Interim Condensed Consolidated Financial Statements of

TERANGA GOLD CORPORATION

For the three and six months ended June 30, 2015

(unaudited)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
SECOND QUARTER 2015
(unaudited, in $000's of United States dollars, except per share amounts)

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(unaudited, in $000's of United States dollars, except per share amounts)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Three months ended June 30,		Six months ended June 30,	
	Note	2015	2014	2015	2014
Revenue	3	60,064	57,522	128,555	127,324
Cost of sales	4	(43,094)	(62,820)	(91,249)	(117,888)
Gross profit/(loss)		**16,970**	**(5,298)**	**37,306**	**9,436**
Exploration and evaluation expenditures		(925)	(583)	(1,734)	(1,727)
Administration and corporate social responsibility expenses	5	(4,271)	(4,039)	(8,354)	(8,027)
Share-based compensation	24	(1,041)	(350)	(1,368)	(661)
Finance costs	6	(748)	(2,648)	(1,397)	(4,764)
Net foreign exchange gains/(losses)		391	(47)	1,682	-
Other income/(expenses)	7	247	(248)	2,030	(2,033)
		(6,347)	**(7,915)**	**(9,141)**	**(17,212)**
Profit/(loss) before income tax		**10,623**	**(13,213)**	**28,165**	**(7,776)**
Income tax expense	8	(3,584)	-	(6,356)	-
Net profit/(loss)		**7,039**	**(13,213)**	**21,809**	**(7,776)**
Net profit/(loss) attributable to:					
Shareholders		6,726	(12,543)	19,714	(8,392)
Non-controlling interests		313	(670)	2,095	616
Net profit/(loss) for the period		**7,039**	**(13,213)**	**21,809**	**(7,776)**
Other comprehensive income:					
Items that may be reclassified subsequently to profit for the period					
Change in fair value of available for sale financial asset, net of tax		-	(6)	1	4
Other comprehensive income/(loss) for the period		**-**	**(6)**	**1**	**4**
Total comprehensive income/(loss) for the period		**7,039**	**(13,219)**	**21,810**	**(7,772)**
Total comprehensive income/(loss) attributable to:					
Shareholders		6,726	(12,549)	19,715	(8,388)
Non-controlling interests		313	(670)	2,095	616
Total comprehensive income/(loss) for the period		**7,039**	**(13,219)**	**21,810**	**(7,772)**
Earnings per share from operations attributable to the shareholders of the Company during the period					
- basic earnings/(loss) per share	19	0.02	(0.04)	0.06	(0.03)
- diluted earnings/(loss) per share	19	0.02	(0.04)	0.06	(0.03)

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

(unaudited, in $000's of United States dollars, except per share amounts)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at June 30, 2015	As at December 31, 2014
Current assets			
Cash and cash equivalents	22b	38,369	35,810
Trade and other receivables	9	4,371	1,562
Inventories	10	56,690	66,639
Other current assets	11	10,608	8,995
Total current assets		**110,038**	**113,006**
Non-current assets			
Inventories	10	98,472	91,057
Property, plant and equipment	12	194,895	198,433
Mine development expenditures	13	263,807	260,719
Deferred income tax assets	8	7,935	11,879
Other non-current assets	11	10,412	7,917
Goodwill	14	41,776	41,776
Total non-current assets		**617,297**	**611,781**
Total assets		**727,335**	**724,787**
Current liabilities			
Trade and other payables	15	49,493	53,909
Borrowings	16	-	3,946
Current income tax liabilities	8	2,384	-
Deferred revenue	17	21,198	21,814
Provisions	18	3,284	2,647
Total current liabilities		**76,359**	**82,316**
Non-current liabilities			
Deferred revenue	17	80,133	92,184
Provisions	18	16,008	15,993
Other non-current liabilities	15	16,783	18,399
Total non-current liabilities		**112,924**	**126,576**
Total liabilities		**189,283**	**208,892**
Equity			
Issued capital		367,837	367,837
Foreign currency translation reserve		(998)	(998)
Other components of equity		16,603	16,255
Retained earnings		138,051	118,337
Equity attributable to shareholders		**521,493**	**501,431**
Non-controlling interests		16,559	14,464
Total equity		**538,052**	**515,895**
Total equity and liabilities		**727,335**	**724,787**

