



Consolidated Financial Statements of

**TERANGA GOLD CORPORATION**

For the years ended December 31, 2015 and 2014

CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
DECEMBER 31, 2015  
(in \$000's of United States dollars, except per share amounts)

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# Management's Responsibility for Financial Reporting

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

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

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



**Richard Young**  
President and Chief Executive Officer



**Navin Dyal**  
Chief Financial Officer



Ernst & Young Toronto  
222 Bay Street  
Toronto, Ontario  
M5K 1J7  
P.O. Box 251

Tel: +1 416 943 3000  
Fax: +1 416 864 1174  
ey.com/ca

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Teranga Gold Corporation

We have audited the accompanying consolidated financial statements of Teranga Gold Corporation, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's responsibility for the consolidated financial statements*

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

### *Auditors' responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Teranga Gold Corporation as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants  
Licensed Public Accountants

February 24, 2016  
Toronto, Canada

CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
DECEMBER 31, 2015  
(in \$000's of United States dollars, except per share amounts)

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

		For the years ended December 31,	
	Note	2015	2014
Revenue	7	224,620	260,588
Cost of sales	8	(172,261)	(207,984)
<b>Gross profit</b>		<b>52,359</b>	<b>52,604</b>
Exploration and evaluation expenditures		(2,525)	(2,772)
Administration and corporate social responsibility expenses	9	(16,311)	(15,621)
Share-based compensation	32	(1,761)	(911)
Finance costs	10	(3,159)	(9,484)
Impairment charge	16	(90,000)	-
Net foreign exchange gains		1,901	2,013
Other income/(expenses)	11	1,381	(1,982)
		<b>(110,474)</b>	<b>(28,757)</b>
<b>Profit/(loss) before income tax</b>		<b>(58,115)</b>	<b>23,847</b>
Income tax recovery/(expense)	12	2,502	(1,536)
<b>Net profit/(loss)</b>		<b>(55,613)</b>	<b>22,311</b>
Net profit/(loss) attributable to:			
Shareholders		(50,543)	17,776
Non-controlling interests		(5,070)	4,535
<b>Net profit/(loss) for the year</b>		<b>(55,613)</b>	<b>22,311</b>
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit for the year			
Change in fair value of available for sale financial asset, net of tax		-	(1)
<b>Other comprehensive loss for the year</b>		<b>-</b>	<b>(1)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>(55,613)</b>	<b>22,310</b>
Total comprehensive income/(loss) attributable to:			
Shareholders		(50,543)	17,775
Non-controlling interests		(5,070)	4,535
<b>Total comprehensive income/(loss) for the year</b>		<b>(55,613)</b>	<b>22,310</b>
<b>Earnings/(loss) per share from operations attributable to the shareholders of the Company during the year</b>			
- basic earnings/(loss) per share	25	(0.14)	0.05
- diluted earnings/(loss) per share	25	(0.14)	0.05

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

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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	As at December 31, 2015	As at December 31, 2014
<b>Current assets</b>			
Cash and cash equivalents	30b	44,436	35,810
Trade and other receivables	13	15,701	1,562
Inventories	14	57,529	66,639
Other current assets	15	9,381	8,995
<b>Total current assets</b>		<b>127,047</b>	<b>113,006</b>
<b>Non-current assets</b>			
Inventories	14	106,898	91,057
Property, plant and equipment	17	193,426	198,433
Mine development expenditures	18	237,046	260,719
Deferred income tax assets	19	23,098	11,879
Other non-current assets	15	8,701	7,917
Goodwill	6	-	41,776
<b>Total non-current assets</b>		<b>569,169</b>	<b>611,781</b>
<b>Total assets</b>		<b>696,216</b>	<b>724,787</b>
<b>Current liabilities</b>			
Trade and other payables	20	62,545	53,909
Borrowings	21	-	3,946
Current income tax liabilities	12	8,685	-
Deferred revenue	22	19,155	21,814
Provisions	23	2,588	1,936
<b>Total current liabilities</b>		<b>92,973</b>	<b>81,605</b>
<b>Non-current liabilities</b>			
Borrowings	21	13,450	-
Deferred revenue	22	72,190	92,184
Provisions	23	28,236	16,704
Other non-current liabilities	20	11,098	18,399
<b>Total non-current liabilities</b>		<b>124,974</b>	<b>127,287</b>
<b>Total liabilities</b>		<b>217,947</b>	<b>208,892</b>
<b>Equity</b>			
Issued capital	24	385,174	367,837
Foreign currency translation reserve		(998)	(998)
Other components of equity		16,905	16,255
Retained earnings		67,794	118,337
<b>Equity attributable to shareholders</b>		<b>468,875</b>	<b>501,431</b>
Non-controlling interests		9,394	14,464
<b>Total equity</b>		<b>478,269</b>	<b>515,895</b>
<b>Total equity and liabilities</b>		<b>696,216</b>	<b>724,787</b>

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

**Approved by the Board of Directors**

Alan Hill  
Director

Alan Thomas  
Director

CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	For the years ended December 31,	
	2015	2014
<b>Issued capital</b>		
Beginning of year	367,837	342,470
Shares issued from public and private offerings	24	17,454
Less: Share issue costs	24	(1,907)
End of year	385,174	367,837
<b>Foreign currency translation reserve</b>		
Beginning of year	(998)	(998)
End of year	(998)	(998)
<b>Other components of equity</b>		
Beginning of year	16,255	15,776
Equity-settled share-based compensation reserve	650	480
Investment revaluation reserve on change in fair value of available for sale financial asset, net of tax	-	(1)
End of year	16,905	16,255
<b>Retained earnings</b>		
Beginning of year	118,337	100,561
Profit/(loss) attributable to shareholders	(50,543)	17,776
End of year	67,794	118,337
<b>Non-controlling interest</b>		
Beginning of year	14,464	12,528
Non-controlling interest - portion of profit/(loss) for the period	(5,070)	4,535
Dividends accrued	-	(2,599)
End of year	9,394	14,464
<b>Total equity as at December 31</b>	<b>478,269</b>	<b>515,895</b>
The accompanying notes are an integral part of these consolidated financial statements		

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

		For the years ended December 31,	
	Note	2015	2014
<b>Cash flows related to operating activities</b>			
Net profit/(loss) for the year		(55,613)	22,311
Impairment charge	16	90,000	-
Depreciation of property, plant and equipment	17	22,703	25,806
Depreciation of capitalized mine development costs	18	19,526	44,062
Inventory movements - non-cash	8	7,458	(8,089)
Capitalized deferred stripping - non-cash	8	(1,374)	(658)
Amortization of advanced royalties	8	1,892	440
Gain on sale of exploration rights		(400)	-
Amortization of intangibles		247	714
Amortization of deferred financing costs	10	793	3,275
Unwinding of discounts	10	951	1,132
Share-based compensation	32	1,761	911
Deferred gold revenue recognized	22	(22,653)	(21,002)
Deferred income tax expense	12	(11,219)	1,536
Property, plant and equipment written off		84	1
Increase in inventories		(14,164)	(19,693)
Changes in non-cash working capital other than inventories	30a	(9,558)	(1,737)
<b>Net cash provided by operating activities</b>		<b>30,434</b>	<b>49,009</b>
<b>Cash flows related to investing activities</b>			
Decrease in restricted cash		-	20,000
Acquisition of Oromin Joint Venture Group ("OJV")		-	(112,500)
Expenditures for property, plant and equipment		(23,962)	(3,567)
Expenditures for mine development		(23,545)	(15,346)
Acquisition of intangibles		(175)	-
<b>Net cash used in investing activities</b>		<b>(47,682)</b>	<b>(111,413)</b>
<b>Cash flows related to financing activities</b>			
Net proceeds from equity offering	24	17,337	25,367
Proceeds from Franco-Nevada gold stream	22	-	135,000
Repayment of borrowings	21	(4,192)	(72,775)
Draw down from revolving credit facility	21	15,000	-
Financing costs paid		(2,025)	(1,000)
Interest paid on borrowings		(247)	(3,340)
<b>Net cash provided by financing activities</b>		<b>25,873</b>	<b>83,252</b>
Effect of exchange rates on cash holdings in foreign currencies		1	1
<b>Net increase in cash and cash equivalents</b>		<b>8,626</b>	<b>20,849</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>35,810</b>	<b>14,961</b>
<b>Cash and cash equivalents at the end of year</b>		<b>44,436</b>	<b>35,810</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

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

On October 4, 2013, Teranga completed the acquisition of Oromin Exploration Ltd. ("Oromin"). Oromin held a 43.5 percent participating interest in the Oromin Joint Venture Group ("OJVG"). The OJVG held a fully participating 90 percent interest in Societe des Mines de Golouma S.A. ("Somigol"), an operating company under the laws of Senegal, and the remaining 10 percent carried interest is held by the Government of Senegal.

On January 15, 2014, the Company acquired the balance of the OJVG that it did not already own by acquiring Bendon International Ltd.'s ("Bendon") 43.5 percent participating interest and Badr Investment Ltd.'s ("Badr") 13 percent carried interest.

The acquisition of Bendon and Badr's interests in the OJVG increased our ownership to 100 percent and allowed us to consolidate the Sabodala region, increasing the size of our mine license land holding from 33km<sup>2</sup> to 246km<sup>2</sup> by combining the two permitted mine licenses and more than doubling our reserve base. In July 2015, our mine license land holding increased to 291km<sup>2</sup>, with the inclusion of Gora in the mine license perimeter.

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

### 2. BASIS OF PREPARATION

#### a. Statement of compliance

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries and were approved by the Board of Directors on February 24, 2016.

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

#### b. Basis of presentation

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

#### c. Functional and presentation currency

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

#### d. Critical accounting judgments and key sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses and income during the

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period. These judgments, estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience. While management believes that these judgments, estimates and assumptions are reasonable, actual results may differ from the amounts included in the consolidated financial statements.

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

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **a. Basis of Consolidation**

The consolidated financial statements are prepared by consolidating the financial statements of Teranga Gold Corporation and its subsidiaries as defined in IFRS 10 "Consolidated Financial Statements". Refer to Note 29 for a listing of the Company's controlled subsidiaries.

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

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

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

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

#### **b. Foreign Currency Transactions**

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

#### **c. Cash and Cash Equivalents**

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

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

#### **d. Inventories**

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

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

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

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

**e. Property, Plant and Equipment**

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

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

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

**Depreciation**

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

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

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

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

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

Capital work in progress is not depreciated.

**f. Intangible Assets**

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

**g. Goodwill**

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

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

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

#### **h. Impairment of Long-lived Assets**

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

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

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

#### **i. Borrowing Costs**

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

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

#### **j. Employee Benefits**

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

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

#### **k. Deferred Revenue**

Deferred revenue consists of payments received by the Company for future commitments to deliver payable gold at contracted prices. As deliveries are made, the Company will record a portion of the deferred revenue as sales. Refer to Note 22.

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**i. Provisions**

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

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

**m. Restoration and Rehabilitation**

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

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

**n. Income Tax**

***Current income tax***

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

***Deferred income tax***

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

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

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

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

**o. Financial Instruments**

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

▶ *Fair value through profit or loss*

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

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▶ *Loans and receivables*

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

***Impairment of financial assets***

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

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

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

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

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

***Derecognition of financial assets***

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

***Derivative financial instruments***

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

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

***Debt and equity instruments***

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

***Financial liabilities***

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

***Other financial liabilities***

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

**p. Share-based Payments**

***Stock option plan***

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

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

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

***Restricted share units (RSUs)***

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

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

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

***Deferred share units (DSUs)***

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

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

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

**q. Fixed Bonus Plan Units**

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

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

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

**r. Revenue**

***Gold and silver bullion sales***

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

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

***Interest income***

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

**s. Exploration and Evaluation Expenditures and Mine Development Expenditures**

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

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

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

**t. Earnings per Share**

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



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

**u. Royalties**

**Royalties**

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

**Advanced royalties**

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

**v. Deferred Stripping Activity**

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

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

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

**4. NEW STANDARDS AND INTERPRETATIONS**

**a. IFRS 15 – Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

**b. IFRS 9 – Financial Instruments**

On July 24, 2014, the IASB issued the final version of IFRS 9, “Financial instruments” and replaced IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model

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for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The adoption date for IFRS 9 is January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

**c. IFRS 16 Leases**

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

**d. Amendments**

The Group applied, for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 January 2015. However, they do not impact the annual consolidated financial statements of the Company and, hence, have not been disclosed.

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

*Ore reserves*

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

*Units of production*

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

*Mine restoration and rehabilitation provision*

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

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Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability.

*Impairment of goodwill and non-current assets*

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

*Production start date*

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

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

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

*Stripping costs in the production phase of a surface mine*

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

*Taxes*

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

*Contingencies*

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

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assessing the impact on the carrying value of assets. Contingent assets are not recognized in the consolidated financial statements.

**6. ACQUISITION**

**a. Acquisition of the OJVG**

On January 15, 2014, the Company acquired the balance of the OJVG that it did not already own from Bendon and Badr.

The Company acquired Bendon's 43.5 percent participating interest in the OJVG for cash consideration of \$105.0 million. Badr's 13 percent carried interest in the OJVG was acquired for cash consideration of \$7.5 million and further contingent consideration that will be based on realized gold prices and increases to the OJVG's mineral reserves through 2020. Upon finalization of the allocation of the purchase price, \$3.8 million of contingent consideration was accrued as a non-current liability based on management's best estimate of future additions to the OJVG's mineral reserves.

The Company determined that the combined transactions represented a single business combination with Teranga as the acquirer. From January 15, 2014, 100 percent of the OJVG's results were consolidated into the Company's operating results, cash flows and net assets.

In accordance with business combination accounting, the acquisition cost has been allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. The Company used a discounted cash flow model to determine the fair value of the OJVG's identifiable assets and liabilities, with the remainder allocated to goodwill. Expected future cash flows were based on estimates of projected future revenue, expected future production costs and capital expenditures. The Company finalized the purchase price allocation during the third quarter of 2014.

***Purchase price allocation***

The following tables present the purchase price and the final allocation of the purchase price to the net identifiable assets acquired and liabilities assumed.

<b>Consideration transferred - Acquisition of OJVG</b>	
Total acquisition cost - Bendon	105,000
Total acquisition cost - Badr	11,314
Fair value of existing 43.5% interest in OJVG - Oromin	47,059
Consideration transferred	163,373
Cash acquired with OJVG	(32)
<b>Consideration, net of cash acquired</b>	<b>163,341</b>

<b>Summary of Final Purchase Price Allocation</b>	
<b>Total consideration</b>	<b>163,373</b>
Assets	
Current assets	127
Deferred income tax assets	13,415
Mine development expenditures	109,207
Total assets	122,749
Liabilities	
Current liabilities	1,152
Total liabilities	1,152
<b>Net identifiable assets acquired</b>	<b>121,597</b>
<b>Goodwill as at December 31, 2014</b>	<b>41,776</b>
Impairment	(41,776)
<b>Goodwill as at December 31, 2015</b>	<b>-</b>

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During the second quarter 2015, upon completion of local tax filings, it was determined that goodwill on the acquisition had no tax basis and as such a temporary deferred tax difference exists with respect to OJVG mineral property assets. As a result, the purchase price equation above has been restated to recognize a deferred tax asset of \$13.4 million in relation to the deferred mineral property expenditures and a corresponding reduction in goodwill and deferred tax liabilities.

Pursuant to the Company's annual goodwill impairment test, the recoverable amount of the Company's CGU was determined to not exceed the carrying value as at November 1, 2015 and an impairment charge has been recorded in the current year which fully impairs the recorded value of goodwill. See Note 16.

## 7. REVENUE

	For the years ended December 31,	
	2015	2014
Gold sales - spot price	224,342	259,859
Silver sales	278	729
<b>Total revenue</b>	<b>224,620</b>	<b>260,588</b>

For the year ended December 31, 2015, 193,218 ounces of gold were sold including 24,375 ounces delivered to Franco Nevada Corporation ("Franco-Nevada") at an average realized price of \$1,161 per ounce (2014: 206,336 ounces were sold, including 20,625 ounces delivered to Franco Nevada at an average price of \$1,259 per ounce).

The Company realized cash proceeds from the sale of gold to Franco-Nevada equivalent to 20 percent of the spot gold price. Refer to Note 22.

For the year ended December 31, 2015, the Company delivered all of its production to four customers with associated revenues of \$151.8 million, \$41.0 million, \$28.3 million and \$3.5 million, respectively (2014: two customers, \$234.3 million and \$26.3 million, respectively).

## 8. COST OF SALES

	For the years ended December 31,	
	2015	2014
Mine production costs	142,131	162,410
Capitalized deferred stripping - cash	(14,547)	(5,976)
Capitalized deferred stripping - non-cash	(1,374)	(658)
Depreciation and amortization - deferred stripping assets	5,687	28,911
Depreciation and amortization - property, plant and equipment and mine development expenditures	36,229	40,605
Royalties <sup>(i)</sup>	11,396	12,486
Amortization of advanced royalties	1,892	440
Inventory movements - cash	(16,611)	(22,145)
Inventory movements - non-cash	7,458	(8,089)
<b>Total cost of sales</b>	<b>172,261</b>	<b>207,984</b>

(i) Includes \$0.3 million (2014: nil) of royalties to Axmin Inc. on account of their 1.5 percent net smelter royalty on the Gora deposit.

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**9. ADMINISTRATION AND CORPORATE SOCIAL RESPONSIBILITY EXPENSES**

	For the years ended December 31,	
	2015	2014
Corporate office	8,174	8,247
Dakar office	1,414	1,012
Audit fees	637	379
Legal and other	2,886	2,615
Depreciation	347	825
<b>Total administration expenses</b>	<b>13,458</b>	<b>13,078</b>
Corporate social responsibility expenses	2,853	2,543
<b>Total administration and corporate social responsibility expenses</b>	<b>16,311</b>	<b>15,621</b>

**10. FINANCE COSTS**

	For the years ended December 31,	
	2015	2014
Interest on borrowings	459	3,572
Amortization of deferred financing costs	793	3,275
Unwinding of discounts	951	1,132
Political risk insurance	-	195
Stocking fees	619	819
Bank charges	243	305
Other	94	186
<b>Total finance costs</b>	<b>3,159</b>	<b>9,484</b>

**11. OTHER (INCOME)/EXPENSES**

	For the years ended December 31,	
	2015	2014
Acquisition and related costs <sup>(i)</sup>	-	2,065
Gain on sale of exploration rights <sup>(ii)</sup>	(500)	-
Gains on derivative instruments <sup>(iii)</sup>	(2,581)	-
Government of Senegal payments <sup>(iv)</sup>	1,973	-
Interest and other income	(273)	(83)
<b>Total other (income)/expenses</b>	<b>(1,381)</b>	<b>1,982</b>

(i) Includes legal, advisory, consulting and other costs.

(ii) A settlement agreement was reached with a joint venture partner whereby Teranga will receive cash consideration totalling \$0.5 million for the relinquishment of its interest in the Garaboueya exploration permit.

(iii) During the year ended December 31, 2015, a gain of \$2.5 million was realized on 28,000 ounces of gold forward sales contracts put in place to take advantage of spikes in the price of gold. As at December 31, 2015, there were no gold forward contracts outstanding, however, in February 2016, after an increase in the gold spot price, the Company entered into gold forward contracts with Société Générale to deliver 27,000 ounces with settlement dates from March to August 2016 at an average price of \$1,201 per ounce.

(iv) Government of Senegal payments relate to registration duties related to the merger of the Golouma mining concession with the Company's existing Sabodala concession, net of a present value adjustment related to the social development fund, which reflects a change in the expected payment date from 2023 to 2029.

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**12. INCOME TAX EXPENSE/(RECOVERY)**

On May 2, 2015, the Company's tax holiday in Senegal ended and the Company has recorded a current income tax expense on taxable income earned in its Senegalese entities for the period of May 2, 2015 to December 31, 2015 at a rate of 25 percent. Current income tax is calculated using local tax rates on taxable income which is estimated in accordance with local statutory requirements and is denominated in the Senegalese currency (CFA Franc). As a result, the tax basis of all assets and non-current intercompany loans are recorded using historical exchange rates and translated to the functional currency using the period end exchange rate, and the Company's deferred tax balances will fluctuate due to changes in foreign exchange rates. The consolidated effective tax rate is also affected by non-deductible expenses and tax losses not benefitted in jurisdictions outside of Senegal.

For the year ended December 31, 2015, the Company recorded an income tax recovery of \$2.5 million, comprised of current income tax expense of \$8.7 million and a deferred income tax recovery of \$11.2 million.

	For the years ended December 31	
	2015	2014
Current income tax expense	8,717	-
Deferred tax expense / (recovery)	(11,219)	1,536
<b>Total income tax expense / (recovery)</b>	<b>(2,502)</b>	<b>1,536</b>

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

	For the years ended December 31	
	2015	2014
(Loss) Income before income taxes	(58,115)	23,847
Statutory tax rates	26.5%	26.5%
Income tax expense computed at statutory tax rates	(15,401)	6,320
Impact of foreign tax rates	1,845	-
Non-deductible items	1,781	316
Income not subject to tax	(8,660)	(9,413)
Tax credits	(721)	-
Impairment of goodwill	10,444	-
Withholding tax and other	1,878	-
Change in foreign exchange rates	5,046	-
Recognition of exploration expenditures	(1,778)	-
Unrecognized deferred tax assets	3,064	4,313
<b>Provision for income taxes</b>	<b>(2,502)</b>	<b>1,536</b>

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**13. TRADE AND OTHER RECEIVABLES**

	As at December 31, 2015	As at December 31, 2014
<b>Current</b>		
Trade receivables <sup>(i)</sup>	625	16
Value added tax ("VAT") recoverable <sup>(ii)</sup>	13,187	-
Other receivables <sup>(iii)</sup>	1,889	1,546
<b>Total trade and other receivables</b>	<b>15,701</b>	<b>1,562</b>

- (i) Trade receivables relate to gold and silver shipments made prior to year end that were settled after year end.
- (ii) Value added tax ("VAT") is levied at a rate of 18 percent on supply of goods and service and is recoverable on the majority of purchases in Senegal. Non-recoverable value added tax is expensed to net profit. The Company was previously exempt from VAT during the tax holiday in Senegal. See subsequent events Note 36.
- (iii) Other receivables primarily include receivables from suppliers for services, materials and utilities used at the Sabodala gold mine, a \$0.4 million receivable related to the sale of exploration rights (2014: \$nil) and \$0.1 million of Canadian sales tax refunds as at December 31, 2015 (2014: \$0.5 million).

**14. INVENTORIES**

	As at December 31, 2015	As at December 31, 2014
<b>Current</b>		
Gold bullion	1,948	6,025
Gold in circuit	4,075	7,088
Ore stockpile	18,845	18,463
<b>Total gold inventories</b>	<b>24,868</b>	<b>31,576</b>
Diesel fuel	1,881	2,535
Materials and supplies	28,981	31,178
Goods in transit	1,799	1,350
<b>Total other inventories</b>	<b>32,661</b>	<b>35,063</b>
<b>Total current inventories</b>	<b>57,529</b>	<b>66,639</b>
<b>Non-current</b>		
Ore stockpile	106,898	91,057
<b>Total inventories</b>	<b>164,427</b>	<b>157,696</b>



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**15. OTHER ASSETS**

	As at December 31, 2015	As at December 31, 2014
<b>Current</b>		
Prepayments <sup>(i)</sup>	4,129	5,607
Security deposit <sup>(ii)</sup>	1,500	1,500
Advanced royalty <sup>(iii)</sup>	3,338	1,885
Financial derivative assets	41	-
VAT certificates received <sup>(iv)</sup>	373	-
Available for sale financial assets	-	3
<b>Total other current assets</b>	<b>9,381</b>	<b>8,995</b>
<b>Non-current</b>		
Advanced royalty <sup>(iii)</sup>	8,530	7,675
Intangible assets	171	242
<b>Total other non-current assets</b>	<b>8,701</b>	<b>7,917</b>
<b>Total other assets</b>	<b>18,082</b>	<b>16,912</b>

- (i) As at December 31, 2015, prepayments include \$3.2 million (2014 - \$3.0 million) of advances to vendors and contractors and \$0.9 million for insurance (2014 - \$1.3 million).
- (ii) The security deposit represents security for payment under the maintenance contract.
- (iii) As at December 31, 2015, the Company has recorded \$3.3 million in other current assets and \$8.5 million in other non-current assets as advanced royalty payments to the Government of Senegal. In total, the Company had recorded \$10.0 million related to the OJVG in 2014 and \$4.2 million related to the Gora deposit in the first quarter of 2015. The advanced royalties are expensed to net profit based on actual production from the former OJVG and Gora deposits. During the year ended December 31, 2015, the Company expensed \$1.9 million as amortization of OJVG and Gora advanced royalties (2014: \$0.4 million). The advanced royalty recorded within other current assets is based on the expected production from the OJVG and Gora deposits over the next year and the remaining balance is recorded within other non-current assets. Refer to Note 20.
- (iv) At December 31, 2015, the Company received VAT refunds in the form of VAT certificates. These certificates are convertible into cash at local banks or may be issued directly to the Company's suppliers to reduce future VAT collections or other taxes payable by the Company. See subsequent events Note 36.

