Interim Condensed Consolidated Financial Statements of

TERANGA GOLD CORPORATION

For the three and six months ended June 30, 2016

(unaudited)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
SECOND QUARTER 2016
(unaudited, in $000's of United States dollars, except per share amounts)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Three months ended June 30,		Six months ended June 30,	
	Note	2016	2015	2016	2015
Revenue	3	73,562	60,064	152,760	128,555
Cost of sales	4	(48,227)	(43,827)	(100,758)	(92,600)
Gross profit		**25,335**	**16,237**	**52,002**	**35,955**
Exploration and evaluation expenditures		(1,511)	(925)	(2,924)	(1,734)
Administration expenses	5	(1,976)	(2,802)	(3,549)	(5,793)
Corporate social responsibility expenses		(1,065)	(736)	(2,032)	(1,210)
Share-based compensation	22	(2,601)	(1,041)	(3,549)	(1,368)
Finance costs	6	(1,266)	(748)	(2,337)	(1,397)
Net foreign exchange (losses)/gains		(366)	391	(1,849)	1,682
Other (expenses)/income	7	(2,937)	247	(7,897)	2,030
		(11,722)	**(5,614)**	**(24,137)**	**(7,790)**
Profit before income tax		**13,613**	**10,623**	**27,865**	**28,165**
Income tax expense	8	(5,750)	(3,584)	(10,659)	(6,356)
Net profit		**7,863**	**7,039**	**17,206**	**21,809**
Net profit attributable to:					
Shareholders		6,146	6,726	13,958	19,714
Non-controlling interests		1,717	313	3,248	2,095
Net profit for the period		**7,863**	**7,039**	**17,206**	**21,809**
Other comprehensive income:					
Items that may be reclassified subsequently to profit for the year					
Change in fair value of available for sale financial asset, net of tax		-	-	-	1
Other comprehensive income for the period		**-**	**-**	**-**	**1**
Total comprehensive income for the period		**7,863**	**7,039**	**17,206**	**21,810**
Total comprehensive income attributable to:					
Shareholders		6,146	6,726	13,958	19,715
Non-controlling interests		1,717	313	3,248	2,095
Total comprehensive income for the period		**7,863**	**7,039**	**17,206**	**21,810**
Earnings per share from operations attributable to the shareholders of the Company during the period					
- basic earnings per share	18	0.02	0.02	0.04	0.06
- diluted earnings per share	18	0.02	0.02	0.04	0.06

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at June 30, 2016	As at December 31, 2015
Current assets			
Cash and cash equivalents	20b	58,138	44,436
Trade and other receivables	9	14,026	15,701
Inventories	10	43,220	57,529
Other current assets	11	7,034	9,381
Total current assets		**122,418**	**127,047**
Non-current assets			
Inventories	10	112,920	106,898
Property, plant and equipment	12	190,232	193,426
Mine development expenditures	13	249,845	237,046
Deferred income tax assets		22,386	23,098
Other non-current assets	11	8,060	8,701
Total non-current assets		**583,443**	**569,169**
Total assets		**705,861**	**696,216**
Current liabilities			
Trade and other payables	14	61,037	62,545
Current income tax liabilities	8	10,355	8,685
Deferred revenue	16	23,756	19,155
Provisions	17	4,549	2,588
Total current liabilities		**99,697**	**92,973**
Non-current liabilities			
Borrowings	15	13,668	13,450
Deferred revenue	16	56,503	72,190
Provisions	17	29,393	28,236
Other non-current liabilities	14	10,586	11,098
Total non-current liabilities		**110,150**	**124,974**
Total liabilities		**209,847**	**217,947**
Equity			
Issued capital		385,245	385,174
Foreign currency translation reserve		(998)	(998)
Other components of equity		17,373	16,905
Retained earnings		81,752	67,794
Equity attributable to shareholders		**483,372**	**468,875**
Non-controlling interests		12,642	9,394
Total equity		**496,014**	**478,269**
Total equity and liabilities		**705,861**	**696,216**

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

Approved by the Board of Directors

Alan Hill
Director

Alan Thomas
Director

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Six months ended June 30,	
	2016	**2015**
Issued capital		
Beginning of period	385,174	367,837
Issued on exercise of stock options	71	-
End of period	385,245	367,837
Foreign currency translation reserve		
Beginning of period	(998)	(998)
End of period	(998)	(998)
Other components of equity		
Beginning of period	16,905	16,255
Equity-settled share-based compensation reserve	468	347
Investment revaluation reserve on change in fair value of available for sale financial asset, net of tax	-	1
End of period	17,373	16,603
Retained earnings		
Beginning of period	67,794	118,337
Profit attributable to shareholders	13,958	19,714
End of period	81,752	138,051
Non-controlling interest		
Beginning of period	9,394	14,464
Non-controlling interest - portion of profit for the period	3,248	2,095
End of period	12,642	16,559
Total equity as at June 30	**496,014**	**538,052**

