

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the twelve months ended
December 31, 2015 and 2014

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

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

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

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

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OVERVIEW OF THE BUSINESS

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

Vision

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

Mission

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

Strategy

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

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

(i) Reserve Growth

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

- *Converting resources to reserves:* As of December 31, 2015, we had measured and indicated resources totaling 4.4 million ounces, including 2.6 million ounces in reserves.
- *Making large-scale discoveries:* We are currently exploring our ~1,000km² regional land package which surrounds our Sabodala gold mine. We believe there is a reasonable basis for new large-scale discoveries given the history of exploration

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

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

(ii) Production Growth

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

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

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

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

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

(iii) Margin Expansion

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

Acquisition

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

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

The acquisition of Bendon and Badr's interests in the OJVG increased our ownership to 100 percent and allowed us to consolidate the Sabodala region, increasing the size of our mine license land holding from 33km² to 246km² by combining the two permitted mine licenses and more than doubling our reserve base. In July 2015, our mine license land holding increased to 291km², with the inclusion of Gora in the mine license perimeter.

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

FINANCIAL AND OPERATING HIGHLIGHTS

(US\$000's, except where indicated)	Three months ended December 31,		Twelve months ended December 31,		
Operating Data	2015	2014	2015	2014	2013
Gold Produced (ounces)	51,292	71,278	182,282	211,823	207,204
Gold Sold (ounces)	52,939	63,711	193,218	206,336	208,406
Average realized gold price	1,099	1,199	1,161	1,259	1,246
Total cash costs (\$ per ounce sold) ¹	668	598	642	710	641
All-in sustaining costs (\$ per ounce sold) ¹	969	711	965	865	1,033
Total depreciation and amortization (\$ per ounce sold) ^{1,2}	249	240	256	298	306
Financial Data	2015	2014	2015	2014	2013
Revenue	58,235	76,553	224,620	260,588	297,927
Profit (loss) attributable to shareholders of Teranga ²	(71,824)	27,693	(50,543)	17,776	50,280
Per share ²	(0.19)	0.08	(0.14)	0.05	0.19
Operating cash flow	9,755	30,677	30,434	49,009	74,307
Capital expenditures	12,307	4,105	47,682	18,913	69,056
Free cash flow ³	(2,552)	26,572	(17,248)	39,096	16,251
Free cash flow per ounce sold ³	(48)	417	(89)	189	78
Cash and cash equivalents (including restricted cash)	44,436	35,810	44,436	35,810	34,961
Net cash (debt) ⁴	30,986	31,864	30,986	31,864	(32,068)
Total assets ³	696,216	726,323	696,216	726,323	628,643
Total non-current liabilities	124,974	128,112	124,974	128,112	29,241

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

¹ Total cash costs per ounce, all-in sustaining costs per ounce and total depreciation and amortization per ounce are non-IFRS financial measures that do not have a standard meaning under IFRS. Prior year amounts include adjustments to net realizable value. Please refer to Non-IFRS Performance Measures at the end of this report.

² In 2014, the Company reassessed the accounting for deferred stripping assets to include amortization of equipment directly related to deferred stripping activity. The impact of this adjustment has been applied retrospectively from January 1, 2012. The twelve months ended December 31, 2015 includes the impact of restating the deferred income tax expenses related to temporary timing differences.

³ Free cash flow and free cash flow per ounce are defined as operating cash flow (excluding one-time transaction costs related to the acquisition of the OJVG) less capital expenditures.

⁴ Net cash is defined as total borrowings less cash and cash equivalents for 2014 and 2015. For 2013, net debt is defined as total borrowings and financial derivative liabilities less cash and cash equivalents, bullion receivables and restricted cash.