**16. IMPAIRMENT OF GOODWILL AND OTHER LONG-LIVED ASSETS**

In accordance with our accounting policies and processes, goodwill is evaluated annually in November for impairment. In addition, at each reporting period, the Company assesses whether there is an indicator of impairment with respect to the other long-lived assets. When there is an indicator of impairment, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs of disposal ("FVLCD") and value in use ("VIU"). An impairment loss is recognized when the carrying amount exceeds the recoverable amount.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate to determine the net present value. Management has assessed its cash generating unit as being all sources of mill feed through a central mill, which is the lowest level for which cash flows are largely independent of other assets.

**Summary of Impairments**

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

The following impairment losses were recognized:

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

### Key Assumptions

This assessment requires the use of estimates and assumptions such as long-term commodity prices, discount rates, exchange rates, future capital requirements, exploration potential and operating performance.

The determination of FVLCD is most sensitive to the following key assumptions:

- Commodity prices
- Discount rates
- Exchange rates

*Commodity prices:* Forecast commodity prices are based on management's estimates and long-term views of global supply and demand, building on past experience of the industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions. These prices are reviewed at least annually. Estimated long-term gold prices that have been used to estimate future revenues for both the current year and the prior year, are as follows:

Assumption	2015	2016	2017	2018+
Gold price (\$ per ounce) - 2015	1,100	1,100	1,150	1,200
Gold price (\$ per ounce) - 2014	1,200	1,300	1,300	1,300

*Discount rates:* In calculating the FVLCD, a real pre-tax discount rate of 10.5 percent was applied to the pre-tax cash flows expressed in real terms (7.5% post-tax). This discount rate is derived from the Company's pre-tax weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU in order to determine the pre-tax rate. The WACC takes into account both the cost of debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on its interest-bearing borrowings the Company is obliged to service.

*Exchange rates:* Foreign exchange rates are estimated with reference to external market forecasts and updated at least annually. Estimated Euro/USD exchange rates that have been used to estimate future costs for both the current year and the prior year, are as follows.

Assumption	2015	2016	2017	2018	2019+
Euro:USD exchange rate - 2015	1.08:1	1.08:1	1.10:1	1.15:1	1.20:1
Euro:USD exchange rate - 2014	1.20:1	1.20:1	1.20:1	1.20:1	1.20:1

Any variation in the key assumptions above would either result in further impairment or lead to a reversal of impairment.

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

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**17. PROPERTY, PLANT AND EQUIPMENT**

	Buildings and property improvements	Plant and equipment	Office furniture and equipment	Motor vehicles	Mobile equipment	Capital work in progress	Total
<b>Cost</b>							
<b>Balance as at January 1, 2014</b>	<b>45,035</b>	<b>256,928</b>	<b>2,191</b>	<b>3,031</b>	<b>83,014</b>	<b>4,503</b>	<b>394,702</b>
Additions	-	1,231	-	-	159	3,661	<b>5,051</b>
Disposals	-	-	(5)	-	-	-	<b>(5)</b>
Other	-	(351)	-	-	-	-	<b>(351)</b>
Transfer	-	3,392	45	-	-	(3,437)	-
<b>Balance as at December 31, 2014</b>	<b>45,035</b>	<b>261,200</b>	<b>2,231</b>	<b>3,031</b>	<b>83,173</b>	<b>4,727</b>	<b>399,397</b>
Additions	33	8,732	24	-	2,474	25,842	<b>37,105</b>
Disposals	-	(394)	(30)	-	(1)	-	<b>(425)</b>
Other	-	34	-	-	-	-	<b>34</b>
Transfer	6,035	6,882	253	788	-	(13,958)	-
<b>Balance as at December 31, 2015</b>	<b>51,103</b>	<b>276,454</b>	<b>2,478</b>	<b>3,819</b>	<b>85,646</b>	<b>16,611</b>	<b>436,111</b>
<b>Accumulated depreciation and impairment charges</b>							
<b>Balance as at January 1, 2014</b>	<b>19,216</b>	<b>106,085</b>	<b>1,444</b>	<b>2,001</b>	<b>46,416</b>	-	<b>175,162</b>
Disposals	-	-	(4)	-	-	-	<b>(4)</b>
Depreciation expense	2,230	13,515	358	339	9,364	-	<b>25,806</b>
<b>Balance as at December 31, 2014</b>	<b>21,446</b>	<b>119,600</b>	<b>1,798</b>	<b>2,340</b>	<b>55,780</b>	-	<b>200,964</b>
Disposals	-	(315)	(19)	-	-	-	<b>(334)</b>
Impairment charges	3,111	16,241	-	-	-	-	<b>19,352</b>
Depreciation expense	1,892	12,269	231	376	7,935	-	<b>22,703</b>
<b>Balance as at December 31, 2015</b>	<b>26,449</b>	<b>147,795</b>	<b>2,010</b>	<b>2,716</b>	<b>63,715</b>	-	<b>242,685</b>
<b>Net book value</b>							
<b>Balance as at December 31, 2014</b>	<b>23,589</b>	<b>141,600</b>	<b>433</b>	<b>691</b>	<b>27,393</b>	<b>4,727</b>	<b>198,433</b>
<b>Balance as at December 31, 2015</b>	<b>24,654</b>	<b>128,659</b>	<b>468</b>	<b>1,103</b>	<b>21,931</b>	<b>16,611</b>	<b>193,426</b>

Additions made to property, plant and equipment during the year ended December 31, 2015 relate mainly to infrastructure, road development and additional mining equipment for Gora and expenditures for the mill optimization project.

Depreciation of property, plant and equipment was \$22.7 million for the year ended December 31, 2015 (2014: \$25.8 million).

As part of the annual impairment review of asset carrying values, a charge of \$19.4 million was recorded in relation to Property, Plant and Equipment as at December 31, 2015. Refer to Note 16 for assumptions used in the impairment calculation.

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**18. MINE DEVELOPMENT EXPENDITURES**

	Development and exploration costs	Deferred stripping assets	Total
<b>Cost</b>			
<b>Balance as at January 1, 2014</b>	<b>179,402</b>	<b>83,196</b>	<b>262,598</b>
Acquisition of OJVG	109,207	-	109,207
Additions incurred during the period	7,336	6,633	13,969
<b>Balance as at December 31, 2014</b>	<b>295,945</b>	<b>89,829</b>	<b>385,774</b>
Additions incurred during the period	8,804	15,921	24,725
<b>Balance as at December 31, 2015</b>	<b>304,749</b>	<b>105,750</b>	<b>410,499</b>
<b>Accumulated depreciation and impairment charges</b>			
<b>Balance as at January 1, 2014</b>	<b>57,445</b>	<b>23,548</b>	<b>80,993</b>
Depreciation expense	15,151	28,911	44,062
<b>Balance as at December 31, 2014</b>	<b>72,596</b>	<b>52,459</b>	<b>125,055</b>
Depreciation expense	13,840	5,686	19,526
Impairment charges	23,538	5,334	28,872
<b>Balance as at December 31, 2015</b>	<b>109,974</b>	<b>63,479</b>	<b>173,453</b>
<b>Carrying amount</b>			
<b>Balance as at December 31, 2014</b>	<b>223,349</b>	<b>37,370</b>	<b>260,719</b>
<b>Balance as at December 31, 2015</b>	<b>194,775</b>	<b>42,271</b>	<b>237,046</b>

	As at December 31, 2015	As at December 31, 2014
<b>Capitalized mine development additions</b>		
Deferred stripping costs	15,921	6,634
Capitalized mine development - Gora	1,863	37
Capitalized mine development - Golouma	1,272	-
Capitalized reserve development	4,855	4,020
Other	814	3,278
<b>Total capitalized mine development additions</b>	<b>24,725</b>	<b>13,969</b>

Mine development expenditures represent development costs in relation to the Sabodala deposit, Gora satellite deposit and development costs for the former OJVG deposits.

Acquisition of the OJVG represents the fair value of the mine development expenditures acquired through the acquisition of Oromin and the remaining interests in the OJVG.

The OJVG's projects (Masato, Golouma, and Kerekounda) were considered to be in the development stage when they were acquired on January 15, 2014, the effective date of the OJVG acquisition. The Masato project was advanced to the production stage in September 2014.

Depreciation of capitalized mine development of \$19.5 million was expensed as cost of sales for year ended December 31, 2015 (2014: \$44.1 million).

As part of the annual impairment review of asset carrying values, a charge of \$28.9 million was recorded in relation to Mine Development Expenditures as at December 31, 2015. Refer to Note 16 for assumptions used in the impairment calculation.

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**19. DEFERRED INCOME TAX ASSETS/(LIABILITIES)**

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

	AS at December 31, 2015	AS at December 31, 2014
<u>Deferred tax assets</u>		
Unrealized foreign exchange	17,718	-
Mining and Property, plant, and equipment	5,449	12,202
<u>Deferred tax liabilities</u>		
Other	(69)	(323)
<b>Net deferred tax assets</b>	<b>23,098</b>	<b>11,879</b>

**Unrecognized Deferred Tax Assets**

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

	For the years ended December 31
	2015
<u>Deferred income tax assets not recognized</u>	
Share issuance and transaction costs	468
Loss carry forwards	15,051
Property, plant and equipment	769
Other	818
<b>Deferred income tax assets not recognized</b>	<b>17,106</b>

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes on the unremitted earnings of certain subsidiaries as these amounts will not be distributed in the foreseeable future. Unremitted earnings totalled \$329,456 at December 31, 2015.

As at December 31, 2015, the tax losses not recognized by the Company and their associated expiry dates are as follows:

	Expiry Date	For the years ended December 31	
		2015	2014
Tax losses - gross			
Canada	2030 - 2035	54,594	44,760
Mauritius	2016 - 2020	3,980	3,794
		58,574	48,554
Tax benefit at tax rate of 26.5%		15,522	12,867
Impact of foreign tax rates		(471)	(582)
<b>Total tax loss assets not recognized</b>		<b>15,051</b>	<b>12,285</b>

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**20. TRADE AND OTHER PAYABLES**

	As at December 31, 2015	As at December 31, 2014
<b>Current</b>		
Trade payables <sup>(i)</sup>	22,903	19,436
Sundry creditors and accrued expenses	14,900	8,493
Government royalties <sup>(ii)</sup>	11,054	12,296
Amounts payable to Republic of Senegal <sup>(iii) (iv) (vi)</sup>	13,155	13,684
Contingent consideration <sup>(v)</sup>	533	-
<b>Total current trade and other payables</b>	<b>62,545</b>	<b>53,909</b>
<b>Non-Current</b>		
Amounts payable to Republic of Senegal <sup>(v)</sup>	7,565	14,311
Contingent consideration <sup>(vi)</sup>	3,533	4,088
<b>Total other non-current liabilities</b>	<b>11,098</b>	<b>18,399</b>
<b>Total trade and other payables</b>	<b>73,643</b>	<b>72,308</b>

- (i) Trade payables are comprised of obligations by the Company to suppliers of goods and services. Terms are generally 30 to 60 days.
- (ii) Government royalties are accrued based on the mine head value of the gold and related substances produced at a rate of 5 percent of sales (6,635 million XOF). Beginning in 2015, we had anticipated transitioning to quarterly payments of royalties, however with the weaker gold price, that transition has been deferred. During the year ended December 31, 2015, a payment of \$11.0 million for 2014 royalties was paid to the Republic of Senegal.
- (iii) A reserve payment is payable to the Republic of Senegal based on \$6.50 for each ounce of new reserves until December 31, 2012. As at December 31, 2015, \$1.9 million remains accrued as a current liability.
- (iv) The Company has agreed to advance accrued dividends to the Republic of Senegal in relation to its interest in Sabodala Gold Operations. For the year ended December 31, 2015, \$7.8 million has been accrued based on net sales revenue for each of the twelve months ended December 31, 2013 and December 31, 2014. No additional amounts are owing beyond 2014.
- (v) The Company agreed to establish a social development fund which involves making a payment of \$15.0 million to the Republic of Senegal at the end of the operational life. It is recorded at its net present value of \$7.6 million. Due to a change in the expected payment date from 2023 to 2029, the Company recorded a recovery of \$2.8 million within Other (Income)/Expenses.
- (vi) The Company acquired Badr's 13 percent carried interest in the OJVG for cash consideration of \$7.5 million and further contingent consideration which will be based on realized gold prices and increases to the OJVG's mining reserves through 2020, of which \$3.8 million was accrued upon finalization of the purchase price allocation in 2014. As at December 31, 2015, \$0.5 million has been recorded as a current liability and \$3.5 million has been recorded as a non-current liability and is recorded at its net present value (2014: \$4.0 million in non-current contingent liabilities).
- (vii) Pursuant to the completion of the acquisition of the OJVG in 2014, the Company is required to make initial payments totalling \$10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the OJVG. As at December 31, 2015, \$3.5 million remains to be paid and has been accrued as a current liability.

**21. BORROWINGS**

	As at December 31, 2015	As at December 31, 2014
<b>Current</b>		
Equipment finance facility	-	4,192
Deferred financing costs	-	(246)
<b>Total current borrowings</b>	<b>-</b>	<b>3,946</b>
<b>Non-Current</b>		
Revolving credit facility	15,000	-
Deferred financing costs	(1,550)	-
<b>Total non-current borrowings</b>	<b>13,450</b>	<b>-</b>
<b>Total borrowings</b>	<b>13,450</b>	<b>3,946</b>

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**a. Macquarie Equipment Finance Facility**

On February 18, 2015, the Company retired the outstanding \$4.2 million balance of its equipment finance facility with Macquarie ("Equipment Facility").

**b. Senior Secured Revolving Credit Facility**

During the third quarter, the Company closed a previously announced \$30.0 million Revolver Facility with Société Générale which will be used for general corporate purposes and working capital needs. The Revolver Facility carries an interest rate of LIBOR plus 5.0 percent and matures on June 30, 2017, with any unused facility subject to a commitment fee of 1.75 percent. In August, the Company drew down \$15.0 million from the Revolver Facility for working capital needs. The Revolver Facility is subject to covenants that require the Company to maintain a current ratio of not less than 1.10:1; total debt to EBITDA of not greater than 2:1; historic debt coverage ratio of greater than 2.5:1 and a tangible net worth of not less than \$300 million. The Company was compliant with all covenants for the year.

**22. DEFERRED REVENUE**

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

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

The initial term of the contract is 40 years and the deposit bears no interest. For accounting purposes, the agreement is considered a contract for the future delivery of gold ounces at the contracted price. The up-front \$135.0 million payment is accounted for as a prepayment of yet-to-be delivered ounces under the contract and is recorded as deferred revenue.

During the year ended December 31, 2015, the Company delivered 24,375 ounces of gold to Franco-Nevada (2014: 20,625 ounces) and recorded revenue of \$28.3 million, consisting of \$5.6 million received in cash proceeds and \$22.7 million recorded as a reduction of deferred revenue. (2014: revenue of \$26.3 million, consisting of \$5.3 million received in cash proceeds and \$21.0 million recorded as a reduction of deferred revenue).

Due to the timing of shipment schedules near 2014 year end, the delivery of 1,875 ounces of gold for the month of December 2014 was not received by Franco-Nevada until early January 2015. The transaction with Franco-Nevada permits for the delivery of payable gold for up to five business days following the month end.

	<b>Amount</b>
<b>Balance as at January 1, 2014</b>	-
Deposit received	135,000
Amortization of deferred revenue	(21,002)
<b>Balance as at December 31, 2014</b>	<b>113,998</b>
Amortization of deferred revenue	(22,653)
<b>Balance as at December 31, 2015</b>	<b>91,345</b>

	<b>As at December 31, 2015</b>	<b>As at December 31, 2014</b>
Current	19,155	21,814
Non-Current	72,190	92,184
<b>Total deferred revenue</b>	<b>91,345</b>	<b>113,998</b>

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**23. PROVISIONS**

	As at December 31, 2015	As at December 31, 2014
<b>Current</b>		
Employee benefits (i)	1,847	1,654
Cash settled share-based compensation (iii)	741	282
<b>Total current provisions</b>	<b>2,588</b>	<b>1,936</b>
<b>Non-Current</b>		
Mine restoration and rehabilitation (ii)	26,962	15,726
Employee benefits (i)	837	711
Cash settled share-based compensation (iii)	437	267
<b>Total non-current provisions</b>	<b>28,236</b>	<b>16,704</b>
<b>Total provisions</b>	<b>30,824</b>	<b>18,640</b>

- (i) The current provisions for employee benefits include \$1.0 million accrued vacation and \$0.7 million long service leave entitlements for the period ended December 31, 2015 (2014 - \$1.0 million and \$0.7 million). The non-current provisions for employee benefits include \$0.8 million accrued vacation (2014 - \$0.7 million).
- (ii) The rehabilitation provision represents the present value of rehabilitation costs relating to the mine which are expected to be incurred up to 2029, the current end of mine estimate. The provision has been created based on estimates and assumptions which management believe are a reasonable basis to estimate future liability. The estimates are reviewed regularly to take into account any material changes to the rehabilitation work required. In 2015 an updated study was performed by a third party which resulted in a discounted provision of \$27.0 million. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. The increase in the rehabilitation provision of \$11.2 million compared to the prior year reflects a \$1.1 million impact from the expanded mining activities in 2015 (2014 - \$1.4 million) with respect to the Masato and Gora pits as well as \$10.1 million to align with the updated study (2014 - nil). \$0.1 million unwinding of the net present value discount (2014 - \$0.2 million) was offset by \$0.1 million in rehabilitation costs incurred during the year (2014 - nil).
- (iii) The provision for cash settled share-based compensation represents the amortization of the fair value of the fixed bonus plan units and the amortization of the fair value of the RSUs and DSUs. Please see Note 32 for further details.

**24. ISSUED CAPITAL**

	Number of shares	Amount
<b>Balance as at January 1, 2014</b>	<b>316,801,091</b>	<b>342,470</b>
Equity offering issuance	36,000,000	27,274
Less: Share issue costs	-	(1,907)
<b>Balance as at January 1, 2015</b>	<b>352,801,091</b>	<b>367,837</b>
Equity offering issuance	39,200,000	17,454
Less: Share issue costs	-	(117)
<b>Balance as at December 31, 2015</b>	<b>392,001,091</b>	<b>385,174</b>

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

On May 1, 2014, the Company closed on an offering of 36,000,000 common shares at a price of C\$0.83 per share for gross proceeds of \$27.3 million. Net proceeds were \$25.4 million after consideration of underwriter fees and expenses totaling approximately \$1.9 million.

The Company is authorized to issue an unlimited number of common shares with no par value. Holders of common shares are entitled to one vote for each common share on all matters to be voted on by shareholders at meetings of the Company's shareholders. All dividends which the Board of Directors may declare shall be declared and paid in



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equal amounts per share on all common shares at the time outstanding. There are no pre-emptive, redemption or conversion rights attached to the common shares. All common shares, when issued, are and will be issued as fully paid and non-assessable shares without liability for further calls or to assessment.

**25. EARNINGS PER SHARE (EPS)**

	<b>For the years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Basic EPS (US\$)	(0.14)	0.05
Diluted EPS (US\$)	(0.14)	0.05
Basic EPS:		
Net profit/(loss) used in the calculation of basic EPS	(50,543)	17,776
Weighted average number of common shares for the purposes of basic EPS ('000)	360,211	340,867
Weighted average number of common shares outstanding for the purpose of diluted EPS ('000)	360,211	340,867

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 15.5 million and 21.5 million shares relating to share options that were anti-dilutive for the years ended December 31, 2015 and December 31, 2014, respectively.

**26. COMMITMENTS FOR EXPENDITURES**

**a. Capital Expenditure Commitments**

During the year ended December 31, 2015, the Company entered into various capital purchase obligations related to the mill optimization and other projects. As at December 31, 2015, total future purchase obligations related to these projects were approximately \$10.7 million.

**b. Sabodala Gold Operations ("SGO"), Sabodala Mining Company ("SMC") and the OJVG ("OJVG") Operating Commitments**

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

- Pursuant to the Company's Mining Concession, a royalty of 5 percent is payable to the Republic of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date for SGO.
- Pursuant to the completion of the acquisition of the OJVG, the Company is required to make initial payments totaling \$10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the exploration licenses converted to mine licenses when the ore is processed through the Sabodala mill. The initial payment is to be used to finance social projects in the mine site region, which are determined by the Republic of Senegal and will be paid either directly to suppliers for the completion of specific projects or to specified ministries of the Republic of Senegal. An additional payment will become payable when the actual cumulative production from the OJVG, net of mining royalties, multiplied by the Company's weighted average gold prices, multiplied by 1 percent, exceeds the initial payments.
- Pursuant to the Company's Mining Concession, \$1.2 million is payable annually for community projects and infrastructure to support local communities surrounding the Company's operations and social development of local authorities in the surrounding Kedougou region.
- \$350 thousand is payable annually for training of Directorate of Mines and Geology officers and Mines Ministry and \$30 thousand is payable annually for logistical support of the territorial administration of the region for SGO.
- \$250 thousand is payable annually for a forestry protocol to the Ministry of Environment for the period of 5 years.

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- \$925 thousand is payable annually for additional reserves until 2016 (\$3.7 million in total for the period from 2013 to 2016).
- \$112 thousand is payable annually as institutional support for the exploration licenses.
- \$200 thousand is payable annually to a maximum of \$1.0 million over 5 years for community projects located around the Gora deposit.

## 27. CONTINGENT LIABILITIES

### a. Settled and outstanding tax assessments

Management anticipates both the 2011 tax assessment of \$6 million and the January 2015 tax assessment of \$3 million to be settled in the near term with no liabilities owing by SGO.

### b. Government Payments

In connection with the Global Agreement, the Company has agreed to advance approximately \$13.2 million of accrued dividends in respect of its 10 percent minority interest between 2013 and 2015. In 2013, the Company made a payment of \$2.7 million with a further payment of \$2.7 million required once drilling activities recommence at Niakafiri. As at December 31, 2015, \$7.8 million has been accrued however payment has been deferred due to weak gold prices.

