47
September 19, 2018	400,001	400,000	0.61	1.22
January 3, 2019	100,002	100,000	0.49	1.51
January 23, 2019	680,000	680,000	0.55	1.57
April 25, 2019	150,000	150,000	0.67	1.82
October 2, 2019	100,000	100,000	0.76	2.26
December 8, 2019	250,333	250,333	0.61	2.44
January 19, 2020	250,000	250,000	0.65	2.56
February 2, 2020	2,550,000	2,550,000	0.70	2.59
April 2, 2020	150,000	150,000	0.59	2.76
August 13, 2020	200,000	133,333	0.72	3.12
January 4, 2021	3,825,000	2,450,000	0.69	3.52
May 18, 2021	375,000	250,000	1.20	3.88
June 9, 2021	100,000	66,667	1.41	3.95
August 22, 2021	300,000	100,000	1.60	4.15
January 19, 2022	2,062,499	-	1.50	4.56
	12,317,835	**8,455,333**	**0.86**	**3.04**

(Expressed in U.S. Dollars)

10. Share capital and reserves (continued)

E. Deferred share units (DSU)

The following table reflects the continuity of deferred share units for the six-month period ended June 30, 2017:

	Number of instruments
Balance as at December 31, 2016 and as at June 30, 2017	**3,305,180**

As at June 30, 2017, all DSUs were vested and 2,982,599 units had a dilutive impact as the remaining DSUs totalling 322,581 units are to be settled in cash.

F. Restricted share units (RSU)

During the six-month period ended June 3, 2017, the Company granted 646,667 RSUs to employees. One-third of the RSUs granted vest over each of the next 12, 24, and 36-month periods, respectively. The following table reflects the continuity of RSUs for the six-month period ended June 30, 2017:

	Number of instruments
Balance as at December 31, 2016	**3,715,000**
Granted	646,667
Balance as at June 30, 2017	**4,361,667**

Expiry date	Number of instruments	Number of instruments vested	Weighted average number of years to expiry
December 31, 2017	3,325,000	2,605,000	0.50
December 31, 2018	390,000	390,000	1.50
December 1, 2020	646,667	-	3.42
Balance as at June 30, 2017	**4,361,667**	**2,995,000**	**1.02**

During the six-month period ended June 30, 2017, the Company granted 825,000 PSUs to senior management. The Board of Directors determine the performance vesting criteria. The PSU provide the right to receive an award payout multiplied by a payout factor on the performance condition measurement date set as January 19, 2020. The following table reflects the continuity of performance share units for the six-month period ended June 30, 2017:

	Number of instruments
Balance as at December 31, 2016	**-**
Granted	825,000
Balance as at June 30, 2017	**825,000**

11. Mine operating expenses

For the periods ended June 30,	Three-month 2017	Three-month 2016	Six-month 2017	Six-month 2016
Mining contractor	8,057,000	-	16,549,000	-
Salaries and benefits	1,904,000	-	3,832,000	-
Operating supplies and parts	1,726,000	-	3,498,000	-
Energy	1,251,000	-	2,638,000	-
Inventory adjustment	729,000	-	1,314,000	-
	13,667,000	**-**	**27,831,000**	-

(Expressed in U.S. Dollars)

12. Supplementary cash flow information

For the six-month periods ended June 30,	2017	2016
		(as adjusted) (note 2D)
Stock option costs included in PP&E	-	405,000
Restricted share units included in PP&E	-	179,000
Interest and accretion on long-term debt included in PP&E	-	1,790,000
Asset retirement obligations included in PP&E	-	1,337,000
PP&E included in accounts payable and accrued liabilities	-	14,417,000
Depreciation included in PP&E	-	

13. Finance leases

On September 29, 2014, the Company awarded the underground mining services contract (the "Mining Service Contract") for its Yaramoko project to a subsidiary of African Underground Mining Services ("AUMS"). In connection with the mining agreement, AUMS agreed to subscribe for $5 million of the Company's common shares upon contract commencement and the Company will have the option (the "Mining Contract Option") to settle up to $10 million in payments to AUMS in the form of the Company's common shares (the "Payment Shares"). The subscription price for each Payment Share will be based on a 5% discount to the volume weighted average price of the Company's shares on the TSX Venture Exchange for the five trading days following the date of the particular invoice.

The Mining Service Contract has an initial term of four years and is renewable at the option of the Company for a period to be agreed by AUMS and the Company under the same terms and conditions as the initial Mining Service Contract.