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

Approved by the Board of Directors

Alan Hill
Director

Alan Thomas
Director

(unaudited, in $000's of United States dollars, except per share amounts)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Six months ended June 30,	
	2015	**2014**
Issued capital		
Beginning of period	367,837	342,470
Shares issued from public offerings	-	27,274
Less: Share issue costs	-	(1,893)
End of period	367,837	367,851
Foreign currency translation reserve		
Beginning of period	(998)	(998)
End of period	(998)	(998)
Other components of equity		
Beginning of period	16,255	15,776
Equity-settled share-based compensation reserve	347	324
Investment revaluation reserve on change in fair value of available for sale financial asset, net of tax	1	4
End of period	16,603	16,104
Retained earnings		
Beginning of period	118,337	100,561
Profit/(loss) attributable to shareholders	19,714	(8,392)
End of period	138,051	92,169
Non-controlling interest		
Beginning of period	14,464	12,528
Non-controlling interest - portion of profit for the period	2,095	616
Dividends accrued	-	(1,267)
End of period	16,559	11,877
Total equity as at June 30	**538,052**	**487,003**

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three months ended June 30,		Six months ended June 30,	
	Note	2015	2014	2015	2014
Cash flows related to operating activities					
Net profit/(loss) for the period		7,039	(13,213)	21,809	(7,776)
Depreciation of property, plant and equipment	12	5,912	5,423	11,758	12,404
Depreciation of capitalized mine development costs	13	6,637	8,724	11,724	20,809
Inventory movements - non-cash	4	673	(1,222)	4,348	(2,704)
Inventory write-down to net realizable value	4	-	9,301	-	9,301
Inventory write-down to net realizable value - non-cash	4	-	4,402	-	4,402
Capitalized deferred stripping - non-cash	4	(329)	(157)	(989)	(326)
Amortization of intangibles		80	160	222	405
Amortization of deferred financing costs		-	861	275	1,604
Unwinding of discounts	6	447	238	506	207
Share-based compensation	24	1,041	350	1,368	661
Deferred gold revenue recognized	17	(5,361)	(5,830)	(12,667)	(11,670)
Deferred income tax expense		1,173	-	3,945	-
Loss on disposal of property, plant and equipment		83	-	84	-
Increase in inventories		(4,535)	(4,971)	(2,329)	(13,342)
Changes in working capital other than inventories	22a	(591)	(13,859)	(11,154)	(9,465)
Net cash provided by/(used in) operating activities		**12,269**	**(9,793)**	**28,900**	**4,510**
Cash flows related to investing activities					
Decrease in restricted cash		-	-	-	5,000
Acquisition of Oromin Joint Venture Group ("OJVG")		-	-	-	(112,500)
Expenditures for property, plant and equipment		(7,595)	(840)	(8,237)	(1,283)
Expenditures for mine development		(5,222)	(6,006)	(13,798)	(8,273)
Acquisition of intangibles		(6)	-	(72)	-
Net cash used in investing activities		**(12,823)**	**(6,846)**	**(22,107)**	**(117,056)**
Cash flows related to financing activities					
Net proceeds from equity offering		-	25,485	-	25,485
Proceeds from Franco-Nevada gold stream	17	-	-	-	135,000
Repayment of borrowings		-	(8,194)	(4,192)	(46,388)
Financing costs paid		-	-	-	(1,000)
Interest paid on borrowings		-	(976)	(43)	(2,132)
Net cash (used in) / provided by financing activities		**-**	**16,315**	**(4,235)**	**110,965**
Effect of exchange rates on cash holdings in foreign currencies		-	(1)	1	1
Net increase / (decrease) in cash and cash equivalents		**(554)**	**(325)**	**2,559**	**(1,580)**
Cash and cash equivalents at the beginning of period		**38,923**	**13,706**	**35,810**	**14,961**
Cash and cash equivalents at the end of period		**38,369**	**13,381**	**38,369**	**13,381**

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

(unaudited, in $000's of United States dollars, except per share amounts)

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 nine exploration licenses covering 1,055km^2 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 Teranga's ownership to 100 percent and consolidates the Sabodala region, increasing the size of Teranga's mine license land holding from 33km^2 to 246km^2 by combining the two permitted mine licenses and more than doubling the Company's reserve base.

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

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Since the interim condensed consolidated financial statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014.

