Interim Condensed Consolidated Financial Statements of

TERANGA GOLD CORPORATION

For the three and nine months ended September 30, 2015

(unaudited)

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

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TERANGA GOLD CORPORATION
THIRD QUARTER 2015
(unaudited, in $000's of United States dollars, except per share amounts)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Three months ended September 30,		Nine months ended September 30,	
	Note	**2015**	**2014**	**2015**	**2014**
Revenue	3	37,830	56,711	166,385	184,035
Cost of sales	4	(32,497)	(52,358)	(123,746)	(170,244)
Gross profit		**5,333**	**4,353**	**42,639**	**13,791**
Exploration and evaluation expenditures		(48)	(672)	(1,782)	(2,399)
Administration and corporate social responsibility expenses	5	(3,389)	(3,190)	(11,743)	(11,217)
Share-based compensation	24	(384)	(325)	(1,752)	(986)
Finance costs	6	(789)	(2,640)	(2,186)	(7,404)
Net foreign exchange gains		472	1,342	2,154	1,342
Other income/(expenses)	7	20	36	2,050	(1,997)
		(4,118)	**(5,449)**	**(13,259)**	**(22,661)**
Profit/(loss) before income tax		**1,215**	**(1,096)**	**29,380**	**(8,870)**
Income tax recovery/(expense)	8	846	-	(5,510)	-
Net profit/(loss)		**2,061**	**(1,096)**	**23,870**	**(8,870)**
Net profit/(loss) attributable to:					
Shareholders		1,568	(1,524)	21,281	(9,914)
Non-controlling interests		493	428	2,589	1,044
Net profit/(loss) for the period		**2,061**	**(1,096)**	**23,870**	**(8,870)**
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		(1)	(1)	-	3
Other comprehensive income/(loss) for the period		**(1)**	**(1)**	**-**	**3**
Total comprehensive income/(loss) for the period		**2,060**	**(1,097)**	**23,870**	**(8,867)**
Total comprehensive income/(loss) attributable to:					
Shareholders		1,567	(1,525)	21,281	(9,911)
Non-controlling interests		493	428	2,589	1,044
Total comprehensive income/(loss) for the period		**2,060**	**(1,097)**	**23,870**	**(8,867)**
Earnings per share from operations attributable to the shareholders of the Company during the period					
- basic earnings/(loss) per share	19	0.00	(0.00)	0.06	(0.03)
- diluted earnings/(loss) per share	19	0.00	(0.00)	0.06	(0.03)

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

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TERANGA GOLD CORPORATION
THIRD QUARTER 2015
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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at September 30, 2015	As at December 31, 2014
Current assets			
Cash and cash equivalents	22b	29,879	35,810
Trade and other receivables	9	9,623	1,562
Inventories	10	59,424	66,639
Other current assets	11	7,646	8,995
Total current assets		**106,572**	**113,006**
Non-current assets			
Inventories	10	104,354	91,057
Property, plant and equipment	12	200,935	198,433
Mine development expenditures	13	265,178	260,719
Deferred income tax assets	8	8,920	11,879
Other non-current assets	11	10,189	7,917
Goodwill	14	41,776	41,776
Total non-current assets		**631,352**	**611,781**
Total assets		**737,924**	**724,787**
Current liabilities			
Trade and other payables	15	50,382	53,909
Borrowings	16	-	3,946
Current income tax liabilities	8	2,518	-
Deferred revenue	17	20,152	21,814
Provisions	18	3,259	2,647
Total current liabilities		**76,311**	**82,316**
Non-current liabilities			
Borrowings	16	13,214	-
Deferred revenue	17	76,089	92,184
Provisions	18	17,446	15,993
Other non-current liabilities	15	14,576	18,399
Total non-current liabilities		**121,325**	**126,576**
Total liabilities		**197,636**	**208,892**
Equity			
Issued capital		367,837	367,837
Foreign currency translation reserve		(998)	(998)
Other components of equity		16,778	16,255
Retained earnings		139,618	118,337
Equity attributable to shareholders		**523,235**	**501,431**
Non-controlling interests		17,053	14,464
Total equity		**540,288**	**515,895**
Total equity and liabilities		**737,924**	**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

