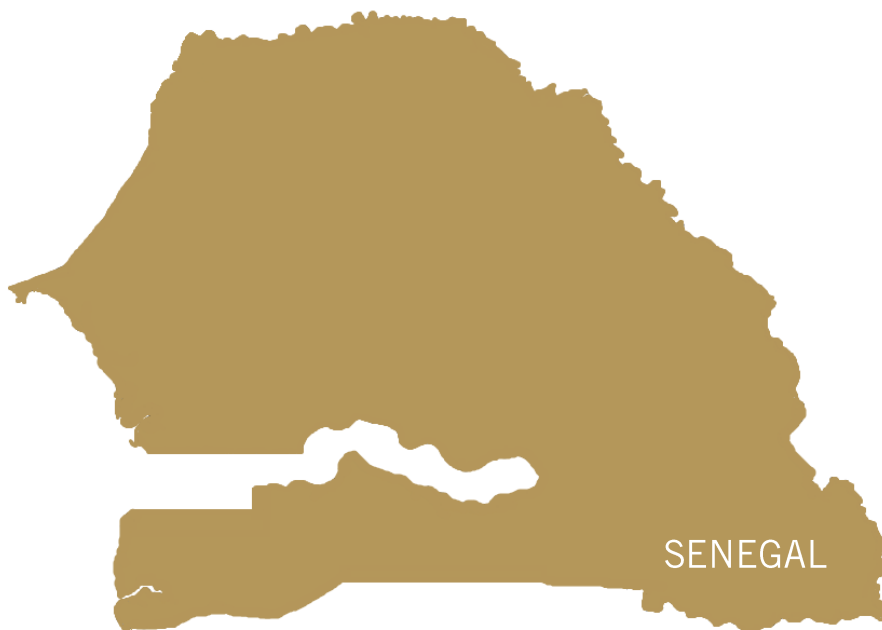


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2014 ANNUAL REPORT

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# MESSAGE FROM THE CHAIRMAN AND THE PRESIDENT & CEO

## A Successful Year

During 2014, we made significant progress in executing against our key objectives, namely to maximize free cash flow and profitability, to strengthen our balance sheet and to grow organically.

## A Transformational Acquisition

The year began with our acquisition of the Oromin Joint Venture Group (“OJVG”). This was a transformational acquisition for Teranga Gold. Not only did we double our reserve base to 2.8 million ounces, we greatly enhanced our organic growth profile by more than doubling our resource base to more than 6 million ounces as a result of a sevenfold expansion of our mine license area.

The OJVG acquisition was, in part, made possible by Franco-Nevada Corporation, which provided us with funding of US\$135 million pursuant to a stream transaction. Franco-Nevada’s investment is testament to its belief in Teranga’s long-term free cash flow and growth potential.

The first significant operational step taken following the OJVG acquisition was the development of Masato, the largest of the OJVG deposits. In less than six months, our team had the new deposit operating at full production. As a result, Masato was a driving force behind our strong fourth quarter performance and was instrumental in making 2014 a record year in terms of annual mill throughput of more than 3.6 million tonnes. Nearly one-third of this, or one million tonnes, was processed in the last three months of the year at less than \$14 per tonne, an improvement of more than 40% in just 24 months. Cash costs and all-in sustaining costs each improved by 16% year-over year, as we reduced input costs and increased efficiency.

Additionally, 2014 marked our third consecutive year of positive earnings per share and our second year of positive free cash flow. Last year’s free cash flow of \$189 per ounce of gold, which is in line with some of the leading senior gold producers, was used to strengthen our balance sheet. With zero borrowings currently, we are one of the few companies in the industry to be completely debt-free.

## Focused on Growth

Teranga has a three-phase growth strategy in Senegal. Phase one concentrates on near-term growth initiatives such as converting resources to reserves on our mine license, optimizing mill throughput, and implementing heap leaching to increase production from current levels by approximately 50% to 250,000 to 300,000 ounces per year. The second mid-term growth phase is all about new exploration discoveries, which could boost production to 400,000 to 500,000 ounces per year. Phase three is our long-term plan. As the only gold producer in Senegal with a full operating infrastructure, we believe there will come a day when we will be the consolidator in the region. This will occur either by entering into joint partnerships and through outright acquisition of other properties.

As a result of our acquisition of the OJVG properties, Teranga has a large mine license encompassing 246 km<sup>2</sup> around our mill in Senegal. Based on the sheer number of exploration opportunities, we believe it will take five years to fully explore the current targets that have been identified to date.

There are two different systems to explore on our mine license, including a high-grade system to provide mill feed, and a lower grade system with high-grade inclusions that are well oxidized, providing mill and heap leach feed. We have identified mineral resources on fifteen separate targets and an additional ten targets that show mineralization but no resource has been calculated yet. In total, we have 6.1 million ounces of Measured and Indicated resources and more than 2 million ounces of Inferred resources on our mine license alone. On top of this we have a highly prospective 1,055 km<sup>2</sup> exploration land package. Clearly, we are just beginning to scratch the surface of potential future growth.

Following our success with Masato, we have turned our attention to other prospective OJVG targets to convert resources to reserves on some of our high-grade deposits and to make new discoveries that have the potential to significantly move the production needle. Early exploration results on targets north of Masato are encouraging, and assay results are expected in the spring of 2015.

Subsequent to year-end, we announced receipt of the environmental permits required to proceed with the development of our high-grade Gora deposit. Work has begun on a 25 km road from our mill at Sabodala to the Gora deposit. Gora is the first satellite deposit to be discovered on our regional land package, which is a key focus area of our three-phase growth plan in Senegal. Production at Gora is expected to be between 50,000 and 75,000 ounces per year with average feed grades ranging from 4 to 6 grams per tonne over its estimated four-year life. We expect to be processing ore from Gora through our mill by the fourth quarter of 2015.

Concurrent with our exploration mandate, we are evaluating other opportunities for organic growth, such as heap leaching. We have had success with the technical testing and believe that the economics of heap leaching oxide material will work. Following the completion of the run of mine stockpile testing and a pre-feasibility study to determine the engineering and economic parameters, we will assess the potential for moving forward with this project.

### **Committed to Responsible Mining**

Our three-phase growth plan in Senegal would not be possible without our commitment to corporate social responsibility. Everyone at Teranga, from the board to senior management to every employee, is committed to mining responsibly. To ensure a systematic approach, last year we conducted an 18-month multi-stakeholder consultation process. Based on the results, we established the Teranga Development Strategy, which focuses on three priority areas for long-term development in the region in which we operate: (i) sustainable economic activities; (ii) agriculture and food security; and (iii) youth and training.



**Alan R. Hill**  
Chairman

Building partnerships to deliver on these three areas was a major tenet for the year. It is important to management and the board to share our success with our host communities. Accordingly in 2014, Teranga entered into partnerships with the Government of Canada, Canadian and international non-government organizations, and other parties to help share the benefits of responsible mining. One of our newest initiatives is the renewal of the cotton industry, a seed to shelf program. The goal is to reinvigorate the once active cotton industry in the region, as well as the various processes in the value chain, to produce clothing made in Senegal.

### **A Bright Future**

Teranga's future is bright. We are stronger than ever with three cornerstones: our mill, which is the only one in Senegal, our large mine license and our regional land package. We have a large, long life reserve and resource base on an emerging gold belt, low all-in sustaining costs, attractive free cash flow and profitability, a strong debt-free balance sheet and an attractive organic growth profile.

The 2015 year is off to a great start with positive exploration results and a robust outlook. Our forecast is for production of between 200,000 and 230,000 ounces, lower cash costs, and all-in sustaining costs that are slightly higher than last year due to the cost of developing Gora, but still lower relative to our peer group. It will be an exciting year.

The strong foundation on which we stand today is a result of successful execution and the support of the Government of Senegal, the communities in which we operate, our business partners and of course our employees. On behalf of the board, we would like to thank everyone.



**Richard Young**  
President and Chief Executive Officer

# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE TWELVE MONTHS ENDED  
DECEMBER 31, 2014 AND 2013

*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, 2014 and 2013. 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, 2014 and 2013. 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, 2013, as well as all other public filings, is available on the Company's website at [www.terangagold.com](http://www.terangagold.com) and on the SEDAR website ([www.sedar.com](http://www.sedar.com)).*

This report is dated as of February 18, 2015. 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.

## OVERVIEW OF THE BUSINESS

Teranga is a Canadian-based gold company which operates the Sabodala gold mine and is currently exploring 9 exploration licenses covering 1,055km<sup>2</sup> in Senegal, comprising the regional land package, surrounding the Sabodala gold mine.

Our vision has three growth phases:

**Phase 1** is our near-term plan and is focused on organically growing our production by potentially 50 percent from current levels to between 250,000 and 350,000 ounces of annual gold production. This first phase requires incremental capital as it leverages off of our existing mill and infrastructure and focuses on increasing production through initiatives such as mill optimization and heap leaching, and adding reserves on the mine license to improve operating flexibility with high-grade mill feed and low-grade heap leach feed.

**Phase 2** is our medium-term plan which envisions production rising to 400,000 to 500,000 ounces through exploration either on our mine license or regional land package. While we are committing only modest amounts of capital to this strategy, by its very nature, Phase 2 requires an expansion of the existing mill or a new standalone facility. Phase 2 is about investing in our future, beyond the organic growth in our Phase 1 plan, and we are being very systematic in our approach.

**Phase 3** is our long term plan could see production increasing above our Phase 2 vision of 400,000 to 500,000 ounces. As the only gold producer in Senegal with a full operating infrastructure, we believe there will come a time when we will be the consolidator in the region. This may take the form of an acquisition of other properties or by entering into joint venture partnerships.

Over the past several years more than twelve million ounces of measured and indicated resources have been identified within the south eastern Senegal region, including the Massawa, Boto, Golouma, Makabingui and Mako projects, along with the Company's own Sabodala gold mine. With exploration work completed to date and the prior exploration success seen in the area, Management believes there is a reasonable basis for an exploration target that would substantiate the annual production targets set by the second and third phases of our vision.<sup>1</sup>

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

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

The acquisition of Bendon and Badr's interests in the OJVG increased Teranga's ownership to 100 percent and consolidates the Sabodala region, increasing the size of Teranga's mine license land holding from 33km<sup>2</sup> to 246km<sup>2</sup> by combining the two permitted mine licenses and more than doubling the Company's reserve base.

The OJVG holds a 15 year renewable mining lease contiguous to the Sabodala mine license. This transaction has resulted in capital and operating cost synergies as the OJVG license area and its various satellite deposits have been integrated into Sabodala's mine plan, utilizing the Sabodala mill and related infrastructure.

<sup>1</sup> The potential quantity and grade of an exploration target is conceptual in nature. There has been insufficient exploration to determine a mineral resource of the size required to achieve the production target we have established and there is no certainty that further exploration work will result in the determination of mineral resources or that the production target itself will be realized. All of our actions are directed at achieving our vision.

## FINANCIAL AND OPERATING HIGHLIGHTS

(US\$000's, except where indicated)	Three months ended December 31		Year ended December 31		
	2014	2013	2014	2013	2012
<b>Operating Data</b>					
Gold Produced (ounces)	71,278	52,368	211,823	207,204	214,310
Gold Sold (ounces)	63,711	46,561	206,336	208,406	207,814
Average realized gold price <sup>1</sup>	1,199	1,249	1,259	1,246	1,422
Total cash costs (\$ per ounce sold) <sup>2</sup>	598	711	710	641	556
All-in sustaining costs (\$ per ounce sold) <sup>2</sup>	711	850	865	1,033	1,200
Total depreciation and amortization (\$ per ounce sold) <sup>2,3</sup>	240	329	298	306	228
<b>Financial Data</b>					
	2014	2013	2014	2013	2012
Revenue	76,553	58,302	260,588	297,927	350,520
Profit (loss) attributable to shareholders of Teranga <sup>3</sup>	27,693	(2,420)	17,776	50,280	93,655
Per share <sup>3</sup>	0.08	(0.01)	0.05	0.19	0.38
Operating cash flow	30,677	13,137	49,009	74,307	104,982
Capital expenditures	4,105	3,725	18,913	69,056	115,785
Free cash flow <sup>4</sup>	26,572	20,412	39,096	16,251	(10,803)
Cash and cash equivalents (including bullion receivables and restricted cash)			35,810	42,301	44,974
Net cash (debt) <sup>5</sup>			31,864	(32,068)	(75,182)
Total assets <sup>3</sup>			726,323	628,643	565,715
Total non-current liabilities			128,112	29,241	68,505

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

<sup>1</sup> For the year ended December 31, 2013, includes the impact of 45,289 ounces delivered into gold hedge contacts at an average price of \$806 per ounce.

<sup>2</sup> Total cash costs per ounce, all-in sustaining costs per ounce and total depreciation and amortization per ounce are prior to adjustments to net realizable value and 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.

<sup>3</sup> The Company has 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.

<sup>4</sup> Free cash flow is defined as operating cash flow (excluding one-time transaction costs related to the acquisition of the OJVG) less capital expenditures.

<sup>5</sup> Net cash (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 during the fourth quarter of 2014 increased by 47 percent and 36 percent versus the third quarter of 2014 and the fourth quarter of 2013, respectively. Production was higher in the last three months of 2014 due to higher processed grade and improved mill throughput. Production was slightly lower than fourth quarter guidance primarily due to marginally lower recovery rates than planned.
- During the fourth quarter of 2014, 63,711 ounces were sold at an average realized gold price of \$1,199 per ounce. During the fourth quarter of 2013, 46,561 ounces were sold at an average realized price of \$1,249 per ounce.
- Lower total cash costs per ounce for the three months ended December 31, 2014, excluding the reversal of non-cash inventory write-downs to net realizable value ("NRV"), were mainly due to lower mining and processing costs and higher gold production in the current year quarter.
- All-in sustaining costs for the three months ended December 31, 2014, excluding the reversal of non-cash inventory write-downs to NRV, were lower due to a decline in total cash costs and lower capital expenditures.
- The decrease in depreciation and amortization expense per ounce compared to the prior year quarter was due to higher production during the current year quarter.
- Gold revenue increased compared to the same prior year period due to higher gold sales volumes, partially offset by lower realized gold prices during the fourth quarter of 2014.
- The increases in profit and earnings per share over the prior year quarter were primarily due to higher revenues in the current year quarter, and a reversal of non-cash inventory write-down to NRV totaling \$16.0 million recorded in the second and third quarters of 2014.
- The increase in cash flow provided by operations compared to the prior year quarter was primarily due to higher gold sales.
- Capital expenditures for the three months ended December 31, 2014 were similar to capital expenditures recorded in the same prior year period.

- As expected, the Company retired the outstanding \$15.0 million balance of its loan facility with Macquarie Bank Limited ("Loan Facility") on December 31, 2014. The Company began 2014 with \$60.0 million outstanding under the Loan Facility, of which \$30.0 million was repaid on January 15, 2014 with the completion of the streaming agreement with Franco-Nevada Corporation ("Franco-Nevada") as part of the acquisition of the OJVG. The balance of \$30.0 million was repaid in three quarterly \$5.0 million installments, with the final outstanding balance of \$15.0 million paid on December 31, 2014. The Company ended the year with \$35.8 million in cash and cash equivalents, an increase of \$7.8 million over the third quarter cash and cash equivalents balance (including restricted cash).
- For the twelve months ended December 31, 2014, the Company made a total of \$63.0 million in one-time payments. This includes \$42.8 million in debt

repayments (including the final payment for the \$60.0 million Loan Facility), \$3.7 million in payments to the Republic of Senegal and one-time payments related to the acquisition of the OJVG, including \$9.0 million for transaction, legal and office closure costs and \$7.5 million to acquire Badr's share of the OJVG. The one-time payments described herein, excludes \$30.0 million in debt retired in the first quarter 2014 as part of the Franco-Nevada transaction.

- Subsequent to the year ended December 31, 2014, the Company fully repaid the outstanding balance of its finance facility with Macquarie Bank Limited ("Equipment Facility"), resulting in the Company being debt free. Notwithstanding, the Company is working to put a standby facility in place to provide additional financial flexibility to ensure sufficient liquidity is maintained by the Company.

## OUTLOOK 2015

		Year ended December 31	
		2014 Actuals	2015 Guidance Range
<b>Operating Results</b>			
Ore mined	('000t)	6,174	6,500 - 7,500
Waste mined - operating	('000t)	21,179	~19,500
Waste mined - capitalized	('000t)	1,969	2,500 - 3,500
Total mined	('000t)	29,321	28,500 - 30,500
Grade mined	(g/t)	1.54	1.40 - 1.60
Strip ratio	(waste/ore)	3.7	3.00 - 3.50
Ore milled	('000t)	3,622	3,600 - 3,800
Head grade	(g/t)	2.03	2.00 - 2.20
Recovery rate	%	89.7	90.0 - 91.0
Gold produced <sup>1</sup>	(oz)	211,823	200,000 - 230,000
Total cash cost (incl. royalties) <sup>2</sup>	\$/oz sold	710	650 - 700
All-in sustaining costs <sup>2,3</sup>	\$/oz sold	865	900 - 975
Total depreciation and amortization <sup>2</sup>	\$/oz sold	298	260 - 275
Mining	(\$/t mined)	2.83	2.75 - 2.90
Mining long haul (cost/t hauled)	(\$/t milled)	-	5.00 - 6.00
Milling	(\$/t milled)	17.15	15.50 - 17.50
G&A	(\$/t milled)	4.61	5.25 - 5.75
Gold sold to Franco-Nevada <sup>1</sup>	(oz)	20,625	24,375
<b>Exploration and evaluation expense</b> (Regional Land Package)	(\$ millions)	2.8	1.0 - 2.0
<b>Administration expenses and Social community costs (excluding depreciation)</b>	(\$ millions)	14.8	15.0 - 16.0
<b>Mine production costs</b>	(\$ millions)	162.4	155.0 - 165.0
Capitalized deferred stripping	(\$ millions)	6.0	8.0 - 10.0
<b>Net mine production costs</b>	(\$ millions)	156.4	147.0 - 155.0
<b>Capital expenditures</b>			
Mine site sustaining	(\$ millions)	5.0	6.0 - 8.0
Capitalized reserve development (Mine License)	(\$ millions)	4.0	6.0 - 8.0
Project development costs (Gora/Kerekounda)			
Mill optimization	(\$ millions)	-	5.0 - 6.0
Development	(\$ millions)	3.9	16.5 - 17.5
Mobile equipment and other	(\$ millions)	-	7.5 - 8.5
Total project development costs	(\$ millions)	3.9	29.0 - 32.0
Capitalized deferred stripping	(\$ millions)	6.0	8.0 - 10.0
<b>Total capital expenditures</b>	(\$ millions)	18.9	49.0 - 58.0

<sup>1</sup> 22,500 ounces of production are to be sold to Franco Nevada at 20% of the spot gold price. Due to the timing of shipment schedules near year end, the delivery of 1875 ounces of gold for the month of December was not received by Franco-Nevada until early January 2015. The transaction with Franco-Nevada permits for the delivery of payable gold for up to five business days following a month end.

<sup>2</sup> Total cash costs per ounce, all-in sustaining costs per ounce and total depreciation and amortization 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.

<sup>3</sup> 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.

Key assumptions: Gold spot price/ounce - US\$1200, Light fuel oil - US\$0.95/litre, Heavy fuel oil - US\$0.76/litre, US/Euro exchange rate - \$120, USD/CAD exchange rate - \$0.85.

Other important assumptions include: 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.

### 2015 Guidance Analysis

The Company's mine plans are designed to maximize free cash flow. In 2015, the Company expects to generate free cash flow at \$1,200 per ounce gold after funding its organic growth initiatives. Mining activity in 2015 will continue in the Masato pit, as well as completing phase 3 of the Sabodala pit. Development of Gora is expected to be complete during the third quarter, with mining expected by

late in the third quarter and production from Gora commencing in the fourth quarter of the year.

The Company expects to produce between 200,000 and 230,000 ounces of gold in 2015. The quarterly production profile in 2015 is expected to look similar to the 2014 quarterly production profile with higher production in the fourth quarter once Gora ore is processed through the



mill. In total, the second half of 2015 is expected to account for approximately 55 percent of total gold production as Gora comes into production. The Gora development schedule is aggressive but Management believes it is achievable. The delay in the Gora permitting process has delayed road construction which was to start at the beginning of the year but began on February 14<sup>th</sup>. The delay in the start date of road construction may negatively impact the timing of commencement of mining at Gora resulting in production at the lower end of our 2015 production guidance range. The final phase in the ESIA process, a public hearing to announce the outcome of the technical and public enquiry processes occurred on February 18<sup>th</sup>. Environmental approval and the occupational haul road permit are now expected in the ordinary course and are not expected to impact a fourth quarter production commencement for the Gora deposit.

The Company's tax exempt status ends on May 2, 2015. From this point forward, the Company will be subject to a 25 percent income tax rate as well as customs duties and non-refundable value-added tax on certain expenditures. Any income tax incurred in 2015 will not be paid until 2016 and the other taxes are built into our unit cost guidance.

Total mine production costs for 2015 are expected to fall in the range of \$147.0 to \$155.0 million, similar to 2014 (net of capitalized deferred stripping). The increase in taxes and duties for consumables of about \$5.5 million is expected to be offset by the decline in costs for light fuel oil ("LFO"), heavy fuel oil ("HFO") and weaker local and Euro denominated costs relative to the US dollar. A \$0.10 variance from the current HFO/LFO assumptions would result in approximately a \$5.0 million change to mine production costs or about \$20 per ounce. A 10 percent variance from the current Euro/USD exchange rate assumption would result in approximately a \$9.0 million change to mine production costs or about \$40 per ounce. The Government of Senegal sets the price of petroleum products monthly. In late December 2014, these prices were reduced on average 15 percent, the first reduction in 2014. The Company's 2015 assumptions for LFO and HFO reflect these most recent price reductions and do not reflect any potential further reductions that the Government of Senegal may choose to enact.

Administrative and corporate social responsibility ("CSR") costs relate to the corporate office, the Dakar and regional office and the Company's corporate social responsibility initiatives, and exclude corporate depreciation, transaction costs and other non-recurring costs. For 2015, these costs

#### Sensitivity

	2015 Assumption	Hypothetical Change	Impact on total cash costs	Impact on profit (pre-tax)
Gold revenue	\$1,200/oz	\$100/oz	n/a	\$21.9M
Gold total cash costs				
Gold price effect on royalties	\$1,200/oz	\$100/oz	\$5/oz	\$1.2M
HFO price	\$0.76/litre	\$0.10/litre	\$13/oz	\$3.0M
LFO price	\$0.95/litre	\$0.10/litre	\$8/oz	\$1.8M
EUR exchange rate	1.20:1	10%	\$39/oz	\$8.9M

are estimated to be between \$15.0 million and \$16.0 million, including approximately \$3.5 million for CSR activities.

Sustaining capital expenditures for the mine site are expected to be between \$6.0 and \$8.0 million, capitalized deferred stripping costs are expected to total \$8.0 to \$10.0 million and reserve development expenditures are expected to total \$6.0 to \$8.0 million. Project development expenditures for growth initiatives including the cost to develop the Gora and Kerekounda deposits and costs to optimize the mill are expected to total \$29.0 to \$32.0 million. Of the total \$49.0 to \$58.0 million in total capital expenditures for 2015, \$5.0 to \$6.0 million relating to the mill optimization may be deferred pending the Company's upcoming exploration and heap leach results to ensure the best allocation of capital for the Company.

Total cash costs per ounce for 2015 are expected to be between \$650 and \$700 per ounce, in line with 2014. All-in sustaining costs are expected to be between \$900 and \$975 per ounce, higher than 2014 due to an increase in development spending on new deposits and expansion of the mill of approximately \$125 per ounce.

Total depreciation and amortization for the year is expected to be between \$260 and \$275 per ounce sold, \$215 to \$225 per ounce sold of which is related to depreciation on plant, equipment and mine development assets, and \$45 to \$50 per ounce of which is for depreciation of deferred stripping assets.