The interim condensed consolidated financial statements were approved by the Board of Directors on July 29, 2015.

b. Basis of presentation

All amounts included in these interim condensed consolidated financial statements have been presented in United States dollars unless otherwise stated. The interim condensed consolidated financial statements have been prepared on the basis of historical cost, except for equity settled and cash settled share-based payments that are fair valued at the date of grant and certain other financial assets and liabilities that are measured at fair value. The interim condensed consolidated financial statements have been prepared based on the Company's accounting policies set out in Note 3 of the annual audited consolidated financial statements for the year ended December 31, 2014.

3. REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Gold sales - spot price	59,995	57,339	128,404	126,864
Silver sales	69	183	151	460
Total revenue	**60,064**	**57,522**	**128,555**	**127,324**

For the three months ended June 30, 2015, 50,074 ounces of gold were sold including 5,625 ounces delivered to Franco Nevada Corporation ("Franco Nevada") at an average realized price of $1,198 per ounce (2014: 44,285 ounces were sold, including 5,625 ounces delivered to Franco Nevada at an average price of $1,295 per ounce). For the six months ended June 30, 2015, 106,297 ounces of gold were sold including 13,125 ounces delivered to Franco Nevada at an average realized price of $1,208 per ounce (2014: 98,052 ounces were sold including 11,250 ounces delivered to Franco Nevada at an average price of $1,294 per ounce).

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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 17. In the six months ended June 30, 2015, the Company entered into gold forward contracts and recorded the realized gold hedge gains in Other (Income)/Expenses. Refer to Note 7.

The Company delivered all of its gold to two customers: $53.4 million and $6.7 million for the three months ended June 30, 2015 (2014: $50.0 million and $7.3 million) and $112.8 million and $15.8 million for the six months ended June 30, 2015 (2014: $112.3 million and $14.6 million).

4. COST OF SALES

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Mine production costs	35,498	40,988	70,350	84,057
Capitalized deferred stripping	(3,197)	(1,543)	(9,785)	(2,961)
Capitalized deferred stripping - non-cash	(329)	(157)	(989)	(326)
Depreciation and amortization - deferred stripping assets	3,049	5,618	4,609	13,906
Depreciation and amortization - property, plant and equipment and mine development expenditures	9,422	8,529	18,709	19,307
Royalties	3,007	2,422	6,373	5,903
Amortization of advanced royalties	327	-	756	-
Inventory movements - cash	(5,356)	(5,518)	(3,122)	(12,997)
Inventory movements - non-cash	673	(1,222)	4,348	(2,704)
Total cost of sales before write-down to net realizable value	**43,094**	**49,117**	**91,249**	**104,185**
Inventory write-down to net realizable value	-	9,301	-	9,301
Inventory write-down to net realizable value - non-cash	-	4,402	-	4,402
	-	13,703	-	13,703
Total cost of sales	**43,094**	**62,820**	**91,249**	**117,888**

5. ADMINISTRATION AND CORPORATE SOCIAL RESPONSIBILITY EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Corporate office	1,953	2,030	4,087	4,248
Dakar office	458	355	759	675
Audit fees	142	178	355	210
Legal and other	878	702	1,667	1,434
Depreciation	104	191	276	468
Total administration expenses	**3,535**	**3,456**	**7,144**	**7,035**
Corporate social responsibility expenses	736	583	1,210	992
Total administration and corporate social responsibility expenses	**4,271**	**4,039**	**8,354**	**8,027**

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6. FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Interest on borrowings	-	927	43	2,198
Amortization of deferred financing costs	-	861	275	1,604
Unwinding of discounts	447	238	506	207
Political risk insurance	32	63	66	124
Stocking fees	175	453	345	453
Bank charges	61	106	107	178
Other	33	-	55	-
Total finance costs	**748**	**2,648**	**1,397**	**4,764**

7. OTHER (INCOME) / EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Acquisition and related costs (i)	-	275	-	2,065
Realized gains on derivative instruments (ii)	-	-	(1,770)	-
Interest income	(16)	(27)	(29)	(32)
Other income	(231)	-	(231)	-
Total other (income)/expenses	**(247)**	**248**	**(2,030)**	**2,033**

(i) Includes non-recurring legal, advisory, consulting and other costs.
(ii) On January 23, 2015, after a sharp increase in the gold spot price, the Company entered into gold forward contracts to deliver 15,000 ounces through the remainder of first quarter 2015 at a price of $1,297 per ounce. No new gold forward contracts were entered into during the second quarter and as at June 30, 2015, there were no gold forward contracts outstanding.

