

## Appendix 4E

### Preliminary Final Report

*Expressed in **United States dollars** unless otherwise stated*

ASX Listing Rule 4.3A

Name of entity

<b>TERANGA GOLD CORPORATION</b>	
ABN or equivalent company reference	Financial year ended ("current period")
<b>32 146 848 508</b>	<b>31 DECEMBER 2015</b>

#### Results for announcement to the market

	<b>USD\$'000</b>
Total revenue	224,620
Loss before tax attributable to members of Teranga Gold Corporation	(52,794)
Loss after tax attributable to members of Teranga Gold Corporation	(50,543)

#### Dividends (distributions)

During the financial year, no dividends were paid. The directors have not recommended the payment of a dividend.

#### Commentary on the results for the twelve months ended 31 December 2015 and 31 December 2014

<b>(US\$000's, except where indicated)</b>	<b>Year Ended December 31,</b>	
	2015	2014
Revenue	224,620	260,588
Cost of sales <sup>1</sup>	(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 & corporate social responsibility expenses	(16,311)	(15,621)
Share-based compensation	(1,761)	(911)
Finance costs	(3,159)	(9,484)
Impairment charge	(90,000)	-
Net foreign exchange gains (losses)	1,901	2,013
Other income (expense)	1,381	(1,982)
<b>Profit (loss) before income tax</b>	<b>(58,115)</b>	<b>23,847</b>
Income tax recovery (expense)	2,502	(1,536)
<b>Profit (loss) for the period</b>	<b>(55,613)</b>	<b>22,311</b>
Loss (profit) attributable to non-controlling interests	5,070	(4,535)
<b>Profit (loss) attributable to shareholders of Teranga</b>	<b>(50,543)</b>	<b>17,776</b>
Basic earnings (loss) per share	(0.14)	0.05

<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 Oromin Joint Venture Group ("OJVG") operating results, cash flows and net assets from January 15, 2014.

## Review of Financial Results

### *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.

### *Cost of Sales*

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, 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.

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 Oromin Joint Venture Group ("OJVG") and royalties related to Gora, partly offset by lower royalties from lower revenue in the current year.

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.

### *Administration and corporate social responsibility costs*

During the twelve months ended December 31, 2015 administration and corporate social responsibility ("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.

#### *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.

#### *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>1</sup>

## **Review of Operations**

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 Net Realizable Value ("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)

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<sup>1</sup> Net profit (loss) attributable to shareholders 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.

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.

## Cash Flow

(US\$000's)	Twelve months ended December 31,	
	2015	2014
<b>Cash Flow</b>		
Operating	30,434	49,009
Investing	(47,682)	(111,413)
Financing	25,873	83,252
Effect on exchange rates on holdings in foreign currencies	1	1
Change in cash and cash equivalents during the period	8,626	20,849
<b>Cash and cash equivalents - beginning of period</b>	35,810	14,961
<b>Cash and cash equivalents - end of period</b>	44,436	35,810

### *Operating Cash Flow*

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 value added tax ("VAT") recoverable balances of \$13.2 million, partly offset by lower mine production costs and gains from gold hedge contracts.

### *Investing Cash Flow*

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 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.

## Consolidated Financial Statements

### 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			

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31, 2015	As at December 31, 2014
	Note		
<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**  
DECEMBER 31, 2015  
(in \$000's of United States dollars, except per share amounts)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	<b>For the years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Issued capital</b>		
Beginning of year	367,837	342,470
Shares issued from public and private offerings	24 17,454	27,274
Less: Share issue costs	24 (117)	(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

## 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 ("OJVG")		-	(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 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.

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 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.

#### **l. 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.

##### ▶ *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***

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.

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 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. 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 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>

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.

## 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.

## 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:

	<b>For the years ended December 31</b>	
	<b>2015</b>	<b>2014</b>
(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>

### 13. TRADE AND OTHER RECEIVABLES

	<b>As at December 31, 2015</b>	<b>As at December 31, 2014</b>
<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

	<b>As at December 31, 2015</b>	<b>As at December 31, 2014</b>
<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>

## 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:

	<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.

## 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	5,051
Disposals	-	-	(5)	-	-	-	(5)
Other	-	(351)	-	-	-	-	(351)
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	37,105
Disposals	-	(394)	(30)	-	(1)	-	(425)
Other	-	34	-	-	-	-	34
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)	-	-	-	(4)
Depreciation expense	2,230	13,515	358	339	9,364	-	25,806
<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)	-	-	-	(334)
Impairment charges	3,111	16,241	-	-	-	-	19,352
Depreciation expense	1,892	12,269	231	376	7,935	-	22,703
<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.

## 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.

## 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>

## 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>(vi)</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>

### 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>

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

## 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 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)

	For the years ended December 31,	
	2015	2014
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.
- \$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.

## 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.

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.

	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.

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:

	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 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:

	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:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
<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.

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).

### 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.