	Nine months ended September 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	522	426
Investment revaluation reserve on change in fair value of available for sale financial asset, net of tax	1	3
End of period	16,778	16,205
Retained earnings		
Beginning of period	118,337	100,561
Profit/(loss) attributable to shareholders	21,281	(9,914)
End of period	139,618	90,647
Non-controlling interest		
Beginning of period	14,464	12,528
Non-controlling interest - portion of profit for the period	2,589	1,044
Dividends accrued	-	(1,833)
End of period	17,053	11,739
Total equity as at September 30	**540,288**	**485,444**

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three months ended September 30,		Nine months ended September 30,	
	Note	**2015**	**2014**	**2015**	**2014**
Cash flows related to operating activities					
Net profit/(loss) for the period		2,061	(1,096)	23,870	(8,870)
Depreciation of property, plant and equipment	12	4,842	6,383	16,600	18,787
Depreciation of capitalized mine development costs	13	2,982	10,727	14,706	31,536
Inventory movements - non-cash	4	803	(1,478)	5,151	(4,182)
Inventory write-down to net realizable value	4	-	1,474	-	10,775
Inventory write-down to net realizable value - non-cash	4	-	849	-	5,251
Capitalized deferred stripping - non-cash	4	(176)	(521)	(1,165)	(847)
Amortization of intangibles		13	150	234	555
Amortization of deferred financing costs		215	830	490	2,434
Unwinding of discounts	6	221	690	727	897
Share-based compensation	24	384	325	1,752	986
Deferred gold revenue recognized	17	(5,090)	(5,715)	(17,757)	(17,385)
Deferred income tax (recovery)/expense		(985)	-	2,960	-
Loss on disposal of property, plant and equipment		-	-	84	-
Increase in inventories		(9,326)	(2,440)	(11,655)	(15,782)
Changes in non-cash working capital other than inventories	22a	(4,165)	3,644	(15,318)	(5,823)
Net cash provided by/(used in) operating activities		**(8,221)**	**13,822**	**20,679**	**18,332**
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		(8,541)	(1,472)	(16,778)	(2,755)
Expenditures for mine development		(4,712)	(3,780)	(18,510)	(12,053)
Acquisition of intangibles		(15)	-	(87)	-
Net cash used in investing activities		**(13,268)**	**(5,252)**	**(35,375)**	**(122,308)**
Cash flows related to financing activities					
Net proceeds from equity offering		-	-	-	25,485
Proceeds from Franco-Nevada gold stream	17	-	-	-	135,000
Repayment of borrowings		-	(8,194)	(4,192)	(54,582)
Draw down from revolving credit facility	16	15,000	-	15,000	-
Financing costs paid		(2,001)	-	(2,001)	(1,000)
Interest paid on borrowings		-	(732)	(43)	(2,864)
Net cash (used in) / provided by financing activities		**12,999**	**(8,926)**	**8,764**	**102,039**
Effect of exchange rates on cash holdings in foreign currencies		-	-	1	1
Net decrease in cash and cash equivalents		**(8,490)**	**(356)**	**(5,931)**	**(1,936)**
Cash and cash equivalents at the beginning of period		**38,369**	**13,381**	**35,810**	**14,961**
Cash and cash equivalents at the end of period		**29,879**	**13,025**	**29,879**	**13,025**

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 eight exploration permits covering approximately 1,000km^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 October 28, 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 September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
Gold sales - spot price	37,773	56,576	166,177	183,440
Silver sales	57	135	208	595
Total revenue	**37,830**	**56,711**	**166,385**	**184,035**

For the three months ended September 30, 2015, 33,982 ounces of gold were sold including 5,625 ounces delivered to Franco Nevada Corporation ("Franco Nevada") at an average realized price of $1,112 per ounce (2014: 44,573 ounces were sold, including 5,625 ounces delivered to Franco Nevada at an average price of $1,269 per ounce). For the nine months ended September 30, 2015, 140,279 ounces of gold were sold including 18,750 ounces delivered to Franco Nevada at an average realized price of $1,185 per ounce (2014: 142,625 ounces were sold including 16,875 ounces delivered to Franco Nevada at an average price of $1,286 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 nine months ended September 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 production to two customers: $31.4 million and $6.4 million for the three months ended September 30, 2015 (2014: $49.6 million and $7.1 million) and $144.2 million and $22.2 million for the nine months ended September 30, 2015 (2014: $162.3 million and $21.7 million).