8. INCOME TAX

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 June 30, 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. The tax basis of all assets and non-current intercompany loans recorded using historical exchange rates are translated to the functional currency using the period end exchange rate. As the CFA Franc moves against the US dollar, the Company's deferred tax balances will fluctuate due to changes in foreign exchange rates. The effective tax rate is also affected by tax losses not benefitted in jurisdictions outside of Senegal and non-deductible expenses.

For the six months ended June 30, 2015, the Company has recorded an income tax expense of $6.4 million, comprised of current income tax of $2.4 million and deferred income tax of $4.0 million. The six months ended June 30, 2015 deferred income tax provision includes the $2.7 million impact of restating the first quarter 2015 deferred income tax expense.

9. TRADE AND OTHER RECEIVABLES

	As at June 30, 2015	As at December 31, 2014
Current		
Trade receivables (i)	443	16
Value added tax recoverable (ii)	2,235	-
Other receivables (iii)	1,693	1,546
Total trade and other receivables	**4,371**	**1,562**

(i) Trade receivables relate to gold and silver shipments made prior to quarter end that were settled after quarter end.
(ii) Value added tax ("VAT") is levied at a rate of 18% 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.
(iii) Other receivables primarily include receivables from suppliers for services, materials and utilities used at the Sabodala gold mine and $0.4 million of Canadian sales tax refunds as at June 30, 2015 (2014: $0.5 million).

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10. INVENTORIES

	As at June 30, 2015	As at December 31, 2014
Current		
Gold bullion	4,378	6,025
Gold in circuit	2,680	7,088
Ore stockpile	15,883	18,463
Total gold inventories	**22,941**	**31,576**
Diesel fuel	2,731	2,535
Materials and supplies	30,263	31,178
Goods in transit	755	1,350
Total other inventories	**33,749**	**35,063**
Total current inventories	**56,690**	**66,639**
Non-current		
Ore stockpile	98,472	91,057
Total inventories	**155,162**	**157,696**

11. OTHER ASSETS

	As at June 30, 2015	As at December 31, 2014
Current		
Prepayments (i)	6,421	5,607
Security deposit (ii)	1,500	1,500
Advanced royalty (iii)	2,684	1,885
Available for sale financial assets	3	3
Total other current assets	**10,608**	**8,995**
Non-current		
Advanced royalty (iii)	10,320	7,675
Intangible assets	92	242
Total other non-current assets	**10,412**	**7,917**
Total other assets	**21,020**	**16,912**

(i) As at June 30, 2015, prepayments include $2.9 million (2014 - $3.0 million) of advances to vendors and contractors, $1.8 million for insurance (2014 - $1.3 million) and $1.7 deferred financing costs for the Revolver Facility. Refer to Note 26.

(ii) The security deposit represents a security for payment under the maintenance contract.

(iii) As at June 30, 2015, the Company has recorded $2.7 million in other current assets and $10.3 million in other non-current assets as advanced royalty payments to the Government of Senegal. In total, the Company has 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 will be expensed to net profit based on actual production from the OJVG and Gora. During the three and six months ended June 30, 2015, the Company has expensed $0.3 million and $0.8 million as amortization of OJVG advanced royalty (2014: nil and nil). The advanced royalty recorded within other current assets is based on the expected production from the OJVG and Gora over the next year and the remaining balance is recorded within other non-current assets. Refer to Note 15.

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12. PROPERTY, PLANT AND EQUIPMENT