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three months ended June 30,		Six months ended June 30,	
	Note	2016	2015	2016	2015
Cash flows related to operating activities					
Net profit for the period		7,863	7,039	17,206	21,809
Depreciation of property, plant and equipment	12	5,089	5,912	10,850	11,758
Depreciation of capitalized mine development costs	13	4,491	6,637	9,726	11,724
Inventory movements - non-cash	4	2,568	673	5,485	4,348
Capitalized deferred stripping - non-cash	4	(591)	(329)	(865)	(989)
Amortization of advanced royalties	4	717	327	1,682	756
Unrealized losses on derivative instruments	7	1,017	-	1,941	-
Amortization of intangibles		18	80	40	222
Amortization of deferred financing costs		208	-	464	275
Unwinding of discounts	6	309	447	534	506
Share-based compensation	22	2,601	1,041	3,549	1,368
Deferred gold revenue recognized	16	(5,731)	(5,361)	(11,086)	(12,667)
Deferred income tax expense	8	893	1,173	713	3,945
Loss on disposal of property, plant and equipment		32	83	32	84
Decrease/(increase) in inventories		2,209	(4,535)	3,808	(2,329)
Changes in non-cash working capital other than inventories	20a	(735)	(918)	1,022	(11,910)
Net cash provided by operating activities		**20,958**	**12,269**	**45,101**	**28,900**
Cash flows related to investing activities					
Expenditures for property, plant and equipment		(5,163)	(7,595)	(12,178)	(8,237)
Expenditures for mine development		(9,977)	(5,222)	(17,308)	(13,798)
Acquisition of intangibles		(137)	(6)	(173)	(72)
Net cash used in investing activities		**(15,277)**	**(12,823)**	**(29,659)**	**(22,107)**
Cash flows related to financing activities					
Proceeds from stock options exercised		35	-	53	-
Repayment of borrowings	15	-	-	-	(4,192)
Financing costs paid		(246)		(246)	-
Interest paid on borrowings		(416)	-	(860)	(43)
Net cash used in financing activities		**(627)**	**-**	**(1,053)**	**(4,235)**
Effect of exchange rates on cash holdings in foreign currencies		(414)	-	(687)	1
Net increase in cash and cash equivalents		**4,640**	**(554)**	**13,702**	**2,559**
Cash and cash equivalents at the beginning of period		**53,498**	**38,923**	**44,436**	**35,810**
Cash and cash equivalents at the end of period		**58,138**	**38,369**	**58,138**	**38,369**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Since the interim condensed consolidated financial statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2015.

The interim condensed consolidated financial statements were approved by the Board of Directors on July 27, 2016.

b. Basis of presentation

All amounts included in these interim condensed consolidated financial statements have been presented in United States dollars unless otherwise stated. The interim condensed consolidated financial statements have been prepared on the basis of historical cost, except for certain other financial assets and liabilities that are measured at fair value as disclosed elsewhere in the notes to the financial statements. The interim condensed consolidated financial statements have been prepared based on the Company's accounting policies set out in Note 3 of the annual audited consolidated financial statements for the year ended December 31, 2015.

In 2016 in order to better align costs with industry peers, the Company has reclassified regional administration costs directly relating to cost of sales activities from administration expenses to cost of sales and corporate social responsibility ("CSR") costs to a separate line on the consolidated statements of comprehensive income. The prior year figures have been adjusted to conform to the current year's presentation. Refer to Notes 4 and 5.

c. New standards, interpretations and amendments thereof, adopted by the Company

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's Audited Consolidated Financial Statements for the year ended December 31, 2015, and there have been no new standards or interpretations adopted which have had an impact on the accounting policies, financial position or performance of the Company.

d. Future accounting policies not yet adopted

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The future accounting policies not yet adopted are consistent with those disclosed in the Company's Audited Consolidated Financial Statements for the year ended December 31, 2015.

3. REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Gold sales - spot price	73,507	59,995	152,638	128,404
Silver sales	55	69	122	151
Total revenue	**73,562**	**60,064**	**152,760**	**128,555**

For the three months ended June 30, 2016, 58,297 ounces of gold were sold including 5,625 ounces delivered to Franco Nevada Corporation ("Franco-Nevada") at an average realized price of $1,261 per ounce (2015: 50,074 ounces were sold, including 5,625 ounces delivered to Franco Nevada at an average price of $1,198 per ounce).For the six months ended June 30, 2016, 125,968 ounces of gold were sold including 11,250 ounces delivered to Franco Nevada at an average realized price of $1,212 per ounce (2015: 106,297 ounces were sold, including 13,125 ounces delivered to Franco Nevada at an average price of $1,208 per ounce).

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The Company realized cash proceeds from the sale of gold to Franco-Nevada equivalent to 20 percent of the spot gold price. Refer to Note 16.

The Company delivered all of its production to three customers in 2016 and two customers in 2015 as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Customer 1	57,112	-	129,616	-
Customer 2	9,286	53,362	9,286	112,721
Customer 3	7,164	6,702	13,858	15,834
Total revenue	**73,562**	**60,064**	**152,760**	**128,555**

4. COST OF SALES

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Mine production costs	37,595	35,498	72,597	70,350
Capitalized deferred stripping - cash	(7,555)	(3,197)	(10,604)	(9,785)
Capitalized deferred stripping - non-cash	(591)	(329)	(865)	(989)
Depreciation and amortization - deferred stripping assets	413	3,049	964	4,609
Depreciation and amortization - property, plant and equipment and mine development expenditures	9,121	9,442	19,512	18,774
Royalties(i)	3,846	3,007	8,254	6,373
Amortization of advanced royalties	717	327	1,682	756
Regional administration costs	539	713	1,051	1,286
Inventory movements - cash	1,574	(5,356)	2,682	(3,122)
Inventory movements - non-cash	2,568	673	5,485	4,348
Total cost of sales	**48,227**	**43,827**	**100,758**	**92,600**

(i) Includes royalties to Axmin Inc. on account of their 1.5 percent net smelter royalty on the Gora deposit. During the three and six months ended June 30, 2016, the Company incurred $0.2 million and $0.7 million of Axmin royalties (2015: nil and nil).