In 2015, the majority of the capital to be spent on the Company's exploration program will be focused on organic growth through (i) the conversion of resources to reserves; and (ii) extensions of existing deposits along strike on the Sabodala and OJVG mine licenses. As well, a modest amount of capital has been budgeted for the continuation of 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, 2013. 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.

## REVIEW OF OPERATING RESULTS

Operating Results		Three months ended December 31		Year ended December 31	
		2014	2013	2014	2013
Ore mined	('000t)	2,666	1,993	6,174	4,540
Waste mined - operating	('000t)	5,594	6,655	21,178	15,172
Waste mined - capitalized	('000t)	490	420	1,969	15,066
<b>Total mined</b>	<b>('000t)</b>	<b>8,750</b>	<b>9,068</b>	<b>29,321</b>	<b>34,778</b>
Grade mined	(g/t)	1.47	1.61	1.54	1.62
Ounces mined	(oz)	126,334	103,340	305,192	236,718
Strip ratio	waste/ore	2.3	3.6	3.7	6.7
Ore milled	('000t)	1,009	860	3,622	3,152
Head grade	(g/t)	2.44	2.11	2.03	2.24
Recovery rate	%	90.1	89.7	89.7	91.4
Gold produced <sup>1</sup>	(oz)	71,278	52,368	211,823	207,204
Gold sold	(oz)	63,711	46,561	206,336	208,406
Average realized price	\$/oz	1,199	1,249	1,259	1,246
Total cash cost (incl. royalties) <sup>2</sup>	\$/oz sold	598	711	710	641
All-in sustaining costs <sup>2</sup>	\$/oz sold	711	850	865	1,033
Mining	(\$/t mined)	2.58	2.65	2.83	2.59
Milling	(\$/t milled)	13.91	17.96	17.15	20.15
G&A	(\$/t milled)	4.27	4.84	4.61	5.38

<sup>1</sup> Gold produced represents change in gold in circuit inventory plus gold recovered during the period.

<sup>2</sup> Total cash costs per ounce and all-in sustaining costs per ounce are prior to non-cash inventory write-downs to net realizable value and 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, 2014		Masato	Sabodala	Total
Ore mined	('000t)	1,788	878	2,666
Waste mined - operating	('000t)	3,789	1,805	5,594
Waste mined - capitalized	('000t)	490	-	490
<b>Total mined</b>	<b>('000t)</b>	<b>6,067</b>	<b>2,683</b>	<b>8,750</b>
Grade mined	(g/t)	1.28	1.86	1.47
Ounces mined	(oz)	73,875	52,459	126,334

Year ended December 31, 2014		Masato	Sabodala	Total
Ore mined	('000t)	2,003	4,171	6,174
Waste mined - operating	('000t)	4,392	16,786	21,178
Waste mined - capitalized	('000t)	490	1,479	1,969
<b>Total mined</b>	<b>('000t)</b>	<b>6,885</b>	<b>22,436</b>	<b>29,321</b>
Grade mined	(g/t)	1.27	1.66	1.54
Ounces mined	(oz)	82,017	223,175	305,192

### Mining

Total tonnes mined for the three months ended December 31, 2014 were 4 percent lower year-over-year. Mining activities in the current period were mainly focused on the upper benches of Masato and the lower benches of phase 3 of the Sabodala pit, while in the same prior year period, mining was focused on the upper benches of phase 3 of the Sabodala pit which resulted in shorter ore and waste haul distances.

Access to the lowest benches of phase 3 of the Sabodala pit, which was originally scheduled for mining during the fourth quarter 2014, have been deferred into 2015 due to bench access constraints. In total, approximately 10,300 high-grade ounces (91,000 tonnes at over 3.5 gpt) originally part of the 2014 mine plan are expected to be mined and processed during first and second quarters of 2015. As a result of this deferral, gold production in 2014 was impacted by about an approximately net 8,000 ounces

for the year as this high-grade material was displaced by low-grade feed to the mill.

Total tonnes mined for the year ended December 31, 2014 were 16 percent lower compared to the same prior year period. Mining activities in the current year were initially focused on the lower benches of phase 3 of the Sabodala pit. Commencing in September, mining began on schedule at Masato, the first of the OJVG deposits to be developed. Total tonnes mined in 2014 were about 4 million tonnes higher than the original plan, mainly due to a redesign of phase 3 of the Sabodala pit as a result of mining in a peripheral area to the ore body which added 1.3 million waste tonnes that was originally scheduled for mining in phase 4 of the Sabodala pit in 2016; combined with higher tonnes mined at Masato due to better grade and ore tonnes than originally expected. In the prior year, mining activities were mainly focused on the upper benches of phase 3 of the Sabodala pit.

Ore grades mined for the year ended December 31, 2014 were 5 percent lower than the prior year due to lower ore grades mined at Masato, combined with lower than expected ore grades in a peripheral area of the Sabodala pit mined during the second quarter 2014. Management took steps to improve grade control including the hiring of a new mine manager and senior mine personal, additional leadership in the production geology department, improved blasthole sampling and statistical controls, increased Reverse Circulation ("RC") infill drilling and reducing to 5 metre benches when necessary. The changes in the mine department made during the year in terms of people and procedures resulted in much improved grade control during the fourth quarter. Mining at Masato included 371,000 tonnes at 2.41 gpt and mining at Sabodala included 353,000 tonnes at 3.16 gpt, both reconciling well to the reserve models.

Total mining costs for the three months ended December 31, 2014 were 6 percent lower than the same prior year period mainly due to lower material movement and higher productivity at Masato due to mining softer material. Unit mining costs for the three months ended December 31, 2014 were \$2.58 per tonne, a decrease of 3 percent compared to the same prior year period.

Total mining costs for the year ended December 31, 2014 were 8 percent lower than the same prior year period due to decreased material movement. However, unit mining costs for the year ended December 31, 2014 were 9 percent higher than the same prior year period due to fewer tonnes mined. In 2014, mining was mainly concentrated on the lower benches of phase 3 of the Sabodala mine pit with limited space resulting in lower productivity and higher costs, which was partially offset by higher productivity at Masato from mining softer material.

#### *Processing*

Ore tonnes milled for the three and twelve months ended December 31, 2014 were 17 and 15 percent higher than the same prior year periods. The Company set a quarterly record for total tonnes milled during the fourth quarter of 2014. As anticipated, the introduction of softer oxide ore from Masato has had a positive impact on crushing and milling rates. In the same prior year period, mill feed was

sourced from phase 3 of the Sabodala pit containing harder ore.

Processed grade for the three months ended December 31, 2014 was 16 percent higher than the same prior year period. Mill feed during the fourth quarter 2014 included significant high grade ore that was sourced from the upper benches of Masato and the lower benches of the Sabodala pit. In the prior year period, mill feed was sourced from phase 3 of the Sabodala pit at grades closer to average reserve grade.

Processed grade for the year ended December 31, 2014 was 9 percent lower than the same prior year period, as mill feed for the first nine months of 2014 was sourced from ore from phase 3 of the Sabodala pit at grades closer to average reserve grade. In the prior year, mill feed was primarily sourced from phase 3 of the Sabodala pit at higher grades.

During the third quarter of 2014, the Company experienced a discrepancy of approximately 5,000 ounces between the predicted gold production based on the daily production report assays and reconciled gold poured and gold in circuit production at quarter end. Management concluded its investigation of the source of the discrepancy during the fourth quarter 2014. Based on the final assessment, it was determined this discrepancy was caused by a high bias of approximately 10 percent in the assays during the third quarter. The high bias was caused by degradation in the gold calibration standard due to poor storage of the solutions employed by the independent lab. The bias was corrected in October 2014 and steps have been taken by the independent lab to improve quality control including changes to their senior personnel, retraining of their local technical staff, duplicate testing conducted by their lab in Mali and more senior level oversight to ensure quality and adherence to standard practices.

Reconciliation of the metallurgical accounting for the fourth quarter 2014 with daily production was within acceptable standards, as has been the case on average for the duration of operations for the Sabodala mill.

Gold production during the fourth quarter of 2014 increased by 47 percent and 36 percent versus the third quarter of 2014 and the fourth quarter of 2013, respectively. Production was higher in the last three months of 2014 due to higher processed grade and improved mill throughput. Production was slightly lower than fourth quarter guidance primarily due to marginally lower recovery rates than planned.

Gold production for the year increased marginally from the year earlier to 211,823 ounces and was the second highest production total in Company history. However, production fell short of the revised guidance estimate of 215,000 ounces primarily due to lower than planned recovery rates in the fourth quarter.

Total processing costs for the three and twelve months ended December 31, 2014 were 9 percent and 2 percent lower than the same prior year periods, mainly due to timing of maintenance activities and lower consumption of grinding media with the softer ore from Masato.

Unit processing costs for the three and twelve months ended December 31, 2014 were 23 percent and 15 percent lower than the prior year periods due to lower total processing costs and higher tonnes milled.

#### General and administrative – site operations

Total mine site general and administrative costs for the three and twelve months ended December 31, 2014 were 1 percent and 5 percent lower than the prior year periods mainly due to lower insurance premiums.

Unit general and administration costs for the three and twelve months ended December 31, 2014 were 12 percent and 14 percent lower than the prior year periods, respectively, due to lower general and administrative costs and higher tonnes milled.

#### Costs per ounce

Total cash costs per ounce for the three months ended December 31, 2014, excluding the reversal of non-cash inventory write-downs to NRV, totalled \$598 per ounce compared to \$711 per ounce in the same prior year quarter mainly due to lower mining and processing costs and higher gold production in the current year quarter.

Total cash costs per ounce for the year ended December 31, 2014 of \$710 per ounce were marginally above the

higher end of guidance of \$650 to \$700 per ounce. This compares to \$641 per ounce in 2013. The increase in total cash costs was mainly due to lower capitalized deferred stripping, partly offset by lower mining and processing costs compared to the prior year.

All-in sustaining costs for the three months ended December 31, 2014, excluding the reversal of non-cash inventory write-downs to NRV, totalled \$711 per ounce, compared to \$850 per ounce in the prior year. All-in sustaining costs were lower due to a decline in total cash costs and lower capital expenditures.

All-in sustaining costs per ounce for the year ended December 31, 2014 were \$865 per ounce, within the original guidance range of \$800 to \$875 per ounce and 16 percent lower than the prior year. Lower all-in sustaining costs were mainly due to lower capital expenditures in the current year period.

### ALL-IN SUSTAINING COSTS PER OUNCE

Beginning in the second quarter of 2013, the Company adopted an “all-in sustaining costs” measure and “all-in costs” measure consistent with the guidance issued by the World Gold Council (“WGC”) on June 27, 2013. For additional information, please refer to Non-IFRS Financial Measures.

## REVIEW OF FINANCIAL RESULTS

(US\$000's, except where indicated)	Three months ended December 31		Year ended December 31	
	2014	2013	2014	2013
<b>Financial Results</b>				
Revenue	76,553	58,302	260,588	297,927
Cost of sales <sup>1,2</sup>	(37,738)	(48,526)	(207,984)	(193,434)
<b>Gross Profit</b>	<b>38,815</b>	<b>9,776</b>	<b>52,604</b>	<b>104,493</b>
Exploration and evaluation expenditures	(373)	(1,043)	(2,772)	(5,405)
Administration expenses	(4,404)	(3,191)	(15,621)	(14,717)
Share based compensation	75	(136)	(911)	(813)
Finance costs	(2,080)	(3,150)	(9,484)	(12,148)
Gains on gold hedge contracts	-	-	-	5,308
Gains on oil hedge contracts	-	-	-	31
Net foreign exchange gains (losses)	671	(449)	2,013	(1,233)
Gain (loss) on available for sale financial asset	-	-	-	(4,003)
Other income (expense)	15	(3,410)	(1,982)	(11,843)
<b>Profit (loss) before income tax</b>	<b>32,719</b>	<b>(1,603)</b>	<b>23,847</b>	<b>59,670</b>
Income tax expense	(1,536)	-	(1,536)	-
<b>Profit (loss) for the period</b>	<b>31,183</b>	<b>(1,603)</b>	<b>22,311</b>	<b>59,670</b>
Profit attributable to non-controlling interest	(3,490)	(817)	(4,535)	(9,390)
<b>Profit (loss) attributable to shareholders of Teranga</b>	<b>27,693</b>	<b>(2,420)</b>	<b>17,776</b>	<b>50,280</b>
Basic earnings (loss) per share	0.08	(0.01)	0.05	0.19

<sup>1</sup> Includes a non-cash inventory reversal of a writedown to net realizable value of \$16.0 million during the three months ended December 31, 2014 (nil net write-down to net realizable value during the year ended December 31, 2014).

<sup>2</sup> The Company has 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.

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

## Revenue

Gold revenue for the three months ended December 31, 2014 was \$76.6 million compared to gold revenue of \$58.3 million for the same prior year period. The increase in gold revenue was due to 37 percent higher gold sales volume, partially offset by 4 percent lower realized gold prices during the fourth quarter of 2014.

Gold revenue for the twelve months ended December 31, 2014 was \$260.6 million compared to gold revenue of \$297.9 million for the same prior year period. The decrease in gold revenue was mainly due to lower spot gold prices in the current year.

## Cost of sales

(US\$000's)	Three months ended December 31		Year ended December 31	
	2014	2013	2014	2013
<b>Cost of Sales</b>				
Mine production costs - gross	41,123	43,555	162,410	170,752
Capitalized deferred stripping	(1,266)	(1,444)	(5,976)	(43,264)
Capitalized deferred stripping - non-cash <sup>1</sup>	189	137	(658)	(4,124)
	40,046	42,248	155,776	123,364
Depreciation and amortization - deferred stripping assets <sup>1</sup>	7,205	12,639	28,911	17,850
Depreciation and amortization - property, plant & equipment and mine development expenditures	11,988	15,263	40,605	60,683
Royalties	3,843	2,890	12,486	14,755
Advanced royalty payment	391	-	440	-
Rehabilitation	-	-	-	6
Inventory movements	(5,802)	(11,945)	(22,145)	(8,552)
Inventory movements - non-cash <sup>1</sup>	(3,907)	(12,569)	(8,089)	(14,672)
	(9,709)	(24,514)	(30,234)	(23,224)
<b>Total cost of sales before adjustments to net realizable value</b>	<b>53,764</b>	<b>48,526</b>	<b>207,984</b>	<b>193,434</b>
Adjustments to net realizable value <sup>1</sup>	(10,865)	-	-	-
Adjustments to net realizable value - depreciation <sup>1</sup>	(5,161)	-	-	-
	(16,026)	-	-	-
<b>Total cost of sales</b>	<b>37,738</b>	<b>48,526</b>	<b>207,984</b>	<b>193,434</b>

<sup>1</sup> The Company has 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 and twelve months ended December 31, 2014, mine production costs, before capitalized deferred stripping, were \$41.1 million and \$162.4 million, respectively, compared to \$43.6 million and \$170.8 million in the same prior year periods. Lower mine production costs in 2014 were due to lower mining costs from lower material movement and lower processing costs (please see Review of Operating Results section for additional information).

Depreciation and amortization for the three and twelve months ended December 31, 2014 totaled \$19.2 million and \$69.5 million, respectively, compared to \$27.9 million and \$78.5 million in the same prior year periods. Lower depreciation on property, plant and equipment and mine development expenditures were partially offset by higher depreciation of deferred stripping balances in the current year. Approximately 80 percent of the Company's fixed assets are depreciated using the units of production method of depreciation. Units of production depreciation rates decreased in 2014 with the acquisition of the OJVG which increased the reserve base and as a result, the per ounce units of production depreciation rate.

For the three months ended December 31, 2014, royalties were \$4.2 million, \$1.3 million higher than the prior year period mainly due to higher revenues in the current quarter. For the twelve months ended December 31, 2014, royalties of \$12.9 million were \$1.8 million lower than the prior year period due to lower sales revenue in the current year.

Inventory movements for the three and twelve months ended December 31, 2014 resulted in a decrease to cost of sales of \$9.7 million and \$30.2 million, respectively, compared to a decrease to cost of sales of \$24.5 million and \$23.2 million for the same prior year periods. For the twelve months ended December 31, 2014, higher costs were absorbed into inventory as a result of the net addition to ore stockpiles of approximately 52,000 ounces of recoverable gold. In total, the Company now has over 250,000 ounces of recoverable gold in ore stockpiles. In the same prior year periods, higher costs were absorbed into inventory mainly as a result of higher mine production costs.

During the three months ended December 31, 2014, the Company recorded a \$16.0 million reversal of the non-cash write-down on long-term low-grade ore stockpile inventory that had been previously recorded during the second and

third quarters of 2014, as adjusted for a mill discrepancy encountered during the third quarter 2014 (please refer to Review of Annual Operating Results section) and the impact of a change in the accounting for deferred stripping costs (please refer to Critical Accounting Policies and Estimates, Stripping Costs in the production phase of a surface mine). Higher ore grades and ounces mined during the fourth quarter resulted in a decrease in the per ounce ending cost of low-grade ore stockpiles (including applicable overhead, depreciation and amortization).

The adjustment recorded in the fourth quarter fully reverses the previously recorded non-cash write-down, which had been the result of an increase in costs added to low-grade ore stockpiles earlier in the year. Lower ore grades mined during the first and second quarters resulted in an increase in the per ounce cost of inventory (including applicable overhead, depreciation and amortization). Higher per ounce inventory costs have a greater impact on low-grade stockpile values because of the higher future processing costs required to produce an ounce of gold. The non-cash write-down represented the portion of historic costs that would not be recoverable based on the Company's long-term forecasts of future processing and overhead costs at a gold price of \$1,300 per ounce. Fluctuations in the mine plan result in wide fluctuations in the per ounce cost of our long-term ore stockpiles. During periods where fewer ounces are mined, per ounce costs rise, while during those periods when more ounces are mined, per ounce costs fall. Should long-term gold prices decline or future costs rise, there is a potential for further NRV adjustments.

#### *Exploration and evaluation*

Exploration and evaluation expenditures for the three months ended December 31, 2014 totaled \$0.4 million, \$0.7 million lower than the same prior year period and for the twelve months ended December 31, 2014 totaled \$2.8 million, compared to \$5.4 million in the prior year period. Lower exploration expense in the current year reflects a higher mix of lower cost trenching to delineate exploration targets. Higher cost drilling has been minimized in this lower gold price environment. A systematic and disciplined screening process is being employed by the Company's exploration team to optimize the potential for success in exploring the many high-potential anomalies located within the Company's Regional Land Package. Please see Regional Exploration section for additional information.

#### *Administration and corporate social responsibility costs*

Administration costs for the three and twelve months ended December 31, 2014 were \$3.3 million and \$13.1 million, respectively, compared to \$2.9 million and \$13.0 million in the same prior year periods. Higher costs in 2014 reflect higher corporate office costs and higher professional and consulting costs, partially offset by lower depreciation expense for IT infrastructure and Dakar office costs. Corporate social responsibility costs were \$1.1 million and \$2.5 million for the three and twelve months ended December 31, 2014, respectively, compared to \$0.3 million and \$1.7 million in the same prior year periods. Higher costs in 2014 reflect higher social commitments related to the acquisition of the OJVG. Total Administration and corporate social responsibility costs for the three and twelve months ended December 31, 2014 totaled \$4.4 million and \$15.6 million, respectively, compared to \$3.2 million and \$14.7 million in the same prior year periods.

#### *Share based compensation*

During the three months ended December 31, 2014, no common share stock options were granted, 1,539,444 common share stock options were cancelled and no stock options were exercised. During the twelve months ended December 31, 2014, 130,000 common share stock options were granted, 2,397,361 common share stock options were cancelled and no stock options were exercised.

Of the 21,470,489 common share stock options issued and outstanding as at December 31, 2014, 13,548,889 vest over a three-year period, 7,746,600 are already vested and 175,000 vests based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized based on our best estimate of outcome of achieving our results.

In order to allow non-executive directors and employees to participate in the long-term success of the Company and to promote alignment of interests between directors/employees and shareholders, the Company introduced a new Deferred Share Unit Plan ("DSU Plan") for non-executive directors and a new Restricted Share Unit Plan ("RSU Plan") for employees during the second quarter 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. For employees, RSUs are not convertible into Company stock and simply represent a right to receive an amount of cash (subject to withholdings), on vesting, equal to the product of i) the number of RSUs held, and ii) the volume weighted average trading price of the Company's shares for the five trading days prior to such date. RSUs will generally vest as to 50 percent in thirds over a three year period and as to the other 50 percent, in thirds based on the Company's achievement of performance-based criteria.

During the twelve months ended December 31, 2014, the Company granted 2,343,487 RSUs at a price of C\$0.72 per unit. At December 31, 2014 there were no units vested, 436,532 units were forfeited and 298,884 units were cancelled. The Company granted 545,000 DSUs during the twelve months ended December 31, 2014 at a price of C\$0.72 per unit. At December 31, 2014 there were no units vested and no units were cancelled.

#### *Finance costs*

Finance costs reflect interest costs related to the outstanding bank and mobile equipment loans, amortization of capitalized deferred financing costs, political risk insurance relating to the Loan Facility, accretion expense related to unwinding the discount for certain liabilities recorded at a discount, and bank charges.

Finance costs for the three and twelve months ended December 31, 2014 decreased to \$2.1 million and \$9.5 million, compared to \$3.2 million and \$12.1 million in the prior year periods. Finance costs were lower than the prior year periods primarily due to lower interest on borrowings as a result of the repayment of \$30.0 million under the Loan Facility in first quarter 2014 along with a further \$42.8 million in scheduled debt repayments through the course of 2014, partially offset by higher accretion expense related to unwinding the discount for certain liabilities recorded at a discount.

#### *Gold hedge contracts*

For the three and twelve months ended December 31, 2014, there were no forward sales contracts outstanding.

In early 2013, the Company bought back the remaining "out of the money" gold forward sales contracts at a cost of \$8.6 million and 45,289 ounces were also delivered into forward sales contracts at an average price of \$806 per ounce. The gain on gold hedge contracts totaled \$5.3 million for the twelve months ended December 31, 2013, resulting from a decrease in the spot price of gold from December 31, 2012.

#### *Oil hedge contracts*

For the three and twelve months ended December 31, 2014, there were no oil hedge contracts outstanding since the oil hedge contracts were completed at March 31, 2013. The gain on settlement of oil hedge contracts totaled \$31 thousand for the quarter ended March 31, 2013 and resulted from an increase in the spot oil price over December 31, 2012.

#### *Net foreign exchange gains and losses*

The Company generated foreign exchange gains of \$0.7 million and \$2.0 million for the three and twelve months ended December 31, 2014, respectively, compared to \$0.4 million and \$1.2 million of foreign exchange losses in the same prior year periods. In 2014, foreign exchange gains were realized on payments denominated in the local

currency made during the year, and were the result of a 13 percent depreciation in the local currency relative to the US dollar from the start of the year. In the same prior year periods, foreign exchange losses were realized from the Sabodala gold mine operating costs recorded in the local currency and translated into the US dollar functional currency.

#### *Loss on available for sale financial assets*

For the three and twelve months ended December 31, 2014, there were no losses recognized on available for sale financial assets. For the twelve months ended December 31, 2013, a non-cash impairment loss of \$4.0 million was recognized on the Oromin shares based on further declines in Oromin's share price, relative to a previous impairment loss that was recorded as at December 31, 2012.

#### *Other income (expense)*

Other income was \$15 thousand for the three months ended December 31, 2014 and other expense was \$2.0 million for the twelve months ended December 31, 2014, respectively, compared to other expenses of \$3.4 million and \$11.9 million for the same prior year periods. The expenses in 2014 relate to costs associated with the acquisitions of the OJVG. The prior year period expenses related to costs associated with the acquisition of Oromin, financial advisory services and non-recurring legal and other expenses.

#### *Income tax expense*

Income tax expense for the three and twelve months ended December 31, 2014 was \$1.5 million compared to nil in the prior year periods. In the current year, the Company recognized deferred income tax liabilities related to the reversal of temporary differences in respect of deferred stripping costs, leased property, plant and equipment, social fund payments and tax assessment payments.