	Buildings and property improvements	Plant and equipment	Office furniture and equipment	Motor vehicles	Mobile equipment	Capital work in progress	Total
Cost							
Balance as at January 1, 2014	**45,035**	**298,026**	**2,191**	**3,031**	**41,916**	**4,503**	**394,702**
Additions	-	-	-	-	-	3,661	**3,661**
Rehabilitation asset	-	1,390	-	-	-	-	**1,390**
Disposals	-	-	(5)	-	-	-	**(5)**
Other	-	(351)	-	-	-	-	**(351)**
Transfer	-	3,392	45	-	-	(3,437)	**-**
Balance as at December 31, 2014	**45,035**	**302,457**	**2,231**	**3,031**	**41,916**	**4,727**	**399,397**
Additions	15	31	6	-	-	8,453	**8,505**
Rehabilitation asset	-	(233)	-	-	-	-	**(233)**
Disposals	-	(389)	(30)	-	(1)	-	**(420)**
Other	-	34	-	-	-	-	**34**
Transfer	284	1,788	70	-	-	(2,142)	**-**
Balance as at June 30, 2015	**45,334**	**303,688**	**2,277**	**3,031**	**41,915**	**11,038**	**407,283**
Accumulated depreciation							
Balance as at January 1, 2014	**19,216**	**118,445**	**1,444**	**2,001**	**34,056**	**-**	**175,162**
Disposals	-	-	(4)	-	-	-	**(4)**
Depreciation expense	2,230	19,479	358	339	3,400	-	**25,806**
Balance as at December 31, 2014	**21,446**	**137,924**	**1,798**	**2,340**	**37,456**	**-**	**200,964**
Disposals	-	(315)	(19)	-	-	-	**(334)**
Depreciation expense	1,004	9,122	133	165	1,334	-	**11,758**
Balance as at June 30, 2015	**22,450**	**146,731**	**1,912**	**2,505**	**38,790**	**-**	**212,388**
Net book value							
Balance as at December 31, 2014	**23,589**	**164,533**	**433**	**691**	**4,460**	**4,727**	**198,433**
Balance as at June 30, 2015	**22,884**	**156,957**	**365**	**526**	**3,125**	**11,038**	**194,895**

Additions made to property, plant and equipment during the six months ended June 30, 2015 relate mainly to additional mining equipment for Gora.

Depreciation of property, plant and equipment was $5.9 million for the three months ended June 30, 2015 (2014: $5.5 million) and $11.8 million for the six months ended June 30, 2015 (2014: $12.6 million).

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13. MINE DEVELOPMENT EXPENDITURES

	Development and exploration costs	Deferred stripping assets	Total
Cost			
Balance as at January 1, 2014	**179,402**	**83,196**	**262,598**
Acquisition of OJVG	109,207	-	109,207
Additions incurred during the period	7,336	6,633	13,969
Balance as at December 31, 2014	**295,945**	**89,829**	**385,774**
Additions incurred during the period	4,038	10,774	14,812
Balance as at June 30, 2015	**299,983**	**100,603**	**400,586**
Accumulated depreciation			
Balance as at January 1, 2014	**57,445**	**23,548**	**80,993**
Depreciation expense	15,151	28,911	44,062
Balance as at December 31, 2014	**72,596**	**52,459**	**125,055**
Depreciation expense	7,115	4,609	11,724
Balance as at June 30, 2015	**79,711**	**57,068**	**136,779**
Carrying amount			
Balance as at December 31, 2014	**223,349**	**37,370**	**260,719**
Balance as at June 30, 2015	**220,272**	**43,535**	**263,807**

	As at June 30, 2015	As at December 31, 2014
Capitalized mine development additions		
Deferred stripping costs	10,774	6,634
Capitalized mine development - Gora	869	255
Capitalized mine development - Masato, Golouma & Kerekounda	2,022	3,383
Other capitalized reserve development	423	419
Other	724	3,278
Total capitalized mine development additions	**14,812**	**13,969**

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

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 $6.6 million was expensed as cost of sales for the three months ended June 30, 2015 (2014: $8.1 million) and $11.7 million for the six months ended June 30, 2015 (2014: $19.4 million).

(unaudited, in $000's of United States dollars, except per share amounts)

14. GOODWILL

On January 15, 2014, the Company completed the acquisition of 100 percent of the OJVG. In allocating the acquisition cost to the underlying assets acquired and liabilities assumed, the aggregate purchase price was compared to the tax basis of the acquired assets resulting in no differences being identified between the tax basis and the accounting basis of the assets and liabilities acquired. 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 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 as at of January 15, 2014 which is reflected in the December 31, 2014 statement of financial position.