5. ADMINISTRATION EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Corporate office	1,504	2,033	2,603	4,087
Audit fees	136	78	186	297
Legal and other	309	608	715	1,198
Depreciation	27	83	45	211
Total administration expenses	**1,976**	**2,802**	**3,549**	**5,793**

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6. FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Interest and deferred financing costs on borrowings	620	-	1,201	318
Unwinding of discounts	309	447	534	506
Stocking fees	194	175	348	345
Bank charges	96	61	189	107
Other	47	65	65	121
Total finance costs	**1,266**	**748**	**2,337**	**1,397**

7. OTHER (INCOME) / EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Acquisition and severance costs (i)	630	-	630	-
Losses/(gains) on derivative instruments (ii)	1,958	-	2,884	(1,770)
Business process consulting	109	-	886	-
Mine license registration fees(iii)	-	-	1,033	-
Business taxes(iv)	-	-	2,500	-
Interest income	(6)	(16)	(13)	(29)
Other income and expenses(v)	246	(231)	(23)	(231)
Total other (income)/expenses	**2,937**	**(247)**	**7,897**	**(2,030)**

(i) Includes costs for legal, advisory and consulting related to the agreement to acquire Gryphon Minerals in addition to severance costs incurred during the period.

(ii) In February 2016, the Company entered into gold forward contracts with Société Générale to deliver 28,000 ounces with settlement dates from March to August 2016 at an average price of $1,201 per ounce. The company also entered into zero cost collars with Macquarie Bank, which provide a floor price of $1,150 per ounce and provide exposure to the gold price of up to $1,312. Based on the fair value of these contracts at June 30, 2016, hedge losses of $2.0 million and $2.9 million were recorded for the three and six months ended June 30, 2016 (2015: nil and $1.8 million gain). Refer to Note 14.

(iii) During the first quarter, the Company paid $1.0 million in prescribed fees (land registry and notary), related to the OJVG acquisition, to register its expanded Sabodala mining license area granted in July of 2015 which incorporated the Gora deposit area (45km), the former Sabodala mining license area (33km), and the Golouma mining license area (212km).

(iv) Business taxes are calculated based on the gross value of fixed assets of the preceding year. The amount recorded during the first quarter represents the full 2016 liability.

(v) The second quarter 2016 expenses include a write-off of certain aged accounts. Refer to Note 9.

8. INCOME TAX

On May 2, 2015, the Company's tax holiday in Senegal ended and the Company has recorded a current income tax expense on taxable income earned in its Senegalese entities for the period of January 1, 2016 to June 30, 2016 at a rate of 25 percent. Current income tax is calculated using local tax rates on taxable income which is estimated in accordance with local statutory requirements and is denominated in the Senegalese currency (CFA Franc). The tax basis of all assets and non-current intercompany loans are recorded using historical exchange rates and translated to the functional currency using the period end exchange rate, and the Company's deferred tax balances will fluctuate due to changes in foreign exchange rates accordingly. The consolidated effective tax rate is also affected by non-deductible expenses and tax losses not benefitted in jurisdictions outside of Senegal.

For the three months ended June 30, 2016, the Company recorded income tax expense of $5.8 million, comprised of current income tax expense of $4.9 million and deferred income tax expense of $0.9 million. For the six months ended June 30, 2016, the Company recorded income tax expense of $10.7 million, comprised of current income tax expense of $10.0 million and deferred income tax expense of $0.7 million.

During the second quarter of 2015, upon completion of local tax filings, it was determined that goodwill on the OJVG acquisition had no tax basis and as such a temporary deferred tax difference exists with respect to OJVG mineral property assets. The purchase price equation had been restated to recognize a deferred tax asset of $13.4

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million in relation to the deferred mineral property expenditures and a corresponding reduction in goodwill. As a result, income tax expense for the six months ended June 30, 2015 had also been restated to include $2.7 million of deferred tax expense.

9. TRADE AND OTHER RECEIVABLES

	As at June 30, 2016	As at December 31, 2015
Current		
Trade receivables (i)	497	625
Value added tax ("VAT") recoverable (ii)	12,084	13,187
Other receivables (iii)	1,445	1,889
Total trade and other receivables	**14,026**	**15,701**

(i) Trade receivables relate to gold and silver shipments made prior to quarter-end that were settled after quarter-end.
(ii) Value added tax ("VAT") is levied at a rate of 18 percent on supply of goods and services and is recoverable on the majority of purchases in Senegal. Non-recoverable VAT is expensed to net profit. 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 expires on May 2, 2022.
(iii) Other receivables primarily include receivables from suppliers for services, materials and utilities used at the Sabodala gold mine, a $0.2 million receivable related to the sale of exploration rights (2015: $0) and $0.1 million of Canadian sales tax refunds as at June 30, 2016 (2015: $0.2 million).