#### *Net profit*

Consolidated profit for the three months ended December 31, 2014 was \$27.7 million (\$0.08 per share), compared to a consolidated loss of in the prior year quarter of \$2.4 million (\$0.01 loss per share). The increase in profit in the current year quarter were primarily due to higher revenues and a reversal of non-cash inventory write-down to NRV totaling \$16.0 million recorded in the second and third quarters of 2014.

Consolidated profit for the twelve months ended December 31, 2014 was \$17.8 million (\$0.05 per share), compared to profit of \$50.3 million (\$0.19 per share) in the prior year. The decrease in profit in the current year was primarily due to lower revenue, higher cost of sales, partially offset by lower transaction costs related to the acquisition of the OJVG.

## REVIEW OF QUARTERLY FINANCIAL RESULTS

(US\$000's, except where indicated)	2014				2013			
	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Revenue	76,553	56,711	57,522	69,802	58,302	50,564	75,246	113,815
Average realized gold price (\$/oz)	1,199	1,269	1,295	1,293	1,249	1,339	1,379	1,090
Cost of sales <sup>1</sup>	37,738	52,358	62,819	55,069	48,526	36,825	52,334	55,748
Net earnings (loss) <sup>1</sup>	27,693	(1,524)	(12,543)	4,151	(2,420)	49	7,467	45,184
Net earnings (loss) per share (\$) <sup>1</sup>	0.08	(0.00)	(0.04)	0.01	(0.01)	0.00	0.03	0.18
Operating cash flow	30,677	13,822	(9,793)	14,303	13,137	16,692	20,838	23,640

<sup>1</sup> The Company has 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 Company's 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 operating costs have largely remained stable. This has translated into fluctuating net earnings and operating cash flow levels depending on the gold realized prices and production levels each quarter.

The net loss recorded in fourth quarter 2013 was mainly due to transaction costs related to the acquisitions of Oromin and the OJVG, while the net losses recorded in second and third quarter 2014 were primarily due to a non-cash inventory write-down to net realizable value totaling \$16.0 million. Refer to Critical Accounting Policies and Estimates, Stripping Costs in the production phase of a

surface mine for further details. These write-downs were fully reversed in fourth quarter 2014 leading to higher net earnings.

Operating cash flows trended lower during certain quarters as a result of transaction costs related to the acquisition of the OJVG. Operating cash flows during 2014 also reflect the impact of delivering a portion of quarterly gold production to Franco-Nevada at 20 percent of gold spot prices. Operating cash flows during the first and second quarters of 2013 included a use of cash to buy-back-back the remaining "out of the money" gold forward sales contracts and the delivery of 45,289 ounces into the hedge book at \$806 per ounce.

## BUSINESS AND PROJECT DEVELOPMENT

### Franco-Nevada Gold Stream

On January 15, 2014, the Company completed a gold stream transaction with Franco-Nevada. The Company is required to deliver to Franco-Nevada 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. Franco-Nevada's purchase price per ounce is set at 20 percent of the prevailing spot price of gold.

The deposit of \$135.0 million has been treated as deferred revenue within the statement of financial position.

### Acquisition of the OJVG

During the third and fourth quarters of 2013, the Company issued 71,183,091 Teranga shares to acquire all of the Oromin shares (Oromin being one of the three joint venture partners holding 43.5 percent of the OJVG) for total consideration of \$37.8 million.

On January 15, 2014, the Company acquired the balance of the OJVG that it did not already own from Bendon and Badr.

The Company acquired Bendon's 43.5 percent participating interest in the OJVG for cash consideration of \$105.0 million. Badr's 13 percent carried interest in the OJVG was acquired for cash consideration of \$7.5 million and further contingent consideration that will be based on

higher realized gold prices and increases to OJVG reserves through 2020. Upon finalization of the allocation of the purchase price, \$3.8 million of contingent consideration was accrued as a non-current liability based on targeted additions to OJVG reserves. The acquisitions of Bendon's and Badr's interest in the OJVG were funded by the gold stream agreement with Franco-Nevada and from the Company's existing cash balance.

The acquisition of Bendon's and Badr's interests in the OJVG increased the Company's ownership to 100 percent and consolidated the Sabodala region, increasing the size of the Company's interests in mine license from 33km<sup>2</sup> to 246km<sup>2</sup>, more than doubling the Company's reserve base and providing the Company with the flexibility to integrate the OJVG satellite deposits into its existing operations. The contribution of 100 percent of the OJVG has been reflected into Teranga's results from January 15, 2014.

Acquisition related costs of approximately \$1.5 million have been expensed during the year ended December 31, 2014, and are presented within other expenses in the consolidated statements of comprehensive income.

### Reserves and Resources

Mineral Resources at December 31, 2014 are presented in Table 1. Total open pit Proven and Probable Mineral Reserves at December 31, 2014 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. 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.

The Sabodala pit design, which remains unchanged and is consistent with the Mineral Reserves reported previously, is based on a \$1,000 per ounce gold price pit shell for Phase 4. 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 2016.

The Niakafiri and Gora pit designs remain unchanged from December 2012.

The Masato pit design has been updated and is based on an updated resource model, using a \$1,200 gold price with mine operating costs reflecting current conditions.

The Golouma and Kerekounda pit designs remain unchanged from December 2013. Resource models are expected to be updated based on drill programs recently completed, with subsequent pit designs and revised reserves estimates expected later in 2015. These have been based on a \$1,250 per ounce pit shell, however, when comparing to adjusted cut-off grades to match current operating costs, minimal adjustments were required to match a \$1,200 per ounce pit shell.

#### *Masato Resource model update*

Drill hole assays and surface trenching results from the 2014 advanced exploration program were incorporated into an updated Masato mineral resource model during the fourth quarter 2014. A total of 2,900 metres in 22 diamond

drill holes ("DDH") and 6,000 metres in 98 reverse circulation ("RC") holes were completed in 2014.

DDH drilling confirmed the interpretation of mineralized zones and infilled gaps to upgrade resource classification of Inferred Resources.

RC holes were drilled at 10 metre spacing in 2 separate test block areas in oxide ore to test the continuity of portions of the high-grade sub-domains. Results confirm the nature of high grade mineralization in these areas, as well as overall shallower dipping zones than was previously interpreted.

Due to the complex nature of mineralization, a total of 11 mineralization models were generated following non-linear trending structures. Mineral resources were estimated using locally varying anisotropies respecting local trends. Oxide densities were revised to reflect the gradational density difference associated with increasing depth from surface. Fresh rock densities were revised and averaged for mineralized and non-mineralized areas.

A comparison of the reserve model against actual mined in 2014 indicates 2 percent higher tonnes, 5 percent higher grade and 8 percent higher ounces mined. This can be attributed to a shallower higher grade mineralization trend in oxides in areas delineated with wider spaced drilling.

Overall, 72,000 ounces were added at Masato during 2014 including 16,000 ounces in the high-grade test blocks drilled. Due to the complexity of the high grade zones revealed from the 10 metre test block areas, extension of high grade intercepts will need to be continually updated as mining advances with 10 metre spacing from the RC grade control process. As a result, the high grade added in the updated model was in the near surface areas in Phase 1 where 10 metre spacing drilling occurred.

Table 1: Mineral Resources Summary

Area	Measured			Indicated			Measured and Indicated		
	Tonnes (Mt)	Grade (g/t)	Au (Moz)	Tonnes (Mt)	Grade (g/t)	Au (Moz)	Tonnes (Mt)	Grade (g/t)	Au (Moz)
Sabodala	23.73	1.21	0.92	19.55	1.23	0.77	43.28	1.22	1.70
Gora	0.49	5.27	0.08	1.84	4.93	0.29	2.32	5.00	0.37
Niakafiri	0.30	1.74	0.02	10.50	1.10	0.37	10.70	1.12	0.39
ML Other									
<b>Subtotal Sabodala</b>	<b>24.52</b>	<b>1.30</b>	<b>1.02</b>	<b>31.89</b>	<b>1.40</b>	<b>1.43</b>	<b>56.41</b>	<b>1.36</b>	<b>2.46</b>
Masato	1.55	0.96	0.05	50.26	1.04	1.67	51.81	1.03	1.72
Golouma				12.04	2.69	1.04	12.04	2.69	1.04
Kerekounda				2.20	3.77	0.27	2.20	3.77	0.27
Somigol Other				18.72	0.93	0.56	18.72	0.93	0.56
<b>Subtotal Somigol</b>	<b>1.55</b>	<b>0.96</b>	<b>0.05</b>	<b>83.22</b>	<b>1.33</b>	<b>3.54</b>	<b>84.77</b>	<b>1.32</b>	<b>3.59</b>
<b>Total</b>	<b>26.07</b>	<b>1.28</b>	<b>1.07</b>	<b>115.11</b>	<b>1.35</b>	<b>4.97</b>	<b>141.18</b>	<b>1.33</b>	<b>6.05</b>

Area	Inferred Resources		
	Tonnes (Mt)	Au (g/t)	Au (Moz)
Sabodala	18.42	0.93	0.55
Gora	0.21	3.38	0.02
Niakafiri	7.20	0.88	0.21
ML Other	10.60	0.97	0.33
<b>Subtotal Sabodala</b>	<b>36.43</b>	<b>0.94</b>	<b>1.11</b>
Masato	19.18	1.15	0.71
Golouma	2.46	2.01	0.16
Kerekounda	0.34	4.21	0.05
Somigol Other	12.87	0.84	0.35
<b>Subtotal Somigol</b>	<b>34.86</b>	<b>1.13</b>	<b>1.26</b>
<b>Total</b>	<b>71.29</b>	<b>1.03</b>	<b>2.37</b>

Notes for Table 1: Mineral Resources Summary:

- 1) CIM definitions were followed for Mineral Resources.
- 2) Mineral Resource cut-off grades for Sabodala, Masato, Golouma, Kerekounda and Somigol Other are 0.2 g/t Au for oxide and 0.35 g/t Au for fresh.
- 3) Mineral Resource cut-off grades for Niakafiri are 0.3 g/t Au for oxide and 0.5 g/t Au for fresh.
- 4) Mineral Resource cut-off grade for Gora is 0.5 g/t Au for oxide and fresh.
- 5) Mineral Resource cut-off grade for Niakafiri West and Soukhoto is 0.3 g/t Au for oxide and fresh.
- 6) Mineral Resource cut-off grade for Diadiako is 0.2 g/t Au for oxide and fresh.
- 7) Measured Resources include stockpiles which total 11.30 Mt at 0.82 g/t Au for 0.30 Mozs.
- 8) High grade assays were capped at grades ranging from 10 g/t to 30 g/t Au at Sabodala, 20 g/t to 70 g/t Au at Gora, from 4 g/t to 25 g/t Au at Masato, from 5 g/t to 70 g/t for Golouma, from 11 g/t to 50 g/t at Kerekounda, and from 0.8 g/t to 110 g/t at Somigol Other.
- 9) The figures above are "Total" Mineral Resources and include Mineral Reserves.
- 10) Neither underground Mineral Resources nor Mineral Reserves have been generated by the Company, therefore global Mineral Resources have been reported at the determined cut-off grades. A detailed underground analysis will be undertaken to follow-up on the underground resource potential; however, this is not a priority in the near term.
- 11) Sum of individual amounts may not equal due to rounding.

For clarity, the mineral Resource estimates disclosed above with respect to Niakafiri, Gora and ML Other (which includes Niakafiri, Niakafiri West, Soukhoto and Diadiako) were prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Refer to Teranga Gold Corporation's ASX Quarterly December 31, 2013 report filed on January 30, 2014 for further details. All material assumptions and technical parameters previously disclosed continue to be applicable and have not materially changed. See Competent Person Statements on pages 33 and 34 for further details.

**Table 2: Mineral Reserves Summary**

Area	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	1.98	1.52	0.10	2.48	1.48	0.12	4.45	1.50	0.21
Gora	0.48	4.66	0.07	1.35	4.79	0.21	1.83	4.76	0.28
Niakafiri	0.23	1.69	0.01	7.58	1.12	0.27	7.81	1.14	0.29
Stockpiles	11.30	0.82	0.30				11.30	0.82	0.30
<b>Subtotal Sabodala</b>	<b>13.99</b>	<b>1.07</b>	<b>0.48</b>	<b>11.41</b>	<b>1.63</b>	<b>0.60</b>	<b>25.40</b>	<b>1.32</b>	<b>1.09</b>
Masato				26.93	1.13	0.98	26.93	1.13	0.98
Golouma				6.47	2.24	0.46	6.47	2.24	0.46
Kerekounda				0.88	3.26	0.09	0.88	3.26	0.09
<b>Subtotal Somigol</b>				<b>34.28</b>	<b>1.39</b>	<b>1.53</b>	<b>34.28</b>	<b>1.39</b>	<b>1.53</b>
<b>Total</b>	<b>13.99</b>	<b>1.07</b>	<b>0.48</b>	<b>45.69</b>	<b>1.45</b>	<b>2.12</b>	<b>59.68</b>	<b>1.36</b>	<b>2.62</b>

Notes for Table 2: Mineral Reserves Summary:

1. CIM definitions were followed for Mineral Reserves.
2. Mineral Reserve cut off grades for Sabodala are 0.40 g/t Au for oxide and 0.5 g/t Au for fresh based on a \$1,250/oz gold price and metallurgical recoveries between 90 percent and 93 percent.
3. Mineral Reserve cut off grades for Niakafiri are 0.35 g/t Au for oxide and 0.5 g/t Au for fresh based on a \$1,350/oz gold price and metallurgical recoveries between 90 percent and 92 percent.
4. Mineral Reserve cut off grade for Gora is 0.76 g/t Au for oxide and fresh based on \$1,200/oz gold price and metallurgical recovery of 95 percent.
5. Mineral Reserve cut off grades for Masato are 0.4 g/t Au for oxide and 0.5 g/t for fresh based on \$1,200/oz gold price and metallurgical between 90 percent and 93 percent.
6. Mineral reserve cut off grades for Golouma and Kerekounda are 0.4 g/t Au for oxide and 0.5 g/t for fresh based on \$1,250/oz gold price and metallurgical between 90 percent and 93 percent.
7. Sum of individual amounts may not equal due to rounding.
8. The Niakafiri 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.
9. The Gora deposit is intended to be merged into the Sabodala mining license which the State of Senegal has agreed to in principal subject to completion and receipt of an approved environmental and social impact assessment which is ongoing.
10. There are no other known political, legal or environmental risks that could materially affect the potential development of the identified mineral resources or mineral reserves other than as already set out in the Company's Annual Information Form dated March 31, 2014 (revised April 24, 2014). Refer to RISK FACTORS beginning on page 60.

For clarity, the mineral Reserve estimates disclosed above with respect to Niakafiri and Gora was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Refer to Teranga Gold Corporation's ASX Quarterly December 31, 2013 report filed on January 30, 2014 for further details. All material assumptions and technical parameters previously disclosed continue to be applicable and have not materially changed. See Competent Person Statements on pages 33 and 34 for further details.

### Masato Development and OJVG Integration

Development of the Masato deposit is complete and mining commenced during the third quarter of 2014. First ore delivery was completed in third quarter 2014, with a gradual ramping up of production rates throughout fourth quarter 2014. The heavily oxidized upper ore zones did not create significant materials handling issues in the plant and the total blend of oxide with fresh Sabodala ore was increased throughout fourth quarter 2014. The gold recovery from Masato met expectations, demonstrated by the metallurgical accounting for the year as well as results from an individual bulk test in the plant. The softer oxidized ore from Masato provided for an increase in mill throughput and lower overall plant unit operating costs.

### Base-Case Life of Mine

During the first quarter 2014, the Company filed a National Instrument – Standards of Disclosures for Mineral Projects ("NI 43-101") technical report which included an integrated life of mine ("LOM") plan for the combined operations of Sabodala and the OJVG. The integrated LOM plan had been designed to maximize free cash flow in the prevailing gold price environment. The sequence of the pits can be optimized, as well as the sequencing of phases within the pits, based not only on grade, but also on strip ratio, ore hardness, and the capital required to maximize free cash flows in different gold price environments. As a result, the

integrated LOM annual production profile represented an optimized cash flow for 2014 and a balance of gold production and cash flow generated in the subsequent five years. Based on the current reserve base on \$1,200 per ounce gold the Company has the flexibility to reduce material movement and capital costs which reduces production by about 5 percent but expects to generate free cash flow over the period 2015-2017.<sup>2</sup> At the same time, as gold prices increase, the Company has the ability to increase material movement and gold production. One of the strategic alternatives available to the Company, should materially lower gold prices arise, is to supplement higher grade feed to the mill with low-grade ore stockpiles on hand thus significantly reducing or eliminating material movement costs.

With expectations for additional reserves based on drilling in Niakafiri, Masato, Golouma, Kerekounda and further discoveries on the land acquired from the OJVG, further mine plan optimization work will continue. As a result, the integrated LOM production schedule represents a "base

<sup>2</sup> This forecast financial information is based on the following material assumptions: Gold price: \$1,200 per ounce; average annual gold production (2015-2017) of approximately 240,000 ounces; and total mine production costs assumed for the 2015 Outlook. The production guidance is based on existing proven and probable reserves only from both the Sabodala mining license and OJVG mining license as disclosed in Table 2 on page 17 of this Report.

case” scenario with flexibility to improve cash flows in subsequent years.

#### Mill Enhancements

A study to quantify and optimize the relationship between an increase in crusher availability to the SAG and Ball Mill system, as well as other design enhancements within the crushing and grinding system was completed during the third quarter 2014.

Improvements to the SAG mill as part of sustaining capital include adjustments made to mill liners along with installation of a discharge head and trommel screen to improve throughput. Increased throughput in the ball mills will result from new gear boxes which will increase power to the ball mills thereby increasing throughput.

The largest capital component of the mill upgrade will consist of adding a second primary jaw crusher to operate in parallel with the existing unit. This will (i) increase availability to the live storage for the mill circuit, and (ii) provide the ability to reduce the top size primary crusher feed. Basic engineering was initiated in the fourth quarter of 2014 to finalize design, layout, material quantities, procurement packages and an execution plan for construction.

The parallel crusher construction is expected to be operational over a span of approximately 18 months, with continual improvement realized earlier on from the sustaining capital initiatives. The Company has budgeted approximately \$6.0 million in 2015, however, detailed engineering is ongoing to determine the final cost estimate. A decision to proceed to construction will depend on the Company’s upcoming exploration and heap leach results to ensure the best allocation of capital for the Company. Simulations have demonstrated that production potential exists beyond 480 tonnes per operating hour with these new configurations once commissioning has been completed after installation.

#### Heap Leach Project

The LOM plan shows a significant amount of both oxide and sulphide low grade reserves that are mined during the operating period but not processed until the end of the mine life. There also exists significant potential along an 8km mineralized structural trend covering both mine leases to increase the known reserves with near surface, oxidized ore.

The potential benefit to accelerating value from this ore earlier by feeding it through a heap leach process was evaluated during 2014. Phase 1 of the testwork (various stages of the soft and hard oxidized transition zones) has been completed. Based on positive results of this testwork, Phase 2 (analysis of hard ore on the ROM stockpile) has been initiated.

The ongoing testwork is being completed by Klappes, Cassidy and Associates at their facilities in Reno, Nevada, who are experienced in testing and designing heap leach facilities throughout the world, including West Africa.

Key milestones for the project are as follows:

- Complete Phase 1 testwork, economic analysis and initiate engineering design to pre-feasibility study (“PFS”) level – completed fourth quarter of 2014;
- Complete additional follow up optimization testwork and, initiate Phase 2 testwork on the ROM stockpiles – ongoing through to first half of 2015;
- Initiate design concepts and proceed with PFS level engineering design study – initiated in first quarter of 2015; and
- Initiate advanced level engineering design, initiate targeted resource drilling and environmental studies to support an environmental and social impact assessment (“ESIA”) submission – second half of 2015.

The Company is encouraged by the Phase 1 test results. Key variables (recovery rates, agglomeration and cyanide consumption of the oxide ore zones) are in line with the Company’s initial expectations.

The hard transition oxide ore, (representing approximately 40 percent) is being tested at a top size of 12.5 mm crush with 8 kg/t of cement addition that passed percolation tests representing a lift height to 16 metres. Preliminary results from the column leach tests indicate an average recovery of approximately 75 to 80 percent. The optimal cyanide consumption versus maximum leach will be determined in the PFS and is expected to be in the range of 0.5-0.7 kg/t cyanide consumption after approximately 40 to 70 days of leach time.

Additional testwork is ongoing for the saprolite ore (representing approximately 10 percent) and for several bulk samples representing ~11Mt of low grade ROM stockpile.

The Company is targeting production from heap leach commencing in 2017, with the quantities and scale of operation to be defined upon the completion of Phase 2 and completion of drilling of potential low-grade heap leach material on the combined mine licenses. At this point, the Company anticipates that heap leach could account for an incremental 10 to 20 percent of annual production once fully operational.

#### Gora Development

The high-grade Gora deposit will be operated as a satellite deposit to the Sabodala mine, requiring limited local infrastructure and development. Ore will be hauled to the Sabodala processing plant by a dedicated fleet of trucks and processed on a priority basis, displacing lower grade feed as required.

Technical approval of the Gora ESIA was completed in the fall of 2014 and the public enquiry process was completed in late January 2015. As a result, the Company received approval to begin access road construction in mid-February 2015. The final phase in the ESIA process, a public hearing to announce the outcome of the technical and public enquiry processes, occurred on February 18<sup>th</sup>. Environmental approval and the occupational haul road permit are now expected in the ordinary course.

Due to excess equipment available from the lower material movement rates, mine operations has initiated construction with a complement of contractors required to complete the road during the second quarter of 2015. Infrastructure to support mine operations, a small water retention structure and pit preparations are expected to commence during the second quarter 2015 with ore to be stockpiled and delivered to the plant by a contractor in the fourth quarter 2015.

### **Sabodala Mine License Reserve Development**

The Sabodala combined mine license covers 246km<sup>2</sup>. In addition to the mine related infrastructure, it contains the Sabodala, Masato, Niakafiri, Niakafiri West, Soukhoto and Dinkokhono deposits on the former Sabodala 33km<sup>2</sup> license area, and the Masato, Golouma and Kerekounda deposits on the OJVG mine license area of 213km<sup>2</sup>. As we have integrated the OJVG geological database into a combined LOM plan, a number of areas have been revealed as potential sources for reserve additions within the mining lease. These targets have been selected based on potential for discovery and inclusion into open pit reserves.

In total, the combined mine license includes 5.7 million ounces of Measured and Indicated Resources and a further 2.35 million ounces of Inferred Resources.<sup>3</sup> A significant multiyear reserve development program is under way to add high-grade mill feed and low-grade heap leach feed to the open pit reserve base, which should allow the Company to further increase production toward its phase 1 organic growth target of 250,000 to 350,000 ounces of annual production. In addition, exploration programs are underway on the combined mine license to make new discoveries that may further enhance both the phase 1 and phase 2 organic growth targets.

#### *Niakafiri*

In 2013, further surface mapping was completed at Niakafiri in conjunction with the re-logging of several DDH, which were incorporated into the geological model for the Niakafiri deposit. Further exploration work, including additional drilling, is targeted for 2015 following discussions with the Sabodala village.

In addition to the potential expansion of hard ore reserves at Niakafiri, the Company is exploring for potential softer ore that may be conducive to heap leach, with emphasis on the mineralized trend to the north and south of the current reserves at Niakafiri.

#### *Masato*

An advanced exploration program began at Masato during the second quarter of 2014 and continued into the third quarter 2014 to inter alia test the continuity of portions of the high-grade sub-domains, which were removed from the Masato reserve base after the acquisition of OJVG in 2014.

The overall program consisted of drilling and trenching to confirm interpretation of domains and high-grade sub-

domains, infill gaps and upgrading Inferred Resources, determining optimal RC grade control drill spacing and obtaining additional geotechnical data for pit slope analysis. Overall, the program confirms the Company's interpretation of the resource model and provides additional confidence in the nature of the high-grade mineralization within the deposit.

Surface trenching and RC drilling revealed additional ore zones not modelled in the supergene enriched laterite ore near surface during mining of the uppermost benches in the third quarter 2014. RC drilling in advance of mining in 10 metre spacing of the ore zones will be ongoing as part of a comprehensive grade control program for mine operations.