4. COST OF SALES

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
Mine production costs	33,707	37,230	104,057	121,285
Capitalized deferred stripping - cash	(2,047)	(1,749)	(11,832)	(4,710)
Capitalized deferred stripping - non-cash	(176)	(521)	(1,165)	(847)
Depreciation and amortization - deferred stripping assets	508	7,800	5,117	21,706
Depreciation and amortization - property, plant and equipment and mine development expenditures	7,240	9,310	25,949	28,617
Royalties	1,942	2,740	8,315	8,643
Amortization of advanced royalties	349	49	1,105	49
Inventory movements - cash	(9,829)	(3,346)	(12,951)	(16,343)
Inventory movements - non-cash	803	(1,478)	5,151	(4,182)
Total cost of sales before write-down to net realizable value	**32,497**	**50,035**	**123,746**	**154,218**
Inventory write-down to net realizable value - cash	-	1,474	-	10,775
Inventory write-down to net realizable value - non-cash	-	849	-	5,251
	-	2,323	-	16,026
Total cost of sales	**32,497**	**52,358**	**123,746**	**170,244**

5. ADMINISTRATION AND CORPORATE SOCIAL RESPONSIBILITY EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
Corporate office	1,651	1,656	5,738	5,904
Dakar office	326	289	1,085	964
Audit fees	170	38	525	248
Legal and other	478	536	2,145	1,970
Depreciation	37	181	313	649
Total administration expenses	**2,662**	**2,700**	**9,806**	**9,735**
Corporate social responsibility expenses	727	490	1,937	1,482
Total administration and corporate social responsibility expenses	**3,389**	**3,190**	**11,743**	**11,217**

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

6. FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Interest on borrowings	115	801	158	2,999
Amortization of deferred financing costs	215	830	490	2,434
Unwinding of discounts	221	690	727	897
Political risk insurance	32	36	98	160
Stocking fees	128	205	473	658
Bank charges	65	78	172	256
Other	13	-	68	-
Total finance costs	**789**	**2,640**	**2,186**	**7,404**

7. OTHER (INCOME) / EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Acquisition and related costs (i)	-	-	-	2,065
Realized gains on derivative instruments (ii)	-	-	(1,770)	-
Interest income	(20)	(36)	(49)	(68)
Other income	-	-	(231)	-
Total other (income)/expenses	**(20)**	**(36)**	**(2,050)**	**1,997**

(i) Includes legal, advisory, consulting and other costs.
(ii) During the first quarter 2015, a gain of $1.8 million was realized on 15,000 ounces of gold forward sales contracts put in place in January to take advantage of a spike in the price of gold. As at September 30, 2015, there were no gold forward contracts outstanding, however, on October 13, 2015, after an increase in the gold spot price, the Company entered into gold forward contracts with Société Générale to deliver 13,000 ounces through the remainder of fourth quarter 2015 at a price of $1,154 per ounce.

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 September 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. Where denominated in foreign currency, 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 non-deductible expenses and tax losses not benefitted in jurisdictions outside of Senegal.

For the three months ended September 30, 2015, the Company recorded an income tax recovery of $0.8 million, comprised of a deferred income tax recovery of $0.9 million and current income tax expense of $0.1 million. For the nine months ended September 30, 2015, the Company recorded income tax expense of $5.5 million, comprised of current income tax of $2.5 million and deferred income tax of $3.0 million. The nine months ended September 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 September 30, 2015	As at December 31, 2014
Current		
Trade receivables (i)	430	16
Value added tax recoverable (ii)	7,821	-
Other receivables (iii)	1,372	1,546
Total trade and other receivables	**9,623**	**1,562**

(i) Trade receivables relate to gold and silver shipments made prior to quarter end that were settled after quarter end.

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(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.

(iii) Other receivables primarily include receivables from suppliers for services, materials and utilities used at the Sabodala gold mine and $0.2 million of Canadian sales tax refunds as at September 30, 2015 (2014: $0.5 million).