10. INVENTORIES

	As at June 30, 2016	As at December 31, 2015
Current		
Gold bullion	780	1,948
Gold in circuit	3,568	4,075
Ore stockpile	6,298	18,845
Total gold inventories	**10,646**	**24,868**
Diesel fuel	1,652	1,881
Materials and supplies	30,200	28,981
Goods in transit	722	1,799
Total other inventories	**32,574**	**32,661**
Total current inventories	**43,220**	**57,529**
Non-current		
Ore stockpile	112,920	106,898
Total inventories	**156,140**	**164,427**

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11. OTHER ASSETS

	As at June 30, 2016	As at December 31, 2015
Current		
Prepayments (i)	4,604	4,129
Security deposit (ii)	-	1,500
Advanced royalty (iii)	2,430	3,338
Financial derivative assets	-	41
VAT certificates held (iv)	-	373
Total other current assets	**7,034**	**9,381**
Non-current		
Advanced royalty (iii)	7,756	8,530
Intangible assets	304	171
Total other non-current assets	**8,060**	**8,701**
Total other assets	**15,094**	**18,082**

(i) As at June 30, 2016, prepayments include $2.7 million (2015 - $3.2 million) of advances to vendors and contractors and $1.9 million for insurance (2015 - $0.9 million).

(ii) The security deposit represented security for payment under a maintenance contract. As part of the contract renewal completed in June 2016, the security deposit requirement was removed and replaced with trade credit insurance. As a result, the balance of $1.5 million, which was previously restricted, has now been classified within cash and cash equivalents at June 30, 2016.

(iii) As at June 30, 2016, the Company has recorded $2.4 million in other current assets and $7.8 million in other non-current assets as advanced royalty payments to the Government of Senegal. In total, the Company had recorded $10.0 million related to the OJVG in 2014 and $4.2 million related to the Gora deposit in the first quarter of 2015. The advanced royalties are expensed to net profit based on actual production from the former OJVG and Gora deposits. During the three and six months ended June 30, 2016, the Company has expensed $0.7 million and $1.7 million as amortization of OJVG and Gora advanced royalties, respectively (2015: $0.3 million and $0.8 million). The advanced royalty recorded within other current assets is based on the expected production from the OJVG and Gora deposits over the next 12 months and the remaining balance is recorded within other non-current assets. Refer to Note 14.

(iv) During the six months ended June 30, 2016, the Company received an additional $6.8 million of VAT certificates which were applied against amounts owing to certain vendors and the Government of Senegal. At June 30, 2016, the Company held no VAT certificates.

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12. PROPERTY, PLANT AND EQUIPMENT

	Buildings and property improvements	Plant and equipment	Office furniture and equipment	Motor vehicles	Mobile equipment	Capital work in progress	Total
Cost							
Balance as at January 1, 2015	**45,035**	**261,200**	**2,231**	**3,031**	**83,173**	**4,727**	**399,397**
Additions	33	8,732	24	-	2,474	25,842	**37,105**
Disposals	-	(394)	(30)	-	(1)	-	**(425)**
Other	-	34	-	-	-	-	**34**
Transfer	6,035	6,882	253	788	-	(13,958)	**-**
Balance as at December 31, 2015	**51,103**	**276,454**	**2,478**	**3,819**	**85,646**	**16,611**	**436,111**
Additions	-	422	9	-	-	12,576	**13,007**
Disposals	-	-	-	(117)	(173)	-	**(290)**
Transfer to Mine development expenditures	-	-	-	-	-	(5,318)	**(5,318)**
Transfer[(i)]	(4,634)	(1,605)	114	2,791	4,889	(1,555)	**-**
Balance as at June 30, 2016	**46,469**	**275,271**	**2,601**	**6,493**	**90,362**	**22,314**	**443,510**
Accumulated depreciation and impairment charges							
Balance as at January 1, 2015	**21,446**	**119,600**	**1,798**	**2,340**	**55,780**	**-**	**200,964**
Disposals	-	(315)	(19)	-	-	-	**(334)**
Impairment charges	3,111	16,241	-	-	-	-	**19,352**
Depreciation expense	1,892	12,269	231	376	7,935	-	**22,703**
Balance as at December 31, 2015	**26,449**	**147,795**	**2,010**	**2,716**	**63,715**	**-**	**242,685**
Disposals	-	-	-	(84)	(173)	-	**(257)**
Depreciation expense	1,061	5,375	151	453	3,810	-	**10,850**
Balance as at June 30, 2016	**27,510**	**153,170**	**2,161**	**3,085**	**67,352**	**-**	**253,278**
Net book value							
Balance as at December 31, 2015	**24,654**	**128,659**	**468**	**1,103**	**21,931**	**16,611**	**193,426**
Balance as at June 30, 2016	**18,959**	**122,101**	**440**	**3,408**	**23,010**	**22,314**	**190,232**

(i) Transfers to correct distribution of previously allocated work in progress to the appropriate sub-asset classes within property, plant and equipment.

Additions made to property, plant and equipment during the six months ended June 30, 2016 relate mainly to expenditures for the mill optimization project and sustaining capital.

Depreciation of property, plant and equipment was $5.1 million for the three months ended June 30, 2016 (2015: $5.9 million) and $10.9 million for the six months ended June 30, 2016 (2015: $11.8 million).

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13. MINE DEVELOPMENT EXPENDITURES

	Development and exploration costs	Deferred stripping assets	Total
Cost			
Balance as at January 1, 2015	**295,945**	**89,829**	**385,774**
Additions incurred during the period	8,804	15,921	24,725
Balance as at December 31, 2015	**304,749**	**105,750**	**410,499**
Additions incurred during the period	5,738	11,469	17,207
Transfer from Property, plant and equipment	5,318	-	5,318
Balance as at June 30, 2016	**315,805**	**117,219**	**433,024**
Accumulated depreciation and impairment charges			
Balance as at January 1, 2015	**72,596**	**52,459**	**125,055**
Depreciation expense	13,840	5,686	19,526
Impairment charges	23,538	5,334	28,872
Balance as at December 31, 2015	**109,974**	**63,479**	**173,453**
Additions incurred during the period	8,762	964	9,726
Balance as at June 30, 2016	**118,736**	**64,443**	**183,179**
Carrying amount			
Balance as at December 31, 2015	**194,775**	**42,271**	**237,046**
Balance as at June 30, 2016	**197,069**	**52,776**	**249,845**

	As at June 30, 2016	As at December 31, 2015
Capitalized mine development additions		
Deferred stripping costs	11,469	15,921
Capitalized mine development - Gora	-	1,863
Capitalized mine development - Golouma	2,242	1,272
Capitalized reserve development	2,602	4,855
Other	894	814
Total capitalized mine development additions	**17,207**	**24,725**

Mine development expenditures represent capitalized deferred stripping costs, development costs in relation to the Golouma deposit and capitalized reserve development.