Fourth Quarter Financial and Operating Highlights

- Gold production for the fourth quarter was 51,292 ounces, representing a decrease of 28 percent versus the prior year period, and was below the Company's fourth quarter plan by 18,000 ounces, or 26 percent. The fourth quarter production shortfall was attributable to (i) 13,500 ounces of additional artisanal activity at Gora; and (ii) 4,500 ounces related to a localized rock fall in December, which delayed access into Masato.
- During the fourth quarter, 52,939 ounces were sold at an average realized gold price of \$1,099 per ounce compared to 63,711 ounces sold at an average realized price of \$1,199 per ounce in the prior year period.
- For the fourth quarter, total cash costs rose to \$668 per ounce, or by 12 percent compared to the prior year period (excluding the reversal of non-cash inventory write-downs to Net Realizable Value ("NRV")) as a result of lower gold production partly offset by lower mine site production costs.
- All-in sustaining costs per ounce for the fourth quarter were \$969, or 36 percent higher than the prior year period (excluding the reversal of non-cash inventory write-downs to NRV) due to an increase in total cash costs and total capital expenditures related to the mill optimization project. All-in sustaining costs for the fourth quarter include approximately \$145 per ounce of development capital expenditures, compared to approximately \$6 per ounce in the prior year period.
- Gold revenue decreased compared to the same prior year period due to lower sales volumes and lower realized gold prices during the fourth quarter of 2015.
- During the fourth quarter, we recorded a non-cash impairment charge of \$77.9 million (net of tax effects) on long-lived assets and recorded goodwill. The impairment charge was triggered primarily by the effect of changes in the Company's long-term gold price assumptions.
- Consolidated net loss attributable to shareholders for the three months ended December 31, 2015 was \$71.8 million (\$0.19 loss per share), compared to consolidated net profit of \$27.7 million (\$0.08 per share) in the prior year quarter. The decrease in profit in the current quarter is primarily due to the non-cash impairment charge on long-lived assets and recorded goodwill of \$77.9 million (net of tax effects). For the three months ended December 31, 2015, net loss attributable to shareholders before the effects of the impairment charge was \$1.7 million (\$0.00 loss per

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

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

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

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

Outlook 2016

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

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

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

Notes:

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

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

³ Excludes capitalized deferred stripping costs, included in mine production costs.

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

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

2016 Guidance Analysis

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

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

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

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

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

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

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

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

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

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

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

Sensitivity

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

REVIEW OF OPERATING RESULTS

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

¹ Gold produced represents change in gold in circuit inventory plus gold recovered during the period.

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

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

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

Fourth Quarter 2015 Operating Results

Mining

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

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

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

Processing

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

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

Costs – site operations

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

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

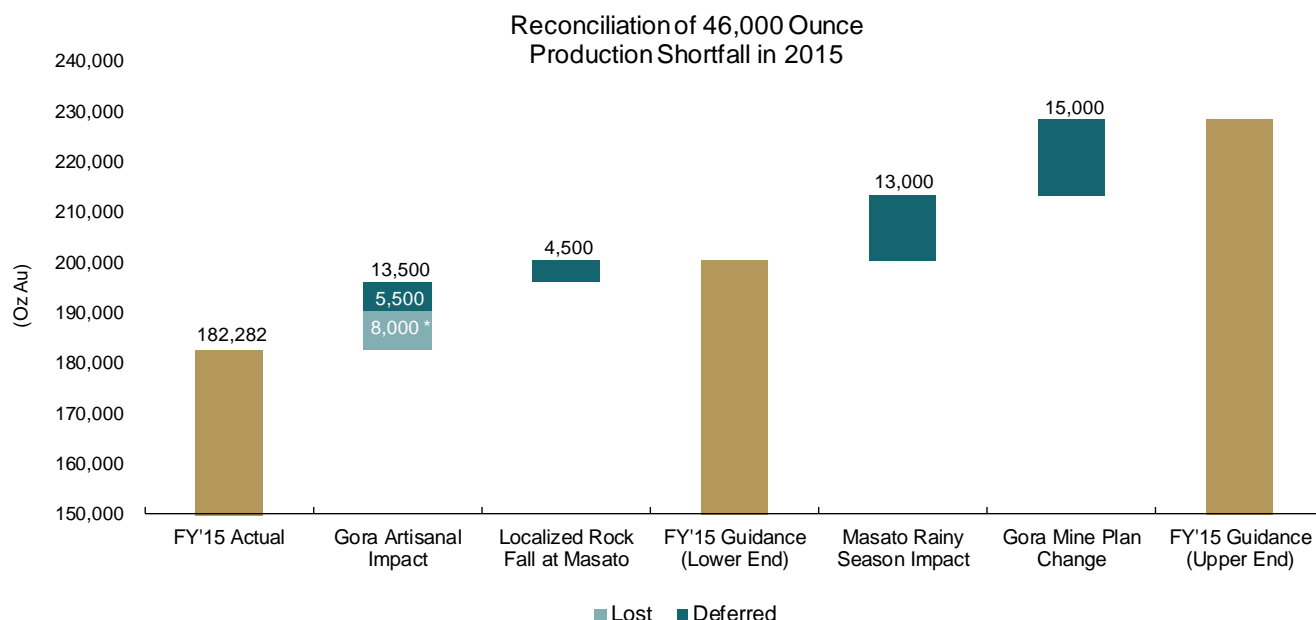
Total processing costs for the quarter decreased to \$12.2 million, 13 percent lower than the prior year period due to cost savings associated with a reduction of power, grinding and reagent consumption together with favourable variances for fuel, reagent and currency. Accordingly, unit processing costs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