15. TRADE AND OTHER PAYABLES

	As at June 30, 2015	As at December 31, 2014
Current		
Trade payables (i)	18,938	19,436
Sundry creditors and accrued expenses	10,701	8,493
Government royalties (ii)	6,398	12,296
Amounts payable to Republic of Senegal (iii) (iv) (vii)	12,648	13,684
Contingent consideration (vi)	808	-
Total current trade and other payables	**49,493**	**53,909**
Non-Current		
Amounts payable to Republic of Senegal (iii) (v)(vii)	13,642	14,311
Contingent consideration (vi)	3,141	4,088
Total other non-current liabilities	**16,783**	**18,399**
Total trade and other payables	**66,276**	**72,308**

(i) Trade payables comprise 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 (3,786 million XOF). Beginning in second quarter 2015, the Company has begun to transition to quarterly payments of royalties. In 2015, the Company will pay 50 percent of quarterly royalties calculated on quarterly sales in arrears and accrue the remaining 50 percent to be paid in 2016. In 2016, the Company will pay the 100 percent of quarterly royalties calculated in arrears.

(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 June 30, 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 quarter ended June 30, 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. Refer to Note 21b.

(v) The Company has 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, which has been accrued at its net present value of $10.2 million.

(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 June 30, 2015, $0.8 million has been recorded as a current liability and $3.1 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 June 30, 2015, $6.5 million remains to be paid and has been accrued as a current liability of $3.0 million and a non-current liability of $3.5 million.

16. BORROWINGS

	As at June 30, 2015	As at December 31, 2014
Current		
Equipment finance facility	-	4,192
Deferred financing costs	-	(246)
Total current borrowings	**-**	**3,946**

(unaudited, in $000's of United States dollars, except per share amounts)

On February 18, 2015, the Company retired the outstanding $4.2 million balance of its equipment finance facility with Macquarie ("Equipment Facility"), resulting in the Company being completely bank debt free. See Note 26.

17. DEFERRED REVENUE

	Amount
Balance as at January 1, 2014	-
Deposit received	135,000
Amortization of deferred revenue	(21,002)
Balance as at December 31, 2014	**113,998**
Amortization of deferred revenue	(12,667)
Balance as at June 30, 2015	**101,331**

	As at June 30, 2015	As at December 31, 2014
Current	21,198	21,814
Non-Current	80,133	92,184
Total deferred revenue	**101,331**	**113,998**

During the three and six months ended June 30, 2015, the Company delivered 5,625 ounces and 13,125 ounces of gold to Franco-Nevada (2014: 5,625 ounces and 11,250 ounces). During the three months ended June 30, 2015, the Company recorded revenue of $6.7 million, consisting of $1.3 million received in cash proceeds and $5.4 million recorded as a reduction of deferred revenue (2014: revenue of $7.3 million, consisting of $1.5 million received in cash proceeds and $5.8 million recorded as a reduction of deferred revenue). During the six months ended June 30, 2015, the Company recorded revenue of $15.8 million, consisting of $2.7 million received in cash proceeds, $0.4 million in accounts receivable and $12.7 million recorded as a reduction of deferred revenue (2014: revenue of $14.6 million, consisting of $3.0 million received in cash proceeds and $11.6 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. As a result, 1,875 ounces delivered in 2015 was recognized for accounting purposes during the first quarter. The transaction with Franco-Nevada permits for the delivery of payable gold for up to five business days following the month end.

18. PROVISIONS

	As at June 30, 2015	As at December 31, 2014
Current		
Employee benefits (i)	2,511	2,365
Cash settled share-based compensation (iii)	773	282
Total current provisions	**3,284**	**2,647**
Non-Current		
Mine restoration and rehabilitation (ii)	15,504	15,726
Cash settled share-based compensation (iii)	504	267
Total non-current provisions	**16,008**	**15,993**
Total provisions	**19,292**	**18,640**

(i) The provisions for employee benefits include $1.8 million accrued vacation and $0.7 million long service leave entitlements for the period ended June 30, 2015 (2014 - $1.7 million and $0.7 million).

(ii) Mine restoration and rehabilitation provision represents a constructive obligation to rehabilitate the Sabodala gold mine based on the mining concession. The majority of the reclamation activities will occur at the completion of active mining and processing (which as at June 30, 2015 was estimated based on the Sabodala pit mine closure in 2019 and Masato pit mine closure in 2023) but a limited amount of concurrent rehabilitation will occur throughout the mine life.

(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 24 for further details.