Depreciation of capitalized mine development of $4.5 million was expensed as cost of sales for the three months ended June 30, 2016 (2015: $6.6 million) and $9.7 million for the six months ended June 30, 2016 (2015: $11.7 million).

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

14. TRADE AND OTHER PAYABLES

	As at June 30, 2016	As at December 31, 2015
Current		
Trade payables (i)	11,082	22,903
Sundry creditors and accrued expenses	18,268	14,900
Government royalties (ii)	16,565	11,054
Amounts payable to Republic of Senegal (iii) (iv) (vii)	12,547	13,155
Financial derivative liabilities	1,941	-
Contingent consideration (vi)	634	533
Total current trade and other payables	**61,037**	**62,545**
Non-Current		
Amounts payable to Republic of Senegal (v)	7,761	7,565
Contingent consideration (vi)	2,825	3,533
Total other non-current liabilities	**10,586**	**11,098**
Total trade and other payables	**71,623**	**73,643**

(i) Trade payables are comprised of obligations by the Company to suppliers of goods and services. Terms are generally 30 to 60 days.

(ii) Government royalties are accrued based on the mine head value of the gold and related substances produced at a rate of 5 percent of sales (9,785 million XOF). Beginning in 2015, the Company had anticipated transitioning to quarterly payments of royalties, however that transition has been deferred. For the three months ended June 30, 2016, $2.1 million was paid on account of royalties owing for the first quarter 2015. The balance of 2015 royalties owing will be paid over the remainder of 2016.

(iii) A reserve payment is payable to the Republic of Senegal based on $6.50 for each ounce of new reserves until December 31, 2012. As at June 30, 2016, $1.9 million remains accrued as a current liability.

(iv) The Company has agreed to advance accrued dividends to the Republic of Senegal in relation to its interest in Sabodala Gold Operations. As at June 30, 2016, $7.8 million has been accrued based on net sales revenue for each of the twelve months ended December 31, 2013 and December 31, 2014. No additional amounts are owing on sales occurring beyond 2014.

(v) The Company agreed to establish a social development fund which involves making a payment of $15.0 million to the Republic of Senegal at the end of the operational life. It is recorded at its net present value of $7.8 million.

(vi) The Company acquired Badr's 13 percent carried interest in the OJVG for cash consideration of $7.5 million and further contingent consideration which will be based on realized gold prices and increases to the OJVG's mining reserves through 2020, of which $3.8 million was accrued upon finalization of the purchase price allocation in 2014. For the three months ended June 30, 2016, $0.5 million was paid with respect to reserve additions made in 2015. As at June 30, 2016, $0.6 million has been recorded as a current liability and $2.8 million has been recorded as a non-current liability and is recorded at its net present value (2015: $0.5 million in current liabilities and $3.5 million in non-current liabilities).

(vii) Pursuant to the completion of the acquisition of the OJVG in 2014, the Company is required to make initial payments totalling $10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the OJVG. As at June 30, 2016, $2.9 million remains to be paid and has been accrued as a current liability.

15. BORROWINGS

	As at June 30, 2016	As at December 31, 2015
Non-Current		
Revolving credit facility	15,000	15,000
Deferred financing costs	(1,332)	(1,550)
Total borrowings	**13,668**	**13,450**

a. Senior Secured Revolving Credit Facility

In June 2016, the Company completed an extension of its $30.0 million Revolver Facility with Société Générale ("Revolver Facility"). The Revolver Facility now matures on June 30, 2019, with the available amount decreasing to $15.0 million on June 30, 2018. The Revolver Facility carries an interest rate of LIBOR plus 4.65 percent with any unused facility amounts subject to a commitment fee of 1.65 percent. As at June 30, 2016, $15.0 million was drawn on the Revolver Facility for working capital needs.

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

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 during the quarter.

16. DEFERRED REVENUE

	Amount
Balance as at January 1, 2015	**113,998**
Amortization of deferred revenue	(22,653)
Balance as at December 31, 2015	**91,345**
Amortization of deferred revenue	(11,086)
Balance as at June 30, 2016	**80,259**

	As at June 30, 2016	As at December 31, 2015
Current	23,756	19,155
Non-Current	56,503	72,190
Total deferred revenue	**80,259**	**91,345**

During the three months ended June 30, 2016, the Company delivered 5,625 ounces of gold to Franco-Nevada and recorded revenue of $7.2 million, consisting of $1.4 million received in cash proceeds and $5.8 million recorded as a reduction of deferred revenue. (2015: 5,625 ounces delivered, revenue of $6.7 million, consisting of $1.3 million received in cash proceeds and $5.4 million recorded as a reduction of deferred revenue).