10. INVENTORIES

	As at September 30, 2015	As at December 31, 2014
Current		
Gold bullion	3,769	6,025
Gold in circuit	3,129	7,088
Ore stockpile	19,178	18,463
Total gold inventories	**26,076**	**31,576**
Diesel fuel	2,217	2,535
Materials and supplies	29,048	31,178
Goods in transit	2,083	1,350
Total other inventories	**33,348**	**35,063**
Total current inventories	**59,424**	**66,639**
Non-current		
Ore stockpile	104,354	91,057
Total inventories	**163,778**	**157,696**

11. OTHER ASSETS

	As at September 30, 2015	As at December 31, 2014
Current		
Prepayments (i)	3,606	5,607
Security deposit (ii)	1,500	1,500
Advanced royalty (iii)	2,538	1,885
Available for sale financial assets	2	3
Total other current assets	**7,646**	**8,995**
Non-current		
Advanced royalty (iii)	10,095	7,675
Intangible assets	94	242
Total other non-current assets	**10,189**	**7,917**
Total other assets	**17,835**	**16,912**

(i) As at September 30, 2015, prepayments include $2.3 million (2014 - $1.9 million) of advances to vendors and contractors and $1.3 million for insurance (2014 - $1.7 million).

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

(iii) As at September 30, 2015, the Company has recorded $2.5 million in other current assets and $10.1 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 are expensed to net profit based on actual production from the OJVG and Gora. During the three and nine months ended September 30, 2015, the Company has expensed $0.3 million and $1.1 million as amortization of OJVG and Gora advanced royalties, respectively (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	33	30	16	-	-	17,960	**18,039**
Rehabilitation asset	-	1,120	-	-	-	-	**1,120**
Disposals	-	(394)	(30)	-	(1)	-	**(425)**
Other	-	34	-	-	-	-	**34**
Transfer	3,353	4,979	249	280	-	(8,861)	**-**
Balance as at September 30, 2015	**48,421**	**308,226**	**2,466**	**3,311**	**41,915**	**13,826**	**418,165**
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	1,359	12,980	184	248	1,829	-	**16,600**
Balance as at September 30, 2015	**22,805**	**150,589**	**1,963**	**2,588**	**39,285**	**-**	**217,230**
Net book value							
Balance as at December 31, 2014	**23,589**	**164,533**	**433**	**691**	**4,460**	**4,727**	**198,433**
Balance as at September 30, 2015	**25,616**	**157,637**	**503**	**723**	**2,630**	**13,826**	**200,935**

Additions made to property, plant and equipment during the nine months ended September 30, 2015 relate mainly to additional mining equipment for Gora and expenditures for the mill optimization project.

On August 1, 2015, mining commenced at the Gora satellite pit and the project was advanced to the production stage.

Depreciation of property, plant and equipment was $4.8 million for the three months ended September 30, 2015 (2014: $6.5 million) and $16.6 million for the nine months ended September 30, 2015 (2014: $19.1 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	6,168	12,997	19,165
Balance as at September 30, 2015	**302,113**	**102,826**	**404,939**
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	9,589	5,117	14,706
Balance as at September 30, 2015	**82,185**	**57,576**	**139,761**
Carrying amount			
Balance as at December 31, 2014	**223,349**	**37,370**	**260,719**
Balance as at September 30, 2015	**219,928**	**45,250**	**265,178**

	As at September 30, 2015	As at December 31, 2014
Capitalized mine development additions		
Deferred stripping costs	12,997	6,634
Capitalized mine development - Gora	1,811	255
Capitalized mine development - Masato, Golouma & Kerekounda	2,571	3,383
Other capitalized reserve development	1,486	419
Other	300	3,278
Total capitalized mine development additions	**19,165**	**13,969**