All drill hole assay data for the 2014 Masato exploration program, including drill hole locations and a location map, are available on the Company's website at [www.terangagold.com](http://www.terangagold.com) under "Exploration".

#### *Golouma NW Extension*

Infill drilling was undertaken for potential conversion of inferred resources outside of the existing pit limits to the northwest of the current Golouma orebody to evaluate the mineralization potential of structural features along strike to the existing reserves. By the end of the fourth quarter of 2014, 26 diamond drill holes, totaling 3,100 metres were completed. Encouraging gold values were reported from several holes. The presence of two gold mineralized shear structures (north south shear and northwest shear) within metavolcanic units located to the north and northwest of the existing reserves has been confirmed, with continued mineralization to the north where these features intersect. An updated resource model and subsequent reserves evaluation will be completed based on the drilling completed in the fourth quarter of 2014. Additional drilling is ongoing to test mineralization potential to the north and infill drilling along the northwest shear.

#### *Masato Northeast*

Detailed mapping and trenching (4,300 metres) were completed on the Masato Northeast prospect which is situated 1km northeast along strike of the Masato deposit. The prospect overlies a sequence of mafic volcanics within which there is a 2.5 km long structural splay off the main Masato structural trend. Trenching has defined a north-northeast trending shear zone with distinctive quartz-carbonate-sericite alteration features. Assay results received to date indicate elevated gold values are developed along the length of the shear structure. A 10-hole DDH drilling program is ongoing to test the gold mineralized zones at depth in sections of the shear. Additional drilling in addition to this program is expected to continue through the first half of 2015, with potential for a yearlong campaign pending initial results.

#### *Kerekounda*

An 11-hole, 1,200 metres DDH drilling program was completed in the fourth quarter 2014 with the aim of determining the extent of mineralization further along strike of the existing reserves to the south of the existing reserves pit. Assay results are awaited and pending

<sup>3</sup> Analysis to determine underground potential for a portion of the reported resources is planned to be completed by the Company this year

results, an updated resource model with subsequent reserves evaluation will be completed in the first half of 2015.

#### *Niakafiri SE and Maki Medina*

Both RC and DDH drilling is planned for potential conversion of inferred resources, geotechnical holes for pit wall determination and exploratory holes to the north toward the Niakafiri deposit to evaluate extension along strike. Additional drilling to determine near surface oxide resources will also be evaluated. Due to the positive results for the heap leach tests, work in these areas is expected to commence in the first quarter 2015, but may be deferred later into 2015 to coincide with drilling near Sabodala village on the Niakafiri reserves.

#### **Regional Exploration**

The Company currently has 9 exploration permits encompassing approximately 1,055km<sup>2</sup> of land surrounding the Sabodala and OJVG mine licenses (246km<sup>2</sup> exploitation permits). Over the past four years, with the initiation of a regional exploration program on this significant land package, a tremendous amount of exploration data has been systematically collected and interpreted to implement methodical and cost-effective follow-up programs. Targets are in various stages of advancement and are prioritized for follow-up work and drilling. Early geophysical and geochemical analysis of these areas has led to the demarcation of at least 50 anomalies, targets and prospects and the Company expects that several of these areas will ultimately be developed into mineable deposits. The Company has identified some key targets that, though early stage, display significant potential. However, due to the sheer size of the land position, the process of advancing an anomaly through to a mineable deposit takes time using a disciplined screening process to maximize the potential for success.

#### *Ninienko*

An extensive mapping and trenching program covering 1,500 metres which was conducted during the second and third quarters of 2014 at the Ninienko prospect, is ongoing. This work outlined a 500 metre-plus wide zone with gold mineralization occurring in flat-lying, near surface (0-2 metres) quartz vein and felsic breccia units developed over a strike length of 1,500 metres.

An isopach plan of the mineralized quartz vein and felsic breccia systems is in progress, and will be used to develop a plan for DDH 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 will also be 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 detailed geochemical soil sampling program commenced in the fourth quarter of 2014 to follow up and test co-incident gold-molybdenum-copper and potassium anomalies identified by an earlier regional termite mound

sampling program. The sampling program has led to the discovery of two separate shear zones both following the north-northeast regional scale structural trend, which is host to other gold deposits in the region. The shear zones are characterized by quartz-carbonate alteration zones 10-20 metres in width with quartz veining and gossan development. These zones and other gold soil anomalies will be tested by a trenching program in 2015. A DDH program will follow later in 2015.

#### *Soreto*

Following up on a small 5-hole DDH program at the Soreto prospect in 2013, a 15-hole DDH program for 2014 was primarily completed during the fourth quarter of 2014, with the remainder during early 2015. These were located along two fence lines placed 150 metres on either side of the 2013 fence that intersected reasonable gold values. At least three continuous shear zones were intercepted along strike. These featured west dipping (25 - 35°) altered shear zones with felsic dyke, sheared and brecciated silicified metasediments containing quartz-carbonate veins with disseminated pyrite and visible gold in places. The shear zones coincide with the major north-northeast regional shear structure with an associated 6km long geochemical soil anomaly and when projected to surface, align with the surface workings from artisanal mining.

Further infill drilling (13 DDHs) was undertaken in the fourth quarter 2014 to further extend these mineralized shear zones along strike and infill drill to 50 metre spacing between the fence lines. The Company is awaiting assay results from the infill drilling program.

#### *Gora Northeast Extension and Zone ABC*

Trenching and mapping programs are being planned for the first quarter of 2015 to investigate potential gold mineralized extensions of the Gora gold deposit into the Zone ABC prospect, which has significant gold soil anomalies co-incident with regional structural trends.

#### *KD Prospect*

Mapping and outcrop sampling programs were undertaken on KD during the fourth quarter 2014. The programs are investigating and following gold in soil anomalies identified in regional termite mound sampling surveys. The anomalies coincide with northeast and northwest trending regional scale structures. Rock chip sampling of outcrop within a northwest trending shear zone in metasediments yielded a number of elevated gold values including 40 gpt and 83 gpt gold. Trenching programs to follow up on these anomalies have been planned for the first quarter 2015.

#### *KC Prospect*

Approximately 3,200 metres of trenching was completed across a mineralized structural trend with intense quartz veining and brecciated felsic intrusives developed over a strike length of approximately 1,800 metres. Sampling of the trenches yielded elevated gold values in the overburden of up to 18.45 gpt over 0.4 metres and 6.27 gpt over 0.6 metres. The quartz vein and breccia zone yielded elevated gold values in the range of 1.95 gpt over 0.3 metres true width and 1.41 gpt over 0.2 metres true width with limited continuity along strike. Due to limited

mineralization in the in situ rock, it was determined that follow up drilling was not likely to produce results and resources were best allocated to higher prospective targets.

A follow-up soil sampling and trenching program is planned in first quarter 2015 to evaluate a large soil anomaly (peak values of 2.64 gpt and 2.38 gpt) located 800 metres to the west of workings which may account for the elevated gold anomalies identified in overburden in the trenches. A limited trenching program to test a coincident IP resistivity and chargeability high in the eastern portion of the prospect will also be undertaken in the first quarter of 2015.

### **Renewal of Heremakono Exploration Permit**

The Heremakono exploration permit is host to a series of exploration targets, most notably Ninienko, Soreto, and Soreto North. This permit was originally awarded in October of 2005 and, absent an extraordinary request for an extension, would have expired in October 2014. A lack of safe and secure access to certain exploration permits was an issue raised with the Government of Senegal and the State agreed to grant extraordinary extensions upon the expiry of their customary 9 year terms to address the Company's concerns. During the fourth quarter 2014, the renewal of this significant exploration permit was granted, extending its term to October 25, 2016.

### **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 Company is emphatic about keeping health and safety top of mind. The Operational Health and Safety (OHS) program matured in 2014, pivotal to the yearly results were the intensive training and rigorous application of the OHS management plans. The focus is still placed on proactive, people-based safety management which uses a documented systematic approach. In 2014, focus was placed on management of change and vertical integration of prevention tools. In 2015, Management will focus efforts on improving loss prevention and controls and integrating these into the daily life of all who conduct their task at the operations.

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. As of year-end, the Company achieved 474 consecutive days without an LTI.

In 2014, the deadly Ebola Virus reemerged in West Africa. The Sabodala Management team recognized the risk of being ill prepared to identify, manage and confine the deadly virus. Due to Sabodala's proximity to the highly affected region, Management prepared an identification and reaction plan by the end of first quarter 2014, which led to training of site medical team and establishing open channels of communication with relevant authorities in the region. The Sabodala operations have been actively involved with the Ebola Private Sector Mobilization Group (EPSMG) since its inception. Currently, Management's

plans include an escalation matrix, reaction planning and crisis management situations, should there be any possibility of the virus affecting Sabodala's operations. With the exception of one case of ebola in Senegal confirmed in August 2014, Senegal is currently ebola free.

### **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.

A significant CSR achievement in 2014 was the implementation of the Teranga Development Strategy ("TDS"). The TDS is the result of an 18-month collaborative process between Teranga, the communities, and local, regional and national governments, as well as with other major stakeholders in the near-mine area. The TDS proposes 78 actions for the Company to promote regional development and to deliver immediate and long-term benefits in three priority areas: sustainable economic growth, agriculture and food security, and youth and training. We work hard to understand the needs of all stakeholders in our area of influence and to ensure that our activities are complementary where appropriate and leading where necessary.

Teranga is focused on providing communities with infrastructure paired with sustainable projects and tools that will surpass the life of mine. The Company continued to lay the foundation for community-based entrepreneurship through its market garden program, a key initiative for income generation and food security. About 450 local women are involved in the program which introduced the sixth market garden earlier in 2014. Three of the gardens are fully matured and grew 72 tons of produce during the year for the benefit of six villages.

The agriculture and food security program expanded to 17 pilot and demonstration farms, 16 individual poultry farms and 13 grain mills. New techniques continue to be introduced to enhance local agricultural production. In addition, Teranga continually participates in the extension and rehabilitation of water infrastructure and during 2014, completed a water supply system providing potable water to two nearby villages.

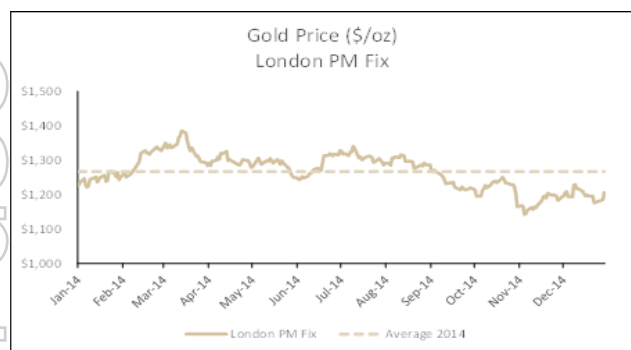
In 2014, the Company broadened its skill development program to provide access to better education for Senegalese nationals. This included funding bursaries for students in the regional capital of Kedougou to attend international schools, supporting Kedougou students studying in the Country's capital, Dakar, and providing internships and onsite training programs. The Company also refurbished school facilities in nearby villages and donated educational materials to the elementary schools of Sabodala Village benefitting 1,846 students. The skill development and education of Senegalese nationals is part of Teranga's long-term development plan for the region.

The Company's annual health promotion initiative continued with anti-malaria spray programs in the villages

around the mine site as well as a vaccination program in the local communities. In addition, the Company financed the construction of a health post in the Diakhaling village and supported the departmental hospital of Saraya by establishing a connection to the national electricity grid.

Teranga's CSR performance is fully reported in its 2013 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](http://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



Source: Thomson Reuters

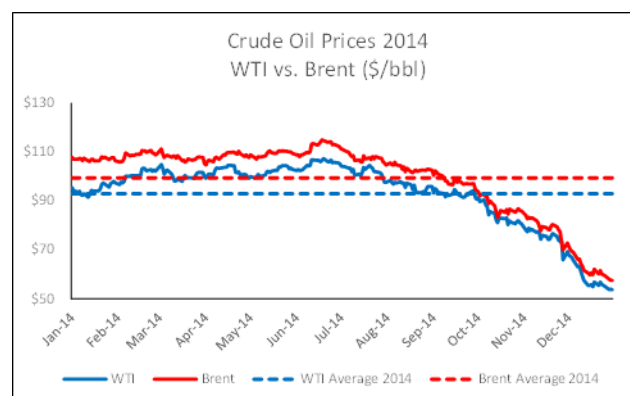
The price of gold is the largest factor in determining our profitability and cash flow from operations. During 2014, the average London PM Fix price of gold was \$1,266 per ounce, with gold trading between a range of \$1,142 and \$1,385 per ounce. This compares to an average of \$1,411 per ounce during 2013, with a low of \$1,192 per ounce and a high of \$1,694 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 2014 year marked another turbulent year for gold prices. The ebb and flow of factors affecting gold prices included the continued reduction of Exchange Traded Fund (ETF) holdings, the US Federal Reserve winding down its Quantitative Easing (QE) program, and the strengthening of the US economy, which in turn drove the US dollar to multi-year highs against other currencies. All these factors played a role in the volatility that gold prices saw during 2014, with gold breaking long-term support levels at various times but ending the year almost flat compared to the prior year.

Consumer demand for gold for jewelry, bars and coins was weaker in 2014 than 2013. The Chinese demand declined as a result of an anti-corruption clampdown in China, which hurt purchases of luxury goods. In India, a 2013 ruling that mandated at least 20 percent of imported gold be exported was in effect until November, 2014, when the Reserve Bank of India unexpectedly removed this requirement. Lower gold prices and scrapping of import rules have

contributed to a healthy demand for jewelry in India, which overtook China as the number one consumer of the metal in 2014. India currently imposes a 10 percent customs duty on imported gold, but the jewelry industry in India has asked the government there to cut the duty to 2 percent to help reduce smuggling of the metal into India. Such reduction could have a positive impact on physical gold demand.

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 totaled approximately \$50 million in 2014 or approximately 30 percent of operating costs.

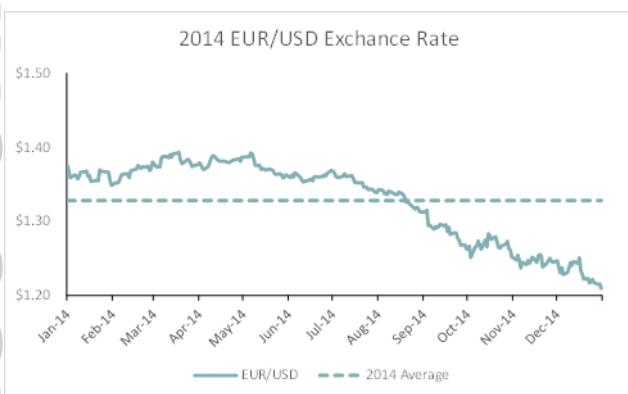
The Sabodala operation is located in remote southeastern Senegal and it is necessary to generate our own power. Six, 6 megawatt Wartsila (diesel generator engines) provide power for the operations. In 2014, the operations consumed approximately 29 million litres of HFO. This equates to approximately \$0.22/kwhr, which is less than the cost of grid electricity in industrialized Senegal. Sabodala's mobile fleet runs on LFO and we consumed approximately 20 million litres of LFO in 2014. We source our HFO and LFO from an international fuel supplier with a local distribution network in Senegal. For 2015, we are forecasting HFO and LFO consumption in the same range as 2014.

Our main benchmark for fuel prices is the Brent crude oil, which dropped by almost 48 percent in 2014. Slowing economic growth in China, Europe and emerging markets, coupled with excess global oil supply and a decision by Saudi Arabia to cut prices for its biggest customers, contributed to driving oil prices to multi-year lows. Additionally, OPEC members have not cut their production to support crude oil prices, thus prolonging the period crude oil prices are expected to remain low. The government in Senegal prices various types of fuels consumed in the country, and they review these prices every 4 weeks. We have started to see the benefit of lower



crude oil prices translate into lower HFO and LFO prices in Senegal only late in 2014.

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 West African CFA Franc, which is pegged directly with the Euro currency.

The Euro currency declined 12 percent against the US dollar in 2014. With oil prices declining, European economic growth bleak and investors bullish on the relative strength of the US economy, a flight away from the Euro started taking shape in the second half of 2014. 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 operations in Senegal therefore costs will continue to be exposed to foreign exchange rate movements. The Company continues to monitor currency exposure on an ongoing basis and will implement a hedging strategy if deemed appropriate.

## FINANCIAL CONDITION REVIEW

### SUMMARY BALANCE SHEET

(US\$000's)	Year ended December 31	
	2014	2013
<b>Balance Sheet</b>		
Cash and cash equivalents <sup>1</sup>	35,810	34,961
Trade and other receivables	1,562	7,999
Inventories	157,696	130,202
Other assets	531,255	455,481
<b>Total assets</b>	<b>726,323</b>	<b>628,643</b>
Trade and other payables	53,909	56,891
Borrowings	3,946	74,369
Other liabilities	152,573	27,046
<b>Total liabilities</b>	<b>210,428</b>	<b>158,306</b>
<b>Total equity</b>	<b>515,895</b>	<b>470,337</b>

<sup>1</sup> Includes restricted cash of nil at December 31, 2014 (December 31, 2013 - \$20.0 million).

### Balance Sheet Review

#### Cash

The Company's cash balance at December 31, 2014 was \$35.8 million, similar to the start of the year. Cash and cash equivalents were higher than the balance reported at September 30, 2014, as cash flow provided by operations of \$30.7 million was partly offset by debt and interest repayments totaling \$18.7 million and capital expenditures of \$4.1 million.

#### Other assets

Total other assets increased by \$75.8 million to \$531.3 million or 17 percent, compared to December 31, 2013. The increase reflects an increase in mine development expenditures and goodwill due to the acquisition of Bendon's and Badr's interest in the OJVG.

#### Borrowings

During the first quarter of 2013, the Company entered into a \$50.0 million Equipment Facility with Macquarie. The proceeds were put towards additional equipment for the Sabodala pit. During the fourth quarter of 2013, the Company cancelled the undrawn commitment from the Equipment Facility. At December 31, 2014, \$4.2 million remained outstanding and was fully repaid subsequent to year-end.

On January 15, 2014, the Company amended its existing \$60.0 million Loan Facility with Macquarie and retired half of the balance of \$30.0 million. The outstanding balance was fully repaid by December 31, 2014 and the \$15.0 million restricted cash requirement was removed. A minimum liquidity financial covenant of \$15.0 million is required as part of the streaming transaction with Franco-Nevada.

#### 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.

During the year ended December 31, 2014, the Company delivered 20,625 ounces of gold to Franco-Nevada and recorded revenue of \$26.3 million, consisting of \$5.3 million received in cash proceeds and \$21.0 million recorded as a reduction of deferred revenue. The Company is required to deliver to Franco-Nevada 22,500 ounces annually for the first six years followed by 6 percent of production from the Company's existing properties. Due to the timing of

shipment schedules near year end, the delivery of 1,875 ounces of gold for the month of December was not received by Franco-Nevada until early January 2015. As a result, this delivery could not be recognized for accounting purposes for the year ended December 31, 2014. The transaction with Franco-Nevada permits for the delivery of payable gold for up to five business days following a month end.

## Liquidity and Cash Flow

### Cash Flow

(US\$000's)	Year ended December 31	
	2014	2013
<b>Cash Flow</b>		
Operating	49,009	74,307
Investing	(111,413)	(89,018)
Financing	83,252	(10,481)
Effect on exchange rates on holdings in foreign currencies	1	431
Change in cash and cash equivalents during year	20,849	(24,761)
<b>Cash and cash equivalents - beginning of year</b>	<b>14,961</b>	<b>39,722</b>
<b>Cash and cash equivalents - end of year</b>	<b>35,810</b>	<b>14,961</b>

#### Operating Cash Flow

(US\$000's)	Year ended December 31	
	2014	2013
<b>Changes in working capital</b>		
Decrease/(increase) in trade and other receivables	6,915	(1,613)
Decrease/(increase) in other assets	147	1,108
(Decrease)/increase in trade and other payables	(8,048)	5,505
Increase/(decrease) in provisions	1,225	(188)
<b>Net change in working capital</b>	<b>239</b>	<b>4,812</b>

For the year ended December 31, 2014, operating cash provided \$49.0 million compared to \$74.3 million in the prior year. The decrease was primarily due to lower revenues, including the impact of delivering a portion of current period production to Franco-Nevada at 20 percent

of gold spot prices. For the year ended December 31, 2013, operating cash flow included a use of cash to buy-back-back the remaining "out of the money" gold forward sales contracts and the delivery of 45,289 ounces into the hedge book at \$806 per ounce.

#### Investing Cash Flow

(US\$000's)	Year ended December 31	
	2014	2013
<b>Capital Expenditures</b>		
Mine site & development capital	(8,916)	(22,268)
Capitalized reserve development	(4,021)	(3,524)
Capitalized deferred stripping	(5,976)	(43,264)
<b>Total Capital Expenditures</b>	<b>(18,913)</b>	<b>(69,056)</b>
Acquisition of the OJVG	(112,500)	-
Decrease in restricted cash	20,000	(20,000)
Other	-	38
<b>Investing activities</b>	<b>(111,413)</b>	<b>(89,018)</b>

Net cash used in investing activities for the year ended December 31, 2014 was \$111.4 million compared to \$89.0 million in the prior year. The increase in cash flow used in investing activities was due to the acquisition of the OJVG of \$112.5 million, partially offset by lower sustaining and development capital expenditures and lower capitalized

deferred stripping costs in the current year, as well as a \$20.0 million decrease in the restricted cash balance.

#### Financing Cash Flow

Net cash provided by financing activities for the year ended December 31, 2014 was \$83.3 million compared to net cash used by financing activities of \$10.5 million in the prior

year. 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 the equity offering, partially offset by the repayment of borrowings of \$72.8 million and interest paid on borrowings of \$3.3 million. Financing cash flows in 2013 include proceeds of \$12.8 million received from the Equipment Facility, partially offset by the repayment of borrowings of \$12.3 million, interest paid on borrowings of \$7.1 million and advance dividends paid to the Republic of Senegal of \$2.7 million.

#### Liquidity and Capital Resources Outlook

On May 1, 2014, the Company entered into an agreement with a syndicate of underwriters to purchase 36,000,000 common shares, on a bought deal basis, at a price of C\$0.83 per share for gross proceeds of approximately C\$29.9 million. Net proceeds were \$25.4 million after consideration of underwriter fees and expenses totaling approximately \$1.9 million.

The Company's cash position at December 31, 2014 was \$35.8 million. For 2014, the Company had identified approximately \$80.0 million in one-time payments, including the retirement of \$42.8 million of \$47.0 million combined balance outstanding under the Loan Facility and the Equipment Facility, \$8.0 million in advance dividends, \$9.0 million in remaining legal and office closure costs related to the acquisition of the OJVG, \$7.5 million to acquire Badr's share of the OJVG and \$15.0 million in government payments.

For the year ended December 31, 2014, the Company has made a total of \$63.0 million in one-time payments. This includes \$42.8 million in debt repayments (including the final payment for the \$60.0 million Macquarie Loan Facility), \$3.7 million in payments to the Republic of Senegal and one-time payments related to the acquisition of the OJVG, including \$9.0 million for transaction, legal and office closure costs and \$7.5 million to acquire Badr's share of the OJVG. Approximately \$23.0 million in one-time payments to the Republic of Senegal, are now expected to be paid over 2015 and 2016. The one-time payments described herein, excludes \$30.0 million in debt retired in the first quarter 2014 as part of the Franco-Nevada transaction.

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 2015 Outlook on page 6);
- Expected capital expenditure requirements (please refer to the 2015 Outlook on page 6); and
- The gold price.

Using a \$1,200 per ounce gold price, the Company expects to generate free cash flow in 2015. Notwithstanding, the Company's cash position is highly dependent on the key factors noted above, and while the Company expects it will generate sufficient free cash flow from operations to fund its growth initiatives, it is working to put a standby facility in place for general corporate purposes and working capital needs. As well, the Company may explore other value preservation alternatives that provide additional financial flexibility, to ensure sufficient liquidity is maintained by the Company.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

#### FINANCIAL INSTRUMENTS

The Company manages its 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.