During the six months ended June 30, 2016, the Company delivered 11,250 ounces of gold and recorded revenue of $13.9 million, consisting of $2.3 million received in cash proceeds, $0.5 million in accounts receivable and $11.1 million recorded as a reduction of deferred revenue (2015: 13,125 ounces delivered, revenue of $15.8 million, consisting of $2.8 million received in cash proceeds, $0.4 million in accounts receivable and $12.6 million recorded as a reduction of deferred revenue).

17. PROVISIONS

	As at June 30, 2016	As at December 31, 2015
Current		
Employee benefits (i)	1,950	1,847
Cash settled share-based compensation (iii)	2,599	741
Total current provisions	**4,549**	**2,588**
Non-Current		
Mine restoration and rehabilitation (ii)	27,499	26,962
Employee benefits (i)	872	837
Cash settled share-based compensation (iii)	1,022	437
Total non-current provisions	**29,393**	**28,236**
Total provisions	**33,942**	**30,824**

(i) The provisions for employee benefits include $1.1 million accrued vacation and $0.8 million long service leave entitlements for the period ended June 30, 2016 (2015 - $1.0 million and $0.7 million). The non-current provisions for employee benefits include $0.9 million accrued vacation (2015 - $0.8 million).

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

(ii) The rehabilitation provision represents the present value of rehabilitation costs relating to the mine which are expected to be incurred up to 2029, the current end of mine estimate. The provision has been recorded based on estimates and assumptions which management believe are a reasonable basis to estimate future liability. The estimates are reviewed regularly to take into account any material changes to the rehabilitation work required. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation work required that will reflect market conditions at the relevant time.

(iii) The provision for cash settled share-based compensation represents the amortization of the fair value of the fixed bonus plan units and the amortization of the fair value of the RSUs and DSUs. Please see Note 22 for further details.

18. EARNINGS PER SHARE (EPS)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Basic EPS (US$)	0.02	0.02	0.04	0.06
Diluted EPS (US$)	0.02	0.02	0.04	0.06
Basic EPS:				
Net profit used in the calculation of basic EPS	6,146	6,726	13,958	19,714
Weighted average number of common shares for the purposes of basic EPS ('000)	392,057	352,801	392,029	352,801
Effect of dilutive share options ('000)	3,200	378	2,408	189
Weighted average number of common shares outstanding for the purpose of diluted EPS ('000)	395,257	353,179	394,437	352,990

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 11.7 million and 13.4 million shares relating to share options that were anti-dilutive for the periods ended June 30, 2016 and June 30, 2015, respectively.

19. COMMITMENTS FOR EXPENDITURES

The Company has entered into various capital purchase obligations related to the mill optimization and other projects. As at June 30, 2016, total future purchase obligations related to these projects were approximately $2.6 million.

20. CASH FLOW INFORMATION

a. Change in working capital

Net change in working capital other than inventory	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Changes in working capital other than inventory				
Increase in trade and other receivables	(1,147)	(2,670)	(5,051)	(2,837)
Decrease/(increase) in other assets	5,477	111	6,937	(609)
Decrease in trade and other payables	(2,518)	(770)	(1,916)	(10,874)
Decrease in provisions	(533)	-	(618)	(1)
(Decrease)/increase in current income taxes payable	(2,014)	2,411	1,670	2,411
Net change in working capital other than inventory	**(735)**	**(918)**	**1,022**	**(11,910)**

b. Cash balance subject to liquidity covenant

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

21. FINANCIAL INSTRUMENTS

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

a. Categories of financial instruments

As at June 30, 2016, the Company's financial instruments consisted of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

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

The following table illustrates the classification of the Company's financial instruments, other than cash and cash equivalents, as at June 30, 2016 and December 31, 2015:

	As at June 30, 2016	As at December 31, 2015
Financial assets:		
Loans and receivables		
Trade and other receivables	14,026	15,701
Financial liabilities:		
Other financial liabilities at amortized cost		
Trade and other payables	75,244	74,821
Borrowings	13,668	13,450

b. Fair value of financial instruments

The Company's trade and other receivables, and trade and other payables are substantially carried at amortized cost, which approximates fair value. Cash and cash equivalents and available-for-sale financial assets are measured at fair value. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

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

	As at June 30, 2016		As at December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Borrowings	13,668	15,000	13,450	15,000

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

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

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

	As at June 30, 2016			As at December 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets						
Cash and cash equivalents	58,138	-	-	44,436	-	-
Total	**58,138**	**-**	**-**	**44,436**	**-**	**-**
Financial Liabilities						
Borrowings	-	13,668	-	-	13,450	-
Financial derivative liabilities	1,941	-	-	-	-	-
Cash settled share-based compensation	-	3,320	301	-	1,063	115
Total	**1,941**	**16,988**	**301**	**-**	**14,513**	**115**

22. SHARE BASED COMPENSATION

The share-based compensation expense for the three months and six months ended June 30, 2016 totaled $2.6 million and $3.5 million (2015: $1.0 million and $1.4 million).

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

a. Incentive Stock Option Plan

During the three months ended June 30, 2016, no common share stock options were granted, 338,353 common share stock options were forfeited and 69,615 options were exercised.

During the six months ended June 30, 2016, 4,027,686 common share stock options were granted at an exercise price of C$0.67, 355,018 common share stock options were forfeited and 105,721 options were exercised. The exercise price of new stock options granted during the current year was determined using a volume weighted average trading price of the Company's shares for the 5-day period ended March 31, 2016.