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

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

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

Full Year 2015 Operating Results



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

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

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

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

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

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

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

Mining

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

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

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

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

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

Processing

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

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

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

Costs – site operations

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

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

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

REVIEW OF FINANCIAL RESULTS

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

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

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

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

Revenue

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

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

Cost of Sales

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

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

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

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

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

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

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

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

Impairment charge

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

Income tax recovery (expense)

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

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

Net profit (loss)

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

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

Revenue

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

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

Cost of Sales

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

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

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

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

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

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

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

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

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

Exploration and evaluation

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

Administration and corporate social responsibility costs

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

Share-based compensation

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

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

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

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

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

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

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

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

Finance costs

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

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

Net foreign exchange gain

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

Impairment charge

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

Other income (expense)

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

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

Income tax recovery (expense)

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

Net profit (loss)

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

REVIEW OF QUARTERLY FINANCIAL RESULTS

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

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

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

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

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

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

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

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

BUSINESS AND PROJECT DEVELOPMENT

Gora Development

Mining at the satellite Gora pit commenced in July 2015. All required infrastructure, including a 26 kilometre access road, was completed within the scheduled timeframe and came in \$3.5 million under the estimated budget of \$19.0 million⁴.

Mill Optimization

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

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

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

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

Heap Leach Project

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

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

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

Reserves and Resources

Mineral Resources at December 31, 2015 are presented in table 1. Total open pit and underground Proven and Probable Mineral Reserves⁵ at December 31, 2015 are set

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

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

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

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

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

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

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

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

⁴ Pending decision on dyke construction 2016.

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

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

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

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

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

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

Underground Reserves

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

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

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

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

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

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

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

Notes for Mineral Resources Summary:

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

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

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

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

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

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

Table 2: Open Pit and Underground Mineral Reserves Summary

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

Notes for Mineral Reserves Summary:

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

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

Life of Mine Schedule

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

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

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

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

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

Table 3: Life of Mine (2016 to 2029)

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

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

Table 4: Life of Mine Capital Expenditures

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

Table 5: Life of Mine Operating Costs

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

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

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

⁽²⁾ Royalties include Government of Senegal royalties on total production and the NSR royalty due to Axmin on Gora production.

This production guidance is based on existing proven and probable reserves only from both the Sabodala mining license as disclosed in the Reserves and Resources section of this Report.

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

Sabodala Mine License Reserve Development

The Sabodala combined mine license covers 291km². The objective of this multi-year development program is to add higher grade material earmarked for the mill and to add lower grade to potentially a heap leach pad.

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

Golouma NW Extension

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

Maki Medina

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

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

Maki Medina East Anomaly

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

Niakafiri Southwest

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

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

Golouma South

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

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

Soukhoto

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

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

Goumbati West

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

Goumbati East

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

Kouroundi

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

Regional Exploration

We currently have eight exploration permits encompassing approximately 1,000km² of land surrounding the Sabodala mine license.

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

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

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

Soreto

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

KD Prospect

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

Nienienko Prospects

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

KA Prospect

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

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

Marougou Prospect

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

Niakafiri Resettlement

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

Health and Safety

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

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

Corporate Social Responsibility

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

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

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

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

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

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

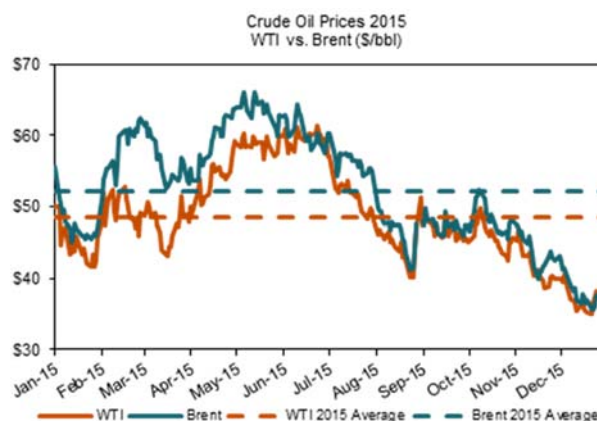
Market Review – Impact of Key Economic Trends