## 28. EXPLORATION LICENSES AND JOINTLY CONTROLLED OPERATIONS AND ASSETS

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

Name of venture	Principal activity	Interest 2015 %
Dembala Berola	Gold exploration	100
Massakounda	Gold exploration	100
Bransan	Gold exploration	100
Heremakono	Gold exploration	100 <sup>(i)</sup>
Sounkounkou	Gold exploration	100 <sup>(i)</sup>
Bransan Sud	Gold exploration	100
Sabodala Ouest	Gold exploration	100
Saiansoutou	Gold exploration	100

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

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**29. CONTROLLED ENTITIES**

	Country of Incorporation	Percentage owned 2015
<b>Controlled entities consolidated</b>		
Teranga Gold B.V.I. Corporation	British Virgin Islands	100
Sabodala Gold (Mauritius) Limited	Mauritius	100
SGML (Capital) Limited	Mauritius	100
Oromin Explorations Limited <sup>(i)</sup>	Canada	100
Sabodala Holding Limited <sup>(i)</sup>	British Virgin Islands	100
Subsidiaries of Sabodala Gold (Mauritius) Limited:		
Sabodala Mining Company SARL	Senegal	100
Sabodala Gold Operations SA	Senegal	90
Subsidiaries of Oromin Explorations Limited:		
Sabodala Holding Limited <sup>(i)</sup>	British Virgin Islands	100
Oromin Joint Venture Group Limited <sup>(i)</sup>	British Virgin Islands	43.5
Subsidiaries of Teranga Gold B.V.I. Corporation:		
Oromin Joint Venture Group Limited <sup>(i)</sup>	British Virgin Islands	56.5

(i) The Company is in the process of reorganizing its existing corporate structure for the purposes of simplification. The reorganization is underway and expected to be completed during the first half of 2016.

**30. CASH FLOW INFORMATION**

**a. Change in working capital**

Net change in working capital other than inventory	For the years ended December 31,	
	2015	2014
<b>Changes in working capital other than inventory</b>		
(Increase)/decrease in trade and other receivables	(13,766)	6,915
Decrease/(increase) in other assets	1,251	(293)
Decrease in trade and other payables	(5,466)	(9,584)
Increase/(decrease) in provisions	(294)	1,225
Increase in current income taxes payable	8,717	-
<b>Net change in working capital other than inventory</b>	<b>(9,558)</b>	<b>(1,737)</b>

**b. Cash balance subject to liquidity covenant**

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

**31. FINANCIAL INSTRUMENTS**

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

**a. Categories of financial instruments**

As at December 31, 2015 and 2014, the Company's financial instruments consisted of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

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The following table illustrates the classification of the Company's financial instruments, other than cash and cash equivalents, as at December 31, 2015 and 2014:

	As at December 31, 2015	As at December 31, 2014
<b>Financial assets:</b>		
Loans and receivables		
Trade and other receivables	15,701	1,562
Financial derivative assets	41	-
<b>Financial liabilities:</b>		
Other financial liabilities at amortized cost		
Trade and other payables	74,821	72,857
Current income tax liabilities	8,685	-
Borrowings	13,450	3,946

**b. Commodity market risk**

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

**c. Foreign currency risk management**

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

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

	Financial Assets		Financial Liabilities	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
CFA Franc (XOF)	13,819	6,422	64,861	47,498
EUR	663	7,687	1,433	1,184
CAD	590	1,043	1,532	1,027
AUD	43	298	484	270
Other	1	176	644	763

**Foreign currency sensitivity analysis**

The Company is mainly exposed to CFA Franc, EUR, CAD and AUD. Ten percent represents management's assessment of the reasonably possible change in foreign exchange rates. Sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 10 percent change in the functional currency rates. A negative number indicates a decrease in profit or equity where the functional currency strengthens by 10 percent against the relevant currency for monetary assets and a positive number indicates an increase in profit or equity where the functional currency strengthens 10 percent against the relevant currency for monetary liabilities. For a 10 percent weakening of the USD against the relevant currency, there would be an equal and opposite impact on profit or equity.

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	Financial Assets		Financial Liabilities	
	As at December 31, 2015	As at December 31, 2014	As at December 31, 2015	As at December 31, 2014
<b>10% Strengthening of functional currency</b>				
<b>CFA Franc (XOF) Impact</b>				
Gain or (loss)	(1,382)	(642)	6,486	4,750
<b>EUR Impact</b>				
Gain or (loss)	(66)	(769)	143	118
<b>CAD Impact</b>				
Gain or (loss)	(59)	(104)	153	103
<b>AUD Impact</b>				
Gain or (loss)	(4)	(30)	48	27

**d. Interest rate risk management**

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

The following table illustrates the classification of the Company's financial instruments which are exposed to interest rate risk as at December 31, 2015 and 2014:

	As at of December 31, 2015	As at of December 31, 2014
<b>Financial assets</b>		
Cash and cash equivalents	44,436	35,810
<b>Financial liabilities</b>		
Borrowings	13,450	3,946

The Company's interest rate on its borrowings is calculated at LIBOR plus 5.0 percent margin on the Senior Secured Revolving Credit Facility.

**Interest rate sensitivity analysis**

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

	Financial Assets		Financial Liabilities	
	As at December 31, 2015	As at December 31, 2014	As at December 31, 2015	As at December 31, 2014
Profit or (loss)	190	151	(38)	(112)

**e. Credit risk management**

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

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

The Company is exposed to the credit risk of Senegalese and French banks that disburse cash on behalf of its Senegal subsidiaries. The Company manages its Senegalese and French bank credit risk by centralizing custody, control and management of its surplus cash resources at the corporate office and only transferring money to its subsidiary based on immediate cash requirements, thereby mitigating exposure to Senegalese banks.

**g. Liquidity risk management**

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

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

**Liquidity tables**

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

	Weighted average effective interest rate %	Due on demand	Due one to three months	Due between three months to one year	Due one to five years
<b>Financial Liabilities</b>					
<b>December 31, 2015</b>					
Non-interest bearing	-	41,316	2,764	16,976	7,793
Variable interest rate instruments	5.34%	-	-	-	15,000
Fixed interest rate instruments	3.08%	-	925	925	-
Fixed interest rate instruments	7.50%	-	534	-	3,840
<b>Total</b>		<b>41,316</b>	<b>4,223</b>	<b>17,901</b>	<b>26,633</b>
<b>December 31, 2014</b>					
Non-interest bearing	-	27,927	-	17,262	11,306
Variable interest rate instruments	7.77%	-	3,194	998	-
Fixed interest rate instruments	3.08%	-	-	925	925
Variable interest rate instruments	7.50%	-	-	-	4,474
<b>Total</b>		<b>27,927</b>	<b>3,194</b>	<b>19,185</b>	<b>16,705</b>

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

**h. Fair value of financial instruments**

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

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

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	As at December 31, 2015		As at December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Financial derivative assets	41	41	-	-
<b>Financial liabilities</b>				
Borrowings	13,450	15,000	3,946	4,192

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

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

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

	As at December 31, 2015			As at December 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial Assets</b>						
Cash and cash equivalents	44,436	-	-	35,810	-	-
<b>Total</b>	<b>44,436</b>	<b>-</b>	<b>-</b>	<b>35,810</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>						
Borrowings	-	13,450	-	-	3,946	-
Cash settled share-based compensation	-	1,063	115	-	-	-
<b>Total</b>	<b>-</b>	<b>14,513</b>	<b>115</b>	<b>-</b>	<b>3,946</b>	<b>-</b>

## 32. SHARE BASED COMPENSATION

The share-based compensation expense for the year ended December 31, 2015 totaled \$1.8 million (2014: \$0.9 million).

### a. Incentive Stock Option Plan

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

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

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

During the years ended December 31, 2015 and 2014, a total of 3,855,000 and 130,000 common share stock options, respectively, were granted to directors and employees. The exercise price of new stock options granted during the current year was determined using a volume weighted average trading price of the Company's shares for the 5-day period ended March 31, 2015.

During the years ended December 31, 2015 and 2014, no stock options were exercised and a total of 2,039,724 and 2,397,361 options were forfeited, respectively. As at December 31, 2015, there were 15,539,165 options outstanding

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out of which 12,670,177 options were vested and 2,868,988 are unvested. During the years ended December 31, 2014 and 2015 no stock options were exercised.

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

The following stock options were outstanding as at December 31, 2015:

Option series	Number	Grant date	Expiry date	Exercise price (C\$)	FV at grant date (C\$)
Granted on November 26, 2010	5,320,000	26-Nov-10	26-Nov-20	3.00	1.19
Granted on December 3, 2010	1,200,000	03-Dec-10	03-Dec-20	3.00	1.19
Granted on February 9, 2011	675,000	09-Feb-11	09-Feb-21	3.00	0.99
Granted on April 27, 2011	25,000	27-Apr-11	27-Apr-21	3.00	0.80
Granted on June 14, 2011	317,500	14-Jun-11	14-Jun-21	3.00	0.94
Granted on August 13, 2011	360,000	13-Aug-11	13-Aug-21	3.00	0.82
Granted on December 20, 2011	1,075,000	20-Dec-11	20-Dec-21	3.00	0.61
Granted on February 24, 2012	540,000	24-Feb-12	24-Feb-22	3.00	0.37
Granted on February 24, 2012	225,000	24-Feb-12	24-Feb-22	3.00	1.26
Granted on June 5, 2012	50,000	05-Jun-12	05-Jun-22	3.00	0.17
Granted on September 27, 2012	600,000	27-Sep-12	27-Sep-22	3.00	0.93
Granted on October 9, 2012	600,000	09-Oct-12	06-Oct-22	3.00	1.01
Granted on October 31, 2012	80,000	31-Oct-12	31-Oct-22	3.00	0.52
Granted on October 31, 2012	140,000	31-Oct-12	31-Oct-22	3.00	0.18
Granted on December 3, 2012	200,000	03-Dec-12	03-Dec-22	3.00	0.61
Granted on February 23, 2013	50,000	23-Feb-13	23-Feb-23	3.00	0.42
Granted on May 14, 2013	40,000	14-May-13	14-May-23	3.00	0.06
Granted on June 3, 2013	120,000	03-Jun-13	03-Jun-23	3.00	0.04
Granted on May 1, 2014	50,000	01-May-14	01-May-24	3.00	0.10
Granted on June 4, 2014	16,665	04-Jun-14	04-Jun-24	3.00	0.02
Granted on March 31, 2015	2,250,000	31-Mar-15	31-Mar-20	0.64	0.35
Granted on March 31, 2015	1,605,000	31-Mar-15	31-Mar-20	0.64	0.30

As at December 31, 2015, approximately 23.7 million (2014: 13.8 million) options were available for issuance under the Plan.

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

Of the 15,539,165 common share stock options issued and outstanding as at December 31, 2015, 2,868,988 are unvested of which 2,831,488 vest over a three-year period and 37,500 vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized based on the best estimate of outcome of achieving our results.

As at December 31, 2015, 11,684,165 and 3,855,000 share options had a contractual life of ten years and five years at issuance, respectively.

***Fair value of stock options granted***

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



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	For the years ended December 31,	
	2015	2014
Grant date share price	C\$0.64	C\$0.60-C\$0.68
Weighted average fair value of awards	C\$0.33	C\$0.05
Exercise price	C\$0.64	C\$3.00
Range of risk-free interest rate	0.55%-0.77%	1.05%-1.28%
Volatility of the expected market price of share	66.71%-67.28%	67.28%-68.30%
Expected life of options (years)	3.5-5.0	2.0-3.5
Dividend yield	0%	0%
Forfeiture rate	5%-50%	5%-50%

Due to lack of sufficient historical information for the Company, volatility was determined using the existing historical volatility information of the Company's share price combined with the industry average for comparable-size mining companies.

***Movements in share options during the year***

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

	Number of options	Weighted average exercise price
<b>Balance as at January 1, 2014</b>	<b>23,737,850</b>	<b>C\$2.58</b>
Granted during the period	130,000	C\$3.00
Forfeited during the period	(2,397,361)	C\$2.83-C\$3.00
<b>Balance as at December 31, 2014</b>	<b>21,470,489</b>	<b>C\$2.54</b>
Granted during the period	3,855,000	C\$0.64
Forfeited during the period	(2,039,724)	C\$3.00
Expired during the period	(7,746,600)	C\$1.73
<b>Balance as at December 31, 2015</b>	<b>15,539,165</b>	<b>C\$2.42</b>
Number of options exercisable - December 31, 2014	20,057,774	
Number of options exercisable - December 31, 2015	12,670,177	

There were no options exercised during the years ended December 31, 2015 and December 31, 2014.

**b. Fixed Bonus Plan**

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

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

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

As at December 31, 2015, a total of 1,660,000 Units were outstanding (2014: 1,360,000 Units). During the twelve months ended December 31, 2015, 300,000 Units were granted to one employee and no Units were forfeited or exercised.

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As at December 31, 2015, there were 1,660,000 Units outstanding that were granted on August 8, 2012 and March 31, 2015 with expiry dates ranging from March 31, 2020 through to February 24, 2022. Of the 1,660,000 Units outstanding as at December 31, 2015, 1,360,000 Units have an exercise price of C\$3.00 and 300,000 Units have exercise price of C\$0.64. The total outstanding Units have fair values at December 31, 2015 in the range of C\$0.01 to C\$0.23 per Unit. The total fair value of the Units at December 31, 2015 is \$0.1 million (December 31, 2014: \$0.1 million).

The estimated fair values of the Units were amortized over the period in which the Units vest. Of the 1,660,000 Units issued, 830,000 Units vested upon issuance, 340,000 Units vested on December 31, 2012, 340,000 Units vested on December 31, 2013, 75,000 Units vested on December 31, 2015, and 75,000 Units vest on December 31, 2016.

***Fair value of Units granted***

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

	For the years ended December 31,	
	2015	2014
Share price at the end of the period	C\$0.49	C\$0.46
Weighted average fair value of awards	C\$0.02-C\$0.41	C\$0.01-C\$0.09
Exercise price	C\$0.64 - C\$3.00	C\$3.00
Range of risk-free interest rate	0.48%-0.73%	1.00%-1.34%
Volatility of the expected market price of share	66.71%-68.3%	66.71%-68.3%
Expected life of options (years)	2.0-5.0	2.0-5.0
Dividend yield	0%	0%
Forfeiture rate	5%-50%	5%-50%

**c. RSUs**

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

During the twelve months of 2015, 3,055,000 RSUs were granted at a price of \$0.64 per unit and 479,410 RSUs were forfeited (2014: 2,343,487 RSUs granted, 436,532 forfeited). Of the 3,704,182 RSU's outstanding at December 31, 2015, none were vested. As at December 31, 2015, \$0.4 million of current RSU liability and \$0.3 million of non-current RSU liability have been recorded in the consolidated financial statement of financial position (2014: \$0.1 million and \$0.2 million in current and non-current RSU liability respectively).

**d. DSUs**

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

The Company granted 700,000 DSUs during the year ended December 31, 2015 at a price of C\$0.64 per unit. Of the 1,245,000 DSUs outstanding at December 31, 2015, 545,000 DSUs were vested and no units were cancelled. As at December 31, 2015, \$0.4 million of current DSU liability has been recorded in the consolidated financial statement of financial position (2014: \$0.2 million).

CONSOLIDATED FINANCIAL STATEMENTS OF  
**TERANGA GOLD CORPORATION**  
 DECEMBER 31, 2015  
 (in \$000's of United States dollars, except per share amounts)

**33. SEGMENT REPORTING**

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

**Geographical information**

The Company operates in Senegal (West Africa).

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

	For the years ended December 31	
	2015	2014
Republic of Senegal – revenue from gold and silver sales	224,620	260,588
Republic of Senegal – interest income	43	53
Canada	(43)	30
<b>Total</b>	<b>224,620</b>	<b>260,671</b>

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

	As at December 31, 2015	As at December 31, 2014
Republic of Senegal	562,169	568,124
Canada	7,000	43,657
<b>Total</b>	<b>569,169</b>	<b>611,781</b>

**34. KEY MANAGEMENT PERSONNEL COMPENSATION**

The Company considers key members of management to include the President and CEO, Vice Presidents, and the General Manager, SGO & Vice President, Development Senegal.

The remuneration of the key members of management includes 7 members during the year ended December 31, 2015 and 8 members during the year ended December 31, 2014. The remuneration during the years ended December 31, 2015 and 2014 is as follows:

	Short term benefits			Cash settled share based payments - value vested during the period	Equity settled share based payments - value vested during the period	Total
	Salary and Fees	Non-Cash Benefits	Cash Bonus	Options	Options	
<b>For the year ended December 31, 2015</b>						
Compensation	1,851	129	785	52	295	<b>3,112</b>
<b>For the year ended December 31, 2014</b>						
Compensation	2,326	125	935	82	250	<b>3,718</b>

### **35. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2015, there were transactions totaling \$0.2 million between the Company and director-related entities.

### **36. SUBSEQUENT EVENTS**

#### **a. Tax Assessment**

Management anticipates both the 2011 tax assessment of \$6 million and the January 2015 tax assessment of \$3 million to be settled in the near term with no liabilities owing by SGO.

#### **b. Gold hedges**

In February 2016, the Company entered into gold forward contracts with Société Générale to deliver 27,000 ounces with settlement dates from March to August 2016 at an average price of \$1,201 per ounce.

#### **c. VAT exemption and VAT refunds**

In February 2016, the Company received an exemption for the payment and collection of refundable VAT. This exemption is governed by an amendment to our mining convention and is enforceable for the next 6 years, expiring on May 2, 2022. The December 31, 2015 balance of \$13.2 million is expected to be refunded over the balance of 2016.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the twelve months ended  
December 31, 2015 and 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR  
 THE TWELVE MONTHS ENDED DECEMBER 31, 2015  
 AND 2014

*This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial conditions and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the twelve months ended December 31, 2015 and 2014. The MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto ("Statements") of Teranga Gold Corporation ("Teranga" or the "Company") as at and for the twelve months ended December 31, 2015 and 2014. The Company's Statements and MD&A are presented in United States dollars, unless otherwise specified, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Additional information about Teranga, including the Company's Annual Information Form for the year ended December 31, 2014, as well as all other public filings, is available on the Company's website at [www.terangagold.com](http://www.terangagold.com) and on the SEDAR website ([www.sedar.com](http://www.sedar.com)).*

This report is dated as of February 25, 2016. All references to the Company include its subsidiaries unless the context requires otherwise.

The MD&A contains references to Teranga using the words "we", "us", "our" and similar words and the reader is referred to using the words "you", "your" and similar words.

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## OVERVIEW OF THE BUSINESS

Teranga is a Canadian-based gold company listed on the Toronto and Australian stock exchanges under the symbol "TGZ". Operating in West Africa, we are engaged in the production and sale of gold, as well as related activities such as exploration and development.

### Vision

Our vision is to become a pre-eminent mid-tier gold producer in Senegal and greater West Africa.

### Mission

Our mission is to create value for all of our stakeholders through responsible mining.

### Strategy

To increase long-term sustainable free cash flows within our operations in Senegal, we have a three-pronged growth focus, based on achieving: (i) reserve growth; (ii) production growth; and (iii) margin expansion.

Ultimately we believe we can expand our operations in Senegal and West Africa where we can leverage our existing asset base, people, operating experience, social license and other aspects of our business.

#### (i) Reserve Growth

The first component of our strategy focuses on leveraging our existing asset base by increasing reserves through:

- *Converting resources to reserves:* As of December 31, 2015, we had measured and indicated resources totaling 4.4 million ounces, including 2.6 million ounces in reserves.
- *Making large-scale discoveries:* We are currently exploring our ~1,000km<sup>2</sup> regional land package which surrounds our Sabodala gold mine. We believe there is a reasonable basis for new large-scale discoveries given the history of exploration

success in the surrounding area. Our land package is located on the same geographical gold belt that runs through Mali and Senegal where more than 50 million ounces have been discovered, including three world-class discoveries (+5 million ounces).

- *Acquiring existing deposits in Senegal and Greater West Africa:* We will seek to leverage our advantage in Senegal as the only gold producer with a full-scale operating mill and related infrastructure, as well as our people, regional operating experience and social license within Greater West Africa.

### **(ii) Production Growth**

The second component of our strategy is focused on maximizing grade to the mill and increasing process capacity through high return initiatives that leverage our large-scale mill and related infrastructure.

To this end, we have initiated a mill optimization project, which is expected to increase throughput by up to 10 percent and reduce processing costs by approximately 5 percent. The project is targeted for completion in the fourth quarter of 2016.

In addition, we recently completed an optimized pre-feasibility engineering study for heap leaching low grade oxide ore, which concludes the technical viability for processing Teranga's low-grade oxide and transitional ore. A decision to proceed will require the conversion of additional oxide resources to reserves and finalized project economics that exceed our 20 percent minimum internal rate of return ("IRR") hurdle rate.

We evaluate all growth initiatives, including organic and inorganic opportunities, as well as new capital projects using an after-tax IRR target to govern our capital allocation and investment decisions. For incremental mine site organic

growth projects we set 20 percent as the minimum after tax IRR threshold.

### **(iii) Margin Expansion**

The third component of our strategy is to improve cash margins through productivity improvements and cost savings. The positive impact of the business process initiatives underway on our mining, milling and cash costs has been building momentum and, while costs will fluctuate from quarter to quarter, we believe cash margins will continue to improve materially from these business process activities over the long-term.

### **Acquisition**

On October 4, 2013, we completed the acquisition of Oromin Exploration Ltd. ("Oromin"). Oromin held a 43.5 percent participating interest in the Oromin Joint Venture Group ("OJVG"). The OJVG held a fully participating 90 percent interest in Societe des Mines de Golouma S.A. ("Somigol"), an operating company incorporated under the laws of Senegal, and the remaining 10 percent carried interest is held by the Government of Senegal.

On January 15, 2014, we acquired the balance of the OJVG that we did not already own: Bendon International Ltd.'s ("Bendon") 43.5 percent participating interest and Badr Investment Ltd.'s ("Badr") 13 percent carried interest.

The acquisition of Bendon and Badr's interests in the OJVG increased our ownership to 100 percent and allowed us to consolidate the Sabodala region, increasing the size of our mine license land holding from 33km<sup>2</sup> to 246km<sup>2</sup> by combining the two permitted mine licenses and more than doubling our reserve base. In July 2015, our mine license land holding increased to 291km<sup>2</sup>, with the inclusion of Gora in the mine license perimeter.

With the integration of the OJVG license area and its various satellite deposits into Sabodala's mine plan, this transaction has resulted in significant capital and operating cost synergies, leveraging the Sabodala mill and related infrastructure within a similar footprint.







share)<sup>1</sup>, mainly due to lower gold prices and lower production. In the fourth quarter 2014, net profit included a reversal of non-cash inventory write-down to net realizable value totaling \$16.0 million.

- The decrease in operating cash flow was primarily due to lower gold sales and an increase in value added tax ("VAT") recoverable balances, partly offset by lower mine production costs.
- In February 2016, the Company received an exemption for the payment and collection of refundable VAT. This exemption is governed by an amendment to our mining convention and is enforceable for the next 6 years, expiring on May 2, 2022. The December 31, 2015

balance of \$13.2 million is expected to be refunded over the balance of 2016.

- Capital expenditures were higher due to higher project costs related to the mill optimization and development capital for Gora as well, higher capitalized deferred stripping costs.
- During the fourth quarter, we completed a non-brokered CDN\$22,736,000 (US\$17,454,000) private placement with Mr. David Mimran, the CEO of Grands Moulins d'Abidjan and Grands Moulins de Dakar, one of the largest producers of flour and agri-food in West Africa. The capital proceeds further strengthen Teranga's balance sheet and support future growth.

## Outlook 2016

The following table outlines the Company's estimated 2016 summary production and cost guidance:

		Year Ended December 31	
		2015 Actual	2016 Guidance
<b>Operating Results</b>			
Ore mined	('000t)	7,748	2,000 - 2,500
Waste mined	('000t)	23,883	34,500 - 36,000
Total mined	('000t)	31,631	36,500 - 38,500
Grade mined	(g/t)	1.22	2.75 - 3.25
Strip ratio	waste/ore	3.10	13.00 - 15.00
Ore milled	('000t)	3,421	3,700 - 3,900
Head grade	(g/t)	1.79	1.80 - 2.00
Recovery rate	%	92.3	90 - 91
Gold produced <sup>1</sup>	(oz)	182,282	200,000 - 215,000
Total cash costs (incl. royalties) <sup>2</sup>	\$/oz sold	642	600 - 650
All-in sustaining cash costs <sup>2</sup>	\$/oz sold	965	900 - 975
Mining	(\$/t mined)	2.42	2.20 - 2.40
Mining long haul	(\$/t hauled)	5.35	4.00 - 4.50
Milling	(\$/t milled)	14.01	11.00 - 12.00
G&A	(\$/t milled)	4.82	4.25 - 4.50
<b>Mine Production Costs</b>	\$ millions	142.1	145 - 155
<b>Capital Expenditures</b>			
Mine site sustaining	\$ millions	4.4	8 - 10
Capitalized reserve development	\$ millions	4.8	5
Project development costs	\$ millions	23.9	17 - 20
<b>Total Capital Expenditures</b> <sup>3</sup>	\$ millions	33.1	30 - 35
<b>Exploration (Expensed)</b>	\$ millions	2.5	3
<b>Administration &amp; CSR Expense</b>	\$ millions	16.0	15 - 16

<sup>1</sup> Net loss attributable to shareholders before the effects of the impairment charge is a Non-IFRS performance measure. Please see Non-IFRS Performance Measures at the end of this Report.