	Number of options	Weighted average exercise price
Balance as at January 1, 2015	**21,470,489**	**C$2.54**
Granted during the period	3,855,000	C$0.64
Forfeited during the period	(2,039,724)	C$3.00
Expired during the period	(7,746,600)	C$1.73
Balance as at December 31, 2015	**15,539,165**	**C$2.42**
Granted during the period	4,027,686	C$0.67
Forfeited during the period	(355,018)	C$0.77
Exercised during the period	(105,721)	C$0.64
Balance as at June 30, 2016	**19,106,112**	**C$2.09**
Number of options exercisable - December 31, 2015	12,670,177	
Number of options exercisable - June 30, 2016	13,649,611	

The following stock options were outstanding as at June 30, 2016:

Option series	Number	Grant date	Expiry date	Exercise price (C$)	FV at grant date (C$)
Granted on November 26, 2010	5,320,000	26-Nov-10	26-Nov-20	3.00	1.19
Granted on December 3, 2010	1,200,000	03-Dec-10	03-Dec-20	3.00	1.19
Granted on February 9, 2011	675,000	09-Feb-11	09-Feb-21	3.00	0.99
Granted on April 27, 2011	25,000	27-Apr-11	27-Apr-21	3.00	0.80
Granted on June 14, 2011	317,500	14-Jun-11	14-Jun-21	3.00	0.94
Granted on August 13, 2011	360,000	13-Aug-11	13-Aug-21	3.00	0.82
Granted on December 20, 2011	1,075,000	20-Dec-11	20-Dec-21	3.00	0.61
Granted on February 24, 2012	540,000	24-Feb-12	24-Feb-22	3.00	0.37
Granted on February 24, 2012	225,000	24-Feb-12	24-Feb-22	3.00	1.26
Granted on June 5, 2012	50,000	05-Jun-12	05-Jun-22	3.00	0.17
Granted on September 27, 2012	600,000	27-Sep-12	27-Sep-22	3.00	0.93
Granted on October 9, 2012	600,000	09-Oct-12	06-Oct-22	3.00	1.01
Granted on October 31, 2012	80,000	31-Oct-12	31-Oct-22	3.00	0.52
Granted on October 31, 2012	140,000	31-Oct-12	31-Oct-22	3.00	0.18
Granted on December 3, 2012	200,000	03-Dec-12	03-Dec-22	3.00	0.61
Granted on February 23, 2013	50,000	23-Feb-13	23-Feb-23	3.00	0.42
Granted on May 14, 2013	40,000	14-May-13	14-May-23	3.00	0.06
Granted on June 3, 2013	120,000	03-Jun-13	03-Jun-23	3.00	0.04
Granted on May 1, 2014	50,000	01-May-14	01-May-24	3.00	0.10
Granted on March 31, 2015	2,250,000	31-Mar-15	31-Mar-20	0.64	0.35
Granted on March 31, 2015	1,392,506	31-Mar-15	31-Mar-20	0.64	0.30
Granted on March 31, 2016	3,796,106	31-Mar-16	31-Mar-21	0.67	0.35

As at June 30, 2016, approximately 20.1 million (2015: 18.1 million) options were available for issuance under the Plan.

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

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Of the 19,106,112 common share stock options issued and outstanding as at June 30, 2016, 13,649,611 are vested, 5,419,001 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.

As at June 30, 2016, 11,667,500 and 7,438,612 share options had a contractual life of ten years and five years at issuance, respectively.

Fair value of stock options granted

The grant date fair value of options granted during the six months ended June 30, 2016 was calculated using the Black-Scholes option pricing model with the following assumptions:

	Six months ended June 30,	
	2016	**2015**
Grant date share price	C$0.73	C$0.64
Weighted average fair value of awards	C$0.35	C$0.33
Exercise price(i)	C$0.67	C$0.64
Range of risk-free interest rate	0.53%	0.55%-0.77%
Volatility of the expected market price of share(ii)	70%	67%
Expected life of options (years)	3.0	3.5-5.0
Dividend yield	0%	0%
Forfeiture rate	5%	5%

(i) Represents the 5-day volume-weighted average price of the Company's shares on the Toronto Stock Exchange for the period ending March 31, 2016.

(ii) For the six months ended June 30, 2016, volatility was determined using the 3 year average historical volatility of the Company's share price. For the six months ended June 30, 2015, volatility was determined using the existing historical volatility information of the Company's share price combined with the industry average for comparable-size mining companies, due to a lack of sufficient historical information for the Company.

b. Fixed Bonus Plan

As at June 30, 2016 a total of 1,797,500 Units were outstanding (December 31, 2015: 1,660,000 Units). During the six months ended June 30, 2016, 137,500 Units were granted to one employee and no Units were forfeited or exercised.

As at June 30, 2016, there were 1,797,500 Units outstanding that were granted on August 8, 2012, March 31, 2015 and March 31, 2016 with expiry dates ranging from March 31, 2020 through to February 24, 2022. Of the 1,797,500 Units outstanding as at June 30, 2016, 1,360,000 Units have an exercise price of C$3.00, 300,000 Units have exercise price of C$0.64 and 137,500 Units have an exercise price of C$0.67. The total outstanding Units have fair values at June 30, 2016 in the range of C$0.11 to C$0.63 per Unit. The total fair value of the Units at June 30, 2016 is $0.3 million (December 31, 2015: $0.1 million).

The estimated fair values of the Units is amortized over the period in which the Units vest. Of the 1,797,500 Units issued, 1,495,094 units were vested at June 30, 2016 with the remaining units to be fully vested by March 31, 2019.