(unaudited, in $000's of United States dollars, except per share amounts)

19. EARNINGS PER SHARE (EPS)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Basic EPS (US$)	0.02	(0.04)	0.06	(0.03)
Diluted EPS (US$)	0.02	(0.04)	0.06	(0.03)
Basic EPS:				
Net profit/(loss) used in the calculation of basic EPS	6,726	(12,543)	19,714	(8,392)
Weighted average number of common shares for the purposes of basic EPS ('000)	352,801	340,537	352,801	328,735
Effect of dilutive share options ('000)	378	-	189	-
Weighted average number of common shares outstanding for the purpose of diluted EPS ('000)	353,179	340,537	352,990	328,735

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 13.4 million and 23.1 million shares relating to share options that were anti-dilutive for the periods ended June 30, 2015 and June 30, 2014, respectively.

20. COMMITMENTS FOR EXPENDITURES

During three and six months ended June 30, 2015, the Company entered into various operating and capital purchase obligations related to the development of Gora and the mill optimization. As at June 30, 2015, total future purchase obligations related to these projects were approximately $8.3 million.

21. CONTINGENT LIABILITIES

During the second quarter of 2013, the Company signed a definitive global agreement with the Republic of Senegal. A component of the agreement relates to the settlement of outstanding tax assessments and special contribution payments.

a. Settled and outstanding tax assessments

Approximately $18.0 million of the original SGO 2011 tax assessment of approximately $24.0 million has been resolved and approximately $6.0 million remains in dispute. The Company believes that the remaining amount in dispute is without merit and that these issues will be resolved with no amount or an immaterial amount of tax being due.

In January 2015, SGO received a tax assessment for $3.0 million from the Senegalese tax authorities claiming withholding tax on interest and fees paid to an offshore bank. The Company believes that the amount in dispute is without merit and that the issue will be resolved with no or an immaterial amount of tax due.

b. Government Payments

In connection with the Global Agreement signed with the Republic of Senegal in 2013, 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, expected in 2015. As at June 30, 2015, $7.8 million has been accrued based on net sales revenue and is expected to be paid over 2015 and 2016.

(unaudited, in $000's of United States dollars, except per share amounts)

22. CASH FLOW INFORMATION

a. Change in working capital

Net change in working capital other than inventory	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Changes in working capital other than inventory				
(Increase)/decrease in trade and other receivables	(2,670)	(752)	(2,837)	6,313
Decrease/(increase) in other assets	438	(538)	147	(711)
Decrease in trade and other payables	(770)	(12,656)	(10,874)	(15,623)
(Decrease)/increase in provisions	-	87	(1)	556
Increase in current income taxes payable	2,411	-	2,411	-
Net change in working capital other than inventory	**(591)**	**(13,859)**	**(11,154)**	**(9,465)**

b. Cash balance subject to liquidity covenant

As part of the streaming transaction with Franco-Nevada, a minimum liquidity financial covenant of $15.0 million is required.

23. 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 June 30 2015, the Company's financial instruments consisted of cash and cash equivalents, trade and other receivables, trade and other payables.

The following table illustrates the classification of the Company's financial instruments, other than cash and cash equivalents, as at June 30, 2015 and December 31, 2014:

	As at June 30, 2015	As at December 31, 2014
Financial assets:		
Loans and receivables		
Trade and other receivables	4,371	1,562
Financial liabilities:		
Other financial liabilities at amortized cost		
Trade and other payables	67,553	72,575
Borrowings	-	3,946

b. Fair value of financial instruments

The Company's trade and other receivables, and trade and other payables are substantially carried at amortized cost, which approximates fair value. Cash and cash equivalents and available-for-sale financial assets are measured at fair value.

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:

(unaudited, in $000's of United States dollars, except per share amounts)

	As at June 30, 2015			As at December 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets						
Cash and cash equivalents	38,369	-	-	35,810	-	-
Total	**38,369**	**-**	**-**	**35,810**	**-**	**-**

24. SHARE BASED COMPENSATION

The share-based compensation expense for the three months and six months ended June 30, 2015 totaled $1.0 million and $1.4 million (2014: $0.4 million and $0.7 million).

a. Incentive Stock Option Plan

During the three months ended June 30, 2015, no common share stock options were granted, 85,279 common share stock options were forfeited and no stock options were exercised.

During the six months ended June 30, 2013, 3,830,000 common share stock options were granted at an exercise price of C$0.64, 7,746,600 common share stock options related to the acquisition of Oromin expired, 413,890 common share stock options were forfeited and no stock options were exercised. 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.