Mine development expenditures represent development costs in relation to the Sabodala deposit, Gora satellite deposit and development costs for the 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 $3.0 million was expensed as cost of sales for the three months ended September 30, 2015 (2014: $9.8 million) and $14.7 million for the nine months ended September 30, 2015 (2014: $29.2 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 September 30, 2015	As at December 31, 2014
Current		
Trade payables (i)	19,679	19,436
Sundry creditors and accrued expenses	7,387	8,493
Government royalties (ii)	8,404	12,296
Amounts payable to Republic of Senegal (iii) (iv) (vii)	14,104	13,684
Contingent consideration (vi)	808	-
Total current trade and other payables	**50,382**	**53,909**
Non-Current		
Amounts payable to Republic of Senegal (iii) (v)(vii)	11,377	14,311
Contingent consideration (vi)	3,199	4,088
Total other non-current liabilities	**14,576**	**18,399**
Total trade and other payables	**64,958**	**72,308**

(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 (4,899 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. For the nine months ended September 30, 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 September 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 September 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 $10.3 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 September 30, 2015, $0.8 million has been recorded as a current liability and $3.2 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 September 30, 2015, $5.6 million remains to be paid and has been accrued as a current liability of $4.5 million and a non-current liability of $1.1 million.

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

16. BORROWINGS

	As at September 30, 2015	As at December 31, 2014
Current		
Equipment finance facility	-	4,192
Deferred financing costs	-	(246)
Total current borrowings	**-**	**3,946**
Non-Current		
Revolving credit facility	15,000	-
Deferred financing costs	(1,786)	-
Total non-current borrowings	**13,214**	**-**
Total borrowings	**13,214**	**3,946**

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 quarter, the Company drew down $15.0 million on the 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. Interest is calculated at LIBOR plus 5.0 percent paid quarterly in arrears.

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	(17,757)
Balance as at September 30, 2015	**96,241**

	As at September 30, 2015	As at December 31, 2014
Current	20,152	21,814
Non-Current	76,089	92,184
Total deferred revenue	**96,241**	**113,998**

During the three and nine months ended September 30, 2015, the Company delivered 5,625 ounces and 18,750 ounces of gold to Franco-Nevada (2014: 5,625 ounces and 16,875 ounces). During the three months ended September 30, 2015, the Company recorded revenue of $6.4 million, consisting of $1.3 million received in cash proceeds and $5.1 million recorded as a reduction of deferred revenue (2014: revenue of $7.1 million, consisting of $1.4 million received in cash proceeds and $5.7 million recorded as a reduction of deferred revenue). During the nine months ended September 30, 2015, the Company recorded revenue of $22.2 million, consisting of $4.0 million received in cash proceeds, $0.4 million in accounts receivable and $17.8 million recorded as a reduction of deferred revenue (2014: revenue of $21.7 million, consisting of $4.3 million received in cash proceeds and $17.4 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.

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

18. PROVISIONS

	As at September 30, 2015	As at December 31, 2014
Current		
Employee benefits (i)	2,513	2,365
Cash settled share-based compensation (iii)	746	282
Total current provisions	**3,259**	**2,647**
Non-Current		
Mine restoration and rehabilitation (ii)	16,860	15,726
Cash settled share-based compensation (iii)	586	267
Total non-current provisions	**17,446**	**15,993**
Total provisions	**20,705**	**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 September 30, 2015 (2014 - $1.8 million and $0.6 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 September 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.

19. EARNINGS PER SHARE (EPS)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Basic EPS (US$)	0.00	(0.00)	0.06	(0.03)
Diluted EPS (US$)	0.00	(0.00)	0.06	(0.03)
Basic EPS:				
Net profit/(loss) used in the calculation of basic EPS	1,568	(1,524)	21,281	(9,914)
Weighted average number of common shares for the purposes of basic EPS ('000)	352,801	352,801	352,801	336,845
Weighted average number of common shares outstanding for the purpose of diluted EPS ('000)	352,801	352,801	352,801	336,845

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 15.5 million and 23.0 million shares relating to share options that were anti-dilutive for the periods ended September 30, 2015 and September 30, 2014, respectively.

20. COMMITMENTS FOR EXPENDITURES

During three and nine months ended September 30, 2015, the Company entered into various operating and capital purchase obligations related to the mill optimization and the development of Gora. As at September 30, 2015, total future purchase obligations related to these projects were approximately $8.4 million.

21. CONTINGENT LIABILITIES

During the second quarter of 2013, the Company signed a definitive global agreement with the Republic of Senegal ("Global Agreement"). 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.

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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, 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 September 30, 2015, $7.8 million has been accrued based on net sales revenue and is expected to be paid over 2015 and 2016.