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

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

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



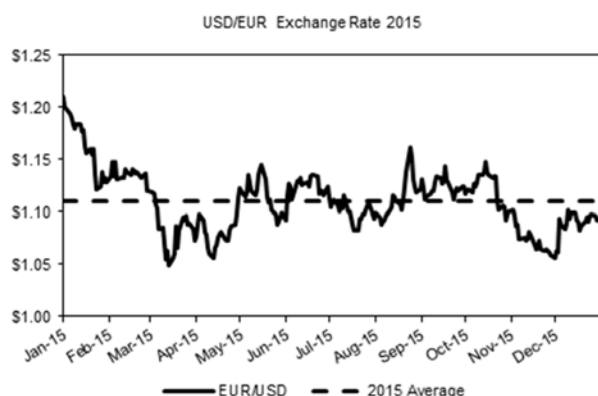
Source: Thomson Reuters

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

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

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

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



Source: Thomson Reuters

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

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

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

FINANCIAL CONDITION REVIEW

SUMMARY BALANCE SHEET

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

Balance Sheet Review

Cash

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

Trade and Other Receivables

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

Goodwill

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

Deferred Taxes

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

Borrowings

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

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

Provisions

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

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

Deferred Revenue

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

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

Liquidity and Cash Flow

CASH FLOW

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

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

Operating Cash Flow

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

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

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

Investing Cash Flow

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

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

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

Financing Cash Flow

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

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

Liquidity and Capital Resources Outlook

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

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

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

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

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONTINGENT LIABILITIES

Government of Senegal payments

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

Royalty payments

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

Reserve payment

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

Social development fund payment

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

Accrued dividends

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

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

Gora and OJVG advanced royalty payments

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

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

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

Outstanding tax assessments

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Ore reserves

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

Functional currency

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

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

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

Mine restoration and rehabilitation provision

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

Impairment of goodwill and non-current assets

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

The following impairment losses were recognized:

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

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

Key Assumptions

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

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

- Commodity prices
- Discount rates
- Exchange rates

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

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

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

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

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

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

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

Production start date

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

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

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

Stripping costs in the production phase of a surface mine

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

Taxes

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

Contingencies

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

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

NON-IFRS FINANCIAL MEASURES

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

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

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

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

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

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

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

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

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

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

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

(US\$000's, except where indicated)		Three months ended December 31,		Twelve months ended December 31,	
Cash costs per ounce sold		2015	2014	2015	2014
Gold produced ¹ (oz)		51,292	71,278	182,282	211,823
Gold sold (oz)		52,939	63,711	193,218	206,336
Cash costs per ounce sold					
Cost of sales ²		48,515	37,739	172,261	207,984
Less: depreciation and amortization ²		(10,850)	(19,193)	(41,916)	(69,516)
Add: non-cash inventory movement ²		(2,307)	3,907	(7,458)	8,089
Add: non-cash capitalized deferred stripping ²		209	(188)	1,374	658
Less: inventory reversal (write-down) to net realizable value ²		-	16,026	-	-
Less: other adjustments		(185)	(172)	(294)	(763)
Total cash costs		35,382	38,119	123,969	146,453
Total cash costs per ounce sold		668	598	642	710
All-in sustaining costs					
Total cash costs		35,382	38,119	123,969	146,453
Administration expenses ³		3,628	3,094	14,873	13,165
Capitalized deferred stripping		2,715	1,266	14,548	5,977
Capitalized reserve development		852	1,496	4,824	4,020
Mine site capital		8,740	1,343	28,313	8,919
All-in sustaining costs		51,317	45,318	186,526	178,534
All-in sustaining costs per ounce sold		969	711	965	865
All-in costs					
All-in sustaining costs		51,317	45,318	186,526	178,534
Social community costs not related to current operations		916	1,061	2,852	2,543
Exploration and evaluation expenditures		743	373	2,525	2,772
All-in costs		52,975	46,752	191,904	183,849
All-in costs per ounce sold		1,000	734	993	891
Depreciation and amortization ²		10,850	19,193	41,915	69,516
Non - cash inventory movement ²		2,307	(3,907)	7,458	(8,089)
Total depreciation and amortization		13,157	15,286	49,373	61,427
Total depreciation and amortization per ounce sold²		249	240	256	298

¹ Gold produced represents change in gold in circuit inventory plus gold recovered during the period.

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

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

OUTSTANDING SHARE DATA

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

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

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

TRANSACTIONS WITH RELATED PARTIES

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

Shareholdings

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

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

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

CEO/CFO CERTIFICATION

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

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

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

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

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

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

RISKS AND UNCERTAINTIES

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

CORPORATE DIRECTORY

Directors

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

Senior Management

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

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Auditor

Ernst & Young LLP

Share Registries

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

Stock Exchange Listings

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

FORWARD LOOKING STATEMENTS

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

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

COMPETENT PERSONS STATEMENT

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

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

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

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

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

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

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