**Notes:**

<sup>1</sup> 22,500 ounces of gold production are to be sold to Franco Nevada at 20% of the spot gold price.

<sup>2</sup> Total cash costs per ounce and all-in sustaining costs per ounce are non-IFRS financial measures and do not have standard meanings under IFRS. All-in sustaining costs per ounce sold include total cash costs per ounce, administration expenses (excluding Corporate depreciation expense and social community costs not related to current operations), capitalized deferred stripping, capitalized reserve development and mine site & development capital expenditures as defined by the World Gold Council.

<sup>3</sup> Excludes capitalized deferred stripping costs, included in mine production costs.

This forecast financial information is based on the following material assumptions for 2016: gold price: \$1,100 per ounce; Brent oil: \$40/barrel; Euro:USD exchange rate of 1.1:1

Other important assumptions: any political events are not expected to impact operations, including movement of people, supplies and gold shipments; grades and recoveries will remain consistent with the life-of-mine plan to achieve the forecast gold production; and no unplanned delays in or interruption of scheduled production.

**2016 Guidance Analysis**

The Company's mine plans are designed to maximize sustainable free cash flow. Mining activity in 2016 will focus on completing phase 1 of Masato through the first quarter of the year, and then the mobile equipment will move to Golouma, where development has just been completed and production has commenced. Development of Kerekounda is expected to commence in the third quarter with waste stripping continuing for the remainder of the year, while mining at Gora will continue throughout the year.

Total tonnes mined are expected to increase from 31.6 million tonnes mined in 2015 to between 36.5 and 38.5 million tonnes in 2016. Ore tonnes mined are expected to decrease from 7.7 million tonnes to between 2.0 and 2.5 million tonnes. While ore tonnage is lower in 2016, both grade and strip ratio are higher, reflecting the concentration of mining at the higher grade Gora and Golouma pits.

Mill throughput and grade are expected to increase in 2016. Since the end of the 2015 rainy season, mill throughput is back to quarterly name plate capacity of one million tonnes and with the anticipated completion of the mill optimization in the fourth quarter 2016, mill throughput rates are expected to rise to the 3.7 to 3.9 million tonne range for the year. In 2016, the majority of ore expected to be processed during the rainy season is more competent as compared to 2015, when the majority of the material processed was softer, which created material handling issues during the wet season.

The Company expects to produce between 200,000 and 215,000 ounces of gold in 2016. The quarterly production profile in 2016 is expected to be more consistent than previous years, with the exception of lower production during the third quarter due to the rainy season. The 2016 production plan also reflects a build-up of higher grade stockpiles of approximately 40,000 contained ounces, which is expected to provide a buffer against any future operating shortfall.

Total mine production costs for 2016 are expected to be in the range of \$145 to \$155 million, slightly higher than 2015 due to the increase in tonnes mined and processed. While

total mine production costs are expected to increase, costs on a unit basis are expected to be better than 2015, as the company benefits from a further improvement in fuel prices and its ongoing business improvement programs.

Administrative and corporate social responsibility ("CSR") costs relate to the corporate office, the Dakar and regional offices and the Company's corporate social responsibility initiatives, and exclude corporate depreciation and other costs. For 2016, these costs are estimated to be between \$15 and \$16 million, including approximately \$3 million for CSR activities, similar to 2015.

Sustaining capital expenditures for the mine site are expected to be between \$8 and \$10 million, excluding capitalized deferred stripping costs, and reserve development expenditures are expected to be \$5 million. Project development expenditures for growth initiatives, including the cost to develop the Golouma and Kerekounda deposits and costs to complete the mill optimization project, are expected to be between \$17 and \$20 million. The mill optimization project is expected to be commissioned in the fourth quarter.

Total cash costs per ounce for 2016 are expected to be between \$600 and \$650 per ounce, and all-in sustaining costs are expected to be between \$900 and \$975 per ounce, both in line with 2015.

In 2016, the Company's exploration program will be focused on organic growth through (i) the conversion of resources to reserves; (ii) extensions of existing deposits along strike on the Sabodala and OJVG mine licenses; and (iii) a systematic regional exploration program designed to identify high grade satellite and standalone deposits.

The Company identified a number of risk factors to which it is subject in its revised Annual Information Form filed for the year ended December 31, 2014. These various financial and operational risks and uncertainties continue to be relevant to an understanding of our business, and could have a significant impact on profitability and levels of operating cash flow. Refer to Risks and Uncertainties at the end of this report for additional risks.

**Sensitivity**

	2016 Assumption	Hypothetical Change	Impact on total cash costs	Impact on profit (pre-tax)
Gold revenue	\$1,100/oz	\$100/oz	n/a	\$21.5M
Gold total cash costs				
Gold price effect on royalties	\$1,100/oz	\$100/oz	\$5/oz	\$1.1M
HFO price	\$0.32/litre	\$0.10/litre	\$14/oz	\$3.0M
LFO price	\$0.68/litre	\$0.10/litre	\$10/oz	\$2.1M
EUR exchange rate	1.10:1	10%	\$31/oz	\$6.7M

**REVIEW OF OPERATING RESULTS**

Operating Results		Three months ended December 31,			Twelve months ended December 31,		
		2015	2014	Change	2015	2014	Change
Ore mined	('000t)	1,859	2,666	(30%)	7,748	6,174	25%
Waste mined - operating	('000t)	4,612	5,594	(18%)	18,382	21,179	(13%)
Waste mined - capitalized	('000t)	726	490	48%	5,501	1,969	179%
Total mined	('000t)	7,197	8,750	(18%)	31,631	29,321	8%
Grade mined	(g/t)	1.37	1.47	(7%)	1.22	1.54	(21%)
Ounces mined	(oz)	82,057	126,334	(35%)	303,023	305,192	(1%)
Strip ratio	waste/ore	2.9	2.3	26%	3.1	3.7	(16%)
Ore milled	('000t)	919	1,009	(9%)	3,421	3,622	(6%)
Head grade	(g/t)	1.86	2.44	(24%)	1.79	2.03	(12%)
Recovery rate	%	93.4	90.1	4%	92.3	89.7	3%
Gold produced <sup>1</sup>	(oz)	51,292	71,278	(28%)	182,282	211,823	(14%)
Gold sold	(oz)	52,939	63,711	(17%)	193,218	206,336	(6%)
Average realized price	\$/oz	1,099	1,199	(8%)	1,161	1,259	(8%)
Total cash costs (incl. royalties) <sup>2</sup>	\$/oz sold	668	598	12%	642	710	(10%)
All-in sustaining costs <sup>2</sup>	\$/oz sold	969	711	36%	965	865	12%
Mining	(\$/t mined)	2.83	2.58	10%	2.42	2.83	(14%)
Mining long haul	(\$/t hauled)	5.33	-	NA	5.35	-	NA
Milling	(\$/t milled)	13.27	13.91	(5%)	14.01	17.15	(18%)
G&A	(\$/t milled)	4.99	4.27	17%	4.82	4.61	5%

<sup>1</sup> Gold produced represents change in gold in circuit inventory plus gold recovered during the period.

<sup>2</sup> Total cash costs per ounce and all-in sustaining costs per ounce are non-IFRS financial measures that do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this report.

		Three months ended December 31, 2015		Twelve months ended December 31, 2015		
		Masato	Gora	Masato	Sabodala	Gora
Ore mined	('000t)	1,632	227	6,981	473	294
Waste mined - operating	('000t)	1,292	3,320	13,130	504	4,748
Waste mined - capitalized	('000t)	-	726	4,038	24	1,439
Total mined	('000t)	2,925	4,272	24,149	1,001	6,481
Grade mined	(g/t)	1.17	2.80	1.14	1.83	2.42
Ounces mined	(oz)	61,655	20,401	252,587	27,622	22,814

		Three months ended December 31, 2014		Twelve months ended December 31, 2014	
		Masato	Sabodala	Masato	Sabodala
Ore mined	('000t)	1,788	878	2,003	4,171
Waste mined - operating	('000t)	3,789	1,805	4,392	16,786
Waste mined - capitalized	('000t)	490	-	490	1,479
Total mined	('000t)	6,067	2,683	6,885	22,436
Grade mined	(g/t)	1.28	1.86	1.27	1.66
Ounces mined	(oz)	73,875	52,459	82,017	223,175

## Fourth Quarter 2015 Operating Results

### Mining

Mining activities in the fourth quarter were focused on completing the first two phases of Masato, as well as the upper benches of Gora. In the prior year period, mining was mainly focused on mining the upper benches of Masato and the lower benches of Sabodala Phase 3.

Fourth quarter ore tonnes mined of 1.9 million tonnes and ore grades mined of 1.37 grams per tonne were 30 percent and 7 per cent lower, respectively, than the prior year period and 24 percent and 8 percent lower, respectively, than fourth quarter plan due to the following:

- i. *More artisanal voids than expected at Gora:* Artisanal miners removed an additional 8,600 contained ounces in Phase 1, representing significantly more in this area than the total 12,000 ounces which the company had already estimated to have been removed from Phase 1 reserves. Overall, artisanal miners removed about 60 percent of the ounces to a depth of 45 metres from surface. By the end of December, mining activities had progressed below the artisanal workings in Phase 1 at Gora with ore tonnes and grades reconciling well to the reserve model. Accordingly, the Company does not expect any additional impact from artisanal mining in Phase 1. Appropriate adjustments have been made to Phase 2 and 3 to account for additional artisanal activities. Lower mining rates in areas of the artisanal workings caused a delay in accessing the final bench in the fourth quarter plan, resulting in the deferral of approximately 35,000 ore tonnes at over 6 grams per tonne into 2016 where mining was completed on January 8th.
- ii. *Localized rock fall at Masato:* Due to the proximity of the localized rock fall at the interface between oxide and fresh material near the Masato phase 1 access ramp, activity in this pit was limited during most of December while the area stabilized and remediation work was completed, delaying access to a high grade area. As a result, approximately 120,000 ore tonnes of high grade mill feed were deferred. The balance of phase 1 is expected to be mined early in the first quarter 2016. Since mining commenced at Masato in September 2014, higher grade ounces mined are about 2,000 ounces higher than the reserve model with more ore tonnes partially offset by lower ore grades. Including lower grade ore, mining at Masato is about 4,000 ounces ahead of the reserve model at marginally better grade.

### Processing

For the three months, ore tonnes milled were 0.9 million tonnes, or 9 percent lower than the prior year period, which was a record quarter for the Company in terms of total tonnes milled. The rainy season continued to cause material handling issues with the material from Masato, impacting October's throughput rates by approximately 25 percent. By the beginning of November throughput rates had returned to quarterly name-plate capacity of approximately one million tonnes.

Head grade for the three months was 1.86 grams per tonne, or 24 percent lower than the prior year period, mainly due to the delays in accessing high grade areas of both the Gora and Masato pits. In addition, 93,000 ore tonnes of 2.7 grams per tonne material mined in late December were stockpiled and processed in 2016. As a result of the access delays and high grade stockpiles that were not processed, mill feed for the quarter included a significantly greater proportion of low-grade material. In the prior year period, head grade was higher due to mill feed sourced from the upper benches of Masato, which contained higher ore grades, and the lower benches of Sabodala phase 3.

### Costs – site operations

The Company is focused on expanding cash margins by improving productivity and reducing operating costs. Both the mine and mill areas continue to make significant strides in lowering unit operating costs.

Total mining costs for the three months were \$20.4 million, or 10 percent lower than the prior year period. The improvement was mainly due to a decline in fuel consumption related to less material movement, favourable currency variance, and lower emulsion prices offset by the impact of poor ground conditions at Masato, which negatively impacted drill and haul productivity, and costs related to remediation of the localized rock fall in December. On a unit basis, mining costs for the three months were 10 percent higher than the prior year mainly due to less material movement.

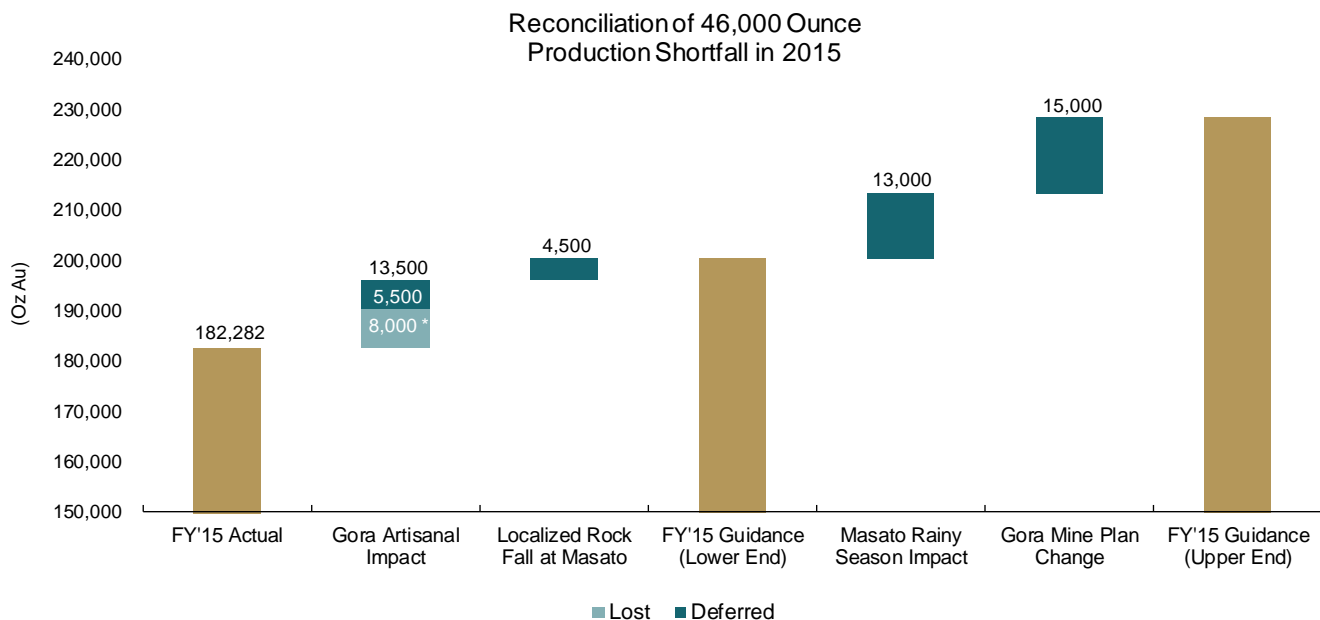
Total processing costs for the quarter decreased to \$12.2 million, 13 percent lower than the prior year period due to cost savings associated with a reduction of power, grinding and reagent consumption together with favourable variances for fuel, reagent and currency. Accordingly, unit processing costs for the fourth quarter were 5 percent better than the prior year period.

Total mine site general and administrative costs for the fourth quarter were \$4.6 million, an increase of 7 percent

over the prior year period mainly due to higher labour costs. Accordingly, general and administrative costs on a unit basis increased by 17 percent over the prior year period due to the

year-over-year increase in costs together with a reduction in tonnes milled.

### Full Year 2015 Operating Results



\* The net loss of 2,400 ounces for the year includes a loss of 8,000 recoverable ounces related to artisanal mining at Gora partially offset by a net gain in ounces from Masato and Sabodala of 5,600 recoverable ounces.

Gold production for the full year was 182,282 ounces, or 14 percent lower in 2015 versus 2014, and was below the Company's guidance by 18,000 ounces, or 9 percent. The fourth quarter production shortfall was attributable to (i) 13,500 ounces of additional artisanal activity; and (ii) 4,500 ounces related to a localized rock fall in December, which delayed access into Masato.

The Company's original guidance of between 200,000 and 230,000 ounces was revised to the bottom end of the range in the third quarter due to the heavy rainy season, which caused material handling issues at the mill and decreased throughput, as well as, a change in the Gora mine plan that resulted in the deferral of three high grade benches into 2016. Overall for the year, 43,600 ounces represent a deferral to 2016 and 2,400 ounces represent a production loss related to the net ounces lost compared to the reserve model due to artisanal mining, which was partially offset by a net gain in ounces from Masato and Sabodala.

In 2015, total cash costs of \$642 per ounce were 10 percent lower than in 2014 (excluding the reversal of non-cash inventory write-downs to NRV) and were below the bottom end of the Company's guidance range of \$650 to \$700 per ounce. This decrease in total cash costs per ounce was mainly due to lower mine site production costs, partially offset by lower gold production.

All-in sustaining costs of \$965 per ounce were within the Company's guidance range of \$900 to \$975 per ounce and were 12 percent higher in 2015 compared to 2014

(excluding the reversal of non-cash inventory write-downs to NRV) due to an increase in development capital expenditures. All-in sustaining costs in 2015 include approximately \$124 per ounce of development capital expenditures, the majority of which was related to the mill optimization project and the development of Gora, compared to approximately \$19 per ounce in 2014.

In 2015, all unit costs were below the Company's guidance range. This is due to a sharp focus on cost management, which resulted in more than \$20 million (or \$100 per ounce) cost savings and the lowest unit costs in the Company's history. Cost savings related to improvements to the load/haul cycle, a reduction of overall energy costs and consumables used in the mill, as well as favourable variances in both currency and fuel prices.

#### Mining

In 2015 the Company mined a total of 31.6 million tonnes from three pits:

- i. 24.1 million tonnes were mined at Masato throughout the year;
- ii. 6.5 million tonnes were mined at Gora, the Company's first satellite deposit, which as planned came into production by the third quarter; and
- iii. 1.0 million tonnes were mined at Sabodala, where the final benches of phase 3 were completed during the first half of the year.



In 2014, a total of 29.3 million tonnes were mined with 22.4 million tonnes from the lower benches of Phase 3 in the Sabodala pit and 6.9 million tonnes from Masato, which went into production in September 2014.

In order to improve 2016 and 2017 cash flows, the mine plans for both Masato and Gora were optimized during 2015, with the result that both ore and waste mined increased at Masato and more waste and less ore were mined at Gora. The impact of the localized rock fall at Masato in December and the negative impact of artisanal voids on mining rates at Gora resulted in approximately 1.4 million tonnes less material being moved than the revised plan.

While total ore tonnes mined in 2015 increased to 7.7 million tonnes, an increase of 25 percent compared to 2014, ore grades mined were lower. The decline in ore grade was mainly due to the lower-grade ore at Masato and the mining deferral of high grade ore at both Masato and Gora into 2016. In the prior year periods, mining was mainly focused on higher grade areas of the Sabodala pit. As a result of changes made to the Gora mine plan during the third quarter to enlarge phase 1 of the pit in order to optimize operating efficiencies and the slower rate of mining through artisanal voids, three benches containing approximately 100,000 tonnes of ore at over 6 grams per tonne were deferred to 2016.

#### *Processing*

Ore tonnes milled for the twelve months were 3.4 million tonnes, a decrease of 6 percent compared to the prior year and 8 percent lower than plan due to lower throughput during this year's protracted and heavy rainy season, which caused material handling issues due to increased plasticity of the Masato ore when wet. The material handling issues during the third quarter reduced production by 13,000 recovered ounces. Together with the impact of delays in mining at Gora and Masato, approximately 248,000 tonnes at an average

grade of 3.00 grams per tonne, which were scheduled to be processed during the fourth quarter, were deferred to 2016. In the prior year period, mill feed was comprised of mainly fresh ore from the Sabodala pit until the fourth quarter when mining began at Masato.

Head grade in 2015 was 1.79 grams per tonne, a decrease of 12 percent versus 2014 due to the deferral of high grade feed into 2016.

#### *Costs – site operations*

Total mining costs for 2015 were \$76.5 million, or 8 percent lower than in 2014 mainly due to shorter haul distances, mine optimization to improve productivity, favourable fuel and currency movements, and improved drill and haul productivities. These savings were partially offset by an increase in grade control drilling costs and higher maintenance costs. Unit mining costs in 2015 at \$2.42, were the lowest in the Company's history and 14 percent better than the prior year due to a reduction in costs and higher tonnes mined.

In 2015, total processing costs were \$47.9 million, representing an improvement of 23 percent over the prior year due to cost savings associated with a reduction of power, grinding and reagent consumption together with favourable variances for currency, fuel and reagents. Accordingly, the Company reported record unit processing costs of \$14.01 for 2015, representing an 18 percent improvement over 2014.

Total mine site general and administrative costs for 2015 were \$16.5 million, slightly less than the prior year as higher labour costs were offset by favourable fuel and currency rates. On a unit basis, general and administration costs were \$4.82, or 5 percent higher in 2015 than in 2014 due to a reduction in total ore tonnes milled during the year.

## REVIEW OF FINANCIAL RESULTS

(US\$000's, except where indicated)	Three months ended December 31,			Twelve months ended December 31,		
	2015	2014	% Change	2015	2014	% Change
Revenue	58,235	76,553	(24%)	224,620	260,588	(14%)
Cost of sales <sup>1</sup>	(48,515)	(37,738)	29%	(172,261)	(207,984)	(17%)
<b>Gross profit</b>	<b>9,720</b>	<b>38,815</b>	<b>(75%)</b>	<b>52,359</b>	<b>52,604</b>	<b>(%)</b>
Exploration and evaluation expenditures	(743)	(373)	99%	(2,525)	(2,772)	(9%)
Administration & corporate social responsibility expenses	(4,568)	(4,404)	4%	(16,311)	(15,621)	4%
Share-based compensation	(9)	75	N/A	(1,761)	(911)	93%
Finance costs	(973)	(2,080)	(53%)	(3,159)	(9,484)	(67%)
Impairment charge	(90,000)	-	N/A	(90,000)	-	N/A
Net foreign exchange gains (losses)	(253)	671	N/A	1,901	2,013	(6%)
Other income (expense)	(669)	15	N/A	1,381	(1,982)	N/A
<b>Profit (loss) before income tax</b>	<b>(87,495)</b>	<b>32,719</b>	<b>N/A</b>	<b>(58,115)</b>	<b>23,847</b>	<b>N/A</b>
Income tax recovery (expense)	8,012	(1,536)	N/A	2,502	(1,536)	N/A
<b>Profit (loss) for the period</b>	<b>(79,483)</b>	<b>31,183</b>	<b>N/A</b>	<b>(55,613)</b>	<b>22,311</b>	<b>N/A</b>
Loss (profit) attributable to non-controlling interests	7,659	(3,490)	N/A	5,070	(4,535)	N/A
<b>Profit (loss) attributable to shareholders of Teranga</b>	<b>(71,824)</b>	<b>27,693</b>	<b>N/A</b>	<b>(50,543)</b>	<b>17,776</b>	<b>N/A</b>
Basic earnings (loss) per share	(0.19)	0.08	N/A	(0.14)	0.05	N/A

<sup>1</sup> In 2014, the Company reassessed the accounting for deferred stripping assets to include amortization of equipment directly related to deferred stripping activity. The impact of this adjustment has been applied retrospectively from January 1, 2012. The twelve months ended December 31, 2015 includes the impact of restating the deferred income tax expenses related to temporary timing differences.

Note: Results include the consolidation of 100% of the OJVG's operating results, cash flows and net assets from January 15, 2014.