The Company had established gold forward sales contracts and oil energy swaps to manage exposure to commodity price risk as a condition of the Project Finance Facility provided by Macquarie Bank Limited

In 2013, the Company bought back the remaining "out of the money" gold forward sales contracts at a cost of \$8.6 million, delivered 45,289 ounces into the hedge book at \$806 per ounce and the oil hedge contracts were completed at March 31, 2013.

## CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31, 2014, 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
Mining Fleet Lease Facility <sup>1</sup>	4.2	4.2	-	-	-
Franco-Nevada gold stream <sup>2</sup>	114.0	21.8	65.4	26.8	-
Exploration commitments <sup>3</sup>	14.2	2.8	11.4	-	-
Government of Senegal payments <sup>4</sup>	31.5	13.0	3.5	-	15.0
<b>Total</b>	<b>164.0</b>	<b>41.8</b>	<b>80.4</b>	<b>26.8</b>	<b>15.0</b>

<sup>1</sup> During the first quarter of 2013, the Company entered into a \$50.0 million finance lease facility with Macquarie. During the fourth quarter of 2013, the Company cancelled the undrawn commitment from the facility. The facility bears interest of LIBOR plus 7.5 percent and will be fully repaid in the second quarter of 2015.

<sup>2</sup> 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 includes a gold price assumption of \$1,250 per ounce.

<sup>3</sup> 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. The Garaboueya commitment of \$10 million assumes the existing permit will be extended upon expiry in third quarter 2015.

<sup>4</sup> Refer to Contingent Liabilities - Government of Senegal payments for further details. Excludes royalty payments and OJVG additional waiver payment which are included within Operating Commitments.

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

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

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

Pursuant to the completion of the acquisition of the OJVG, the Company is required to make initial payments totaling \$10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the exploration licenses converted to mine licenses when the ore is processed through the Sabodala mill. The initial payment is to be used to finance social projects in the mine site region, which are determined by the Republic of Senegal and will be paid either directly to suppliers for the completion of specific projects or to specified ministries of the Republic of Senegal. During the year ended December 31, 2014, \$1.5 million was paid and the remaining \$8.5 million has been accrued and is expected to be paid through 2015 and 2016. 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.

\$200 thousand is payable annually for training of Directorate of Mines and Geology officers and Mines Ministry, \$150 thousand per year is payable for training of the Mines Administration personnel and logistical support of the Ministry of Mines technical services for the OJVG 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. As the protocol was signed on April 2, 2014, the prorated payment for 2014 amounted to \$187.5 thousand.

\$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.

## CONTINGENT LIABILITIES

### Government of Senegal payments

(US\$000's)	Cash payments made		Contingent liabilities	Accrued liabilities
	Three months ended December 31, 2014	Year ended December 31, 2014	As at December 31, 2014	As at December 31, 2014
<b>Government of Senegal payments</b>				
Royalty payments	-	14,291	-	12,296
Reserve payment	-	925	-	1,850
SGO 2012 tax assessment	-	1,200	-	-
Social development fund payment	-	-	-	15,000
Accrued dividend payment	-	-	2,700	7,769
Gora project advanced royalty payment	-	-	4,200	-
OJVG Advanced royalty payment	532	1,534	-	8,466
	532	17,950	6,900	45,381

#### Royalty payments

Government royalties are payable annually and are accrued based on the mine head value of the gold and related substances produced at a rate of 5 percent of sales. During the second quarter of 2014, a payment of \$14.3 million for 2013 royalties were paid to the Republic of Senegal and during the fourth quarter a payment of \$0.8 million was made for the remaining portion of 2012 royalties.

#### 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 12 month gold price for each ounce of new reserve beyond December 31, 2012 on the Sabodala mine license.

#### Social development fund payment

The Company has agreed to establish a social development fund which involves making a payment of \$15.0 million to the Republic of Senegal at the end of the mine operational life. As at December 31, 2014, the Company has recorded \$9.9 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, the Company has agreed to advance approximately \$13.2 million of accrued dividends in respect of its 10 percent minority interest between 2013 and 2015. In 2013, the Company made a payment of \$2.7 million with a further payment of \$2.7 million required once drilling activities recommence at Niakafiri, expected in 2015. As at December 31, 2014, \$7.8 million has been accrued based on net sales revenue and is expected to be paid over 2015 and 2016.

#### Gora project advanced royalty payment

The Company is required to make a payment of approximately \$4.2 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the Gora project. The payment is expected to be made upon receipt of all required approvals authorizing the

processing of all Gora project ore through the Sabodala plant which is expected in 2015.

#### Settled and Outstanding Tax Assessments

During the second quarter of 2013, the Company made a payment of \$1.2 million in partial settlement of the SGO tax assessment received in December 2012. During the second quarter of 2014, a payment of \$1.2 million was made in final settlement.

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

During the second quarter of 2013, the Company made a payment of \$1.4 million in full settlement of the SMC tax assessment received in January 2013.

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

## 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, provision for rehabilitation obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortization charged to the income statement.

### **Units of Production (“UOP”)**

Management makes estimates of recoverable reserves in determining the depreciation and amortization of mine assets. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to 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 reserve and estimates of future capital expenditure. The Company's UOP calculation is based on life of mine gold production. As the Company updates its estimate regarding the expected UOP over the life of the mine amortization under the UOP basis will change. The Company uses the UOP method when depreciating mining assets which results in a depreciation charge based on the recovered ounces of gold.

### **Straight Line Depreciation**

The Company uses the straight line method when depreciating other equipment, office furniture, motor vehicles and finance lease equipment.

### **Mine Restoration and Rehabilitation Provision**

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

### **Impairment of Goodwill and Non-Current Assets**

Goodwill and non-current assets are tested for impairment if there is an indicator of impairment, in the case of goodwill, annually in November. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs to sell and value in use. This

assessment requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, 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.

### **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:

- the level of capital expenditure compared to construction cost estimates;
- 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.

### **Functional Currency**

The functional currency of each of Company's entities is measured 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 U.S. Dollars. Functional currency of each entity was determined based on the currency that mainly influences sales prices for goods and services, labour, material and other costs.

### **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.

The Company reassessed its accounting for its deferred stripping asset. The Company had not previously included amortization of this equipment in its calculations relate to deferred strip activity. The Company determined that the amortization of equipment directly related to the deferred stripping activity should be included as part of the deferred stripping asset.

As a result, the Company has corrected retrospectively for the impact of this adjustment. The impact on December 31, 2012 balances was an increase to mine development expenditures of \$1.7 million, a decrease to inventory of \$0.5 million and an increase to retained earnings of \$1.2 million for the year ended December 31, 2012.

The impact on the non-cash inventory write-down to NRV previously recorded in second and third quarter 2014 was a further write-down of \$0.3 million and \$2.7 million, respectively.

#### **Fair Value of Stock Options**

Management assesses the fair value of stock options granted in accordance with the Company's accounting policy stated in Company's Annual Consolidated Financial Statements. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options are granted. The calculation requires the use of estimates and assumptions. As there were no historical data available for determination of the fair value of the stock options granted, the Company developed its assumptions based on information available in the mining industry using comparable companies operating in the gold sector.

#### **Share-based Payment**

The Company grants cash-settled awards in the form of RSUs and DSUs to certain employees, officers and directors of the Company.

##### *RSUs*

Under the Company's RSU plan, each RSU granted has a value equal to one Teranga common share. A portion of the RSUs vest equally over a three year period and are settled in cash upon vesting. The RSU plan also includes a portion of RSUs that vest equally based on the Company's achievement of performance-based criteria over a three year period.

RSUs are measured at fair value using the market value of the underlying shares at the date of the grant of the award. At each reporting period the awards are re-valued based on the period end share price with a corresponding charge to share based compensation expense. The cost of the award is recorded on a straight line basis over the vesting period and is recorded within liabilities on the balance sheet. The expense for the award is recorded on a straight line basis over the vesting period and is recorded within share based compensation on the consolidated statements of comprehensive income (loss).

##### *DSUs*

Under the Company's DSU plan, each DSU granted has a value equal to one Teranga common share. Directors have the option to elect to receive their Director compensation in

the form of DSUs. These DSUs vest as they are granted. All remaining DSUs that are granted vest on the first anniversary of the grant date.

DSUs are measured at fair value using the market value of the underlying shares at the date of the grant of the award. At each reporting period the awards are re-valued based on the period end share price with a corresponding charge to share based compensation expense. The cost of the award is recorded on a straight line basis over the vesting period and is recorded within liabilities on the balance sheet. The expense for the award is recorded on a straight line basis over the vesting period and is recorded within share based compensation on the consolidated statements of comprehensive income (loss).

#### **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.

#### **Acquisition of the OJVG**

The Company determined that the transactions to acquire the balance of the OJVG it did not already own represent a single business combination with Teranga as the acquirer. From January 15, 2014, 100 percent of OJVG's results were consolidated into the Company's operating results, cash flows and net assets.

In accordance with the acquisition method of accounting, the acquisition cost has been allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. The Company used a discounted cash flow model to determine the fair value of the OJVG. Expected future cash flows were based on estimates of projected future revenues, expected future production costs and capital expenditures. The Company finalized the purchase price during the third quarter of 2014. The excess of the acquisition cost over the net identifiable assets acquired, including consideration of non-controlling interest, represents goodwill.

Goodwill arose on these acquisitions principally due to the ability to create operational synergies. The Company has the ability to optimize the ounces that are processed through the mill due to the close proximity of the OJVG pits to the Sabodala mill. The acquisitions will benefit from leveraging off of the existing built mill and infrastructure.

#### **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.

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		Year ended December 31	
Cash costs per ounce sold	2014	2013	2014	2013
Gold produced <sup>1</sup>	71,278	52,368	211,823	207,204
Gold sold	63,711	46,561	206,336	208,406
<b>Cash costs per ounce sold</b>				
Cost of sales <sup>2</sup>	37,739	48,526	207,984	193,434
Less: depreciation and amortization <sup>2</sup>	(19,193)	(27,902)	(69,516)	(78,533)
Less: realized oil hedge gain	-	-	-	(487)
Add: non-cash inventory movement <sup>2</sup>	3,907	12,569	8,089	14,672
Add: non-cash capitalized deferred stripping <sup>2</sup>	(188)	(138)	658	4,124
Less: inventory reversal (w rite-down) to net realizable value <sup>2</sup>	16,026	-	-	-
Less: other adjustments	(172)	41	(763)	358
<b>Total cash costs</b>	<b>38,119</b>	<b>33,097</b>	<b>146,453</b>	<b>133,568</b>
<b>Total cash costs per ounce sold</b>	<b>598</b>	<b>711</b>	<b>710</b>	<b>641</b>
<b>All-in sustaining costs</b>				
Total cash costs	38,119	33,097	146,453	133,568
Administration expenses <sup>3</sup>	3,094	2,753	13,165	12,650
Capitalized deferred stripping	1,266	1,444	5,977	43,264
Capitalized reserve development	1,496	529	4,020	3,524
Mine site capital	1,343	1,752	8,919	22,267
<b>All-in sustaining costs</b>	<b>45,318</b>	<b>39,575</b>	<b>178,534</b>	<b>215,274</b>
<b>All-in sustaining costs per ounce sold</b>	<b>711</b>	<b>850</b>	<b>865</b>	<b>1,033</b>
<b>All-in costs</b>				
All-in sustaining costs	45,316	39,575	178,535	215,274
Social community costs not related to current operations	1,061	311	2,543	1,763
Exploration and evaluation expenditures	373	1,043	2,772	5,405
<b>All-in costs</b>	<b>46,750</b>	<b>40,929</b>	<b>183,850</b>	<b>222,442</b>
<b>All-in costs per ounce sold</b>	<b>734</b>	<b>879</b>	<b>891</b>	<b>1,067</b>
Depreciation and amortization <sup>2</sup>	19,193	26,702	69,516	77,902
Non - cash inventory movement <sup>2</sup>	(3,907)	(12,569)	(8,089)	(14,673)
<b>Total depreciation and amortization</b>	<b>15,286</b>	<b>15,333</b>	<b>61,427</b>	<b>63,860</b>
<b>Total depreciation and amortization per ounce sold<sup>2</sup></b>	<b>240</b>	<b>329</b>	<b>298</b>	<b>306</b>

<sup>1</sup> Gold produced represents change in gold in circuit inventory plus gold recovered during the period.

<sup>2</sup> The Company has 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.

<sup>3</sup> 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	February 18, 2015
Ordinary shares	316,801,091
Equity issuance <sup>1</sup>	36,000,000
	352,801,091
Stock options granted at an exercise price of \$3.00 per option	13,723,889
Stock options granted at exercise prices in the range of \$1.09-\$2.17 per option <sup>2</sup>	7,746,600
<b>Fully diluted share capital</b>	<b>374,271,580</b>

<sup>1</sup> 36,000,000 ordinary shares were issued upon closing of the equity offering on May 1, 2014.

<sup>2</sup> Options expired on February 6, 2015.

## TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2014, there were transactions totaling \$137 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.

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

During the first quarter of 2014, the Company acquired the remaining interests in the OJVG that it 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 December 31, 2014, 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, 2014 which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

The Company had previously limited the scope of the design of ICFR and DC&P to exclude the controls, policies and procedures of the OJVG and the Dakar office of the OJVG. The scope limitation allows an issuer to limit its design of ICFR and DC&P to exclude the controls, policies and procedures of a company acquired for a maximum of 365 days. Over the last year, the controls, policies and procedures of the OJVG have been in the process of being integrated into the Sabodala operations and were completed during the fourth quarter of 2014. The operating and financial results of the OJVG entity in Senegal are also out of scope as they are an immaterial component of the consolidation process. As a result, for the immaterial nature of these operating results, the Company has removed this scope limitation from the year ended December 31, 2014 Certification of Disclosure in Issuer's Annual and Interim Filings.

## RISKS AND UNCERTAINTIES

The Company identified a number of risk factors to which it is subject to in its Annual Information Form filed for the year ended December 31, 2013. 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.

## FORWARD LOOKING STATEMENTS

This document 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 and consolidation of the Sabodala Gold Project and QJVG Golouma Gold Project, mineral reserve and mineral resource estimates, anticipated life of mine operating and financial results, the approval of the Gora ESIA and permitting and the completion of construction 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 March 31, 2014, and in other company filings with securities and regulatory authorities which are available at [www.sedar.com](http://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 PERSON STATEMENTS

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 document relating to the mineral reserve estimates for Gora and Niakafiri is based on, and fairly represents, information and supporting documentation prepared by Julia Martin, P.Eng. who is a member of the Professional Engineers of Ontario and a Member of AusIMM (CP). Ms. Martin is a full time employee with AMC Mining Consultants (Canada) Ltd., is independent of Teranga, is a "qualified person" as defined in NI 43-101 and a "competent person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Martin has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity 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. Martin is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Ms. Martin has reviewed and accepts responsibility for the Mineral Reserve estimates for Gora and Niakafiri disclosed in this document and has consented to the inclusion of the matters based on her information in the form and context in which it appears in this Report

The technical information contained in this document 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 document 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 annual report 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 annual report 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.*

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and, where relevant, the choice of accounting principles. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditors, Ernst & Young LLP, have conducted an audit in accordance with generally accepted auditing standards, and their report follows.



**Richard Young**  
President and Chief Executive Officer



**Navin Dyal**  
Vice President and Chief Financial Officer

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# INDEPENDENT AUDITORS' REPORT

## To the Shareholders of Teranga Gold Corporation

We have audited the accompanying consolidated financial statements of Teranga Gold Corporation, which comprise the consolidated statement of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

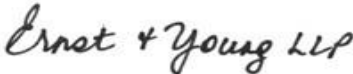
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Teranga Gold Corporation as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



February 18, 2015  
Toronto, Canada

Chartered Accountants  
Licensed Public Accountants

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## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

DECEMBER 31, 2014

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

		For the years ended December 31	
		2014	2013
	Note		(Restated) note 3y
Revenue	8	260,588	297,927
Cost of sales	9	(207,984)	(193,434)
<b>Gross profit</b>		<b>52,604</b>	<b>104,493</b>
Exploration and evaluation expenditures		(2,772)	(5,405)
Administration and corporate social responsibility expenses	10	(15,621)	(14,717)
Share-based compensation	32	(911)	(813)
Finance costs	11	(9,484)	(12,148)
Gains on gold hedge contracts		-	5,308
Gains on oil hedge contracts		-	31
Net foreign exchange gains/(losses)		2,013	(1,233)
Loss on available for sale financial asset		-	(4,003)
Other expenses	12	(1,982)	(11,843)
		<b>(28,757)</b>	<b>(44,823)</b>
<b>Profit before income tax</b>		<b>23,847</b>	<b>59,670</b>
Income tax expense	13	(1,536)	-
<b>Net profit</b>		<b>22,311</b>	<b>59,670</b>
Profit attributable to:			
Shareholders		17,776	50,280
Non-controlling interests		4,535	9,390
<b>Net profit for the year</b>		<b>22,311</b>	<b>59,670</b>
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit/(loss) for the year			
Change in fair value of available for sale financial asset, net of tax		(1)	(6,418)
Reclassification to income, net of tax		-	962
<b>Other comprehensive loss for the year</b>		<b>(1)</b>	<b>(5,456)</b>
<b>Total comprehensive income for the year</b>		<b>22,310</b>	<b>54,214</b>
Total comprehensive income attributable to:			
Shareholders		17,775	44,824
Non-controlling interests		4,535	9,390
<b>Total comprehensive income for the year</b>		<b>22,310</b>	<b>54,214</b>
<b>Earnings per share from operations attributable to the shareholders of the Company during the year</b>			
- basic earnings per share	25	0.05	0.19
- diluted earnings per share	25	0.05	0.19
The accompanying notes are an integral part of these consolidated financial statements			

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014

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

	Note	As at December 31, 2014	As at December 31, 2013 (Restated) note 3y
<b>Current assets</b>			
Cash and cash equivalents	30b	35,810	14,961
Restricted cash	30b	-	20,000
Trade and other receivables	14	1,562	7,999
Inventories	15	66,639	67,121
Other current assets	16	8,995	5,762
<b>Total current assets</b>		<b>113,006</b>	<b>115,843</b>
<b>Non-current assets</b>			
Inventories	15	91,057	63,081
Equity accounted investment	7a	-	47,627
Property, plant and equipment	17	198,433	219,540
Mine development expenditures	18	260,719	181,605
Other non-current assets	16	7,917	947
Goodwill	7b	55,191	-
<b>Total non-current assets</b>		<b>613,317</b>	<b>512,800</b>
<b>Total assets</b>		<b>726,323</b>	<b>628,643</b>
<b>Current liabilities</b>			
Trade and other payables	19	53,909	56,891
Borrowings	20	3,946	70,423
Deferred revenue	21	21,814	-
Provisions	22	2,647	1,751
<b>Total current liabilities</b>		<b>82,316</b>	<b>129,065</b>
<b>Non-current liabilities</b>			
Borrowings	20	-	3,946
Deferred revenue	21	92,184	-
Provisions	22	15,993	14,336
Deferred income tax liabilities	23	1,536	-
Other non-current liabilities	19	18,399	10,959
<b>Total non-current liabilities</b>		<b>128,112</b>	<b>29,241</b>
<b>Total liabilities</b>		<b>210,428</b>	<b>158,306</b>
<b>Equity</b>			
Issued capital	24	367,837	342,470
Foreign currency translation reserve		(998)	(998)
Other components of equity		16,255	15,776
Retained earnings		118,337	100,561
<b>Equity attributable to shareholders</b>		<b>501,431</b>	<b>457,809</b>
Non-controlling interests		14,464	12,528
<b>Total equity</b>		<b>515,895</b>	<b>470,337</b>
<b>Total equity and liabilities</b>		<b>726,323</b>	<b>628,643</b>

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

### Approved by the Board of Directors



Alan R. Hill  
Chairman



Alan R. Thomas  
Director



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

DECEMBER 31, 2014

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

	Note	For the years ended December 31	
		2014	2013 (Restated) Note 3y
<b>Issued capital</b>			
Beginning of year		342,470	305,412
Shares issued from public and private offerings	24	27,274	37,264
Less: Share issue costs	24	(1,907)	(206)
End of year		367,837	342,470
<b>Foreign currency translation reserve</b>			
Beginning of year		(998)	(998)
End of year		(998)	(998)
<b>Other components of equity</b>			
Beginning of year		15,776	21,814
Equity-settled share-based compensation reserve		480	1,605
Investment revaluation reserve on change in fair value of available for sale financial asset, net of tax		(1)	(5,456)
Stock options to Oromin Explorations Ltd. ("Oromin") employees	32a	-	585
Acquisition of non-controlling interest in Oromin	7a	-	(2,772)
End of year		16,255	15,776
<b>Retained earnings</b>			
Beginning of year		100,561	50,281
Profit attributable to shareholders		17,776	50,280
End of year		118,337	100,561
<b>Non-controlling interest</b>			
Beginning of year		12,528	11,974
Non-controlling interest - portion of profit for the year		4,535	9,390
Dividends accrued		(2,599)	(8,836)
End of year		14,464	12,528
<b>Total shareholders' equity as at December 31</b>		<b>515,895</b>	<b>470,337</b>

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

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## CONSOLIDATED STATEMENTS OF CASH FLOWS

DECEMBER 31, 2014

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

		For the years ended December 31	
		2014	2013
	Note		(Restated) note 3y
<b>Cash flows related to operating activities</b>			
Net profit for the year		22,311	59,670
Depreciation of property, plant and equipment	17	25,806	48,185
Depreciation of capitalized mine development costs	18	44,062	30,722
Inventory movements - non-cash	9	(8,089)	(14,672)
Capitalized deferred stripping - non-cash	9	(658)	(4,124)
Amortization of intangibles		714	1,021
Amortization of deferred financing costs		3,275	3,120
Unwinding of discounts	11	1,132	156
Share-based compensation	32	911	813
Deferred gold revenue recognized	21	(21,002)	-
Net change in gains on gold forward sales contracts		-	(42,955)
Net change in losses on oil contracts		-	456
Buyback of gold forward sales contracts	8	-	(8,593)
Loss on available for sale financial asset		-	4,003
Loss on disposal of property, plant and equipment		1	102
Increase in inventories		(19,693)	(8,409)
Changes in working capital other than inventories	30a	239	4,812
<b>Net cash provided by operating activities</b>		<b>49,009</b>	<b>74,307</b>
<b>Cash flows related to investing activities</b>			
Decrease/(increase) in restricted cash	30b	20,000	(20,000)
Acquisition of Oromin Joint Venture Group ("OJVG")	7	(112,500)	-
Expenditures for property, plant and equipment		(3,567)	(17,344)
Expenditures for mine development		(15,346)	(51,603)
Acquisition of intangibles		-	(109)
Proceeds on disposal of property, plant and equipment		-	38
<b>Net cash used in investing activities</b>		<b>(111,413)</b>	<b>(89,018)</b>
<b>Cash flows related to financing activities</b>			
Net proceeds from equity offering		25,367	-
Proceeds from Franco-Nevada gold stream	21	135,000	-
Repayment of borrowings	20	(72,775)	(12,282)
Draw down from equipment finance facility, net of financing costs paid		-	12,755
Financing costs paid		(1,000)	(1,200)
Interest paid on borrowings	20	(3,340)	(7,054)
Dividend payment to government of Senegal		-	(2,700)
<b>Net cash provided by / (used in) financing activities</b>		<b>83,252</b>	<b>(10,481)</b>
Effect of exchange rates on cash holdings in foreign currencies		1	431
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>20,849</b>	<b>(24,761)</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>14,961</b>	<b>39,722</b>
<b>Cash and cash equivalents at the end of year</b>		<b>35,810</b>	<b>14,961</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

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

### 1. GENERAL INFORMATION

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

Teranga operates the Sabodala gold mine and is currently exploring nine exploration licenses covering 1,055km<sup>2</sup> in Senegal, comprising the regional land package that is surrounding the Company's Sabodala gold mine.

On October 4, 2013, Teranga completed the acquisition of Oromin Explorations Ltd. ("Oromin"). Oromin held a 43.5 percent participating interest in the Oromin Joint Venture Group ("OJVG"), which holds 90 percent interest in Societe des Mines de Golouma S.A. ("Somigol").