Pursuant to the Mining Service Contract, AUMS will provide services to develop the Yaramoko Gold Mine, extract and haul ore and waste, stockpile and produce ore during the term within the production requirements ("Mining Services"). The Mining Services includes the provision of a mining fleet and skilled labour force.

It was determined that based on the substance of the Mining Service Contract at the inception date, it contained leases with respect to the mining fleet to be provided by AUMS. Certain leases were classified as finance leases based on the analysis of whether substantially all the risks and rewards incidental to ownership of the leased items were transferred to the Company as a lessee.

The most significant estimate in the assessment lies in the Company's calculation of the fair value of the minimum lease payments on an asset by asset basis and its comparison to the fair value of the assets at the inception of the lease to conclude on whether all the risks and rewards incidental to ownership of the leased items were transferred to the Company as a lessee.

At the inception, the Company capitalized the leases at the fair value of those leases, or, if lower, at the present value of the minimum lease payments. The imputed finance costs on the liability were determined based on the Company's incremental borrowing rate and similar finance leases to mining companies, which has been estimated at 5%.

As at	June 30, 2017	December 31, 2016
Opening balance	5,516,000	7,354,000
Add: new debt obligations under finance leases	651,000	-
Deduct: repayments	(936,000)	(1,838,000)
Total obligations under finance lease	**5,231,000**	**5,516,000**
Less: current portion	(2,556,000)	(2,231,000)
Non-current obligations	**2,675,000**	**3,285,000**

(Expressed in U.S. Dollars)

13. Finance leases (continued)

Future minimum lease payments pursuant to the Company's finance leases are as follows:

	Up to 1 year	1-3 years	Total
Minimum lease payments	2,556,000	2,675,000	5,231,000
Finance charges	938,000	350,000	1,288,000
Total	**3,494,000**	**3,025,000**	**6,519,000**

14. Contingencies

The Company received from the Burkinabe tax authorities in April 2016 a tax assessment for the years 2013, 2014, and 2015 of $2,266,000 (plus an additional $975,000 in penalties). The assessment covers mainly three items: value added tax, withholding taxes on foreign mining-related suppliers, and payroll taxes on benefits provided to residential expatriates. The Company is vigorously defending its positions. The final outcome of this matter is not determinable at this time and no provision has been recorded as at June 30, 2017. Any provision will be recognized in the Company's consolidated financial statements once it is probable that an outflow of funds will occur.

15. Segmented Reporting

The Company is conducting exploration and evaluation and mining operations activities in Burkina Faso. The business segments presented reflect the management structure of the Company and the way in which the Company's chief operating decision maker reviews business performance. The Company evaluates the performance of its operating segments primarily based on segment operating income, as defined below.

For the three-month period ended June 30, 2017	Mining Operations, Burkina Faso	Exploration and evaluation, Burkina Faso	Corporate	Total
Revenue	34,703,000	-	-	34,703,000
Total mine operating expenses (incl. depreciation and royalties)	(22,126,000)	-	-	(22,126,000)
Mine operating profit	**12,577,000**	**-**	**-**	**12,577,000**
General administrative expenses	-	-	(934,000)	(934,000)
Sustainability and other in-country costs	(330,000)	-	-	(330,000)
Exploration and evaluation	-	(3,514,000)	-	(3,514,000)
Depreciation	-	(100,000)	(148,000)	(248,000)
Share-based payments	-	-	(514,000)	(514,000)
Net income (loss) from operations	**12,247,000**	**(3,614,000)**	**(1,596,000)**	**7,037,000**
Interest income	-	-	7,000	7,000
Interest expense	(1,187,000)	-	-	(1,187,000)
Change in fair value of derivative financial instruments	-	-	485,000	485,000
Financing fees	(463,000)	-	-	(463,000)
Foreign exchange gain (loss)	1,103,000	-	(393,000)	710,000
Other expenses	(103,000)	-	-	(103,000)
Deferred income tax expense	(769,000)	-	-	(769,000)
Net Income (loss) for the period	**10,828,000**	**(3,614,000)**	**(1,497,000)**	**5,717,000**

(Expressed in U.S. Dollars)