### Review of financial results for the three months ended December 31, 2015 and 2014

#### Revenue

Revenue for the three months ended December 31, 2015 was \$58.2 million compared to gold revenue of \$76.6 million for the same period in the prior year. The decrease in gold revenue of \$18.4 million was due to lower sales volume from lower production and lower average realized gold prices in the current period. Gains on gold forward sales contracts which were entered into during the fourth quarter 2015 have been classified within other income.

Spot price per ounce of gold	Three months ended December 31,		
	2015	2014	% Change
Average	\$1,106	\$1,201	(8%)
Low	\$1,049	\$1,142	(8%)
High	\$1,184	\$1,250	(5%)

#### Cost of Sales

(US\$000's)	Three months ended December 31,		
	2015	2014	% Change
<b>Cost of Sales</b>			
Mine production costs - gross	38,074	41,123	(7%)
Capitalized deferred stripping	(2,715)	(1,266)	115%
Capitalized deferred stripping - non-cash <sup>1</sup>	(209)	189	N/A
	35,150	40,046	(12%)
Depreciation and amortization - deferred stripping assets <sup>1</sup>	570	7,205	(92%)
Depreciation and amortization - property, plant & equipment and mine development expenditures	10,280	11,988	(14%)
Royalties	3,082	3,843	(20%)
Amortization of advanced royalties	787	391	101%
Inventory movements	(3,661)	(5,802)	(37%)
Inventory movements - non-cash <sup>1</sup>	2,307	(3,907)	N/A
	(1,354)	(9,709)	(86%)
<b>Total cost of sales before adjustments to net realizable value</b>	<b>48,515</b>	<b>53,764</b>	<b>(10%)</b>
Adjustments to net realizable value <sup>1</sup>	-	(10,865)	N/A
Adjustments to net realizable value - non-cash <sup>1</sup>	-	(5,161)	N/A
	-	(16,026)	N/A
<b>Total cost of sales</b>	<b>48,515</b>	<b>37,738</b>	<b>29%</b>

<sup>1</sup> In 2014, the Company reassessed the accounting for deferred stripping assets to include amortization of equipment directly related to deferred stripping activity. The impact of this adjustment has been applied retrospectively from January 1, 2012.

For the three months ended December 31, 2015, total cost of sales, before adjustments to net realizable value, decreased by 10 percent to \$48.5 million from \$53.8 million in the prior period due to lower mine production costs, depreciation and amortization and higher capitalized deferred stripping costs, partly offset by lower inventory movements.

Mine production costs (before capitalized deferred stripping) of \$38.1 million were lower than the prior year period by \$3.0 million, or 7 percent, due to a reduction in mining and processing costs. See Fourth Quarter 2015 Operating Results section for additional information.

During the fourth quarter 2015, depreciation and amortization declined by \$8.3 million, or 43 percent, to \$10.9 million from \$19.2 million in the prior year period mainly due to lower depreciation of deferred stripping assets.

During the fourth quarter 2015, royalties of \$3.9 million were \$0.4 million lower than the prior year period, mainly due to lower revenue in the current quarter, partly offset by higher amortization of advanced royalties related to production from the OJVG and royalties related to Gora. See Contingent Liabilities section for additional information.

During the fourth quarter 2015, cost of sales were reduced by inventory movements of \$1.4 million compared to \$9.7 million in the prior year period. Lower mine production costs incurred in the current quarter resulted in a decrease in the cost per ounce of inventory stockpiles on hand despite an increase in ounces stockpiled of approximately 15,000 ounces.

During the three months ended December 31, 2014, the Company recorded a \$16.0 million reversal of non-cash inventory write-downs on long-term low-grade ore stockpile inventory that had been previously recorded during the second and third quarters of 2014. Higher ore grades and ounces mined during the fourth quarter 2014 resulted in a decrease in the per ounce ending cost of low-grade ore stockpiles (including applicable overhead, depreciation and amortization).

#### Impairment charge

During the fourth quarter 2015, the Company recorded a non-cash impairment charge related to long-lived assets and recorded goodwill. The impairment charge was triggered primarily by the effect of changes in the Company's long-term gold price assumptions. For additional information, please see Critical Accounting Policies and Estimates section.

#### Income tax recovery (expense)

Effective May 2, 2015, following the expiry of certain tax exemptions provided under the Sabodala mining license, the Company became subject to a 25 percent corporate income tax rate calculated on profits recorded in Senegal, as well as customs duties, non-refundable value-added tax on certain expenditures, and other Senegalese taxes. For the three months ended December 31, 2015, the Company recorded a recovery of income taxes of \$8.0 million, comprised of recoveries of deferred income taxes of \$14.2 million net of current income tax expense of \$6.2 million. Recoveries of deferred income taxes recorded during the quarter relate to temporary differences created by the impairment charge recorded against property plant and equipment and mine development expenditures which continue to have tax basis

at the Senegal level. Current income tax expense recognized in 2015 will be paid in 2016.

#### Net profit (loss)

Consolidated net loss attributable to shareholders for the three months ended December 31, 2015 was \$71.8 million (\$0.19 loss per share), compared to consolidated net profit of \$27.7 million (\$0.08 per share) in the prior year quarter. The decrease in profit in the current quarter is primarily due to the non-cash impairment charge to long-lived assets and recorded goodwill of \$77.9 million (net of tax effects). For the three months ended December 31, 2015 net loss attributable to shareholders before the effects of the impairment charge was \$1.7 million (\$0.00 loss per share)<sup>2</sup>, mainly due to lower gold prices and lower production. In the fourth quarter 2014, net profit included a reversal of non-cash inventory write-down to net realizable value totaling \$16.0 million.

#### Review of financial results for the twelve months ended December 31, 2015 and 2014

##### Revenue

Revenue for the twelve months ended December 31, 2015 declined by \$36.0 million or 14 percent over the same prior year period primarily due to lower realized gold prices and lower production levels in the current year. Gains on gold forward sales contracts which were entered into during 2015 have been classified within other income.

Spot price per ounce of gold	Twelve months ended December 31,		
	2015	2014	% Change
Average	\$1,160	\$1,266	(8%)
Low	\$1,049	\$1,142	(8%)
High	\$1,296	\$1,385	(6%)

##### Cost of Sales

(US\$000's)	Twelve months ended December 31,		
	2015	2014	% Change
<b>Cost of Sales</b>			
Mine production costs - gross	142,131	162,410	(12%)
Capitalized deferred stripping	(14,547)	(5,976)	143%
Capitalized deferred stripping - non-cash <sup>1</sup>	(1,374)	(658)	109%
	126,210	155,776	(19%)
Depreciation and amortization - deferred stripping assets <sup>1</sup>	5,687	28,911	(80%)
Depreciation and amortization - property, plant & equipment and mine development expenditures	36,229	40,605	(11%)
Royalties	11,396	12,486	(9%)
Amortization of advanced royalties	1,892	440	330%
Inventory movements	(16,611)	(22,145)	(25%)
Inventory movements - non-cash <sup>1</sup>	7,458	(8,089)	N/A
	(9,153)	(30,234)	(70%)
<b>Total cost of sales</b>	<b>172,261</b>	<b>207,984</b>	<b>(17%)</b>

<sup>1</sup> In 2014, the Company reassessed the accounting for deferred stripping assets to include amortization of equipment directly related to deferred stripping activity. The impact of this adjustment has been applied retrospectively from January 1, 2012.

For the twelve months ended December 31, 2015, total cost of sales decreased by 17 percent to \$172.3 million from \$208.0 million due to lower mine production costs,

<sup>2</sup> Net loss attributable to shareholders before the effects of the impairment charge is a Non-IFRS performance measure. Please see Non-IFRS Performance Measures at the end of this Report.



depreciation and amortization, and higher capitalized deferred stripping costs, partly offset by lower inventory movements.

Mine production costs (before capitalized deferred stripping) of \$142.1 million were lower than the prior year period by \$20.3 million or 12 percent due to a reduction in mining and processing costs. Please see Full Year 2015 Operating Results section for additional information.

Depreciation and amortization of \$41.9 million, was \$27.6 million or 40 percent lower than the prior year period primarily due to lower depreciation of deferred stripping balances in the current year as ore is primarily sourced from Masato and Gora which have minimal balances of deferred stripping assets to be amortized. Capitalized deferred stripping costs related to the Sabodala pit will be amortized once phase 4 mining commences. Approximately 80 percent of fixed assets are depreciated using the units of production method of depreciation.

Royalties increased to \$13.3 million compared to \$12.9 million in the prior year period, due to higher amortization of advanced royalties related to production from the OJVG and royalties related to Gora, partly offset by lower royalties from lower revenue in the current year. Please see Contingent Liabilities section for additional information.

During the current year, cost of sales were reduced by inventory movements of \$9.2 million compared to \$30.2 million in the prior year period. Lower mine production costs incurred in the current year resulted in a decrease in the cost per ounce of inventory on hand despite an increase in ounces in inventory of approximately 68,000 ounces. As at December 31, 2015, inventory contained over 350,000 ounces of recoverable gold.

#### *Exploration and evaluation*

Exploration and evaluation expenditures for the twelve months ended December 31, 2015 were \$2.5 million, similar to the prior year period. The Company is taking a systematic and disciplined approach to exploration. On the mine license, the emphasis is on reserve development drilling whereas on the regional land package, the focus is on lower cost soil geochemistry and trench mapping with selective drilling to delineate exploration targets. Drilling has been minimized in the current gold price environment. Please see Regional Exploration section for additional information.

#### *Administration and corporate social responsibility costs*

During the twelve months ended December 31, 2015 administration and CSR costs increased to \$16.3 million from \$15.6 million in the prior year period. The \$0.7 increase primarily relates to increase in Dakar office expenditures, legal and audit related fees and higher social commitments related to the advancement of the Company's regional development strategy and incorporation of the OJVG commitments, partly offset by lower corporate office expenditures due to favourable currency exchange rates and lower depreciation expense on corporate office assets.

#### *Share-based compensation*

Share-based compensation expense increased by \$0.9 million to \$1.8 million for the twelve months ended

December 31, 2015 over the prior year due to grants of share-based awards issued in the first quarter of 2015.

During the twelve months ended December 31, 2015, 700,000 Deferred Share Units ("DSUs") were granted at a price of C\$0.64 per unit. Of the total 1,245,000 DSUs outstanding at December 31, 2015, 545,000 units were vested and no units were cancelled.

During the twelve months of 2015, 3,055,000 Restricted Share Units ("RSU's") were granted at a price of \$0.64 per unit and 479,410 RSUs were forfeited. Of the 3,704,182 RSU's outstanding at December 31, 2015, none were vested.

A total of 300,000 Fixed Bonus Plan Units ("FBUs") were granted to one employee at an exercise price of C\$0.64 per unit during the twelve months ended December 31, 2015. No FBUs were forfeited or exercised during the period. FBUs granted are fair valued at the end of each reporting period using the Black-Scholes option pricing model. Of the 1,660,000 FBUs outstanding at December 31, 2015, 1,585,000 FBUs were vested and no units were forfeited or exercised during the period. FBUs granted are fair valued at the end of each reporting period using the Black-Scholes option pricing model.

As of December 31, 2015, 15,539,165 common share stock options were issued and outstanding, of which 12,670,177 are vested and 2,831,488 vest over a three-year period and 37,500 vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized based on management's best estimate of outcome of achieving desired results. The exercise price of new stock options granted during the current year was determined using a volume weighted average trading price of the Company's shares for the 5-day period ended March 31, 2015. Under IFRS, the accelerated method of amortization is applied to new grants of stock options and fixed bonus plan units, which results in about 70 percent of the cost of the stock options and fixed bonus plan units recorded in the first year of grant.

	Number of Options	Weighted Average Exercise Price
Balance as at January 1, 2014	23,737,850	C\$2.58
Granted	130,000	C\$3.00
Forfeited	(2,397,361)	C\$2.83 - C\$3.00
Balance as at December 31, 2014	21,470,489	C\$2.54
Expired <sup>1</sup>	(7,746,600)	C\$1.73
Granted	3,855,000	C\$0.64
Forfeited	(2,039,724)	C\$3.00
Balance as at December 31, 2015	15,539,165	C\$2.42

<sup>1</sup> 7,746,600 common share stock options which expired related to the Company's acquisition of Oromin.

#### *Finance costs*

Finance costs decreased by 67 percent to \$3.2 million for the twelve months ended December 31, 2015 from \$9.5 million in the twelve months of 2014 primarily due to lower interest expense as a result of lower total debt levels

compared to the prior year. In August 2015, the Company drew \$15.0 million on its \$30.0 million Revolver Facility with Société Générale ("Revolver Facility") incurring \$0.6 million of interest expense and fees and \$0.4 million of amortization of deferred financing costs.

#### *Net foreign exchange gain*

Net foreign exchange gains of \$1.9 million were realized for the twelve months ended December 31, 2015 primarily due to gains on Euro denominated payments due to strengthening of the US dollar relative to the Euro since the start of the year.

#### *Impairment charge*

During the fourth quarter 2015, the Company recorded an impairment charge of \$77.9 million (net of tax effects) related to long-lived assets and recorded goodwill. The impairment charge was triggered primarily by the effect of changes in long-term gold prices. For additional information, please see Critical Accounting Policies and Estimates section.

#### *Other income (expense)*

Other income for the twelve months ended December 31, 2015 was \$1.4 million compared to other expense of \$2.0 million in the prior year period. During 2015, gains on gold forward sales contracts and the sale of an exploration permit were partly offset by expenses related to government taxes.

In the prior year, expenses were recorded in connection with the acquisition of the OJVG.

#### *Income tax recovery (expense)*

For the twelve months ended December 31, 2015, the Company recorded recoveries of income taxes of \$2.5 million, comprised of recoveries of deferred income taxes of \$11.2 million net of current income tax expense of \$8.7 million. Recoveries of deferred income taxes recorded during the year mainly relate to temporary differences created by the impairment charge recorded against property plant and equipment and mine development expenditures which continue to have tax basis at the Senegal level. Current income tax expense recognized in 2015 will be paid in 2016.

#### *Net profit (loss)*

Consolidated net loss attributable to shareholders for the twelve months ended December 31, 2015 was \$50.5 million (\$0.14 loss per share) compared to net income of \$17.8 million (\$0.05 per share) in the prior year period. The decrease in profit in the current year is due to a non-cash impairment charge to long-lived assets and recorded goodwill of \$77.9 million (net of tax effects). Net profit attributable to shareholders before the effects of the impairment charge was \$19.6 million (\$0.05 per share).<sup>3</sup>

## REVIEW OF QUARTERLY FINANCIAL RESULTS

(US\$000's, except where indicated)	2015				2014			
	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Revenue	58,235	37,830	60,064	68,491	76,553	56,711	57,522	69,802
Average realized gold price (\$/oz)	1,099	1,112	1,198	1,217	1,199	1,269	1,295	1,293
Cost of sales <sup>1</sup>	48,515	32,497	43,094	48,155	37,738	52,358	62,820	55,068
Net earnings (loss) <sup>1</sup>	(71,824)	1,568	6,726	12,988	27,693	(1,524)	(12,543)	4,152
Net earnings (loss) per share (\$) <sup>1</sup>	(0.19)	0.00	0.02	0.04	0.08	(0.00)	(0.04)	0.01
Operating cash flow	9,755	(8,221)	12,269	16,631	30,677	13,822	(9,793)	14,303

<sup>1</sup>In 2014, the Company reassessed the accounting for deferred stripping assets to include amortization of equipment directly related to deferred stripping activity. The impact of this adjustment has been applied retrospectively from January 1, 2012. The nine months ended September 30, 2015 includes the impact of restating the deferred income tax expenses related to temporary timing differences.

<sup>2</sup>Total cash costs per ounce and all-in sustaining costs per ounce are non-IFRS financial measures and do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this report.

Our revenues over the last several quarters reflect a trend of spot gold prices that have fluctuated around recent low levels in the current metal commodity cycle while production costs have been declining. This trend has translated into fluctuating net earnings and operating cash flow levels depending on the price of gold and production levels each quarter.

Net loss recorded during the fourth quarter 2015 includes a non-cash impairment charge. Net earnings recorded during the fourth quarter 2014 were higher than other quarters mainly due to a reversal of non-cash inventory write-downs, which reduced cost of sales during the period. These write-

downs were previously recorded during the second and third quarters 2014, which resulted in the respective net losses realized during those periods.

Operating cash flows during the second quarters of 2015 and 2014 include the payment of royalties. Operating cash flows trended lower during certain prior year quarters as a result of transaction costs related to the acquisition of the OJVG. Commencing in first quarter 2014, operating cash flows reflect the impact of delivering a portion of quarterly gold production to Franco-Nevada at 20 percent of gold spot prices.

<sup>3</sup> Net profit attributable to shareholders before the effects of the impairment charge is a Non-IFRS performance measure. Please see Non-IFRS Performance Measures at the end of this Report.

## BUSINESS AND PROJECT DEVELOPMENT

### Gora Development

Mining at the satellite Gora pit commenced in July 2015. All required infrastructure, including a 26 kilometre access road, was completed within the scheduled timeframe and came in \$3.5 million under the estimated budget of \$19.0 million<sup>4</sup>.

### Mill Optimization

A mill optimization project was launched in mid-2015, which will add a second primary jaw crusher, screen and conveyor assembly to tie into our existing facility when it is completed in the fourth quarter of 2016.

Upon completion, the mill optimization is expected to increase throughput by more than 10 percent on an annualized basis based on existing ore hardness; however, there may be potential to increase throughput further based on simulations of the new design configurations. In addition to higher production, unit processing costs are expected to decrease by approximately 5 percent.

A number of key milestones were accomplished during the fourth quarter. The project entered into the construction phase and remains on schedule for completion in the third quarter with commissioning and full ramp up during the fourth quarter of 2016. To date, the project remains on budget.

Approximately \$7.3 million of the \$20 million budgeted was spent in 2015, with the remainder of costs expected to be incurred in 2016.

### Heap Leach Project

In the fourth quarter, the Company completed the pre-feasibility study ("PFS"), which concluded that heap leaching is technically viable for processing its low-grade ore.

The PFS capital costs, which are currently being finalized, are based on the optimized Phase 2 trade off studies and subsequent design criteria. The estimated capital cost of the heap leach project is expected to be in the range of \$50 million.

A decision to proceed will require the conversion of additional oxide resources to reserves and finalized project economics that exceed our 20 percent minimum hurdle rate. If a decision is made to go ahead with the heap leaching project, it is estimated that it will take approximately 24 months to permit and construct. Based on current assumptions, we estimate that heap leach could account for an incremental 10 to 20 percent of annual production once fully operational.

### Reserves and Resources

Mineral Resources at December 31, 2015 are presented in table 1. Total open pit and underground Proven and Probable Mineral Reserves<sup>5</sup> at December 31, 2015 are set

forth in table 2. The reported Mineral Resources are inclusive of the Mineral Reserves.

The Proven and Probable Mineral Reserves were based on the Measured and Indicated Resources that fall within the designed open pits and underground designs. The basis for the resources and reserves is consistent with the Canadian Securities Administrators National Instrument 43-101 Standards for Disclosure for Mineral Projects ("NI 43-101") regulations.

All of the open pit designs were updated based on a Lerchs-Grossman ("LG") pit shell using Whittle 4X software. The key input parameters were based on a gold price of \$1,100 per ounce (with exception of Sabodala at \$1,000 per ounce), extrapolated mine and plant operating costs from current operating data and wall angles based on rock mass classifications that use the existing database from observation coupled with analysis of diamond drill hole data. The net result is lower total ounces in open pit reserves from the previous designs but an improved cash flow over the life of mine plan with the removal of low margin areas of the open pit reserve pit shells at a gold price of \$1,100 per ounce.

The Sabodala pit has been mined out through Phases 1-3, with the latter phase completed by mid-year in 2015. While the previous pit design was maintained using a \$1,000 per ounce gold price, a re-evaluation of the final pit limits of Sabodala Phase 4 will be completed prior to mining and will use updated economic parameters at that time. Currently, the plan to mine Phase 4 in Sabodala is estimated to begin in 2017.

Mining of the initial phases of the Masato pit began in late 2014, with completion expected in first quarter 2016. The final phase of the Masato pit (Phase 3) remains largely unchanged from the original design and is expected to begin in 2018.

The previously named Niakafiri pit has been changed to Niakafiri Main. It has been redesigned and is based on an updated resource model that re-interpreted the previous drill hole data, updated economics for the pit shells using current economic parameters and pit wall angles consistent with similar rock types on the property.

Newly defined reserves have been added at Niakafiri SE, Niakafiri SW and Maki Medina orebodies as a result of drilling in 2015. Additional drilling is planned in 2016 to potentially further delineate additional open pit reserves on these orebodies.

Mining in the satellite Gora pit started in July 2015. The pit design remains largely unchanged from December 2012, however, it has been adjusted to show year end 2015 mining progress as well an additional 22.8 thousand tonnes at 8.19 grams per tonne (6,000 mined ounces) have been removed

<sup>4</sup> Pending decision on dyke construction 2016.

<sup>5</sup> The term "Mineral Reserves" is being used with the same meaning as "Ore Reserves", defined in the 2012 JORC Code.

to estimate the impact of increased artisanal activity encountered during 2015.

The previously defined Golouma pit was renamed to reflect the two areas of the orebody: Golouma West and Golouma South.

Golouma South will be mined in 2016 and has begun early pre-stripping. Minor adjustments were made from the previous Golouma South to account for slightly shallower slope angles in the oxide zones, but steeper angles in the fresh zones. A small amount of artisanal activity was encountered near surface, accounting for the removal of 6.7 thousand tonnes at 2.96 grams per tonne (650 mined ounces) from the reserves.

Significant changes were made to the Golouma West pit design. A portion of the orebody was removed totaling 1.78 million tonnes of ore at 2.09 grams per tonne (119,900 ounces) but also removing 41.9 million tonnes of waste for an incremental strip ratio of 23.6. This smaller pit results in an improved cash flow at \$1,100 per ounce gold. This pit is planned to be mined in 2021, and additional considerations will be made to the final pit design based on economic conditions at that time.

The Kerekounda pit design remains largely unchanged from the previous design, with minor modifications to the wall angles in the oxide zone and final pit boundaries based on the updated LG shell.

#### Underground Reserves

RPA Inc. (RPA) completed the underground mine design for the estimation of Mineral Reserves.

The mining method chosen for the reserves estimate is a modified cut and fill. Due to the irregular geometry of these deposits, this allows for maximum recovery of ore, good mining selectivity, and a minimal amount of mining equipment. The ventilation will be a push system, with air being directed down the ventilation raise and exhausting at the portal. Two types of backfill material are proposed, Cemented Rock Fill and Unconsolidated Rock Fill. Groundwater and mine water will be collected in sumps and pumped to surface discharging into the pits.

The deposits will be mined two at a time in order to meet the current mine life schedule. Kerekounda and Golouma South will be mined first starting in 2021. Once they are exhausted, the Golouma West deposits will be mined. The objective of scheduling the deposits to be mined in this sequence is to have eight years of continuous production from the underground with some lag in the schedule to allow infrastructure to be moved from the first set of deposits to the second set. Each deposit is scheduled on a 500 tonnes per day production target, providing 1,000 tonnes per day combined at peak production.

Capital and operating costs were estimated by first principles and using budgetary quotes from vendors and contractors. Refining, royalty, processing, and general and administrative costs were provided by Teranga.