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

The acquisition of Bendon's and Badr's interests in the OJVG increased Teranga's ownership to 100 percent and consolidates the Sabodala region, increasing the size of Teranga's mine license land holding from 33km<sup>2</sup> to 246km<sup>2</sup> and more than doubling the Company's reserve base by combining the two permitted mine licenses.

The OJVG holds a 15 year renewable mining lease in respect of the Golouma Gold Concession, which is located contiguous to the Sabodala mine license.

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

### 2. BASIS OF PREPARATION

#### a. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries and were approved by the Board of Directors on February 18, 2015.

Certain comparatives have been restated to conform to the current year's presentation.

#### b. Basis of presentation

All amounts in the consolidated financial statements and notes thereto are presented in United States dollars unless otherwise stated. The consolidated financial statements have been prepared on the basis of historical cost, except for equity settled share based payments that are fair valued at the date of grant and cash settled share based payments that are fair valued at the date of grant and each period end and certain other financial assets and liabilities that are measured at fair value.

#### c. Functional and presentation currency

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of all entities within the group is the United States dollar, which is the Company's presentation currency.

#### d. Critical accounting judgments and key sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses and other income during the period. These judgments, estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience. While management believes that these judgments, estimates and assumptions are reasonable, actual results may differ from the amounts included in the consolidated financial statements.

Judgments made by management in the application of IFRS that have significant effects on the consolidated financial statements and estimates with a significant risk of material adjustments, where applicable, are contained in the relevant notes to the financial statements. Refer to Note 6 for critical judgments in applying the entity's accounting policies, and key sources of estimation uncertainty.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### a. Basis of Consolidation

The consolidated financial statements are prepared by consolidating the financial statements of Teranga Gold Corporation and its subsidiaries as defined in IFRS 10 “Consolidated Financial Statements”. Refer to note 29.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all inter-company balances and transactions between entities in the group, including any unrealized profits or losses, have been eliminated.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Company’s equity therein. Non-controlling interests consist of the fair value of net assets acquired at the date of the original business combination and the non-controlling interests’ share of changes in equity since the date of the combination.

Total comprehensive profit/(loss) is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### b. Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

#### c. Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a remaining maturity of 90 days or less at the date of acquisition.

When applicable, bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

#### d. Inventories

Gold bullion, gold in circuit and ore in stockpiles are physically measured or estimated and valued at the lower of cost and net realizable value. Cost represents the weighted average cost and includes direct costs and an appropriate portion of fixed and variable production overhead costs, including depreciation and amortization on property, plant and equipment used in the production process and depreciation and amortization on capitalized stripping costs incurred in converting materials into finished goods. As ore is removed from processing, costs are relieved based on the average cost per ounce in the stockpile.

By-product metals inventory on hand obtained as a result of the production process to extract gold are valued at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion, if any, and applicable costs to sell.

Materials and supplies are valued at the lower of cost and net realizable value. Any provision for obsolescence is determined by reference to specific inventory items identified. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss upon disposal.

#### e. Property, Plant and Equipment

Property, plant and equipment are measured on the historical cost basis less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment constructed by the Company includes the cost of materials, direct labour and borrowing costs where appropriate. Assets under construction and assets purchased that are not ready for use are capitalized under capital work in progress.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to net profit within the statement of comprehensive income during the financial period in which they are incurred.

## Depreciation

The depreciable amount of property, plant and equipment is depreciated over their useful lives of the asset commencing from the time the respective asset is ready for use. The Company uses the units-of-production ('UOP') method when depreciating mining assets which results in a depreciation charge based on the recovered ounces of gold. Mining assets include buildings and property improvements, and plant and equipment.

The Company uses the straight-line method when depreciating other equipment, office furniture, motor vehicles and finance lease equipment.

Depreciation for each class of property, plant, and equipment is calculated using the following method:

Class of Property, Plant and Equipment	Method	Years
Buildings and property improvements	UOP	n/a
Plant and equipment	UOP/Straight-line	5.0 - 8.0 years
Office furniture and equipment	Straight-line	3.0 - 6.7 years
Motor vehicles	Straight-line	5.0 years
Plant equipment under finance lease	Straight-line	5.0 - 8.0 years

The assets' residual values, depreciation method and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Capital work in progress is not depreciated.

### Assets under finance lease

Assets held under finance leases are depreciated over their expected useful lives on the same basis as similar owned assets.

#### f. Leased Assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance lease balance outstanding. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Refer to Note 3(j).

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

#### g. Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method is reviewed at the end of each annual reporting period with any changes in these accounting estimates being accounted for on a prospective basis.

#### h. Goodwill

Under the acquisition method of accounting, the costs of business combinations are allocated to the assets acquired and liabilities assumed based on the estimated fair value at the date of acquisition. The excess of the fair value of consideration paid over the fair value of the identifiable net assets acquired is recorded as goodwill, which is assigned to the cash-generating unit ("CGU") or group of CGUs that are expected to benefit from the synergies of the business combination.

Goodwill is tested for impairment annually effective on November 1<sup>st</sup> unless there is an indication that goodwill is impaired and, if there is such an indication, goodwill will be tested for impairment at that time. For the purposes of impairment testing, goodwill is allocated to the Company's CGUs. The recoverable amount of a CGU is the higher of Value in Use ("VIU") and Fair Value Less Costs of Disposal ("FVLCD"). A goodwill impairment charge is recognized for any excess of the carrying amount of the unit over its recoverable amount. Goodwill impairment charges are not reversible.

### **i. Impairment of Long-lived Assets**

At each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the FVLCD and the VIU. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in net profit within the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in net profit within the statement of comprehensive income.

### **j. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in net profit within the statement of comprehensive income in the period in which they are incurred.

### **k. Employee Benefits**

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and long-term service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognized in respect of employee benefits expected to be settled within twelve months, are measured using the remuneration rate expected to apply at the time of settlement.

Liabilities recognized in respect of employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date.

### **l. Deferred Revenue**

Deferred revenue consists of payments received by the Company for future commitments to deliver payable gold at contracted prices. As deliveries are made, the Company will record a portion of the deferred revenue as sales. Refer to Note 21.

### **m. Provisions**

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of past events for which it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the present value of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

### **n. Restoration and Rehabilitation**

A provision for restoration and rehabilitation is recognized when there is a present obligation as a result of exploration, development and production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal or constructive obligation. Future restoration costs are reviewed at each reporting period and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

## **o. Income Tax**

### **Current income tax**

Current income tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. Current income tax is calculated on the basis of the law enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

### **Deferred income tax**

Deferred income tax is recognized, in accordance with the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. As at December 31, 2014, the Company has performed an exercise on determining the taxable temporary differences of various expenditures recorded since the Company's tax exempt status ends on May 2, 2015 in Senegal. From this point forward, the Company will be subject to a 25 percent income tax rate as well as customs duties and non-refundable value-added tax on certain expenditures.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## **p. Financial Instruments**

Investments are recognized and derecognized on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit and loss.

### ▶ *Fair value through profit or loss*

Upon disposal of an investment, the difference in the net disposal proceeds and the carrying amount is charged or credited to net profit within the statement of comprehensive income.

### ▶ *Loans and receivables*

Trade and other receivables and loans that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest rate method less impairment.

### ▶ *Available-for-sale financial assets*

Certain shares held by the Company are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in the investment revaluation reserve with the exception of:

- significant or prolonged impairment losses;
- interest calculated using the effective interest method; and
- foreign exchange gains and losses on monetary assets;

all of which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investment revaluation reserve is included in profit or loss for the period.

### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the financial asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognized directly in other comprehensive income.

#### ***Derecognition of financial assets***

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

#### ***Derivative financial instruments***

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in net profit within the statement of comprehensive income immediately as the Company does not apply hedge accounting.

The fair value of derivatives is presented as a non-current asset or a non-current liability, if the remaining maturity of the instrument is more than twelve months and it is not expected to be realized or settled within twelve months and as a current asset or liability when the remaining maturity of the instrument is less than twelve months.

#### ***Debt and equity instruments***

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### ***Financial liabilities***

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

#### ***Other financial liabilities***

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

### **q. Share-based Payments**

#### ***Stock option plan***

The Company operates an equity-settled, share-based compensation plan for remuneration of its directors, management and employees.

The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options are granted. The fair value of the options is adjusted by the estimate of the number of options that are expected to vest as a result of non-market conditions and is expensed over the vesting period using an accelerated method of amortization.

Share-based compensation relating to stock options is charged to net profit within the statement of comprehensive income.

#### ***Restricted share units (RSUs)***

The Company grants cash-settled awards in the form of RSUs to officers and certain employees of the Company.

Under the Company's RSU plan, each RSU granted has a value equal to the value of one Teranga common share. A portion of the RSUs vest equally over a three-year period and are settled in cash upon vesting. The RSU plan also includes a portion of RSUs that vest equally based on the Company's achievement of performance-based criteria over a three-year period.

RSUs are measured at fair value using the market value of the underlying shares at the date of the award grant. At each reporting period, the awards are re-valued based on the period-end share price with a corresponding charge to share-based compensation expense. RSUs that vest based on the achievement of performance conditions are



revalued based on the current best estimate of the outcome of the performance condition at the reporting period. The cost of the award is recorded on a straight-line basis over the vesting period and is recorded within non-current liabilities on the consolidated statements of financial position, except for the portion that will vest within twelve months which are recorded within current liabilities. The expense for the award is recorded on a straight-line basis over the vesting period and is recorded within share-based compensation on the statements of comprehensive income.

#### **Deferred share units (DSUs)**

The Company grants cash-settled awards in the form of DSUs to directors of the Company.

Under the Company's DSU plan, each DSU granted has a value equal to the value of one Teranga common share. Directors have the option to elect to receive their Director compensation in the form of DSUs. These DSUs vest as they are granted. All remaining DSUs that are granted vest on the first anniversary of the grant date.

DSUs are measured at fair value using the market value of the underlying shares at the date of the grant of the award. At each reporting period, the awards are revalued based on the period-end share price with a corresponding charge to share-based compensation expense. The cost of the award is recorded on a straight-line basis over the vesting period and is recorded within current liabilities on the consolidated statements of financial position. The expense for the award is recorded on a straight-line basis over the vesting period and is recorded within share-based compensation on the statements of comprehensive income.

#### **r. Fixed Bonus Plan Units**

The Company operates a cash-settled, share-based compensation plan for certain management and employees.

The fair value of the Fixed Bonus Plan Units ("Units") granted is measured using the Black-Scholes option pricing model, taking into consideration the terms and conditions upon which the Units are granted. The fair value of the Units is adjusted by the estimate of the number of Units that are expected to vest as a result of non-market conditions and is expensed over the vesting period using an accelerated method of amortization.

Share-based compensation relating to the Fixed Bonus Plan is charged to the statements of comprehensive income and revalued at the end of each reporting period based on the period end share price.

#### **s. Revenue**

##### **Gold and silver bullion sales**

Revenue is recognized when persuasive evidence exists that all of the following criteria are met:

- ▶ the shipment has been made;
- ▶ the significant risks and rewards of ownership of the product have been transferred to the buyer;
- ▶ neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the gold or silver sold, has been retained;
- ▶ the amount of revenue can be measured reliably;
- ▶ it is probable that the economic benefits associated with the sale will flow to the Company; and
- ▶ the costs incurred or to be incurred in respect of the sale can be measured reliably.

##### **Interest income**

Interest income is recognized in other expenses within the statement of comprehensive income.

#### **t. Exploration and Evaluation Expenditures and Mine Development Expenditures**

Exploration and evaluation expenditures in relation to each separate area of interest are expensed in net profit within the consolidated statement of comprehensive income. Upon the determination of the technical feasibility and commercial viability of a project, further costs to develop the asset are recognized as mine development expenditures.

The development phase is determined to have commenced when the technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable, when proven and probable reserves are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property.

Mine development expenditure assets comprise of costs incurred to secure the mining concession, acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortization of assets used in exploration and evaluation activities. General and administrative costs are only included in exploration and evaluation costs where they are related directly to the operational activities in a particular area of interest. Upon reaching commercial production, these capitalized costs will be amortized using the units-of-production method over the estimated proven and probable reserves.

#### u. Earnings per Share

Basic earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary common shares outstanding during the financial period.

Diluted earnings or loss per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The dilutive effect of stock options is determined using the treasury stock method.

#### v. Joint Arrangements

A joint arrangement is defined as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. There are two types of joint arrangements, joint operations and joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to the Company's interests in joint operations, the Company recognizes its share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with other venturers) and the Company's share of expenses incurred by or in respect of each joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The Company applies the equity method of accounting for its interest in the joint venture.

#### w. Government Royalties

##### **Royalties**

Royalties are accrued and charged against earnings when the liability from production of the gold arises. Royalties are separately reported as expenses and not deducted from revenue.

##### **Advanced royalties**

The Company is required to make payments related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the exploration licenses converted to mine licenses when the ore is processed through the Sabodala mill. The OJVG and Gora properties are subjected to advanced royalties. The initial payment is accrued as a current and non-current liability and the advanced royalty is recorded within other current assets based on expected production from the properties over the next year and the remaining is recorded within other non-current assets. The advanced royalty balance will be recorded within and expensed through net profit based on actual production from the properties.

#### x. Non-controlling Interest

Non-controlling interests represent the fair value of net assets in subsidiaries that are not held by the Company and are presented in the equity section of the consolidated statement of financial position. Net Profit for the period that is attributable to non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary.

#### y. Deferred Stripping Activity

The cost of stripping activity in the production phase of surface mining will be recognized as an asset, only if, all of the following are met:

- ▶ it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- ▶ the entity can identify the component of the ore body (mining phases) for which access has been improved; and
- ▶ the costs relating to the stripping activity associated with that component can be measured reliably.

Once the cost associated with the stripping activity are deferred to asset, the cost or revalued amount will be amortized on a units of production basis in the subsequent period.

In 2014, the Company reassessed its accounting for its deferred stripping asset. The Company determined that the amortization of equipment directly related to the deferred stripping activity should be included as part of the deferred stripping asset. The Company had not previously included amortization of this equipment in its calculations related to deferred strip assets.

As a result, the Company has adjusted retrospectively for the impact of this change in accounting treatment. The impact on December 31, 2012 balances was an increase to mine development expenditures of \$1.7 million, a decrease to inventory of \$0.5 million and an increase to retained earnings of \$1.2 million for the year ended December 31, 2012.

The impact of this change on December 31, 2013 balances are described in the following tables:

### Impact on Consolidated Statement of Financial Position

	As at December 31, 2013		
	As previously reported	Impact of change in accounting treatment	Restated
<b>Current assets</b>			
Inventories	67,432	(311)	67,121
Total current assets	116,154	(311)	115,843
<b>Non-current assets</b>			
Inventories	63,740	(659)	63,081
Property, plant and equipment <sup>(i)</sup>	222,487	(2,947)	219,540
Mine development expenditures <sup>(i)</sup>	173,444	8,161	181,605
Total non-current assets	508,245	4,555	512,800
<b>Total assets</b>	<b>624,399</b>	<b>4,244</b>	<b>628,643</b>
<b>Equity</b>			
Retained earnings	96,741	3,820	100,561
Equity attributable to shareholders	453,989	3,820	457,809
Non-controlling interests	12,104	424	12,528
Total equity	466,093	4,244	470,337
<b>Total equity and liabilities</b>	<b>624,399</b>	<b>4,244</b>	<b>628,643</b>

<sup>(i)</sup> A reclassification of \$2,947 was made from property, plant and equipment to mine development expenditures

### Impact on Consolidated Statement of Comprehensive Income

	For the year ended December 31, 2013		
	As previously reported	Impact of change in accounting treatment	Restated
Cost of sales	(196,505)	3,071	(193,434)
Gross profit	101,422	3,071	104,493
Profit before income tax	56,599	3,071	59,670
Income tax benefit	-	-	-
<b>Net profit</b>	<b>56,599</b>	<b>3,071</b>	<b>59,670</b>
Profit attributable to:			
Shareholders	47,516	2,764	50,280
Non-controlling interests	9,083	307	9,390
<b>Net Profit for the year</b>	<b>56,599</b>	<b>3,071</b>	<b>59,670</b>
<b>Total comprehensive income for the year</b>	<b>51,143</b>	<b>3,071</b>	<b>54,214</b>
Total comprehensive income attributable to:			
Shareholders	42,060	2,764	44,824
Non-controlling interests	9,083	307	9,390
<b>Total comprehensive income for the year</b>	<b>51,143</b>	<b>3,071</b>	<b>54,214</b>
- basic earnings per share	0.18	0.01	0.19
- diluted earnings per share	0.18	0.01	0.19

## Impact on Consolidated Statement of Cash Flows

	For the year ended December 31, 2013		
	As previously reported	Impact of changes in accounting treatment	Restated
<b>Cash flows related to operating activities</b>			
Net Profit for the year	56,599	3,071	59,670
Depreciation of capitalized mine development costs	30,091	631	30,722
Inventory movements - non-cash	(15,094)	422	(14,672)
Capitalized deferred stripping - non-cash	-	(4,124)	(4,124)
Net cash provided by operating activities	74,307	-	74,307
<b>Net decrease in cash and cash equivalents</b>	<b>(24,761)</b>	<b>-</b>	<b>(24,761)</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>39,722</b>	<b>-</b>	<b>39,722</b>
<b>Cash and cash equivalents at the end of year</b>	<b>14,961</b>	<b>-</b>	<b>14,961</b>

## 4. NEW ACCOUNTING STANDARDS ADOPTED

### a. IFRIC 21 - Levies

In May 2013, the IASB issued IFRIC Interpretation 21, Levies, which was developed by the IFRS Interpretations Committee (the "Committee"). The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached.

The interpretation is applicable for annual periods beginning on or after January 1, 2014. The Company has evaluated the impact of IFRIC 21 and has determined that there was no impact on its consolidated financial statements.

### b. IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

## 5. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

### a. IFRS 9 – Financial Instruments

IFRS 9, "Financial instruments" (IFRS 9), was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. In July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9. On July 24, 2014, the IASB issued the final version of IFRS 9 with an effective adoption date of January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

## 6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are critical judgments and estimations that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

### *Ore reserves*

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

### *Functional currency*

The functional currency of each of the 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 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*

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

### *Mine restoration and rehabilitation provision*

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

### *Impairment of goodwill and non-current assets*

Goodwill and non-current assets are tested for impairment if there is an indicator of impairment and, in the case of goodwill, annually in November. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset. Cash flows are discounted by an appropriate discount rate to determine the net present value. Management has assessed its CGUs as being all sources of mill feed through a central mill, which is the lowest level for which cash flows are largely independent of other assets.

### *Production start date*

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

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

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

### *Stripping costs in the production phase of a surface mine*

Management assesses the costs associated with the stripping activity in the production phase of surface mining. The excess waste material moved above the average strip ratio to provide access to further quantities of ore that will be mined in future periods, which are estimated by management. The Company reevaluated its accounting treatment to include amortization of equipment directly related to the deferred stripping activity as part of the deferred stripping asset effective January 1, 2012.

### *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.

## **7. ACQUISITION**

### **a. Acquisition of Oromin**

On August 6, 2013, the Company acquired 78,985,388 common shares of Oromin (Oromin being one of the three joint venture partners of the OJVG holding a 43.5 percent interest) for total consideration paid of \$24.1 million. Together with the 18,699,500 Oromin shares owned by the Company and a further 2,091,013 shares obtained, this represented a total of 99,775,901 Oromin shares or approximately 72.6 percent of the outstanding Oromin shares. Upon acquisition of control, the Company consolidated the identifiable assets and liabilities of Oromin.

On October 4, 2013, the Company completed the acquisition of all of the remaining issued and outstanding common shares of Oromin for total consideration of \$13.8 million.

In 2013, the Company issued 71,183,091 shares to acquire all of the Oromin shares for consideration of \$37.8 million. The following tables present the purchase price and the final allocation of the purchase price to the assets acquired and liabilities assumed.

<b>Purchase Cost - August 6, 2013</b>	
Shares issued to Oromin shareholders	23,487
Replacement stock options issued to Oromin employees	585
<b>Total Acquisition Cost</b>	<b>24,072</b>
Fair value of previously held interest	5,131
	<b>29,203</b>
Cash acquired with Oromin	(367)
<b>Consideration, net of cash acquired</b>	<b>28,836</b>
<b>Summary of Final Purchase Price Allocation</b>	
Assets	
Current assets	545
Investment in OJVG	47,059
Total assets	47,604
Liabilities	
Current liabilities	4,009
Borrowings	3,387
Total liabilities	7,396
Net assets acquired, before non-controlling interest	40,208
Non-controlling interest	(11,005)
<b>Net assets acquired</b>	<b>29,203</b>
<b>Purchase Cost - October 4, 2013</b>	
Fair value of shares issued to Oromin shareholders	13,777
Carrying value of additional interest in Oromin	11,005
<b>Difference recognized within shareholders' equity</b>	<b>2,772</b>

### **b. Acquisition of the OJVG**

On January 15, 2014, the Company acquired the balance of the OJVG that it did not already own from Bendon and Badr.

The Company acquired Bendon's 43.5 percent participating interest in the OJVG for cash consideration of \$105.0 million. Badr's 13 percent carried interest in the OJVG was acquired for cash consideration of \$7.5 million and further contingent consideration that will be based on realized gold prices and increases to the OJVG's mineral reserves through 2020. Upon finalization of the allocation of the purchase price, \$3.8 million of contingent consideration was accrued as a non-current liability based on management's best estimate of future additions to the OJVG's mineral reserves.

The Company determined that the combined transactions represented a single business combination with Teranga as the acquirer. From January 15, 2014, 100 percent of the OJVG's results were consolidated into the Company's operating results, cash flows and net assets.

In accordance with business combination accounting, the acquisition cost has been allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. The Company used a discounted cash flow model to determine the fair value of the OJVG's identifiable assets and liabilities. Expected future cash flows were based on estimates of projected future revenue, expected future production costs and capital expenditures. The Company finalized the purchase price allocation during the third quarter of 2014.

Goodwill principally reflects the ability to create operational synergies. The acquisition will benefit from the use of the existing mill and infrastructure. In addition, the Company has the ability to optimize the phasing of the mining and processing of its existing reserves and the OJVG reserves due to the close proximity of the OJVG pits to the Sabodala mill.

As at November 1, 2014, the carrying value of the Company's single CGU includes \$55.2 million of goodwill based on the annual impairment test date. The recoverable amount for the CGU was determined based on a FVLCD calculation using a discounted cash flow model. The cash flow projections are derived from the Company's life of mine model and cover the remaining expected mine life and were discounted using a 7.5 percent discount rate.

As a result of this analysis, the recoverable amount of the Company's CGU exceeds the carrying value and thus no impairment charge has been recorded in the current year.

#### **Sensitivities**

As long-term gold prices lower than \$1,236 per ounce, an impairment of the goodwill would exist.

<b>Input</b>	<b>Assumption in model</b>	<b>Breakeven</b>
Long term gold price	1,300	1,236

#### **Purchase price allocation**

The following tables present the purchase price and the final allocation of the purchase price to the net identifiable assets acquired and liabilities assumed.

<b>Consideration transferred - Acquisition of OJVG</b>	
Total acquisition cost - Bendon	105,000
Total acquisition cost - Badr	11,314
Fair value of existing 43.5% interest in OJVG - Oromin	47,059
Consideration transferred	163,373
Cash acquired with OJVG	(32)
<b>Consideration, net of cash acquired</b>	<b>163,341</b>

#### **Summary of Final Purchase Price Allocation**

<b>Total consideration</b>	<b>163,373</b>
Assets	
Current assets	127
Mine development expenditures	109,207
Total assets	109,334
Liabilities	
Current liabilities	1,152
Total liabilities	1,152
<b>Net identifiable assets acquired</b>	<b>108,182</b>
<b>Goodwill</b>	<b>55,191</b>

Since the date of acquisition, the OJVG has recorded \$41.3 million of revenue and a net profit of \$20.8 million was included in the statement of comprehensive income for the year ended December 31, 2014. Oromin has recorded an equity investment loss of \$0.6 million for the year ended December 31, 2014 as a result of remeasuring to fair value the equity interest in OJVG prior to the OJVG acquisition date.