22. CASH FLOW INFORMATION

a. Change in working capital

Net change in working capital other than inventory	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Changes in working capital other than inventory				
(Increase)/decrease in trade and other receivables	(5,252)	(101)	(8,089)	6,212
Decrease in other assets	2,721	1,331	2,868	620
(Decrease)/increase in trade and other payables	(1,773)	2,326	(12,646)	(13,299)
(Decrease)/increase in provisions	-	88	(1)	644
Increase in current income taxes payable	139	-	2,550	-
Net change in working capital other than inventory	**(4,165)**	**3,644**	**(15,318)**	**(5,823)**

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 September 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 September 30, 2015 and December 31, 2014:

	As at September 30, 2015	As at December 31, 2014
Financial assets:		
Loans and receivables		
Trade and other receivables	9,623	1,562
Financial liabilities:		
Other financial liabilities at amortized cost		
Trade and other payables	66,290	72,575
Borrowings	13,214	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. 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.

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Financial instruments carried at amortized cost on the consolidated balance sheets are as follows:

	As at September 30, 2015		As at December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Borrowings	13,214	15,000	4,192	4,100

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 September 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	29,879	-	-	35,810	-	-
Total	**29,879**	**-**	**-**	**35,810**	**-**	**-**
Financial Liabilities						
Borrowings	-	13,214	-	-	3,946	-
Cash settled share-based compensation	-	1,026	306	-	-	-
Total	**-**	**14,240**	**306**	**-**	**3,946**	**-**

24. SHARE BASED COMPENSATION

The share-based compensation expense for the three months and nine months ended September 30, 2015 totaled $0.4 million and $1.8 million (2014: $0.3 million and $1.0 million).

a. Incentive Stock Option Plan

During the three months ended September 30, 2015, no common share stock options were granted, 1,613,613 common share stock options were forfeited and no stock options were exercised.

During the nine months ended September 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, 2,027,503 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.

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

	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	(2,027,503)	C$3.00
Expired during the period	(7,746,600)	C$1.73
Balance as at September 30, 2015	**15,526,386**	**C$2.42**
Number of options exercisable - December 31, 2014	20,057,774	
Number of options exercisable - September 30, 2015	12,301,838	

The following stock options were outstanding as at September 30, 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	28,886	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 September 30, 2015, approximately 19.8 million (2014: 12.3 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 15,526,386 common share stock options issued and outstanding as at September 30, 2015, 3,187,048 vest over a three-year period, 12,301,838 are already vested 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

As at September 30, 2015, 11,696,386 and 3,830,000 share options had a contractual life of ten years and five years at issuance, respectively.

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

Fair value of stock options granted

The grant date fair value of options granted during the nine months ended September 30, 2015 was calculated using the Black-Scholes option pricing model with the following assumptions:

	Nine months ended June 30, 2015
Grant date share price	C$0.64
Weighted average fair value of aw ards	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%

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

As at September 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 September 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 September 30, 2015 in the range of C$0.02 to C$0.41 per Unit. The total fair value of the Units at September 30, 2015 is $0.3 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

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

	Nine months ended September 30, 2015
Share price at the end of the period	C$0.54
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	0.53%-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.

During the three months ended September 30, 2015, the Company granted 5,000 RSUs. During the nine months ended September 30, 2015, the Company granted 2,917,500 RSUs at a price of C$0.64 per unit. Of the 3,986,092 RSUs outstanding at September 30, 2015, 1,652,049 RSUs were vested and remained outstanding, and 90,000 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 September 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 September 30, 2015. During the nine months ended September 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 September 30, 2015, 895,000 DSUs were vested and no units were cancelled. As at September 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, we completed a non-brokered CDN$22,736,000 private placement with Mr. David Mimran, the CEO of Grands Moulins d'Abidjan and Grands Moulins de Dakar, one of the largest producers of flour and agri-food in West Africa. Pursuant to the terms of the Offering, Tablo Corporation, a Mimran family company, has been issued 39,200,000 common shares of Teranga at a price of CDN$0.58 per Common Share. On a pro forma basis, the Company's cash balance at September 30, 2015 would be approximately $46.3 million.