**Table 1: Open Pit and Underground Mineral Resources Summary as at December 31, 2015**

Deposit	Domain	Measured			Indicated			Measured and Indicated			Inferred		
		Tonnes	Grade	Au	Tonnes	Grade	Au	Tonnes	Grade	Au	Tonnes	Grade	Au
		('000s)	(g/t Au)	('000s)	('000s)	(g/t Au)	('000s)	('000s)	(g/t Au)	('000s)	('000s)	(g/t Au)	('000s)
Sabodala	Open Pit	13,742	1.13	497	6,488	1.59	332	20,230	1.28	829	2,525	1.23	100
	Underground				1,631	3.65	191	1,631	3.65	191	460	3.60	53
	Combined	13,742	1.13	497	8,119	2.01	524	21,861	1.45	1,021	2,985	1.60	153
Gora	Open Pit	466	4.55	68	1,083	6.11	213	1,549	5.64	281	53	4.95	8
	Underground				315	5.14	52	315	5.14	52	59	4.83	9
	Combined	466	4.55	68	1,398	5.89	265	1,864	5.56	333	113	4.88	18
Niakafiri Main	Open Pit	4,909	1.33	210	7,222	0.98	228	12,131	1.12	438	2,472	1.09	87
	Underground										184	2.51	15
	Combined	4,909	1.33	210	7,222	0.98	228	12,131	1.12	438	2,656	1.19	102
Niakafiri West	Open Pit										2,566	1.29	107
	Underground										90	2.82	8
	Combined										2,656	1.34	115
Soukhoto	Open Pit										550	1.46	26
	Underground												
	Combined										550	1.46	26
Diadiako	Open Pit										178	1.27	7
	Underground										663	2.89	61
	Combined										841	2.54	69
Subtotal Sabodala ML	Open Pit	19,117	1.26	776	14,793	1.62	773	33,910	1.42	1,548	8,344	1.25	335
	Underground				1,947	3.89	243	1,947	3.89	243	1,456	3.14	147
	Combined	19,117	1.26	776	16,740	1.89	1,016	35,857	1.55	1,792	9,800	1.53	482
Masato	Open Pit	5,894	0.79	150	22,617	1.16	844	28,511	1.08	994			
	Underground				1,163	2.75	103	1,163	2.75	103	1,984	2.85	182
	Combined	5,894	0.79	150	23,780	1.24	947	29,674	1.15	1,097	1,984	2.85	182
Golouma	Open Pit				6,800	2.98	653	6,800	2.98	653	88	2.46	7
	Underground				2,134	4.09	280	2,134	4.09	280	854	3.66	100
	Combined				8,934	3.25	933	8,934	3.25	933	942	3.55	107
Kerekounda	Open Pit				1,255	4.28	173	1,255	4.28	173			
	Underground				499	4.88	78	499	4.88	78	235	5.70	43



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

Notes for Mineral Resources Summary:

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

There have been no revisions to the resource models for 2015, except for adjustments due to mining depletion and minor revisions to Niakafiri Main, Niakafiri SW, Maki Medina and Diadiako. For estimating 2015 Mineral Resources, Teranga has implemented a new reporting procedure, which includes the use of open pit shells to constrain open pit resources and reporting underground resources separately.

For reporting of open pit Mineral Resources, open pit shells were produced for each of the resource models using Whittle open pit optimization software. Only classified blocks greater than or equal to the open pit cut-off grades and within the open pit shells were reported. This is in compliance with the CIM (2014) resource definition requirement of "reasonable prospects for eventual economic extraction".

For reporting of underground Mineral Resources, only classified blocks greater than or equal to the underground cut-off grade outside of the open pit shells were reported. This is in compliance with CIM (2014) resource definition requirements. In addition, Deswik Stope Optimizer software was used to generate wireframe models to constrain blocks satisfying minimum size and continuity criteria, which were used for reporting Sabodala underground Mineral Resources.

The significant change between the Mineral Resources reported for 2014 and 2015 is due to this new reporting procedure, where the 2015 year end Mineral Resources have been constrained using open pit shells along with revised gold cut-off grades for both open pit and underground resources. Previously classified Mineral Resources that do not satisfy the revised reporting criteria for 2015 have been excluded, however, remain in the block models as mineralized material.

The above measured and indicated resource and inferred resource estimates were first disclosed in Teranga's December 31, 2015 Quarterly Report filed on January 29, 2016 in accordance with ASX Listing Rules. These reserve estimates have not changed in any manner since that time and all material assumptions and technical parameters previously disclosed continue to be applicable and have not materially changed. Please refer to Teranga's December Quarterly Report for further including required additional disclosures under the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". See also Competent Person Statements on pages 35 and 36.

**Table 2: Open Pit and Underground Mineral Reserves Summary**

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

Notes for Mineral Reserves Summary:

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

The above proven and probable ore reserve estimates were first disclosed in Teranga's December 31, 2015 Quarterly Report filed on January 29, 2016 in accordance with ASX Listing Rules. These reserve estimates have not changed in any manner since that time and all material assumptions and technical parameters previously disclosed continue to be applicable and have not materially changed. Please refer to Teranga's December Quarterly Report for further including required additional disclosures under the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". See also Competent Person Statements on pages 35 and 36.

### Life of Mine Schedule

Table 3 represents a life of mine schedule developed from the proven and probable reserves listed in table 2. The pit sequencing schedule is based on blending the material movement capability with the mine mobile fleet and the availability of high grade ore within the various ore bodies. This schedule represents one of a number of possibilities that can be adjusted as economic conditions change. Pit sequencing emphasized the best cash flow for the first five years of mining (2016 to 2020) due to the low gold price environment, with flexibility for potential design changes as economic conditions change. A lower annual material movement (not exceeding 40 million tonnes per annum) utilizing the existing fleet provided for an optimal cash flow in the current economic conditions.

Open pit mining methods similar to current operations at the Sabodala and Masato deposits were applied by providing the highest grade available for plant feed and stockpiling lower grade ore for processing at the end of mine life. A

detailed mine dilution and ore recovery analysis was applied to determine mine operating parameters.

Underground mining was assumed to commence in 2021, while the Niakafiri Main pit was deferred to 2023. Additional drilling for the purpose of converting resources to reserves at Niakafiri Main is expected to commence in 2016. The life of mine plan will be re-evaluated once drilling is completed at Niakafiri Main with the potential to move development forward based on conversion of resources to reserves and a positive decision on heap leaching.

Based on the detailed annual capital and operating costs summaries (Tables 4 and 5), all-in sustaining costs are expected to be in the \$900 per ounce range over the five-year period from 2016 to 2020, as well as over the 13.5 year mine life. Over the 13.5 year life of mine, the Franco-Nevada stream is expected to add a further \$73 per ounce to costs resulting in free cash flow per ounce of over \$100 per ounce, after income tax and minority dividends at \$1,100 per ounce gold.

**Table 3: Life of Mine (2016 to 2029)**

	Unit	LOM	2016-2020 AVG	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
Sabodala	Ore Mined	Mt	3.9		0.3	1.5	2.0											
	Ore Grade	g/t	1.44		1.11	1.33	1.58											
	Contained Oz	Moz	0.18		0.01	0.07	0.10											
	Waste	Mt	31.0		11.1	15.0	5.0											
Masato	Ore Mined	Mt	21.4	0.5		0.7	0.4	1.1	2.8	5.0	4.3	6.7						
	Ore Grade	g/t	1.06	1.10		0.74	0.70	0.86	0.93	1.00	1.02	1.27						
	Contained Oz	Moz	0.73	0.02		0.02	0.01	0.03	0.09	0.16	0.14	0.27						
	Waste	Mt	110.2	0.2		16.2	5.8	19.4	27.2	21.5	11.6	8.2						
Gora	Ore Mined	Mt	1.5	0.7	0.7	0.1												
	Ore Grade	g/t	4.78	4.00	5.15	7.90												
	Contained Oz	Moz	0.22	0.08	0.12	0.02												
	Waste	Mt	32.2	17.9	14.1	0.2												
Kerekounda	Ore Mined	Mt	0.8	0.0	0.5	0.3												
	Ore Grade	g/t	3.44	0.99	3.39	3.74												
	Contained Oz	Moz	0.09	0.00	0.06	0.03												
	Waste	Mt	18.2	3.6	13.0	1.6												
Golouma	Ore Mined	Mt	4.5	1.2			0.9	2.4	0.1									
	Ore Grade	g/t	2.28	3.08			1.98	1.99	2.24									
	Contained Oz	Moz	0.33	0.12			0.06	0.15	0.00									
	Waste	Mt	49.6	14.8			18.4	16.4	0.0									
Niakafiri <sup>(1)</sup>	Ore Mined	Mt	9.0				1.5				4.0	3.5						
	Ore Grade	g/t	1.09				1.05				1.10	1.10						
	Contained Oz	Moz	0.31				0.05				0.14	0.12						
	Waste	Mt	26.6				6.2				12.5	7.9						
Maki Medina	Ore Mined	Mt	0.9			0.9												
	Ore Grade	g/t	1.17			1.17												
	Contained Oz	Moz	0.03			0.03												
	Waste	Mt	2.9			2.9												
Underground	Ore Mined	Mt	2.1						0.1	0.3	0.3	0.3	0.1	0.2	0.4	0.4	0.2	
	Ore Grade	g/t	5.01						5.00	4.95	4.63	4.33	4.39	5.55	5.36	5.52	4.76	
	Contained Oz	Moz	0.35						0.02	0.05	0.05	0.04	0.01	0.03	0.06	0.07	0.02	
Summary	Ore Mined	Mt	44.1	3.1	2.3	1.6	3.4	4.7	3.5	3.0	5.3	8.6	10.4	0.1	0.2	0.4	0.4	0.2
	Ore Grade	g/t	1.59	1.94	2.91	3.74	1.51	1.42	1.63	1.09	1.22	1.20	1.29	4.39	5.55	5.36	5.52	4.76
	Contained Oz	Moz	2.25	0.20	0.22	0.19	0.17	0.22	0.19	0.10	0.21	0.33	0.43	0.01	0.03	0.06	0.07	0.02
	Waste	Mt	270.68	36.3	36.4	38.2	35.9	35.4	35.8	27.2	21.5	24.2	16.1					
	Movement	Mt	314.74	39.5	38.7	39.8	39.3	40.1	39.4	30.2	26.8	32.8	26.5	0.1	0.2	0.4	0.4	0.2

	Unit	LOM	2016-2020 AVG	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Stockpile Ore Balance	Mt			13.7	11.1	10.1	10.4	9.4	7.9	8.7	12.9	18.9	14.5	10.2	6.2	2.1	
Stockpile Grade	g/t			0.82	0.84	0.76	0.73	0.70	0.68	0.67	0.66	0.68	0.66	0.66	0.66	0.66	
Contained Oz	Moz			0.36	0.30	0.25	0.24	0.21	0.17	0.19	0.27	0.41	0.31	0.22	0.13	0.04	
Ore Milled	Mt	59.3	4.3	3.9	4.2	4.5	4.5	4.5	4.5	4.4	4.5	4.4	4.4	4.4	4.4	4.4	2.3
Head Grade	g/t	1.38	1.66	1.93	1.85	1.56	1.54	1.46	0.99	1.35	1.73	2.06	0.82	0.85	1.06	1.09	0.94
Oxide	%	21%	27%	37%	25%	26%	31%	19%	28%	16%	29%	0%	17%	19%	18%	18%	18%
Produced Oz	Moz	2.376	0.207	0.215	0.229	0.202	0.200	0.190	0.128	0.173	0.225	0.263	0.104	0.109	0.135	0.139	0.063
<p><sup>1</sup> The schedule summarized Niakafiri from "Niakafiri Main" and "Niakafiri SE". The portion of Niakafiri SE to be mined lies outside of the Sabodala Village area and assumes relocation is not required.</p> <p>This estimated ore reserves underpinning the production targets (as defined in the ASX Listing Rules), set out in Table 2 above, have been prepared by Mr. Paul Chawrun, who is a Competent Person, in accordance with the requirements of the 2012 JORC Code.</p> <p>This production guidance is based on existing proven and probable ore reserves from the Sabodala mining license as at December 31, 2015</p> <p>Stockpile balances at January 1, 2016 included 15.3 Mt at 0.79 g/t for 0.39 million contained ounces</p>																	

**Table 4: Life of Mine Capital Expenditures**

Sustaining Capex	Unit	LOM	2016-2020 AVG	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Open Pit Mining	USDm	29.9	3.7	4.9	3.5	4.0	1.5	4.7	6.0	3.0	1.5	0.8	-	-	-	-	-
Underground Mining	USDm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing	USDm	18.9	2.1	2.4	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	0.5	0.5	0.5	-
Admin & Other Sustaining	USDm	8.8	1.3	2.8	1.0	1.0	1.0	0.5	0.5	0.5	0.3	0.3	0.3	0.3	0.3	0.3	-
Community Relations	USDm	25.0	0.2	1.0	-	-	-	-	2.0	15.0	7.0	-	-	-	-	-	-
<b>Total Sustaining Capex</b>	<b>USDm</b>	<b>82.5</b>	<b>7.2</b>	<b>11.0</b>	<b>6.5</b>	<b>7.0</b>	<b>4.5</b>	<b>7.2</b>	<b>10.5</b>	<b>20.5</b>	<b>9.8</b>	<b>2.1</b>	<b>1.3</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>-</b>
<b>Capital Projects &amp; Development</b>																	
OJVG & Gora Development	USDm	4.3	0.9	3.3	0.8	0.3	-	-	-	-	-	-	-	-	-	-	-
Underground Equipment & Development	USDm	102.1	4.9	-	-	-	-	24.4	23.4	8.9	2.4	0.8	8.5	18.2	10.4	4.1	0.9
Other Projects & Development	USDm	21.8	2.9	11.3	1.9	1.4	-	-	7.2	-	-	-	-	-	-	-	-
<b>Total Projects &amp; Development</b>	<b>USDm</b>	<b>128.2</b>	<b>8.7</b>	<b>14.6</b>	<b>2.7</b>	<b>1.7</b>	<b>-</b>	<b>24.4</b>	<b>30.6</b>	<b>8.9</b>	<b>2.4</b>	<b>0.8</b>	<b>8.5</b>	<b>18.2</b>	<b>10.4</b>	<b>4.1</b>	<b>0.9</b>
<b>Combined Total</b>	<b>USDm</b>	<b>210.8</b>	<b>15.9</b>	<b>25.7</b>	<b>9.2</b>	<b>8.7</b>	<b>4.5</b>	<b>31.6</b>	<b>41.1</b>	<b>29.4</b>	<b>12.2</b>	<b>2.9</b>	<b>9.8</b>	<b>18.9</b>	<b>11.1</b>	<b>4.9</b>	<b>0.9</b>

**Table 5: Life of Mine Operating Costs**

Activity	Unit	LOM	2016-2020 AVG	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Open Pit Mining	USD/t mined	2.25	2.25	2.24	2.27	2.25	2.20	2.29	2.19	2.31	2.17	2.36	-	-	-	-	-
Underground Mining	USD/t milled	72.23	-	-	-	-	-	-	76.30	74.94	73.32	77.25	79.72	76.46	66.49	64.35	78.11
Processing	USD/t milled	10.33	10.16	10.83	10.02	10.00	9.93	10.09	9.97	10.14	9.95	10.84	10.63	10.60	10.61	10.61	10.60
General & Admin.	USD/t milled	2.56	3.39	3.81	3.47	3.29	3.28	3.15	3.12	3.06	3.08	2.01	1.88	1.43	1.23	1.00	1.81



Activity	Unit	LOM	2016-2020 AVG	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Mining	USDM	702	88	86	91	89	87	89	66	61	71	62	-	-	-	-	-
Underground Mining	USDM	155	-	-	-	-	-	-	7	22	26	20	7	13	24	25	12
Processing	USDM	613	44	42	43	45	44	45	44	45	44	48	47	47	47	47	25
General & Admin	USDM	144	14	14	14	14	14	14	14	13	13	8	8	6	5	4	4
Refining & Freight	USDM	12	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0
Byproduct Credits	USDM	(4)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>Total Operating Costs</b>	<b>USDM</b>	<b>1,622</b>	<b>147</b>	<b>142</b>	<b>148</b>	<b>148</b>	<b>146</b>	<b>148</b>	<b>132</b>	<b>141</b>	<b>154</b>	<b>139</b>	<b>63</b>	<b>66</b>	<b>77</b>	<b>76</b>	<b>41</b>
Deferred Stripping Adjustment	USDM	(129)	(13)	(26)	(6)	-	-	(35)	(35)	(25)	(1)	-	-	-	-	-	-
Royalties <sup>(2)</sup>	USDM	145	13	13	16	12	12	11	8	10	14	16	6	7	8	8	4
Total Cash Costs <sup>(1)</sup>	USDM	1,639	146	130	158	161	159	124	104	127	167	154	69	73	85	85	45
Total Cash Costs <sup>(1)</sup>	USD/oz	690	706	602	691	798	792	655	810	730	741	587	660	668	629	607	711
Capex	USDM	211	16	26	9	9	5	32	41	29	12	3	10	19	11	5	1
Capitalized Deferred Stripping	USDM	129	13	26	6	-	-	35	35	25	1	-	-	-	-	-	-
Capitalized Reserve Development	USDM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Admin	USDM	130	14	16	14	14	14	12	10	10	10	6	6	6	5	4	4
All-In Sustaining Cash Costs <sup>(1)</sup>	USDM	2,108	189	196	187	183	177	203	190	191	190	163	85	98	101	94	50
All-In Sustaining Cash Costs <sup>(1)</sup>	USD/oz	887	914	912	819	908	882	1,072	1,483	1,103	843	621	812	897	748	671	788

<sup>(1)</sup> Total cash costs per ounce and all-in sustaining costs per ounce are non-IFRS financial measures and do not have a standard meaning under IFRS. Total cash costs per ounce and all-in sustaining costs per ounce are before stockpile inventory value adjustments and government waiver accruals. Please refer to non-IFRS Performance Measures at the end of this Report.

<sup>(2)</sup> Royalties include Government of Senegal royalties on total production and the NSR royalty due to Axmin on Gora production. This production guidance is based on existing proven and probable reserves only from both the Sabodala mining license as disclosed in the Reserves and Resources section of this Report.

Key assumptions: Gold spot price/ounce - US\$1,200, Light fuel oil - US\$0.72/litre, Heavy fuel oil - US\$0.43/litre, US/Euro exchange rate - \$1.10

### Sabodala Mine License Reserve Development

The Sabodala combined mine license covers 291km<sup>2</sup>. The objective of this multi-year development program is to add higher grade material earmarked for the mill and to add lower grade to potentially a heap leach pad.

All drill hole assay data for the Company's reserve development programs, including drill hole locations and location maps, are available on the Company's website at [www.terangagold.com](http://www.terangagold.com) under "Exploration".

#### Golouma NW Extension

Additional follow-up work on the "red" shear is being evaluated. Allowance has been made for possible infill drilling in 2016. Infill drilling in the northwest trending shear successfully confirmed geological and grade continuity. The resource model is planned to be updated later this year.

#### Maki Medina

During the fourth quarter, 200 metres of a 1,000-metre trenching program investigating a 300-metre long soil anomaly to the south of the main mineralized zone was completed. Initial sampling results indicate that the gold mineralization extends to the south. It is envisaged that a

diamond drilling program will be undertaken in the second quarter of 2016 to test the depth extension of this southern extension to the Maki Medina Main zone. An updated resource model was completed in the fourth quarter.

#### Maki Medina East Anomaly

During the fourth quarter, trenches totalling 2,500 metres were excavated on the prospect to follow up on drilling and trench results. The trenching program tested soil anomalies across a 640 metre north-south strike direction and successfully identified a number of drill targets. The updated results indicate mineralization is associated with narrow quartz veins and breccia zones. Seven diamond drill holes totalling 800 metres were drilled along 150 metres of the gold mineralized zone with all assay results returned. Review of the trenching and drill data for the Maki Medina East zone will continue with potential follow up work in the first quarter of 2016.

#### Niakafiri Southwest

During the third quarter, a 14-hole diamond drilling program was completed. A total of 1,000 metres was drilled with all assay results returned.

Drilling did not intersect additional mineralization along strike, but infilled gaps between wide spaced drill holes to confirm geology and grade continuity. An updated resource model was completed in the fourth quarter.

#### *Golouma South*

During the third quarter, a 14-hole 1,000 metre diamond drilling program was completed to confirm the geological interpretation, test the extent of artisanal voids, infill gaps and confirm grades in oxide. Results confirm the geological interpretation and location of mineralization, and an updated resource model was completed in the fourth quarter.

Rotary air blast condemnation drilling of ground proposed for mine infrastructure and future waste dump footprint has located several gold mineralized zones north of the deposit which may have economic potential. A trenching program to evaluate these zones commenced in the fourth quarter and will be followed by a limited diamond drilling program. Two diamond drill holes were drilled in the fourth quarter with significant intercepts being recorded. The trenching and drilling evaluation program is ongoing.

#### *Soukhoto*

Eight infill diamond drill holes were completed in the third quarter to better define geological interpretation and local structural trends that were previously interpreted from reverse circulation ("RC") drilling. Results returned from seven holes indicate mineralization is associated with quartz veining located in oxide, and possibly associated with different local structural trends, perhaps subsidiary structures related to the Niakafiri shear zone to the east.

Further drilling will be evaluated pending follow-up data interpretation.

#### *Goumbati West*

Four diamond drill holes totalling 400 metres were drilled over a 150 metre strike length of the shear structure during the fourth quarter. Assay results from two of the four holes yielded encouraging gold assay results. Further follow-up trenching and drilling will be undertaken in the first quarter of 2016.

#### *Goumbati East*

Four diamond drill holes totalling 400 metres were drilled to test the shear zones. Multiple shear zones, some 20 metres in width, with quartz-carbonate veining and sulphides were intersected in the holes. Favourable assay results were received during the quarter. Further trenching and diamond drilling is planned for the first quarter 2016.

#### *Kouroundi*

A 6 hole 800 metre drilling program began in the fourth quarter. Two of the six holes drilled yielded favourable assay results. Further drilling and the re-interpretation of historical data is planned for the first quarter of 2016 to confirm the presence of strike extensions to the NW of the main ore body.

## **Regional Exploration**

We currently have eight exploration permits encompassing approximately 1,000km<sup>2</sup> of land surrounding the Sabodala mine license.

During the fourth quarter, a settlement agreement was reached with a joint venture partner where by Teranga would receive cash consideration of \$0.5 million for the relinquishment of its interest in the Garaboueya exploration permit.

For the fourth quarter 2015, we have been focused on six regional targets including Soreto, KD, KC, Nienienko Area targets, Marougou and the KA prospect.

All drill hole assay data for the Company's regional exploration programs, including drill hole locations and location maps, are available on the Company's website at [www.terangagold.com](http://www.terangagold.com) under "Exploration".

#### *Soreto*

During 2015 trenching programs were undertaken along strike of the gold mineralization defined by the diamond drill programs and soil anomalies. To date a total of 1,800 metres of trenching has been completed. Initial trenching results have defined gold mineralized zones including 9 metres grading 2.16 grams per tonne gold and 4 metres grading 4.24 grams per tonne gold. Further drilling on the prospect will be determined by the trench sampling results.

#### *KD Prospect*

A reconnaissance trenching across a 600 metre long gold soil anomaly paralleling a regional NNE trending regional scale structure located a gold mineralized zone with grades of 7.3 grams per tonne gold over 2 metres and 15.8 grams per tonne over 2 metres. Follow up trenching of this zone is planned for the first quarter of 2016.

#### *Nienienko Prospects*

An isopach plan of the mineralized quartz vein and felsic breccia systems is in progress, and will be used to develop a plan for diamond drilling and a possible RC drill program. Due to the limitation of surface trenching and mapping used to develop the flat lying mineralized zone at surface, additional trenching and mapping is being undertaken in prospective zones near to the area to expand on the currently defined zone and to further develop an understanding of the source of mineralization zones for potential drill targets at depth. A diamond drill program will be considered once this work has been completed and is likely to be scheduled for early 2016.

#### *KA Prospect*

Trenching undertaken in the fourth quarter 2015 has identified a flat lying gold mineralized zone at the contact between a quartz-feldspar porphyry intrusive and siltstone-shale unit. The contact zone is often found to be brecciated with multiple variably orientated, quartz vein stringers and sulphide box works. Horizontal channel sampling across the zone yielded 0.8 grams per tonne over 28 metres containing a high of 9 metres grading 1.4 grams per tonne. Vertical channel sampling across the same zone yielded a high of 6.1 grams per tonne over 0.5 metres.