15. Segmented reporting (continued)

For the six-month period ended June 30, 2017	Mining Operations, Burkina Faso	Exploration and evaluation, Burkina Faso	Corporate	Total
Revenue	77,680,000	-	-	77,680,000
Total mine operating expenses (incl. depreciation and royalties)	(45,304,000)	-	-	(45,304,000)
Mine operating profit	**32,376,000**	**-**	**-**	**32,376,000**
General administrative expenses	-	-	(2,134,000)	(2,134,000)
Sustainability and other in-country costs	(773,000)	-	-	(773,000)
Exploration and evaluation	-	(6,861,000)	-	(6,861,000)
Depreciation	-	(211,000)	(307,000)	(518,000)
Share-based payments	-	-	(1,065,000)	(1,065,000)
Net income (loss) from operations	**31,603,000**	**(7,072,000)**	**(3,506,000)**	**21,025,000**
Interest income	-	-	13,000	13,000
Interest expense	(3,169,000)	-	-	(3,169,000)
Change in fair value of derivative financial instruments	-	-	(5,267,000)	(5,267,000)
Financing fees	(757,000)	-	-	(757,000)
Foreign exchange gain (loss)	1,340,000	-	(735,000)	605,000
Other expenses	(204,000)	-	-	(204,000)
Deferred income tax expense	(2,697,000)	-	-	(2,697,000)
Net Income (loss) for the period	**26,116,000**	**(7,072,000)**	**(9,495,000)**	**9,549,000**
Total non-current assets as at June 30, 2017	**138,521,000**	**919,000**	**112,000**	**139,552,000**
Total assets as at June 30, 2017	**180,497,000**	**1,446,000**	**30,498,000**	**212,441,000**

(Expressed in U.S. Dollars)

15. Segmented reporting (continued)

For the three-month period ended June 30, 2016	Mining Operations, Burkina Faso	Exploration and evaluation, Burkina Faso	Corporate Canada	Total
Revenue	-	-	-	-
Total mine operating expenses (incl. depreciation and royalties)	-	-	-	-
Mine operating profit	**-**	**-**	**-**	**-**
General administrative expenses	-	-	(917,000)	(917,000)
Sustainability and other in-country costs	-	-	-	-
Exploration and evaluation	-	(1,764,000)	-	(1,764,000)
Depreciation	-	(118,000)	(12,000)	(130,000)
Share-based payments	-	-	(452,000)	(452,000)
Net (loss) income from operations	**-**	**(1,882,000)**	**(1,381,000)**	**(3,263,000)**
Interest income	-	-	8,000	8,000
Interest expense	-	-	-	-
Change in fair value of derivative financial instruments	-	-	(5,405,000)	(5,405,000)
Financing fees	(58,000)	-	-	(58,000)
Foreign exchange loss	-	-	(246,000)	(246,000)
Other expenses	-	-	(32,000)	(32,000)
Deferred income tax expense	-	-	-	-
Net (loss) income for the period	**(58,000)**	**(1,882,000)**	**(7,056,000)**	**(8,996,000)**

For the six-month period ended June 30, 2016	Mining Operations, Burkina Faso	Exploration and evaluation, Burkina Faso	Corporate Canada	Total
Revenue	-	-	-	-
Total mine operating expenses (incl. depreciation and royalties)	-	-	-	-
Mine operating profit	**-**	**-**	**-**	**-**
General administrative expenses	-	-	(1,659,000)	(1,659,000)
Sustainability and other in-country costs	-	-	-	-
Exploration and evaluation	-	(2,418,000)	-	(2,418,000)
Depreciation	-	(250,000)	(29,000)	(279,000)
Share-based payments	-	-	(872,000)	(872,000)
Net (loss) income from operations	**-**	**(2,668,000)**	**(2,560,000)**	**(5,228,000)**
Interest income	-	-	10,000	10,000
Interest expense	-	-	-	-
Change in fair value of derivative financial instruments	-	-	(14,747,000)	(14,747,000)
Financing fees	(140,000)	-	-	(140,000)
Foreign exchange loss	-	-	(2,145,000)	(2,145,000)
Other expenses	-	-	(61,000)	(61,000)
Deferred income tax expense	-	-	-	-
Net (loss) income for the period	**(140,000)**	**(2,668,000)**	**(19,503,000)**	**(22,311,000)**
Total non-current assets as at December 31, 2016	**133,817,000**	**1,122,000**	**120,000**	**135,059,000**
Total assets as at December 31, 2016	**181,572,000**	**1,473,000**	**34,625,000**	**217,670,000**

16. Non-controlling interest

At June 30, 2017, the non-controlling interest ("NCI") of the Government of Burkina Faso, which represents 10% in Roxgold SANU S.A. totalled $3,804,000 (December 31, 2016: $1,440,000). The income attributable to the NCI for the six month period ended June 30, 2017, totalling $2,364,000, is based on the net income for Roxgold SANU SA, as determined using IFRS. This excludes all items within Other expenses and Financial income (expenses) on the Company's consolidated statement of income (loss), with the exception of sustainability and other in-country costs, interest expense, financing fees, and any related foreign exchange loss.