## 8. REVENUE

	For the years ended December 31	
	2014	2013
Gold sales - spot price	259,859	297,326
Silver sales	729	601
<b>Total revenue</b>	<b>260,588</b>	<b>297,927</b>

For the year ended December 31, 2014, 206,336 ounces of gold were sold at an average price of \$1,259 per ounce. During the year ended December 31, 2014, the Company delivered 20,625 ounces of gold to Franco-Nevada Corporation ("Franco-Nevada"). The Company realized cash proceeds from the sale of these ounces equivalent to 20 percent of the spot gold price. Refer to Note 21.

Revenue for 2013 is recorded at the prevailing spot gold price at the date of delivery. Hedge gains (losses), related to the gold price movement during the period, were classified within gains (losses) on gold hedge contracts on the statement of comprehensive income.

For the year ended December 31, 2013, 208,406 ounces of gold were sold at an average realized price of \$1,246 per ounce, including 45,289 ounces that were delivered into gold hedge contracts at \$806 per ounce, representing 22 percent of gold sales for the year, and 163,117 ounces were sold into the spot market at an average price of \$1,368 per ounce. The average gold price sold in 2013 was \$1,427 per ounce.

During the second quarter of 2013, the Company bought back the remaining 14,500 ounces "out of the money" gold forward sales contracts at a cost of \$8.6 million.

The Company delivered all of its gold to two customers (2013: one customer): \$233.6 million and \$26.3 million for the year ended December 31, 2014 (2013: \$297.3 million).

## 9. COST OF SALES

	For the years ended December 31	
	2014	2013
Mine production costs	162,410	170,752
Capitalized deferred stripping	(5,976)	(43,264)
Capitalized deferred stripping - non-cash	(658)	(4,124)
Depreciation and amortization - deferred stripping assets	28,911	17,850
Depreciation and amortization - property, plant and equipment and mine development expenditures	40,605	60,683
Royalties	12,486	14,755
Amortization of advanced royalties	440	-
Rehabilitation	-	6
Inventory movements - cash	(22,145)	(8,552)
Inventory movements - non-cash	(8,089)	(14,672)
<b>Total cost of sales</b>	<b>207,984</b>	<b>193,434</b>

## 10. ADMINISTRATION AND CORPORATE SOCIAL RESPONSIBILITY EXPENSES

	For the years ended December 31	
	2014	2013
Corporate office	8,247	7,712
Dakar office	1,012	1,189
Audit fees	379	451
Legal and other	2,615	2,466
Depreciation	825	1,136
<b>Total administration expenses</b>	<b>13,078</b>	<b>12,954</b>
Corporate social responsibility expenses	2,543	1,763
<b>Total administration and corporate social responsibility expenses</b>	<b>15,621</b>	<b>14,717</b>



## 11. FINANCE COSTS

	For the years ended December 31	
	2014	2013
Interest on borrowings	3,572	7,331
Amortization of deferred financing costs	3,275	3,120
Unwinding of discounts	1,132	156
Political risk insurance	195	570
Stocking fees	819	626
Bank charges	305	345
Other	186	-
<b>Total finance costs</b>	<b>9,484</b>	<b>12,148</b>

## 12. OTHER EXPENSES

	For the years ended December 31	
	2014	2013
Acquisition and related costs <sup>(i)</sup>	2,065	11,020
Other <sup>(ii)</sup>	-	927
Share of income from equity investment in OJVG	-	(52)
Interest income	(83)	(52)
<b>Total other (income)/expenses</b>	<b>1,982</b>	<b>11,843</b>

(i) Includes costs for legal, advisory and consulting.

(ii) Includes non-recurring legal and other costs.

## 13. INCOME TAX EXPENSE

	For the years ended December 31	
	2014	2013
Deferred income tax expense on reversal of temporary differences	1,536	-
<b>Total income tax expense</b>	<b>1,536</b>	<b>-</b>

The Company's provision for income taxes differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to income before income taxes as a result of the following:

	For the years ended December 31	
	2014	2013
Statutory tax rates	26.5%	26.5%
Income tax expense computed at statutory tax rates	6,320	14,999
Non-deductible items	316	4,260
Income not subject to tax	(9,413)	(24,069)
Unrecognized deferred tax assets	4,313	4,810
<b>Provision for income taxes</b>	<b>1,536</b>	<b>-</b>

Deferred income tax assets are recognized for tax loss carry-forwards, property, plant and equipment, share issuance costs and transaction costs to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred income tax assets of \$14,259 in respect of non-capital losses, property, plant and equipment, share issuance costs and transaction costs in Canada amounting to \$53,807 that can be carried forward and applied against future taxable income. The non-capital losses, property, plant and equipment, share issuance costs and transaction costs amounting to \$53,807 will expire in the years 2030 to 2034.

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes that would be on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled \$276,522 at December 31, 2014.

## 14. TRADE AND OTHER RECEIVABLES

	As at December 31, 2014	As at December 31, 2013
<b>Current</b>		
Trade receivables (i)	16	7,376
Other receivables (ii)	1,546	623
<b>Total trade and other receivables</b>	<b>1,562</b>	<b>7,999</b>

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

(ii) Other receivables primarily include receivables from suppliers for services, materials and utilities used at the Sabodala gold mine and \$0.5 million of Canadian sales tax refunds as at December 31, 2014 (2013: \$0.2 million).

## 15. INVENTORIES

	As at December 31, 2014	As at December 31, 2013
<b>Current</b>		
Gold bullion	6,025	7,107
Gold in circuit	7,088	4,965
Ore stockpile	18,463	17,262
<b>Total gold inventories</b>	<b>31,576</b>	<b>29,334</b>
Diesel fuel	2,535	3,136
Materials and supplies	31,178	31,737
Goods in transit	1,350	2,914
<b>Total other inventories</b>	<b>35,063</b>	<b>37,787</b>
<b>Total current inventories</b>	<b>66,639</b>	<b>67,121</b>
<b>Non-current</b>		
Ore stockpile	91,057	63,081
<b>Total inventories</b>	<b>157,696</b>	<b>130,202</b>

## 16. OTHER ASSETS

	As at December 31, 2014	As at December 31, 2013
<b>Current</b>		
Prepayments (i)	5,607	4,256
Security deposit (ii)	1,500	1,500
Advanced royalty (iii)	1,885	-
Available for sale financial assets	3	6
<b>Total other current assets</b>	<b>8,995</b>	<b>5,762</b>
<b>Non-current</b>		
Advanced royalty payment (iii)	7,675	-
Intangible assets	242	947
<b>Total other non-current assets</b>	<b>7,917</b>	<b>947</b>
<b>Total other assets</b>	<b>16,912</b>	<b>6,709</b>

(i) As at December 31, 2014, prepayments include \$3.0 million (2013 - \$2.9 million) of advances to vendors and contractors, \$1.3 million for insurance (2013 - \$1.4 million) and deferred financing costs for a standby facility. Refer to Note 36d.

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

(iii) During the third quarter of 2014, the Company commenced production from the OJVG and in accordance with the Global Agreement between the Company and the Republic of Senegal, the Company recorded a \$10.0 million advanced royalty payment to the Government of Senegal related to the waiver of the Government's right to acquire an additional equity interest in the exploration licenses converted to mine licenses when the ore is processed through the Sabodala mill. The advanced royalty has been recorded within other current assets based on expected production from the OJVG over the next year and the remaining balance is recorded within other non-current assets. The advanced royalty balance will be expensed to net profit based on actual production from the OJVG. Refer to Notes 19 and 26.

## 17. PROPERTY, PLANT AND EQUIPMENT

	Buildings and property improvements	Plant and equipment	Office furniture and equipment	Motor vehicles	Mobile equipment	Capital work in progress	Total
<b>Cost</b>							
<b>Balance as at January 1, 2013</b>	<b>44,453</b>	<b>275,680</b>	<b>1,804</b>	<b>3,086</b>	<b>42,417</b>	<b>8,062</b>	<b>375,502</b>
Additions	-	-	-	-	-	15,154	15,154
Rehabilitation asset	-	4,694	-	-	-	-	4,694
Disposals	-	(15)	(4)	(246)	(501)	-	(766)
Other	-	118	-	-	-	-	118
Transfer	582	17,549	391	191	-	(18,713)	-
<b>Balance as at December 31, 2013</b>	<b>45,035</b>	<b>298,026</b>	<b>2,191</b>	<b>3,031</b>	<b>41,916</b>	<b>4,503</b>	<b>394,702</b>
Additions	-	-	-	-	-	3,661	3,661
Rehabilitation asset	-	1,390	-	-	-	-	1,390
Disposals	-	-	(5)	-	-	-	(5)
Other	-	(351)	-	-	-	-	(351)
Transfer	-	3,392	45	-	-	(3,437)	-
<b>Balance as at December 31, 2014</b>	<b>45,035</b>	<b>302,457</b>	<b>2,231</b>	<b>3,031</b>	<b>41,916</b>	<b>4,727</b>	<b>399,397</b>
<b>Accumulated depreciation</b>							
<b>Balance as at January 1, 2013</b>	<b>14,404</b>	<b>84,013</b>	<b>1,011</b>	<b>1,835</b>	<b>26,341</b>	-	<b>127,604</b>
Disposals	-	(3)	(2)	(220)	(402)	-	(627)
Depreciation expense	4,812	34,435	435	386	8,117	-	48,185
<b>Balance as at December 31, 2013</b>	<b>19,216</b>	<b>118,445</b>	<b>1,444</b>	<b>2,001</b>	<b>34,056</b>	-	<b>175,162</b>
Disposals	-	-	(4)	-	-	-	(4)
Depreciation expense	2,230	19,479	358	339	3,400	-	25,806
<b>Balance as at December 31, 2014</b>	<b>21,446</b>	<b>137,924</b>	<b>1,798</b>	<b>2,340</b>	<b>37,456</b>	-	<b>200,964</b>
<b>Net book value</b>							
<b>Balance as at December 31, 2013</b>	<b>25,819</b>	<b>179,581</b>	<b>747</b>	<b>1,030</b>	<b>7,860</b>	<b>4,503</b>	<b>219,540</b>
<b>Balance as at December 31, 2014</b>	<b>23,589</b>	<b>164,533</b>	<b>433</b>	<b>691</b>	<b>4,460</b>	<b>4,727</b>	<b>198,433</b>

Additions made to property, plant and equipment during the year ended December 31, 2014 relate mainly to additional mining and milling equipment acquired.

Depreciation of property, plant and equipment of \$25.8 million was primarily expensed as cost of sales for the year ended December 31, 2014 (2013: \$48.2 million).

## 18. MINE DEVELOPMENT EXPENDITURES

	Amount
<b>Cost</b>	
<b>Balance as at January 1, 2013</b>	<b>190,602</b>
Additions incurred during the year	71,996
<b>Balance as at December 31, 2013</b>	<b>262,598</b>
Acquisition of OJVG	109,207
Additions incurred during the year	13,969
<b>Balance as at December 31, 2014</b>	<b>385,774</b>
<b>Accumulated depreciation</b>	
<b>Balance as at January 1, 2013</b>	<b>50,271</b>
Depreciation expense	30,722
<b>Balance as at December 31, 2013</b>	<b>80,993</b>
Depreciation expense	44,062
<b>Balance as at December 31, 2014</b>	<b>125,055</b>
<b>Carrying amount</b>	
<b>Balance as at December 31, 2013</b>	<b>181,605</b>
<b>Balance as at December 31, 2014</b>	<b>260,719</b>

	As at December 31, 2014	As at December 31, 2013
<b>Capitalized mine development additions</b>		
Deferred stripping costs	6,634	47,388
Capitalized mine development - Gora	255	491
Capitalized mine development - Masato & Goluma	3,383	-
Other capitalized reserve development	419	3,511
Payments to the Republic of Senegal	-	16,609
Other	3,278	3,997
<b>Total capitalized mine development additions</b>	<b>13,969</b>	<b>71,996</b>

	As at December 31, 2013		
	Total cost	Accumulated depreciation	Carrying amount
Development and exploration costs	179,402	(57,445)	121,957
Deferred stripping asset	83,196	(23,548)	59,648
<b>Total mine development expenditures incurred</b>	<b>262,598</b>	<b>(80,993)</b>	<b>181,605</b>

	As at December 31, 2014		
	Total cost	Accumulated depreciation	Carrying amount
Development and exploration costs	186,738	(63,823)	122,915
Acquisition of OJVG	109,207	(8,773)	100,434
Deferred stripping asset	89,829	(52,459)	37,370
<b>Total mine development expenditures incurred</b>	<b>385,774</b>	<b>(125,055)</b>	<b>260,719</b>

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

Acquisition of the OJVG represents the fair value of the mine development expenditures acquired through the acquisition of Oromin and the remaining interests in the OJVG.

The Gora and Masato projects were advanced from the exploration stage to the development stage effective January 1, 2012 and January 15, 2014, respectively, after technical feasibility and commercial viability studies had been completed, or in the case of Masato, at the effective date of the acquisition. The Masato project was advanced to the production stage in September 2014.

Depreciation of capitalized mine development costs of \$44.1 million was expensed as cost of sales for the year ended December 31, 2014 (2013: \$30.7 million).

## 19. TRADE AND OTHER PAYABLES

	As at December 31, 2014	As at December 31, 2013
<b>Current</b>		
Trade payables <sup>(i)</sup>	19,436	21,410
Sundry creditors and accrued expenses	8,493	11,865
Government royalties <sup>(ii)</sup>	12,296	16,296
Amounts payable to Republic of Senegal <sup>(iii) (iv) (v)(viii)</sup>	13,684	7,320
<b>Total current trade and other payables</b>	<b>53,909</b>	<b>56,891</b>
<b>Non-Current</b>		
Amounts payable to Republic of Senegal <sup>(iii) (v)(viii)</sup>	14,311	10,959
Contingent liabilities <sup>(vi)</sup>	4,088	-
<b>Total other non-current liabilities</b>	<b>18,399</b>	<b>10,959</b>
<b>Total trade and other payables</b>	<b>72,308</b>	<b>67,850</b>

- (i) Trade payables comprise of obligations by the Company to suppliers of goods and services. Terms are generally 30 to 60 days.
- (ii) Government royalties are payable annually based on the mine head value of the gold and related substances produced at a rate of 5 percent of sales.
- (iii) 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 which was calculated as \$3.7 million. One payment of \$0.9 million was made in 2013 and an additional payment of \$0.9 million was made in 2014. As at December 31, 2014, \$0.9 million remains accrued as a current liability and the final payment of \$0.9 million has been accrued as a non-current liability and is recorded at its net present value.
- (iv) During 2014, a payment of \$1.2 million was made in full settlement of the Sabodala Gold Operations SA ("SGO") 2012 tax assessment. Refer to Note 27 for further details.
- (v) The Company has agreed to advance accrued dividends to the Republic of Senegal in relation to its interest in SGO. For the year ended December 31, 2014, \$7.8 million has been accrued based on net sales revenue (2013: \$5.2 million). Refer to Note 27 for further details.
- (vi) The Company has agreed to establish a social development fund which involves making a payment of \$15.0 million to the Republic of Senegal at the end of the operational life, which has been accrued at its net present value.
- (vii) 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 (December 31, 2014: 4.0 million has been accrued based on its net present value).
- (viii) During the third quarter of 2014, the Company commenced production from the OJVG and in accordance with the Global Agreement between the Company and the Republic of Senegal, 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 Somigol project. As at December 31, 2014, \$1.5 million was paid and the remaining \$8.5 million has been accrued as a current liability of \$5.0 million and a non-current liability of \$3.5 million. Refer to Note 26 for further details.

## 20. BORROWINGS

	As at December 31, 2014	As at December 31, 2013
<b>Current</b>		
Loan facility	-	60,000
Equipment finance facility	4,192	12,775
Deferred financing costs	(246)	(2,352)
<b>Total current borrowings</b>	<b>3,946</b>	<b>70,423</b>
<b>Non-Current</b>		
Equipment finance facility	-	4,192
Deferred financing costs	-	(246)
<b>Total non-current borrowings</b>	<b>-</b>	<b>3,946</b>
<b>Total borrowings</b>	<b>3,946</b>	<b>74,369</b>

### a. Macquarie Loan Facility

On January 15, 2014, the Company amended its existing \$60.0 million loan facility agreement with Macquarie Bank Limited ("Loan Facility") and retired half of the balance of \$30.0 million. The outstanding balance was fully repaid by December 31, 2014.

### b. Macquarie Equipment Finance Facility

During the first quarter of 2013, the Company entered into a \$50.0 million equipment finance facility with Macquarie Bank Limited ("Equipment Facility"). The proceeds were put towards additional equipment for the Sabodala pit.

During the fourth quarter of 2013, the Company cancelled the undrawn commitment from the Equipment Facility. At December 31, 2014, \$4.2 million remained. Subsequent to the year ended December 31, 2014, the Company fully repaid the outstanding balance of its Equipment Facility.

## 21. DEFERRED REVENUE

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

For ounces of gold delivered to Franco-Nevada under the streaming transaction, Franco-Nevada will pay in cash the prevailing spot price of gold at the date of delivery at 20 percent of the ounces. For the remaining 80 percent of the ounces delivered to Franco-Nevada, the deferred revenue balance will be drawn down based on the prevailing spot price for gold. Once the deferred revenue has been drawn down to nil, the Company will only receive the 20 percent cash payment referred to above for the 6 percent of ounces produced.

The initial term of the contract is 40 years and the deposit bears no interest. For accounting purposes, the agreement is considered a contract for the future delivery of gold ounces at the contracted price. The up-front \$135.0 million payment is accounted for as a prepayment of yet-to-be delivered ounces under the contract and are recorded as deferred revenue.

During the year ended December 31, 2014, the Company delivered 20,625 ounces of gold to Franco-Nevada and recorded revenue of \$26.3 million, consisting of \$5.3 million received in cash proceeds and \$21.0 million recorded as a reduction of deferred revenue. Due to the timing of shipment schedules near year end, the delivery of 1,875 ounces of gold for the month of December 2014 was not received by Franco-Nevada until early January 2015. As a result, 1,875 ounces delivered in 2015 could not be recognized for accounting purposes for the year ended December 31, 2014. The transaction with Franco-Nevada permits for the delivery of payable gold to be deferred up to five business days following the month end.

	Amount
Balance as at January 1, 2014	-
Deposit received	135,000
Amortization of deferred revenue	(21,002)
<b>Balance as at December 31, 2014</b>	<b>113,998</b>

	As at December 31, 2014	As at December 31, 2013
Current	21,814	-
Non-Current	92,184	-
<b>Total deferred revenue</b>	<b>113,998</b>	<b>-</b>

## 22. PROVISIONS

	As at December 31, 2014	As at December 31, 2013
<b>Current</b>		
Employee benefits (i)	2,365	1,751
Cash settled share-based compensation (iii)	282	-
<b>Total current provisions</b>	<b>2,647</b>	<b>1,751</b>
<b>Non-Current</b>		
Mine restoration and rehabilitation (ii)	15,726	14,227
Cash settled share-based compensation (iii)	267	109
<b>Total non-current provisions</b>	<b>15,993</b>	<b>14,336</b>
<b>Total provisions</b>	<b>18,640</b>	<b>16,087</b>

- (i) The provisions for employee benefits include \$1.7 million accrued vacation and \$0.7 million long service leave entitlements for the year ended December 31, 2014 (2013 - \$1.2 million and \$0.6 million).
- (ii) Mine restoration and rehabilitation provision represents a constructive obligation to rehabilitate the Sabodala gold mine based on the mining concession. The majority of the reclamation activities will occur at the completion of active mining and processing (which as at December 31, 2014 was estimated based on the Sabodala pit mine closure in 2019 and Masato pit mine closure in 2023) but a limited amount of concurrent rehabilitation will occur throughout the mine life.
- (iii) The provision for cash settled share-based compensation represents the amortization of the fair value of the fixed bonus plan units and the amortization of the fair value of the RSUs and DSUs. Please see Note 32 for further details.

## 23. DEFERRED INCOME TAX LIABILITIES

	Amount
Deferred tax assets	-
Deferred tax liabilities	
Deferred stripping costs	(1,089)
Rehabilitation accrual	-
Leased equipment	(124)
Social fund, tax payments	(323)
<b>Net deferred tax liabilities</b>	<b>(1,536)</b>

## 24. ISSUED CAPITAL

	Number of shares	Amount
<b>Balance as at January 1, 2013</b>	<b>245,618,000</b>	<b>305,412</b>
Issued to Oromin shareholders	71,183,091	37,264
Less: Share issue costs	-	(206)
<b>Balance as at January 1, 2014</b>	<b>316,801,091</b>	<b>342,470</b>
Equity offering issuance	36,000,000	27,274
Less: Share issue costs	-	(1,907)
<b>Balance as at December 31, 2014</b>	<b>352,801,091</b>	<b>367,837</b>

On May 1, 2014, the Company closed on an offering of 36,000,000 common shares at a price of C\$0.83 per share for gross proceeds of C\$29.9 million. Net proceeds were \$25.4 million after consideration of underwriter fees and expenses totaling approximately \$1.9 million.

In 2013, the Company completed the acquisition of all of the issued and outstanding common shares of Oromin that it did not already own. The Company issued 71,183,091 Teranga shares to acquire all of the Oromin shares for consideration of \$37.3 million.

The Company is authorized to issue an unlimited number of common shares with no par value. Holders of common shares are entitled to one vote for each common share on all matters to be voted on by shareholders at meetings of the Company's shareholders. All dividends which the Board of Directors may declare shall be declared and paid in equal amounts per share on all common shares at the time outstanding. There are no pre-emptive, redemption or conversion rights attached to the common shares. All common shares, when issued, are and will be issued as fully paid and non-assessable shares without liability for further calls or to assessment.

## 25. EARNINGS PER SHARE (EPS)

	For the years ended December 31	
	2014	2013
Basic EPS (US\$)	0.05	0.19
Diluted EPS (US\$)	0.05	0.19
Basic EPS:		
Net profit used in the calculation of basic EPS	17,776	50,280
Weighted average number of common shares for the purposes of basic EPS ('000)	340,867	270,705
Weighted average number of common shares outstanding for the purpose of diluted EPS ('000)	340,867	270,705

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 21.5 million and 23.7 million shares relating to share options that were anti-dilutive for the years ended December 31, 2014 and December 31, 2013, respectively.

## 26. COMMITMENTS FOR EXPENDITURES

### a. Capital Expenditure Commitments

The Company has committed to spend a total of \$100 thousand over the next year in respect of the mining equipment supply contract.

### b. Sabodala Gold Operations ("SGO"), Sabodala Mining Company ("SMC") and the 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.
- Pursuant to the completion of the acquisition of the OJVG, 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. 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 year ended December 31, 2014, \$1.5 million was paid and the remaining \$8.5 million has been accrued and is expected to be paid through 2015 and 2016. An additional payment will be 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. The additional payment will be based on the calculated amount exceeding the initial payment.
- 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.
- \$30 thousand is payable annually for logistical support of the territorial administration of the region for SGO, \$200 thousand is payable annually for training of Directorate of Mines and Geology officers and Mines Ministry, and \$150 thousand is payable annually for training of the Mines Administration personnel and logistical support of the Ministry of Mines technical services.
- \$250 thousand is payable annually for a forestry protocol to the Ministry of Environment for a period of five years. As the protocol was signed on April 2, 2014, the prorated payment for 2014 amounted to \$187.5 thousand.
- \$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.



## 27. CONTINGENT LIABILITIES

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

### a. Settled and outstanding tax assessments

During the second quarter of 2013, the Company made a payment of \$1.2 million in partial settlement of the SGO tax assessment received in December 2012. During the second quarter of 2014, a payment of \$1.2 million was made in final settlement.

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

During the second quarter of 2013, the Company made a payment of \$1.4 million in full settlement of the SMC tax assessment received in January 2013.