A 9-hole diamond drill program of approximately 500 metres commenced in the fourth quarter 2015 with four holes completed. The program will initially determine the thickness of the flat lying gold mineralized zone and test its continuity over a 100 metre strike length. Assay results received are confirming the presence of gold mineralization along strike. The remaining holes will be drilled in the first quarter of 2016.

#### *Marougou Prospect*

The Marougou prospect soil anomaly previously investigated by a series of RAB and RC drilling is currently being reassessed by means of a limited diamond drill program which will provide structural information on the orientation of the mineralized zones which is open to interpretation. Nine drill holes totaling 1,000 metres were planned of which 3 were sited to twin 3 RC holes previously drilled in 2013. The three twin holes were drilled during the fourth quarter 2015 and assay results were received for two of the three holes. The remaining holes will be drilled in the first quarter of 2016.

#### **Niakafiri Resettlement**

In August 2015, Teranga and the Government of Senegal launched resettlement discussions related to the nearby village of Sabodala, adjacent to the Niakafiri deposit. Teranga has retained global resettlement consultants rePlan Inc. to ensure the resettlement process will follow the highest international standards, as well as all Senegalese laws and regulations. The company expects formal negotiations with community and regional stakeholders to commence in due course following which a drill program is planned. The objective of the drill program is to convert some of the existing resources (438,000 ounces included within Measured and Indicated resources, and 102,000 ounces in Inferred resources) into reserves.

#### **Health and Safety**

Health and safety remains a constant and overriding priority at Sabodala. It comes first in all regards and everyone is continuously reminded to consider safety first. Each daily meeting begins with a safety report and every site report whether it is daily, weekly, monthly or annually begins with safety. The Operational Health and Safety (OHS) program matured in 2014, the focus remains on proactive, people-based safety management which uses a documented systematic approach. In 2015, Management focused efforts on improving loss prevention and controls and integrating these into the daily life of all who conduct their task at the operations. Intensified internal auditing with regards to safety management systems, the focus in 2016 will be on pro-active reporting through a documented Task Observation Process as well as ensuring departmental self-inspections on site and applying a broader scope to risk management through Enterprise risk evaluation and management.

Creating and sustaining a healthy and safe work environment for all stakeholders is never compromised. The Company incurred zero lost time injuries ("LTI") in 2014 and 2015 and that trend as continued into 2016 as of the date of this report. As of year-end, the Company achieved 810 consecutive days without an LTI.

#### **Corporate Social Responsibility**

A key component of the Company's vision is to set the benchmark for responsible gold mining in Senegal. As the first gold mine in Senegal, Teranga has a unique opportunity to set the industry standard for socially responsible mining in the country and to maximize the economic and social development outcomes for the communities around its mine and across the country.

In 2015, Teranga Gold continued to implement its regional Teranga Development Strategy, working closely with the participants in the Canadian Cooperation roundtable on the development of the Kedougou Region (and the participants' individual social development plans). These development plans have been established in close collaboration with the Government of Senegal in support of its goal to decentralize regional development activities. Teranga provided additional regional support in 2015 through the launch of two major partnerships: 1) Paul-Gerin Lajoie Foundation tasked to train 50 youths in the Kedougou and Tambacounda regions in various technical and professional fields, and 2) the progression of the test phase for the revival of the cotton textile industry in Senegal, from the growing of cotton to sewing and sale of finished product. This is a large scale venture involving 500 cotton producers and the largest in-country textile producers, as well as senior government departments such as the Senegal Emerging Plan launched by the President to boost the development of the country. Following the completion of the test phase in 2016, a detailed business plan will be launched by the local participants for full scale implementation. The successful revival of the cotton textile industry in-country has the potential to create sustainable jobs and income sources as well as re-attracting farmers to agriculture, taking them away from artisanal mining.

In 2015, Teranga continued its commitment towards annual community investments targeting agriculture and food security, youth and training and sustainable economic growth through many different programs including the seven market gardens, pilot farms, water supply with the installation of a third solar system in Faloumbo, donation of school material for the villages of the Khossanto and Sabodala communes and the malaria spray program. New projects included the provision of fully equipped tractors to the communes surrounding the mine site as well as the donation of 12 lawn-tractors to the surrounding mine villages. In 2015, Teranga also launched a high-school bursary for the 30 best students in the villages around the mine to promote education, literacy and girls education.

In 2015 Teranga launched the pilot phase of a comprehensive Kedougou regional procurement program, working closely with the company's procurement department to identify additional opportunities for local procurement. In 2016 this program will focus on procurement specific training, capacity building, and the conclusion of several fixed contracts with Teranga, all aimed at providing long-term support and stability to local SMEs in allowing them to establish sustainable regional businesses.

Teranga's CSR performance is fully reported in its 2014 annual Responsibility Report which is prepared in accordance with the Global Reporting Initiative ("GRI") G4

Guidelines, and is accessible on the Company's website at [www.terangagold.com](http://www.terangagold.com). Teranga's commitment to responsible mining defines the Company and drives its way of doing business.

**Market Review – Impact of Key Economic Trends**

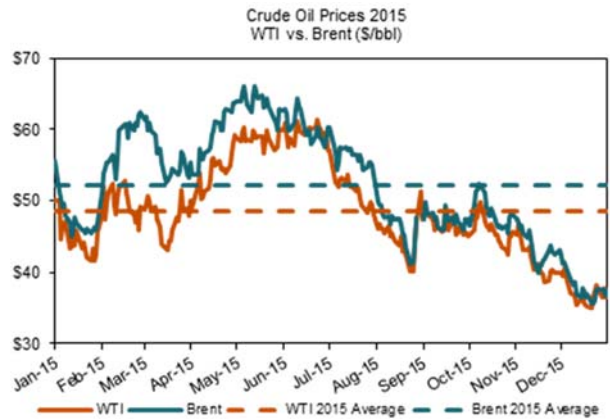


Source: Thomson Reuters

The price of gold is the largest factor in determining our profitability and cash flow from operations. During 2015, the average London PM Fix price of gold was \$1,160 per ounce, with gold trading between a range of \$1,049 and \$1,296 per ounce. This compares to an average of \$1,266 per ounce during 2014, with a low of \$1,142 per ounce and a high of \$1,385 per ounce.

The price of gold is subject to volatile price movements over short periods of time and is affected by numerous industry and macro-economic factors that are beyond our control including, but not limited to, currency exchange rate fluctuations and the relative strength of the U.S. dollar, the supply of and demand for gold and macroeconomic factors such as the level of interest rates and inflation expectations. The 2015 year marked another turbulent year which saw gold prices fall significantly. In early June, the Chinese stock market bubble burst, nearly one third of the value of A-shares on the Shanghai Stock Exchange was lost within a month. With the fragility of the Chinese economy, the demand for gold is expected to increase in China. For the first time since 2006, the US Federal Reserve raised interest rates by 25 basis points in December 2015. The overall impact of this announcement on gold prices is as yet uncertain, as the US economy is still in recovery. Finally global gold mine production is expected to decline slightly in 2016 from the record levels recorded in 2015, as contribution from projects that had been commissioned in previous years fades, while fresh capital investment will remain limited at current price levels.

While the gold market is affected by fundamental global economic changes, we are also aware that the market is strongly impacted by expectations, both positive and negative. We appreciate that institutional commentary can affect such expectations. As such, the priority of Teranga is to execute on our strategy with effective management of the Sabodala operations and exploration programs.



Source: Thomson Reuters

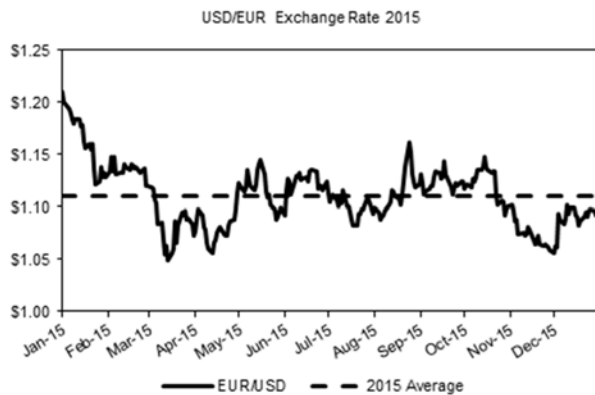
Fuel costs for power generation and operation of the mobile fleet are the single largest cost to the Sabodala mine. Fuel purchased to operate the power plant and mobile equipment fleet totalled approximately \$33.2 million in 2015 or approximately 23 percent of gross mine production costs.

The Sabodala operation is located in remote southeastern Senegal and it is necessary to generate our own power. Six, 6-megawatt Wartsila (diesel generator engines) provide power for the operations. In 2015, the operations consumed approximately 27 million litres of HFO. This equates to approximately \$0.19/kwhr, which is less than the cost of grid electricity in industrialized Senegal. Sabodala's mobile fleet runs on LFO and we consumed approximately 17 million litres of LFO in 2015. We source our HFO and LFO from an international fuel supplier with a local distribution network in Senegal. For 2016, HFO and LFO consumption are expected to be higher than 2015, with planned increases in mining and milling rates.

Our main benchmark for fuel prices is Brent crude oil, which dropped by 32 percent in 2015. Oversupply in the oil market has had a negative effect on oil prices throughout the year and OPEC looks set to maintain a Saudi endorsed policy of sustained production in 2016. As well, the issue of oversupply may be further compounded as Iran and Iraq both aim to ramp up production in 2016, with other major producers such as Russia intensifying the competition. The government in Senegal sets prices for various types of fuels consumed in the country, and they review these prices every 4 weeks. Price stabilization levies are applied in times of low market prices. In December 2015, we successfully negotiated the removal of these levies, which were inflating our cost of fuel in Senegal relative to market oil prices by 20 to 30 percent. Further, in January 2016, the Government of Senegal reduced the regulated price for both HFO and LFO by an additional 12 to 17 percent. As a result, lower market crude oil prices are expected to translate into lower HFO and LFO prices for the Company in 2016.

The Company had previously hedged a portion of its exposure to fuel costs using crude oil forward contracts, and currently doesn't have any oil hedges in place. Management may enter into further oil hedge contracts should the price and terms be deemed acceptable.





Source: Thomason Reuters

A significant portion of operating costs and capital expenditures of Sabodala gold mine operations are denominated in currencies other than US dollars. Historical accounts payables records demonstrate that the Company has between 40 and 50 percent Euro currency exposure via the West African CFA Franc, which is pegged directly to the Euro currency.

Overall, the Euro declined 10 percent against the US Dollar in 2015. Exchange rates were quite volatile throughout the year and the European economy remained weak relative to the US economy. The different tendencies in interest rate policies contributed to the depreciation of the Euro in 2015, and this trend may continue into 2016. Generally, as the US dollar strengthens, the Euro currency and other currencies weaken, and vice versa. A decline in the Euro has a positive impact on our US dollar reported site costs, holding other variables constant.

All of the Company's production comes from its operation in Senegal, therefore costs will continue to be exposed to foreign exchange rate movements. The Company monitors currency exposure on an ongoing basis. In November, 2015 currency hedges were put in place to manage the Company's exposure to increases in costs due to fluctuations in the Euro-USD exchange rate. These hedges will provide some protection against a strengthening Euro and stabilize cash costs. A total of 2.25 million Euro were hedged from December 2015 through February 2016 at a fixed exchange rate of 1.0656 Euro to the US Dollar which is more favourable than market rates in December and early 2016.

## FINANCIAL CONDITION REVIEW

### SUMMARY BALANCE SHEET

(US\$000's)	Year ended December 31	
	2015	2014
<b>Balance Sheet</b>		
Cash and cash equivalents	44,436	35,810
Trade and other receivables	15,701	1,562
Inventories	164,427	157,696
Goodwill	-	41,776
Deferred tax assets	23,098	11,879
Other assets	448,554	476,064
<b>Total assets</b>	<b>696,216</b>	<b>724,787</b>
Trade and other payables	62,545	53,909
Borrowings	13,450	3,946
Provisions	30,824	18,640
Deferred revenue	91,345	113,998
Other liabilities	19,783	18,399
<b>Total liabilities</b>	<b>217,947</b>	<b>208,892</b>
<b>Total equity</b>	<b>478,269</b>	<b>515,895</b>

### Balance Sheet Review

#### Cash

The Company's cash balance at December 31, 2015 was \$44.4 million, \$8.6 million higher than the balance at the start of the year, primarily due to cash flow provided by operations of \$30.4 million and financing activities of \$25.9 million partly offset by capital expenditures of \$47.7 million. As at December 31, 2015, \$15.0 million was drawn from the \$30 million Revolver Credit Facility. Including the VAT receivable from the Republic of Senegal, the Company's pro forma cash balance at December 31, 2015 was \$57.6 million.

#### Trade and Other Receivables

The trade and other receivables balance of \$15.7 million includes \$13.2 million in VAT recoverable. In February 2016, the Company received an exemption for the payment and collection of refundable VAT. This exemption is governed by an amendment to our mining convention and is enforceable for the next 6 years, expiring on May 2, 2022. The December 31, 2015 balance of \$13.2 million is expected to be refunded over the balance of 2016.

#### Goodwill

As a result of analysis performed on the asset carrying values for the year ended December 31, 2015 it was determined that an impairment charge be recorded in the current year which fully impaired the \$41.8 million recorded value of goodwill.

#### Deferred Taxes

The deferred tax asset of \$23.1 million on the balance sheet as at December 31, 2015 includes \$11.2 million of deferred tax recovery recorded in the current year. The increase in deferred tax assets is primarily due to the recognition of \$48.2 million in impairment losses against the mine development expenditures and property plant and equipment resulting in an additional deferred tax asset of \$12.1 million.

### Borrowings

During the third quarter 2015, the Company drew down \$15.0 million on the Revolver Facility to be used for general corporate purposes and working capital needs. Closing costs of \$2.0 million including legal, security registration and advisory fees were capitalized of which \$0.4 million of these costs were amortized and \$0.6 million of interest and fees expensed for the year.

The outstanding balance under the equipment facility with Macquarie Bank was retired in the first quarter 2015.

### Provisions

In the fourth quarter 2015, an updated end of mine rehabilitation study was performed by a third party which resulted in revised estimates of expected future cash flows. As a result, the Company recorded an increase in the rehabilitation asset estimate of \$10.1 million as at December

31, 2015 increasing assets with corresponding increase in the ARO.

### Deferred Revenue

In connection with the gold stream transaction with Franco-Nevada, the Company received \$135.0 million on January 15, 2014, which was recorded as deferred revenue. The Company is required to deliver to Franco-Nevada 22,500 ounces annually from 2014 to 2019 followed by 6 percent of production from our existing properties.

During the twelve months ended December 31, 2015, the Company delivered 24,375 ounces of gold to Franco-Nevada and recorded revenue of \$28.3 million, consisting of \$5.3 million received in cash proceeds, \$0.4 million in accounts receivable and \$22.6 million recorded as a reduction of deferred revenue.

## Liquidity and Cash Flow

### CASH FLOW

(US\$000's)	Three months ended December 31,		Twelve months ended December 31,	
	2015	2014	2015	2014
<b>Cash Flow</b>				
Operating	9,755	30,677	30,434	49,009
Investing	(12,307)	10,895	(47,682)	(111,413)
Financing	17,109	(18,787)	25,873	83,252
Effect on exchange rates on holdings in foreign currencies	-	-	1	1
Change in cash and cash equivalents during the period	14,557	22,785	8,626	20,849
<b>Cash and cash equivalents - beginning of period</b>	<b>29,879</b>	<b>13,025</b>	<b>35,810</b>	<b>14,961</b>
<b>Cash and cash equivalents - end of period</b>	<b>44,436</b>	<b>35,810</b>	<b>44,436</b>	<b>35,810</b>
Free cash flow <sup>1</sup>	(2,552)	26,572	(17,248)	39,096
Free cash flow per ounce sold <sup>1</sup>	(48)	417	(89)	189

<sup>1</sup> Free cash flow and free cash flow per ounce are defined as operating cash flow (excluding one-time transaction costs related to the acquisition of the OJVG) less capital expenditures.

### Operating Cash Flow

(US\$000's)	Three months ended December 31,		Twelve months ended December 31,	
	2015	2014	2015	2014
<b>Changes in working capital other than inventory</b>				
(Increase)/decrease in trade and other receivables	(5,678)	703	(13,766)	6,915
(Increase)/decrease in other assets	(512)	(864)	1,251	(293)
Increase/(decrease) in trade and other payables	6,887	3,713	(5,466)	(9,584)
Increase/(decrease) in provisions	1	581	(294)	1,225
Increase in current income taxes payable	6,167	-	8,717	-
<b>Net change in working capital other than inventory</b>	<b>6,865</b>	<b>4,133</b>	<b>(9,558)</b>	<b>(1,737)</b>

Cash provided by operations for the fourth quarter 2015 was \$9.8 million, compared to \$30.7 million in the prior year period. The decrease in operating cash flow was primarily due lower gold sales and an increase in VAT recoverable balances, partly offset by lower mine production costs.

For the twelve months ended December 31, 2015, operating cash provided \$30.4 million compared to \$49.0 million in the prior year. The decrease in operating cash flow was primarily due lower gold sales and an increase in VAT recoverable balances of \$13.2 million, partly offset by lower mine production costs and gains from gold hedge contracts.

### Investing Cash Flow

(US\$000's, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
Investing activities	2015	2014	2015	2014
Mine site capex - sustaining	1,074	933	4,361	4,991
Mine site capex - project	5,384	-	8,831	391
Development capital (Gora)	2,282	410	15,119	3,535
Capitalized reserve development (mine site exploration)	852	1,496	4,824	4,021
Capitalized deferred stripping	2,715	1,266	14,547	5,976
<b>Capital Expenditures</b>	<b>12,307</b>	<b>4,105</b>	<b>47,682</b>	<b>18,913</b>
Acquisition of the OJVG	-	-	-	112,500
Decrease in restricted cash	-	(15,000)	-	(20,000)
<b>Investing activities</b>	<b>12,307</b>	<b>(10,895)</b>	<b>47,682</b>	<b>111,413</b>

Net cash used in investing activities for the fourth quarter was \$12.3 million compared to net cash provided by investing activities of \$10.9 million in the prior year period. The increase in investing cash flows was primarily due to higher capitalized project costs related to the mill optimization as well as higher capitalized deferred stripping costs. In the prior year period, capital expenditures were offset by a \$15.0 million decrease in the restricted cash balance.

Net cash used in investing activities for the year ended December 31, 2015 was \$47.7 million compared with \$111.4 million in the prior year. The increase in cash flows related to capital expenditures in the current year was due to higher project and development capital and capitalized deferred stripping. In the prior year period, cash flow used in investing activities included \$112.5 million to acquire the OJVG, partially offset by a \$20.0 million decrease in the restricted cash balance.

### Financing Cash Flow

Net cash flow provided by financing activities for the fourth quarter was \$17.1 million, compared to net cash used in financing activities of \$18.8 million in the prior year period. Financing cash flows in the current quarter include proceeds from an equity issuance of \$17.3 million, partly offset by interest and finance costs paid on borrowings. Financing cash flows in the prior year quarter include the repayment of borrowings of \$18.2 million.

Net cash flow provided by financing activities for the year ended December 31, 2015 was \$25.9 million compared to \$83.3 million in the prior year period. Financing cash flows in 2015 include proceeds from an equity issuance of \$17.3 million, drawdown of \$15.0 million from the revolving credit facility partly offset by closing costs incurred to secure the facility, and repayment of borrowings. Financing cash flows in 2014 include proceeds of \$135.0 million received from the Franco-Nevada gold stream transaction and net proceeds of \$25.4 million from an equity offering, partially offset by the repayment of borrowings of \$72.8 million and interest and financing costs paid on borrowings of \$4.3 million.

### Liquidity and Capital Resources Outlook

During the fourth quarter, the Company completed a non-brokered CDN\$22,736,000 (US\$17,454,000) private placement with Mr. David Mimran, the CEO of Grands Moulins d'Abidjan and Grands Moulins de Dakar, one of the largest producers of flour and agri-food in West Africa. Pursuant to the terms of the Offering, Tablo Corporation, a Mimran family company, has been issued 39,200,000 common shares of Teranga at a price of CDN\$0.58 per Common Share.

The Mimran family has a longstanding history of operating successfully and responsibly in Africa. It is anticipated that David Mimran's participation as a cornerstone investor and Teranga board member will enhance Teranga's strategic and operating knowledge in Senegal and West Africa, and further strengthen its balance sheet to accelerate its longer-term growth strategy beyond the current life-of-mine plan.

During the third quarter, the Company closed a previously announced \$30.0 million Revolver Facility with Société Générale and will be used for general corporate purposes and working capital needs. The Revolver Facility carries an interest rate of LIBOR plus 5.0 percent and matures on June 30, 2017, with any unused facility subject to a commitment fee of 1.75 percent. In August, the Company drew down \$15.0 million from the Revolver Facility for working capital needs. The Revolver Facility is subject to covenants that require the Company to maintain a current ratio of not less than 1.10:1; total debt to EBITDA of not greater than 2:1; historic debt coverage ratio of greater than 2.5:1 and a tangible net worth of not less than \$300 million. The Company was compliant with all covenants for the year.

Our primary sources of liquidity are the Company's cash position at December 31, 2015, which was \$44.4 million, cash flow from operations and the Revolver Facility. Including the VAT recoverable, on a pro forma basis, the Company's cash balance at December 31, 2015 would be approximately \$57.6 million.

The key factors impacting our financial position and the Company's liquidity include the following:

- The Company's ability to generate free cash flow from operating activities (please refer to the 2016 Outlook on page 5);

- Expected capital expenditure requirements (please refer to the 2016 Outlook on page 5); and
- The gold price.

Notwithstanding, our cash position is highly dependent on the key factors noted above, and while we expect we will generate sufficient cash flow from operations combined with our new Revolver Facility to fund our current growth initiatives, we may explore other value preservation alternatives that provide additional financial flexibility to ensure that we maintain sufficient liquidity. Such alternatives may include hedging strategies for gold, fuel and currencies. Using a \$1,100 per ounce gold price, the Company expects to generate free cash flow in 2016.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

#### FINANCIAL INSTRUMENTS

The Company manages our exposure to financial risks, including liquidity risk, credit risk, currency risk, market risk, interest rate risk and price risk through a risk mitigation strategy. The Company generally does not acquire or issue derivative financial instruments for trading or speculation.

#### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31, 2015, the Company had the following payments due on contractual obligations and commitments:

Payments Due By Period (US\$ millions)	Total	< 1 year	1-3 years	4-5 years	>5 years
Revolving Line of Credit <sup>1</sup>	15.0	-	15.0	-	-
Franco-Nevada gold stream <sup>2</sup>	114.0	19.1	64.8	30.1	-
Exploration commitments <sup>3</sup>	12.4	7.7	4.7	-	-
Purchase obligations from supplies and consumables <sup>4</sup>	2.2	2.2	-	-	-
Capital Commitments <sup>5</sup>	10.7	10.7	-	-	-
<b>Total</b>	<b>154.3</b>	<b>39.7</b>	<b>84.5</b>	<b>30.1</b>	<b>-</b>

<sup>1</sup> In July 2015, the Company secured a \$30.0 million Revolver Facility of which it drew \$15 million.

<sup>2</sup> On January 15, 2014, the Company completed a gold stream transaction with Franco-Nevada. The Company is required to deliver 22,500 ounces annually over the first six years followed by 6 percent of production from the Company's existing properties, including those of the OJVG, thereafter, in exchange for a deposit of \$135.0 million. The commitment estimate assumes a gold price of \$1,200 per ounce.

<sup>3</sup> Reflects the exploration permits, licenses and drilling contracts committed to by the Company. The "exploration commitments" only represent the amounts the Company is required to spend to remain eligible for the renewal of permits beyond the current validity period. The Company may elect to allow certain permits to expire and are not required to spend the "committed" amount per respective permit. The Company will not incur any penalties for not meeting the financial requirement for additional validity period tenure.