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

Fair value of Units

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

	Six months ended June 30, 2016
Share price at the end of the period	C$1.15
Weighted average fair value of awards	C$0.11-C$0.63
Exercise price	C$0.64 - C$3.00
Range of risk-free interest rate	0.53%-0.62%
Volatility of the expected market price of share	64%
Expected life of options (years)	2.0-4.0
Dividend yield	0%
Forfeiture rate	5%-50%

c. Restricted Stock Units ("RSUs")

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

During the six months ended June, 2016, 6,025,183 RSUs were granted at an average price of C$0.67 per unit and 194,250 RSUs were forfeited (2015: 2,912,500 RSUs granted and 45,000 forfeited). As of June 30, 2016 a total of 8,209,859 RSUs were outstanding of which 2,358,609 units were vested. As at June 30, 2016, $1.4 million of current RSU liability and $0.7 million of non-current RSU liability have been recorded in the consolidated financial statement of financial position (2015: $0.4 million and $0.3 million in current and non-current RSU liability respectively).

d. Deferred Stock Units ("DSUs")

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

During the six months ended June 30, 2016, 150,000 DSUs were vested, 675,000 DSUs were issued and none were cancelled. Of the 1,920,000 DSUs outstanding at June 30, 2016, 1,395,000 were vested. As at June 30, 2016, $1.2 million of current DSU liability has been recorded in the consolidated financial statement of financial position (2015: $0.4 million).

23. RELATED PARTY TRANSACTIONS

a. Equity interests in related parties

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 29 of the audited annual consolidated financial statements of the Company for the year ended December 31, 2015.

b. Transactions with key management personnel

During the three and six months ended June 30, 2016, there were transactions totaling $26 thousand and $35 thousand, respectively, between the Company and a director-related entity. No loans were made to directors or director-related entities during the period.

24. PROPOSED ACQUISITION OF GRYPHON MINERALS

On June 19, 2016, the Company announced that Teranga had entered into a Scheme Implementation Agreement (the "Implementation Agreement") pursuant to which Teranga will acquire Gryphon Minerals Limited ("Gryphon").

The acquisition (the "Acquisition") will be effected by way of a scheme of arrangement under the Australian Corporations Act 2001 (the "Arrangement") pursuant to which Teranga will acquire the entire issued share capital of Gryphon. Under the Arrangement, each share of Gryphon (a "Gryphon Share") will be exchanged for 0.169 (the "Exchange Ratio") of: (i) a CHESS Depositary Interest of Teranga (a "Teranga CDI"), which trades on the Australian Securities Exchange (the "ASX") or, if elected, (ii) a common share of Teranga (a "Teranga Share"), which trades on the Toronto Stock Exchange (the "TSX"). The total consideration offered for all of the outstanding shares of Gryphon is valued at approximately $63 million, based on the closing price of a Teranga Share on the TSX on June 17, 2016. In conjunction with the Acquisition, Tablo Corporation, Teranga's largest shareholder with an approximate 13 percent ownership (calculated on a non-dilutive basis), intends to exercise its anti-dilution right that will result in an equity placement in Teranga of approximately $9 million, based on the trading price of a Teranga Share at the time the acquisition was announced.

Gryphon's key asset is the 90 percent-owned Banfora gold project ("Banfora"), a fully permitted, high grade, open pit gold project located in Burkina Faso, West Africa.

The Arrangement is conditional upon approval by 75 percent of the number of votes cast, and 50 percent of the number of Gryphon shareholders present and voting, at the meeting of Gryphon shareholders and is also subject to Australian and Burkina Faso regulatory approvals/consents, Australian Court, and third party approvals, together with certain other conditions customary for a transaction of this nature. The Acquisition is not subject to any further due diligence or financing conditions. A meeting of Gryphon shareholders to consider the Arrangement is expected to be held later in the year and the Arrangement is expected to be implemented shortly thereafter.

25. SUBSEQUENT EVENTS

a. Gryphon Minerals Private Placement

On July 19, 2016, the Company announced that it has subscribed by way of a placement (the "Placement") and acquired a 5% interest in Gryphon Minerals Limited ("Gryphon").

Through the Placement, Teranga has subscribed for 21.2 million fully paid ordinary shares of Gryphon for total consideration of approximately A$4.4 million (US$3.4 million). The Placement price of A$0.206 per Gryphon share, which is equivalent to Teranga's offer price for one Gryphon share under the Proposed Gryphon Acquisition, represents a premium to Gryphon's closing share price on the Australian Securities Exchange on July 19, 2016. As a result of the Placement, Teranga owns approximately 5% of Gryphon's issued shares.

b. Joint Venture with Miminvest SA

The Company entered into a joint venture agreement with a related party, Miminvest SA, to identify and acquire gold exploration stage mining opportunities in Côte d'Ivoire. Miminvest is a company established to invest in gold and natural resources in West Africa and is controlled by the Mimran family and David Mimran, a director and the largest shareholder of Teranga. It holds four existing exploration permits, representing 1,380 km^2 in Côte d'Ivoire.

Under the terms of the Joint Venture, which will be wholly owned and funded by Teranga, Miminvest will transfer into the Joint Venture its permits and in exchange retain a net smelter royalty interest of 3% and will provide ongoing in-country strategic advice. Furthermore, the Joint Venture will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest Permits.

26. COMPARATIVE FINANCIAL STATEMENTS

The comparative interim condensed consolidated financial statements have been reclassified from the interim condensed consolidated financial statements previously presented to conform to the presentation of the 2016 interim condensed consolidated financial statements in accordance with IFRS.