	Number of options	Weighted average exercise price
Balance as at January 1, 2014	**23,737,850**	**C$2.58**
Granted during the period	130,000	C$3.00
Forfeited during the period	(2,397,361)	C$2.83-C$3.00
Balance as at December 31, 2014	**21,470,489**	**C$2.54**
Granted during the period	3,830,000	C$0.64
Forfeited during the period	(413,890)	C$3.00
Expired during the period	(7,746,600)	C$1.73
Balance as at June 30, 2015	**17,139,999**	**C$2.47**
Number of options exercisable - December 31, 2014	20,057,774	
Number of options exercisable - June 30, 2015	13,365,876	

(unaudited, in $000's of United States dollars, except per share amounts)

The following stock options were outstanding as at June 30, 2015:

Option series	Number	Grant date	Expiry date	Exercise price (C$)	FV at grant date (C$)
Granted on November 26, 2010	6,120,000	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	367,500	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	1,475,000	20-Dec-11	20-Dec-21	3.00	0.61
Granted on February 24, 2012	617,778	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	216,667	23-Feb-13	23-Feb-23	3.00	0.42
Granted on May 14, 2013	135,833	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	52,221	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	1,580,000	31-Mar-15	31-Mar-20	0.64	0.30

As at June 30, 2015, approximately 18.1 million (2014: 12.1 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 17,139,999 common share stock options issued and outstanding as at June 30, 2015, 3,774,123 vest over a three-year period, 13,365,876 are already vested and 87,500 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

As at June 30, 2015, 13,309,999 and 3,830,000 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 of options granted during the six months ended June 30, 2015 was calculated using the Black-Scholes option pricing model with the following assumptions:

	Six months ended June 30, 2015
Grant date share price	C$0.64
Weighted average fair value of awards	C$0.33
Exercise price	C$0.64
Range of risk-free interest rate	0.55%-0.77%
Volatility of the expected market price of share	66.71%-67.28%
Expected life of options (years)	3.5-5.0
Dividend yield	0%
Forfeiture rate	5.00%

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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.

b. Fixed Bonus Plan

As at June 30, 2015, a total of 1,660,000 Units were outstanding (December 31, 2014: 1,360,000 units). During the six months ended June 30, 2015, 300,000 Units were granted to one employee and no Units were forfeited or exercised.

As at June 30, 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 June 30, 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 June 30, 2015 in the range of C$0.03 to C$0.41 per Unit. The total fair value of the Units at June 30, 2015 is $0.2 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 vest 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:

	Six months ended June 30, 2015
Share price at the end of the period	C$0.71
Weighted average fair value of aw ards	C$0.03-C$0.41
Exercise price	C$0.64 - C$3.00
Range of risk-free interest rate	0.48%-0.81%
Volatility of the expected market price of share	66.71%-68.3%
Expected life of options (years)	2.0-5.0
Dividend yield	0%
Forfeiture rate	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.

c. Restricted Stock Units ("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.

The Company did not grant any RSUs during the three months ended June 30, 2015. During the six months ended June 30, 2015, the Company granted 2,912,500 RSUs at a price of C$0.64 per unit. Of the 4,026,092 RSUs outstanding at June 30, 2015, 1,067,342 RSUs were vested and remained outstanding, and 45,000 were forfeited (December 31, 2014: 2,343,487 RSUs were granted, no units were vested, 436,532 units were forfeited and 298,884 units were cancelled). As at June 30, 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. Deferred Stock Units ("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 did not grant any DSUs during the three months ended June 30, 2015. During the six months ended June 30, 2015, the Company granted 700,000 DSUs at a price of C$0.64 per unit. Of the 1,245,000 DSUs outstanding at June 30, 2015, 720,000 DSUs were vested and no units were cancelled. As at June 30, 2015, $0.4 million of current DSU liability has been recorded in the consolidated financial statement of financial position (2014: $0.2 million).

25. RELATED PARTY TRANSACTIONS

a. Equity interests in related parties

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 29 of the audited annual consolidated financial statements of the Company for the year ended December 31, 2014.

b. Transactions with key management personnel

No loans were made to directors or director-related entities during the period.

26. SUBSEQUENT EVENT

Subsequent to the quarter, on July 15, 2015, the Company closed a previously announced $30.0 million Senior Secured Revolving Credit Facility ("Revolver Facility") with Société Générale. The Revolver Facility is a two-year facility beginning June 30, 2015 and will be used for general corporate purposes and working capital needs.