<sup>4</sup> Purchase Obligations for Supplies and Consumables - Includes commitments related to new purchase obligations primarily to secure a supply of reagents, liners, and grinding balls used in our production process

<sup>5</sup> Capital Commitments - Purchase obligations for capital expenditures include only those items where binding commitments have been entered into.

#### Sabodala Gold Operations ("SGO"), Sabodala Mining Company ("SMC") and the OJVG ("OJVG") Operating Commitments

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

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

On October 13, 2015, after an increase in the gold spot price, the company entered into gold forward contracts with Société Générale to deliver 13,000 ounces through the remainder of fourth quarter 2015 at a price of \$1,154 per ounce. These contracts were financially settled during the quarter and gains on these contracts were recorded in Other Income on the consolidated statement of income. As at December 31, 2015, there were no gold forward contracts outstanding.

On November 26, 2015, currency hedges were put in place to help manage the Company's exposure to increases in costs due to fluctuations in the Euro-USD exchange rate. These hedges will provide some protection against a strengthening Euro and stabilize cash costs. A total of 1.5 million Euro are under open contracts through February 2016 at a fixed exchange rate of 1.0656 Euro to the US Dollar which resulted in unrealized hedge gains of \$40 thousand recorded during the three months ended December 31, 2015.

In February 2016, after an increase in the gold spot price, the Company entered into gold forward contracts with Société Générale to deliver 27,000 ounces with settlement dates from March to August 2016 at an average price of \$1,201 per ounce.

Pursuant to the completion of the acquisition of the OJVG, the Company is required to make initial payments totaling \$10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the exploration licenses converted to mine licenses when the ore is processed through the Sabodala mill. The initial payment is to be used to finance social projects in the mine site region, which are determined by the Republic of Senegal and will be paid either directly to suppliers for the completion of specific projects or to specified ministries of



the Republic of Senegal. An additional payment will become payable when the actual cumulative production from the OJVG, net of mining royalties, multiplied by the Company's weighted average gold prices, multiplied by 1 percent, exceeds the initial payments.

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

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

## CONTINGENT LIABILITIES

### Government of Senegal payments

(US\$000's)	Cash payments made		Contingent liabilities	Accrued liabilities
	Three months ended December 31, 2015	Twelve months ended December 31, 2015	As at December 31, 2015	As at December 31, 2015
Royalty payments	-	11,012	-	11,054
Reserve payment	-	-	-	1,850
Social development fund payment	-	-	-	15,000
Accrued dividend payment	-	-	2,700	7,793
Gora project advanced royalty payment	-	4,200	-	-
OJVG Advanced royalty payment	2,064	4,954	-	3,489
	2,064	20,166	2,700	39,186

#### Royalty payments

Government royalties are accrued based on the mine head value of the gold and related substances produced at a rate of 5 percent of sales payable on an annual basis. Beginning in 2015, we had anticipated transitioning to quarterly payments of royalties, however with the weaker gold price, that transition has been deferred. For the twelve months ended December 31, 2015, a payment of \$11.0 million for 2014 royalties was paid to the Republic of Senegal.

#### Reserve payment

A reserve payment is payable to the Republic of Senegal, calculated on the basis of \$6.50 for each ounce of new reserves until December 31, 2012 and 1 percent of the trailing twelve-month gold price for each ounce of new reserve beyond December 31, 2012 on the Sabodala mine license.

#### Social development fund payment

In addition to its CSR spending, we have agreed to establish a social development fund which involves making a payment of \$15.0 million to the Republic of Senegal at the end of the mine operational life. As at December 31, we have recorded \$7.6 million which is the discounted value of the \$15.0 million future payment.

#### Accrued dividends

In connection with the Global Agreement signed with the Republic of Senegal in 2013, we have agreed to advance

\$250 thousand is payable annually for a forestry protocol to the Ministry of Environment for the period of 5 years.

\$925 thousand is payable annually for additional reserves until 2016 (\$3.7 million in total for the period from 2013 to 2016).

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

\$200 thousand is payable annually to a maximum of \$1.0 million over 5 years for community projects located around the Gora deposit.

approximately \$13.2 million of accrued dividends in respect of its 10 percent minority interest between 2013 and 2015. In 2013, we made a payment of \$2.7 million with a further payment of \$2.7 million required once drilling activities recommence at Niakafiri. As at December 31, \$7.8 million has been accrued but payment has been deferred due to the weak gold prices.

#### Gora and OJVG advanced royalty payments

During the first quarter of 2015, the Company received the environmental and construction approvals to develop Gora. A payment of \$4.2 million was made in the second quarter of 2015 related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the Gora project.

Pursuant to the completion of the acquisition of the OJVG, the Company is required to make initial payments totaling \$10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the OJVG. The initial payment is to be used to finance social projects in the mine site region, which are determined by the Republic of Senegal and will be paid either directly to suppliers for the completion of specific projects or to specified ministries of the Republic of Senegal. During the twelve months ended December 31 2015, \$5.0 million was paid and the remaining \$3.5 million has been accrued and is expected to be paid during 2016. An additional payment will become payable when the actual cumulative production from the OJVG, net of mining royalties, multiplied by our

weighted average realized gold prices, multiplied by 1 percent, exceeds the initial payments.

#### Outstanding tax assessments

Management anticipates both the 2011 tax assessment of \$6 million and the January 2015 tax assessment of \$3 million to be settled in the near term with no liabilities owing by SGO.

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Certain accounting estimates have been identified as being "critical" to the presentation of our financial condition and results of operations because they require us to make subjective and/or complex judgments about matters that are inherently uncertain; or there is a reasonable likelihood that materially different amounts could be reported under different conditions or using different assumptions and estimates. The following is a summary of significant updates to these estimates.

#### Ore reserves

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

#### Functional currency

The functional currency of each of Company's entities is determined based on using the currency of the primary economic environment in which that entity operates. The functional currency of all of the entities within the group is the United States dollar, which was determined based on the currency that mainly influences sales prices for goods and services, labour, material and other costs and the currency in which funds from financing activities are generated. Units of production ("UOP")

Management makes estimates of recovered ounces of gold in determining the depreciation and amortization of mine assets, including mine development expenditures, buildings and property improvements and certain plant and equipment. This results in a depreciation/amortization charge proportional to the recovery of the anticipated ounces of gold. The life of the asset is assessed annually and considers its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates and assumptions, including the

amount of recoverable ounces of gold. The Company's UOP calculations are based on contained ounces of gold milled.

#### Mine restoration and rehabilitation provision

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

#### Impairment of goodwill and non-current assets

In accordance with our accounting policies and processes, goodwill and non-current assets are evaluated annually in November to determine whether there are any indications of impairment. As a result of the analysis performed on the asset carrying values for the year ended December 31, 2015 impairment losses of \$77.9 million (net of tax effects) were recognized in the Consolidated Financial Statements of Comprehensive Income. The key trigger for the impairment test was primarily the effect of changes in the future estimate of gold prices.

The following impairment losses were recognized:

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

The impairment charge was used first to reduce the carrying value of the goodwill which arose during the purchase of the OJVG and then pro-rata against the remaining assets of the cash generating Unit ("CGU") based on carrying values of property, plant and equipment and mine development expenditures, provided that the impairment did not reduce the carrying amount of any asset below its fair value less cost to sell ("FVLCD").

#### Key Assumptions

This assessment requires the use of estimates and assumptions such as long-term commodity prices, discount rates, exchange rates, future capital requirements, exploration potential and operating performance.

The determination of FVLCD is most sensitive to the following key assumptions:

- Commodity prices
- Discount rates
- Exchange rates

**Commodity prices:** Forecast commodity prices are based on management's estimates and long-term views of global supply and demand, building on past experience of the industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and type of commodities, or, where appropriate, contracted prices were applied. These prices are reviewed at least annually. Estimated long-term gold prices that have been used to estimate future revenues for both the current year and the prior year, are as follows:

Assumption	2015	2016	2017	2018+
Gold price (\$) per ounce) - 2015	\$1,100	\$1,100	\$1,150	\$1,200
Gold price (\$) per ounce) – 2014	\$1,200	\$1,300	\$1,300	\$1,300

**Discount rates:** In calculating the FVLCD, a real pre-tax discount rate of 10.5 percent was applied to the pre-tax cash flows expressed in real terms (7.5 percent post-tax). This discount rate is derived from the Company's post-tax weighted average cost of capital ("WACC"), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on its interest-bearing borrowings the Company is obliged to service.

**Exchange rates:** Foreign exchange rates are estimated with reference to external market forecasts and updated at least annually. Estimated Euro:USD exchange rates that have been used to estimate future costs for both the current year and the prior year, are as follows.

Assumption	2015	2016	2017	2018	2019+
Euro:USD exchange rate - 2015	1.08:1	1.08:1	1.10:1	1.15:1	1.20:1
Euro:USD exchange rate – 2014	1.20:1	1.20:1	1.20:1	1.20:1	1.20:1

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate to determine the net present value. Management has assessed its cash generating unit as being all sources of mill feed through a central mill, which is the lowest level for which cash flows are largely independent of other assets.

Any variation in the key assumptions above would either result in further impairment or lead to a reversal of impairment.

#### Production start date

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

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

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

#### Stripping costs in the production phase of a surface mine

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

#### Taxes

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

#### Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within our control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims, that may result in such proceedings or regulatory or government actions that may negatively impact our business or operations, the Company with assistance from its legal counsel evaluates the perceived merits of any legal

proceedings or unasserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or assessing the impact on the carrying value of assets. Contingent assets are not recognized in the consolidated financial statements.

### NON-IFRS FINANCIAL MEASURES

The Company provides some non-IFRS measures as supplementary information that management believes may be useful to investors to explain the Company's financial results.

"Net profit (loss) before the effects of the impairment charge" is a non-IFRS measure which excludes the impairment charge on long-lived assets and recorded goodwill. The Company excludes this item from net profit to provide a measure which allows the Company and investors to evaluate the operating results of the Company and its ability to generate operating cash flows to fund working capital requirements and future capital expenditures. The impairment charge, net of tax effects and adjusting for non-controlling interest, is added back to net profit (loss) attributable to shareholders.

Beginning in the second quarter of 2013, we adopted an "all-in sustaining costs" measure and an "all-in costs" measure consistent with the guidance issued by the World Gold Council ("WGC") on June 27, 2013. The Company believes that the use of all-in sustaining costs and all-in costs will be helpful to analysts, investors and other stakeholders of the Company in assessing its operating performance, its ability to generate free cash flow from current operations and its overall value. These new measures will also be helpful to governments and local communities in understanding the economics of gold mining. The "all-in sustaining costs" is an extension of existing "cash cost" metrics and incorporate costs related to sustaining production. The "all-in costs" includes additional costs which reflect the varying costs of producing gold over the life-cycle of a mine.

"Total cash cost per ounce sold" is a common financial performance measure in the gold mining industry but has no standard meaning under IFRS. The Company reports total cash costs on a sales basis. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure, along with sales, is considered to be a key indicator of a Company's ability to generate operating earnings and cash flow from its mining operations.

Total cash costs figures are calculated in accordance with a standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The

Gold Institute ceased operations in 2002, but the standard is considered the accepted standard of reporting cash cost of production in North America. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measure of other companies.

The WGC definition of all-in sustaining costs seeks to extend the definition of total cash costs by adding corporate general and administrative costs, reclamation and remediation costs (including accretion and amortization), exploration and study costs (capital and expensed), capitalized stripping costs and sustaining capital expenditures and represents the total costs of producing gold from current operations. The WGC definition of all-in costs adds to all-in sustaining costs including capital expenditures attributable to projects or mine expansions, exploration and study costs attributable to growth projects, and community and permitting costs not related to current operations. Both all-in sustaining and all-in costs exclude income tax payments, interest costs, costs related to business acquisitions and items needed to normalize earnings. Consequently, this measure is not representative of all of the Company's cash expenditures. In addition, the calculation of all-in sustaining costs and all-in costs does not include depreciation expense as it does not reflect the impact of expenditures incurred in prior periods. Therefore, it is not indicative of the Company's overall profitability.

"Total cash costs", "all-in sustaining costs" and "all-in costs" are intended to provide additional information only and do not have any standardized definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measures are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate these measures differently. The following tables reconcile these non-GAAP measures to the most directly comparable IFRS measure.

"Average realized price" is a financial measure with no standard meaning under IFRS. Management uses this measure to better understand the price realized in each reporting period for gold and silver sales. Average realized price excludes from revenues unrealized gains and losses on non-hedge derivative contracts. The average realized price is intended to provide additional information only and does not have any standardized definition under IFRS; it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate this measure differently.

"Total depreciation and amortization per ounce sold" is a common financial performance measure in the gold mining industry but has no standard meaning under IFRS. It is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.



Total cash costs per ounce sold, all-in sustaining costs per ounce sold, all-in costs per ounce sold and total depreciation per ounce sold are calculated as follows:

(US\$000's, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
Cash costs per ounce sold	2015	2014	2015	2014
Gold produced <sup>1</sup> (oz)	51,292	71,278	182,282	211,823
Gold sold (oz)	52,939	63,711	193,218	206,336
<b>Cash costs per ounce sold</b>				
Cost of sales <sup>2</sup>	48,515	37,739	172,261	207,984
Less: depreciation and amortization <sup>2</sup>	(10,850)	(19,193)	(41,916)	(69,516)
Add: non-cash inventory movement <sup>2</sup>	(2,307)	3,907	(7,458)	8,089
Add: non-cash capitalized deferred stripping <sup>2</sup>	209	(188)	1,374	658
Less: inventory reversal (write-down) to net realizable value <sup>2</sup>	-	16,026	-	-
Less: other adjustments	(185)	(172)	(294)	(763)
<b>Total cash costs</b>	<b>35,382</b>	<b>38,119</b>	<b>123,969</b>	<b>146,453</b>
<b>Total cash costs per ounce sold</b>	<b>668</b>	<b>598</b>	<b>642</b>	<b>710</b>
<b>All-in sustaining costs</b>				
Total cash costs	35,382	38,119	123,969	146,453
Administration expenses <sup>3</sup>	3,628	3,094	14,873	13,165
Capitalized deferred stripping	2,715	1,266	14,548	5,977
Capitalized reserve development	852	1,496	4,824	4,020
Mine site capital	8,740	1,343	28,313	8,919
<b>All-in sustaining costs</b>	<b>51,317</b>	<b>45,318</b>	<b>186,526</b>	<b>178,534</b>
<b>All-in sustaining costs per ounce sold</b>	<b>969</b>	<b>711</b>	<b>965</b>	<b>865</b>
<b>All-in costs</b>				
All-in sustaining costs	51,317	45,318	186,526	178,534
Social community costs not related to current operations	916	1,061	2,852	2,543
Exploration and evaluation expenditures	743	373	2,525	2,772
<b>All-in costs</b>	<b>52,975</b>	<b>46,752</b>	<b>191,904</b>	<b>183,849</b>
<b>All-in costs per ounce sold</b>	<b>1,000</b>	<b>734</b>	<b>993</b>	<b>891</b>
Depreciation and amortization <sup>2</sup>	10,850	19,193	41,915	69,516
Non - cash inventory movement <sup>2</sup>	2,307	(3,907)	7,458	(8,089)
<b>Total depreciation and amortization</b>	<b>13,157</b>	<b>15,286</b>	<b>49,373</b>	<b>61,427</b>
<b>Total depreciation and amortization per ounce sold<sup>2</sup></b>	<b>249</b>	<b>240</b>	<b>256</b>	<b>298</b>

<sup>1</sup> Gold produced represents change in gold in circuit inventory plus gold recovered during the period.

<sup>2</sup> In 2014, the Company reassessed the accounting for deferred stripping assets to include amortization of equipment directly related to deferred stripping activity. The impact of this adjustment has been applied retrospectively from January 1, 2012.

<sup>3</sup> Administration expenses include share based compensation and exclude Corporate depreciation expense and social community costs not related to current operations.

## OUTSTANDING SHARE DATA

The Company's fully diluted share capital as at the report date was:

Outstanding	December 31, 2015
Ordinary shares	352,801,091
Common Shares Issued <sup>1</sup>	39,200,000
Stock options granted at an exercise price of C\$3.00 per option	11,684,165
Stock options granted at an exercise price of C\$0.64 per option	3,855,000
<b>Fully diluted share capital</b>	<b>407,540,256</b>

<sup>1</sup> 39,200,000 common shares were issued to Tablo Corporation on October 14, 2015

## TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2015, there were transactions totaling \$168 thousand between the Company and a director-related entity.

### Shareholdings

Teranga's 90 percent shareholding in SGO, the company operating the Sabodala gold mine, is held 89.5 percent through Mauritius holding company, Sabodala Gold Mauritius Limited ("SGML"), and the remaining 0.5 percent by individuals nominated by SGML to be at the board of directors in order to meet the minimum shareholding requirements under Senegalese law. On death or resignation, a share individually held would be transferred to another representative of SGML or added to its current 89.5 percent shareholding according to the circumstances at the time.

We bought 100 percent of Oromin in 2013, which holds a 43.5 percent participating interest in the OJVG.

During the first quarter of 2014, we acquired the remaining interest in the OJVG that we did not already own.

## CEO/CFO CERTIFICATION

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, for the Company.

The Company's CEO and CFO certify that, as at December 31, 2015, the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial

statements for external purposes in accordance with the issuer's GAAP.

The control framework the Company's CEO and CFO used to design the Company's ICFR is The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework established in 1992. There is no material weakness relating to the design of ICFR. There has been no change in the Company's design of the ICFR that occurred during the year ended December 31, 2015 which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

On May 14, 2013, COSO issued an updated Internal Control – Integrated Framework ("2013 COSO Framework") which superseded the 1992 COSO Framework. The Company performed an assessment identifying differences between the two COSO frameworks and will develop and execute the transition plan in 2016. At present, management does not expect implementation of the 2013 COSO Framework to have a material effect on the Company's ICFR. The Company is planning to certify compliance with the 2013 COSO framework in the fourth quarter of 2016.

Until transition to the 2013 COSO framework is complete, we will continue to use the 1992 framework in connection with our assessment of internal control over financial reporting.

## RISKS AND UNCERTAINTIES

The Company identified a number of risk factors to which it are subject to in its Annual Information Form filed for the year ended December 31, 2014. These various financial and operational risks and uncertainties continue to be relevant to an understanding of our business, and could have a significant impact on profitability and levels of operating cash flow. These risks and uncertainties include, but are not limited to: fluctuations in metal prices (principally the price of gold), capital and operating cost estimates, borrowing risks, production estimates, need for additional financing, uncertainty in the estimation of mineral reserves and mineral resources, the inherent danger of mining, infrastructure risk, hedging activities, insured and uninsured risks, environmental risks and regulations, government regulation, ability to obtain and renew licenses and permits, foreign operations risks, title to properties, competition, dependence on key personnel, currency, repatriation of earnings and stock exchange price fluctuations.

## CORPORATE DIRECTORY

### Directors

Alan Hill, Chairman  
Richard Young, President and CEO  
Jendayi Frazer, Non-Executive Director  
Edward Goldenberg, Non-Executive Director  
Christopher Lattanzi, Non-Executive Director  
David Mimran, Non-Executive Director  
Alan Thomas, Non-Executive Director  
Frank Wheatley, Non-Executive Director

**Senior Management**

Richard Young, President and CEO  
Paul Chawrun, Vice President, Operations and Technical Services  
Navin Dyal, Vice President and CFO  
David Savarie, Vice President, General Counsel & Corporate Secretary  
Sepanta Dorri, Vice President Corporate and Stakeholder Development  
Mark English, Vice President, Special Projects  
Aziz Sy, General Manager, SGO & Vice President, Development Senegal

**Registered Office**

121 King Street West, Suite 2600  
Toronto, Ontario, M5H 3T9, Canada  
T: +1 416 594 0000  
F: +1 416 594 0088  
E: [investor@terangagold.com](mailto:investor@terangagold.com)  
W: [www.terangagold.com](http://www.terangagold.com)

**Senegal Office**

2K Plaza  
Suite B4, 1er Etage  
sis la Route due Meridien President  
Dakar Almadies  
T: +221 338 642 525  
F: +224 338 642 526

**Auditor**

Ernst & Young LLP

**Share Registries**

Canada: Computershare Trust Company of Canada  
T: +1 800 564 6253  
Australia: Computershare Investor Services Pty Ltd  
T: 1 300 850 505

**Stock Exchange Listings**

Toronto Stock Exchange, TSX symbol: TGZ  
Australian Securities Exchange, ASX symbol: TGZ

**FORWARD LOOKING STATEMENTS**

*This release contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Teranga, or developments in Teranga's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include, without limitation, all disclosure regarding possible events, conditions or results of operations, future economic conditions and courses of action, the proposed plans with respect to mine plan, anticipated 2015 results, mineral reserve and mineral resource estimates, anticipated life of mine operating and*

*financial results, and the completion of construction of the Gora deposit related thereto. Such statements are based upon assumptions, opinions and analysis made by management in light of its experience, current conditions and its expectations of future developments that management believe to be reasonable and relevant. These assumptions include, among other things, the ability to obtain any requisite Senegalese governmental approvals, the accuracy of mineral reserve and mineral resource estimates, gold price, exchange rates, fuel and energy costs, future economic conditions and courses of action. Teranga cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. The risks and uncertainties that may affect forward-looking statements include, among others: the inherent risks involved in exploration and development of mineral properties, including government approvals and permitting, changes in economic conditions, changes in the worldwide price of gold and other key inputs, changes in mine plans and other factors, such as project execution delays, many of which are beyond the control of Teranga, as well as other risks and uncertainties which are more fully described in the Company's Annual Information Form dated September 1, 2015, and in other company filings with securities and regulatory authorities which are available at [www.sedar.com](http://www.sedar.com). Teranga does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Nothing in this report should be construed as either an offer to sell or a solicitation to buy or sell Teranga securities.*

**COMPETENT PERSONS STATEMENT**

*The technical information contained in this document relating to the mineral reserve estimates for Sabodala, the stockpiles, Masato, Golouma and Kerekounda is based on, and fairly represents, information compiled by Mr. William Paul Chawrun, P. Eng who is a member of the Professional Engineers Ontario, which is currently included as a "Recognized Overseas Professional Organization" in a list promulgated by the ASX from time to time. Mr. Chawrun is a full-time employee of Teranga and is a "qualified person" as defined in NI 43-101 and a "competent person" as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Chawrun has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Chawrun has consented to the inclusion in this Report of the matters based on his compiled information in the form and context in which it appears in this Report.*

*The technical information contained in this Report relating to mineral resource estimates for Niakafiri, Gora, Niakafiri West, Soukhoto, and Diadiako is based on, and fairly represents, information compiled by Ms. Nakai-Lajoie. Ms. Patti Nakai-Lajoie, P. Geo., is a Member of the Association of Professional Geoscientists of Ontario, which is currently included as a "Recognized Overseas Professional Organization" in a list promulgated by the ASX from time to*



time. Ms. Nakai-Lajoie is a full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101. Ms. Nakai-Lajoie has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Nakai-Lajoie is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Ms. Nakai-Lajoie has consented to the inclusion in this Report of the matters based on her compiled information in the form and context in which it appears in this Report.

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

Teranga's exploration programs are being managed by Peter Mann, FAusIMM. Mr. Mann is a full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101. Mr. Mann has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Mann is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. The technical information contained in this news release relating exploration results are based on, and fairly represents, information compiled by Mr. Mann. Mr. Mann has verified and approved the data disclosed in this release, including the sampling, analytical and test data underlying the information. The RC samples are prepared at site and assayed in the SGS laboratory located at the site. Analysis for diamond drilling is sent for fire assay analysis at ALS Johannesburg, South Africa. Mr. Mann has consented to the inclusion in this news release of the matters based on his compiled information in the form and context in which it appears herein.

Teranga's disclosure of mineral reserve and mineral resource information is governed by NI 43-101 under the

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