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

### b. Government Payments

In connection with the Global Agreement signed with the Republic of Senegal in 2013, the Company has agreed to advance approximately \$13.2 million of accrued dividends in respect of its 10 percent minority interest between 2013 and 2015. In 2013, the Company made a payment of \$2.7 million with a further payment of \$2.7 million required once drilling activities recommence at Niakafiri, now expected in 2015. As at December 31, 2014, \$7.8 million has been accrued based on net sales revenue and is expected to be paid over 2015 and 2016.

The Company is required to make a payment of approximately \$4.2 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the Gora project. The payment is expected to be made upon receipt of all required approvals authorizing the processing of all Gora project ore through the Sabodala plant which is expected now in 2015.

## 28. EXPLORATION LICENSES AND JOINTLY CONTROLLED OPERATIONS AND ASSETS

The Company has exploration licenses and is an investee in the following jointly controlled operations and assets:

Name of venture	Principal activity	Interest
		2014 %
Dembala Berola	Gold exploration	100
Massakounda	Gold exploration	100
Bransan	Gold exploration	100
AXMIN - Heremakono	Gold exploration	80 <sup>(i)</sup>
AXMIN - Sounkounkou	Gold exploration	80 <sup>(i)</sup>
Bransan Sud	Gold exploration	100
Sabodala Ouest	Gold exploration	100
Saiansoutou	Gold exploration	100
Garaboureyea North	Gold exploration	75

(i) The joint venture partner of the exploration license has elected to take a 1.5% net smelter royalty on the Gora project in exchange for its fully participatory 20 percent interest.

### Exploration commitments and contingent liabilities

Exploration commitments and contingent liabilities are disclosed in Notes 26 and 27.

## 29. CONTROLLED ENTITIES

	Country of Incorporation	Percentage owned 2014
<b>Controlled entities consolidated</b>		
Teranga Gold B.V.I. Corporation	British Virgin Islands	100
Sabodala Gold (Mauritius) Limited	Mauritius	100
SGML (Capital) Limited	Mauritius	100
Oromin Explorations Limited	Canada	100
Sabodala Holding Limited	British Virgin Islands	100
Subsidiaries of Sabodala Gold (Mauritius) Limited:		
Sabodala Mining Company SARL	Senegal	100
Sabodala Gold Operations SA	Senegal	90
Subsidiaries of Oromin Explorations Limited:		
Sabodala Holding Limited <sup>(i)</sup>	British Virgin Islands	100
Oromin Joint Venture Group Limited <sup>(i)</sup>	British Virgin Islands	43.5
Societe des Mines de Golourna S.A. <sup>(i)</sup>	Senegal	90
Subsidiaries of Teranga Gold B.V.I. Corporation:		
Oromin Joint Venture Group Limited <sup>(i)</sup>	British Virgin Islands	56.5

(i) The Company is in the process of reviewing its existing corporate structure and investigating opportunities for simplification and tax synergies. The reorganization is expected to be implemented during the first half of 2015.

## 30. CASH FLOW INFORMATION

### a. Change in working capital

Net change in working capital other than inventory	For the years ended December 31	
	2014	2013
<b>Changes in working capital other than inventory</b>		
Decrease/(increase) in trade and other receivables	6,915	(1,613)
Decrease in other assets	147	1,108
(Decrease)/increase in trade and other payables	(8,048)	5,505
Increase/(decrease) in provisions	1,225	(188)
<b>Net change in working capital other than inventory</b>	<b>239</b>	<b>4,812</b>

### b. Cash balance restricted for use

During the third quarter of 2013, the Company amended its existing \$60.0 million Loan Facility to extend the final repayment date by one year to June 30, 2015. The Company was required to maintain a restricted cash balance of up to \$20.0 million.

On January 15, 2014, the Company amended its existing \$60.0 million Loan Facility agreement with Macquarie Bank Limited and retired half of the balance of \$30.0 million. The outstanding balance was fully repaid by December 31, 2014 and the \$15.0 million restricted cash requirement was removed. A minimum liquidity financial covenant of \$15.0 million is required as part of the streaming transaction with Franco-Nevada. Refer to Note 21.

## 31. FINANCIAL INSTRUMENTS

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

### a. Capital risk management

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern while maximizing the return to stakeholders through optimization of the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents, debt, and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated income. The Company is not subject to any externally imposed capital requirements. Notwithstanding, the Company's cash position is highly dependent on the gold price, and while the Company expects it will generate sufficient free cash flow from operations to fund its growth initiatives, the Company may explore value preservation alternatives that will provide additional financial flexibility to ensure sufficient liquidity is maintained by the Company.

The leverage ratio as at December 31, 2014 was as follows:

	As at of December 31, 2014	As at of December 31, 2013
Borrowings	(3,946)	(74,369)
Cash and cash equivalents	35,810	14,961
Restricted cash	-	20,000
<b>Net cash / (debt)</b>	<b>31,864</b>	<b>(39,408)</b>
<b>Equity attributable to shareholders</b>	<b>501,431</b>	<b>457,809</b>
<b>Net cash / (debt) to equity ratio</b>	<b>6%</b>	<b>(9%)</b>

### b. Categories of financial instruments

As at December 31, 2014 and 2013, the Company's financial instruments consisted of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

The following table illustrates the classification of the Company's financial instruments, other than cash and cash equivalents, as at December 31, 2014 and 2013:

	As at of December 31, 2014	As at December 31, 2013
<b>Financial assets:</b>		
Loans and receivables		
Restricted cash	-	20,000
Trade and other receivables	1,562	7,999
<b>Financial liabilities:</b>		
Other financial liabilities at amortized cost		
Trade and other payables	72,857	67,959
Borrowings	3,946	74,369

### c. Commodity market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including foreign exchange rates and commodity prices. The Company is also exposed to movements in the gold price.

### d. Foreign currency risk management

The Company has certain financial instruments denominated in CFA Franc, EUR, CAD, AUD and other currencies. Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to the CFA Franc, EUR, CAD, AUD and other currencies may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which are denominated in the CFA Franc, EUR, CAD, AUD and other currencies.

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities are as follows:

	Financial Assets		Financial Liabilities	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
CFA Franc (XOF)	6,422	9,054	47,498	43,366
EUR	7,687	1,209	1,184	2,872
CAD	1,043	704	1,027	6,138
AUD	298	199	270	371
Other	176	224	763	336

#### Foreign currency sensitivity analysis

The Company is mainly exposed to CFA Franc, EUR, CAD and AUD. Ten percent represents management's assessment of the reasonably possible change in foreign exchange rates. Sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 10 percent change in the functional currency rates. A negative number indicates a decrease in profit or equity where the functional currency strengthens by 10 percent against the relevant currency for monetary assets and where the functional currency weakens against the relevant currency for monetary liabilities. For a 10 percent weakening of the USD against the relevant currency for monetary assets and a 10 percent strengthening for monetary liabilities, there would be an equal and opposite impact on net assets and the balances would be positive.

	Financial Assets		Financial Liabilities	
	As at December 31, 2014	As at December 31, 2013	As at December 31, 2014	As at December 31, 2013
<b>10% Strengthening</b>				
<b>CFA Franc (XOF) Impact</b>				
Gain or loss	(642)	(905)	4,750	4,337
<b>EUR Impact</b>				
Gain or loss	(769)	(121)	118	287
<b>CAD Impact</b>				
Gain or loss	(104)	(70)	103	614
<b>AUD Impact</b>				
Gain or loss	(30)	(20)	27	37
<b>10% Weakening</b>				
<b>CFA Franc (XOF) Impact</b>				
Gain or loss	642	905	(4,750)	(4,337)
<b>EUR Impact</b>				
Gain or loss	769	121	(118)	(287)
<b>CAD Impact</b>				
Gain or loss	104	70	(103)	(614)
<b>AUD Impact</b>				
Gain or loss	30	20	(27)	(37)

#### e. Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in the market interest rates. The Company has exposure to interest rate risk relating to its bank balances and external borrowings.

The following table illustrates the classification of the Company's financial instruments which are exposed to interest rate risk as at December 31, 2014 and 2013:

	As at of December 31, 2014	As at of December 31, 2013
<b>Financial assets</b>		
Cash and cash equivalents	35,810	14,961
Restricted cash	-	20,000
<b>Total</b>	<b>35,810</b>	<b>34,961</b>
<b>Financial liabilities</b>		
Borrowings	3,946	74,369
<b>Total</b>	<b>31,864</b>	<b>(39,408)</b>

The Company's interest rate on its borrowings is calculated at LIBOR plus 7.5 percent margin on the Equipment Facility.

#### **Interest rate sensitivity analysis**

If interest rates had been higher or lower by 50 basis points and all other variables were held constant, the profit and net assets would increase or decrease by:

	Financial Assets		Financial Liabilities	
	As at December 31, 2014	As at December 31, 2013	As at December 31, 2014	As at December 31, 2013
Profit or loss	151	203	112	391

#### **f. Credit risk management**

The Company's credit risk is primarily attributable to cash, cash equivalents and derivative financial instruments. The Company does not have any significant credit risk exposure as cash and cash equivalents are held in low risk jurisdictions. The Company has adopted a strategy to minimize its credit risk by substantially investing in sovereign debt issued by Canadian government agencies, Canadian Provinces and the Federal Government of Canada.

The Company does not have significant credit risk exposure on accounts receivable as all gold sales are executed through Macquarie Bank, an AAA rated bank. Gold production is sold into the spot market and proceeds from the sale are deposited into the Company's bank account.

The Company is exposed to the credit risk of Senegal and France banks that disburse cash on behalf of its Senegal subsidiaries. The Company manages its Senegal and France bank credit risk by centralizing custody, control and management of its surplus cash resources at the corporate office and only transferring money to its subsidiary based on immediate cash requirements, thereby mitigating exposure to Senegal banks.

#### **g. Liquidity risk management**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company monitors its risk of a shortage using projected cash flows and by monitoring the maturity of both its financial assets and liabilities.

Cash flow forecasting is performed in the operating entity of the group and combined by the Company's finance group. The Company's finance group monitors the liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom in its proceeds account so that the Company does not breach any of its covenants. Surplus cash held by the Corporate office is invested in short-term investments issued by Canadian banks and in sovereign debt issued by Canadian Agencies, Provinces and the Federal Governments of Canada.

#### **Liquidity tables**

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company will be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Due on demand	Due one to three months	Due between three months to one year	Due one to five years
<b>Financial Liabilities</b>					
<b>December 31, 2014</b>					
Non-interest bearing	-	27,927	-	17,262	11,306
Variable interest rate instruments	7.77%	-	3,194	998	-
Fixed interest rate instruments	3.08%	-	-	925	925
Fixed interest rate instruments	7.50%	-	-	-	4,474
<b>Total</b>		<b>27,927</b>	<b>3,194</b>	<b>19,185</b>	<b>16,705</b>
<b>December 31, 2013</b>					
Non-interest bearing	-	33,273	1,200	16,296	5,195
Variable interest rate instruments	7.77%	-	3,194	9,581	4,192
Fixed interest rate instruments	3.08%	-	-	925	1,750
Variable interest rate instruments	9.13%	60,000	-	-	-
<b>Total</b>		<b>93,273</b>	<b>4,394</b>	<b>26,802</b>	<b>11,137</b>

	Weighted average effective interest rate %	Due on demand	Due one to three months	Due between three months to one year	Due one to five years
<b>Financial Assets</b>					
<b>December 31, 2014</b>					
Non-interest bearing	-	1,562	-	-	-
<b>Total</b>		<b>1,562</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>December 31, 2013</b>					
Non-interest bearing	-	7,999	-	-	-
<b>Total</b>		<b>7,999</b>	<b>-</b>	<b>-</b>	<b>-</b>

Management considers that the Company has adequate current assets and forecasted cash flow from operations to manage liquidity risk arising from settlement of current and non-current liabilities

#### h. Fair value of financial instruments

The Company's trade and other receivables, and trade and other payables are substantially carried at amortized cost, which approximates fair value. Cash and cash equivalents and available-for-sale financial assets are measured at fair value. Borrowings are based on discounted future cash flows using discount rates that reflect current market conditions for this financial instrument with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

Financial instruments carried at amortized cost on the consolidated statement of financial position are as follows:

	As at December 31, 2014		As at December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial liabilities</b>				
Borrowings	4,192	4,100	76,967	71,207

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

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

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

	As at December 31, 2014			As at December 31, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial Assets</b>						
Cash and cash equivalents	35,810	-	-	14,961	-	-
Restricted cash	-	-	-	20,000	-	-
<b>Total</b>	<b>35,810</b>	<b>-</b>	<b>-</b>	<b>34,961</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>						
Borrowings	-	3,946	-	-	74,369	-
<b>Total</b>	<b>-</b>	<b>3,946</b>	<b>-</b>	<b>-</b>	<b>74,369</b>	<b>-</b>

## 32. SHARE BASED COMPENSATION

The share-based compensation expense for the year ended December 31, 2014 totaled \$0.9 million (2013: \$0.8 million).

### a. Incentive Stock Option Plan

The Incentive Stock Option Plan (the "Plan") authorizes the Directors to grant options to purchase shares of the Company to directors, officers, employees and consultants of the Company and its subsidiaries. The exercise price of the options is determined by the board of directors at the date of grant but in no event shall be less than the five-day weighted average closing price of the common shares as reported on TSX for the period ending on the business day immediately preceding the day on which the option was granted.

The vesting of options is determined by the Board of Directors at the date of grant. The term of options granted under the Plan is at the discretion of the board of directors, provided that such term cannot exceed ten years from the date the option is granted.

Each employee share option is convertible into one ordinary share of Teranga on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry subject to the terms of the Plan.

During the years ended December 31, 2014 and 2013, a total of 130,000 and 820,000 common share options, respectively, were granted to directors and employees.

During the years ended December 31, 2014 and 2013, a total of 2,397,361 and 2,132,917 options were forfeited, respectively. No stock options were exercised during the years ended December 31, 2014 and 2013. As at December 31, 2014, there were 20,057,774 and 1,412,715 outstanding options vested and unvested, respectively.

In connection with the acquisition of Oromin in 2013, Teranga issued 7,911,600 replacement stock options. These options expired on February 6, 2015 with no options exercised prior to expiry.

The following stock options were outstanding as at December 31, 2014:

Option series	Number	Grant date	Expiry date	Exercise price (C\$)	Share price at grant date (C\$)
Granted on November 26, 2010	6,120,000	26-Nov-10	26-Nov-20	3.00	1.19
Granted on December 3, 2010	1,200,000	03-Dec-10	03-Dec-20	3.00	1.19
Granted on February 9, 2011	675,000	09-Feb-11	09-Feb-21	3.00	0.99
Granted on April 27, 2011	25,000	27-Apr-11	27-Apr-21	3.00	0.80
Granted on June 14, 2011	455,000	14-Jun-11	14-Jun-21	3.00	0.94
Granted on August 13, 2011	360,000	13-Aug-11	13-Aug-21	3.00	0.82
Granted on December 20, 2011	1,475,000	20-Dec-11	20-Dec-21	3.00	0.61
Granted on February 24, 2012	703,333	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	165,556	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	350,000	23-Feb-13	23-Feb-23	3.00	0.42
Granted on May 14, 2013	190,000	14-May-13	14-May-23	3.00	0.82
Granted on June 3, 2013	120,000	03-Jun-13	03-Jun-23	3.00	0.71
Granted on May 1, 2014	50,000	01-May-14	01-May-24	3.00	0.68
Granted on June 4, 2014	80,000	04-Jun-14	04-Jun-24	3.00	0.60
Granted on August 6, 2013	573,600	06-Aug-13	06-Feb-15	1.09	*
Granted on August 6, 2013	4,437,600	06-Aug-13	06-Feb-15	1.54	*
Granted on August 6, 2013	2,735,400	06-Aug-13	06-Feb-15	2.17	*

As part of the Oromin acquisition, 7,911,600 replacement stock options were issued which vested immediately. The remaining 7,746,600 outstanding options at December 31, 2014 expired on February 6, 2015.

As at December 31, 2014, approximately 13.8 million (2013: 15.9 million) options were available for issuance under the Plan.

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

Of the 21,470,489 common share stock options issued and outstanding as at December 31, 2014, 13,548,889 vest over a three-year period, 7,746,600 vested immediately and 175,000 vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized based on the best estimate of outcome of achieving our results.

As at December 31, 2014, 13,723,889 share options had a contractual life of ten years at issuance and 7,746,600 share options issued in connection with the acquisition of Oromin have a remaining contractual life of 1 month and expired on February 6, 2015.



### **Fair value of stock options granted**

The fair value at the grant date was calculated using the Black-Scholes option pricing model with the following assumptions:

	For the years ended December 31	
	2014	2013
Grant date share price	C\$0.60-C\$0.68	C\$0.71-C\$1.44
Weighted average fair value of awards	C\$0.05	C\$0.05
Exercise price	C\$3.00	C\$3.00
Range of risk-free interest rate	1.05%-1.28%	1.04%-1.20%
Volatility of the expected market price of share	67.28%-68.30%	67.28%-68.30%
Expected life of options (years)	2.0-3.5	2.0-3.5
Dividend yield	0%	0%
Forfeiture rate	5%-50%	5%-50%

Due to lack of sufficient historical information for the Company, volatility was determined using the existing historical volatility information of the Company's share price combined with the industry average for comparable-size mining companies.

### **Movements in share options during the year**

The following reconciled the share options outstanding at the beginning and end of the year:

	Number of options	Weighted average exercise price
<b>Balance as at January 1, 2013</b>	<b>17,139,167</b>	<b>C\$3.00</b>
Granted during the year	820,000	C\$3.00
Replacement stock options issued to Oromin employees on change of control	7,911,600	C\$1.09-C\$2.17
Forfeited during the year	(2,132,917)	C\$3.00
<b>Balance as at December 31, 2013</b>	<b>23,737,850</b>	<b>C\$2.58</b>
Granted during the year	130,000	C\$3.00
Forfeited during the year	(2,397,361)	C\$2.83-C\$3.00
<b>Balance as at December 31, 2014</b>	<b>21,470,489</b>	<b>C\$2.54</b>
Number of options exercisable - December 31, 2013	20,640,532	
Number of options exercisable - December 31, 2014	20,057,774	

There were no options exercised during the years ended December 31, 2014 and December 31, 2013.

#### **b. Fixed Bonus Plan**

The Fixed Bonus Plan authorizes the Directors to grant Fixed Bonus Plan Units ("Units") to officers and employees of the Company and its subsidiaries in lieu of participating in Stock Option Plan. Each Unit entitles the holder upon exercise to receive a cash payment equal to the closing price of a common share of Teranga on the Toronto Stock Exchange ("TSX") on the business day prior to the date of exercise, less the exercise price. Units may be exercised at any time from the date of vesting to the date of their expiry subject to the terms of the Plan. Units are not transferable or assignable.

The exercise price of each Unit is determined by the Board of Directors at the date of grant but in no event shall be less than the five-day weighted average closing price of the common shares as reported on the TSX for the period ended on the business day immediately preceding the day on which the option was granted.

The vesting of the Units is determined by the Board of Directors at the date of grant. The term of Units granted under the Fixed Bonus Plan is at the discretion of the board of directors, provided that such term cannot exceed ten years from the date that the Units are granted.

As at December 31, 2014, a total of 1,360,000 Units were outstanding (2013: 1,440,000 units). During the year ended December 31, 2014, 80,000 Units were forfeited.

As at December 31, 2014, there were 1,360,000 Units outstanding that were granted on August 8, 2012 with expiry dates ranging from November 24, 2020 through to February 24, 2022. The Units each have an exercise price of C\$3.00 and have fair values at December 31, 2014 in the range of C\$0.01 to C\$0.09 per Unit. The total fair value of the Units at December 31, 2014 is \$0.1 million (December 31, 2013: \$0.1 million).

The estimated fair values of the Units were amortized over the period in which the Units vest. Of the 1,360,000 Units issued, 50 percent vested upon issuance, 25 percent vested on December 31, 2012 and 25 percent vested on December 31, 2013.

#### **Fair value of Units granted**

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

	For the years ended December 31	
	2014	2013
Share price at the end of the period	C\$0.49	C\$0.53
Weighted average fair value of awards	C\$0.01-C\$0.09	C\$0.01-C\$0.11
Exercise price	C\$3.00	C\$3.00
Range of risk-free interest rate	1.00%-1.34%	1.12%-1.895%
Volatility of the expected market price of share	66.71%-68.3%	66.71%-68.3%
Expected life of options (years)	2.0-5.0	2.0-5.0
Dividend yield	0%	0%
Forfeiture rate	5%-50%	5%-50%

Due to lack of sufficient historical information for the Company, volatility was determined using the existing historical volatility information of the Company's share price combined with the industry average for comparable-size mining companies.

#### **c. RSUs**

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

During the year ended December 31, 2014, the Company granted 2,343,487 RSUs, no units vested, 436,532 units were forfeited and 298,884 units were cancelled. At December 31, 2014, \$0.1 million of current RSU liability and \$0.2 million of non-current RSU liability have been recorded in the consolidated financial statement of financial position.

#### **d. DSUs**

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

The Company granted 545,000 DSUs during the year ended December 31, 2014 and there were no units vested and no units were cancelled. At December 31, 2014, \$0.2 million of current DSU liability has been recorded in the consolidated financial statement of financial position.

### **33. SEGMENT REPORTING**

The Company has one reportable operating segment under IFRS 8 Operating Segments.

#### **Geographical information**

The Company operates in two geographical areas, predominantly in Senegal (West Africa) and Mauritius.

The following table discloses the Company's revenue by geographical location:

	For the years ended December 31	
	2014	2013
Republic of Senegal – revenue from gold and silver sales	234,335	297,927
Republic of Senegal – interest income	53	51
British Virgin Islands	26,253	-
Canada	30	1
<b>Total</b>	<b>260,671</b>	<b>297,979</b>

The following is an analysis of the Company's non-current assets by geographical location:

	As at December 31, 2014	As at December 31, 2013
Republic of Senegal	556,245	461,078
Mauritius	-	-
Canada	57,072	51,722
<b>Total</b>	<b>613,317</b>	<b>512,800</b>

### 34. KEY MANAGEMENT PERSONNEL COMPENSATION

The Company considers key members of management to include the Executive Chairman, President and CEO, Vice Presidents and the General Manager, SGO & Vice President, Development Senegal.

The remuneration of the key members of management includes 7 members during the year ended December 31, 2014 as well as 1 member until May 2014 and 8 members during the year ended December 31, 2013. The remuneration during the years ended December 31, 2014 and 2013 is as follows:

	Short term benefits			Cash settled share based payments - value vested during the period	Equity settled share based payments - value vested during the period	Total
	Salary and Fees	Non-Cash Benefits	Cash Bonus	Options	Options	
<b>For the year ended December 31, 2014</b>						
Compensation	2,681	132	403	91	287	<b>3,594</b>
<b>For the year ended December 31, 2013</b>						
Compensation	2,839	267	-	108	1,110	<b>4,324</b>

### 35. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2014, there were transactions of \$0.1 million between the Company and a director-related entity (2013 - \$0.3 million).

### 36. SUBSEQUENT EVENT

#### a. Tax Assessment

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

#### b. Gold Hedge

On January 23, 2015, the Company entered into a gold hedge with Macquarie Bank Limited to deliver 5,000 ounces of gold on each of February 26, 2015, March 12, 2015 and March 26, 2015 for the set price of \$1,297 per ounce.

#### c. Repayment of Macquarie Lease Facility

Subsequent to the year ended December 31, 2014, the Company fully repaid the outstanding balance of its Macquarie Equipment Facility, resulting in the Company being debt free.

#### d. Standby Facility

The Company is working to put a standby facility in place to provide additional financial flexibility to ensure sufficient liquidity is maintained by the Company.

# ASX CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the “**Board**”) of Teranga Gold Corporation (“**Teranga**” or the “**Company**”) is committed to adhering to the highest possible standards in its corporate governance practices. The Board has approved Corporate Governance Guidelines which, together with the Board Mandate (as set out below), the position descriptions for the Chairman of the Board and for the Chief Executive Officer, and the charters of the committees of the Board, provide the general framework for the governance of Teranga. The Board believes that these guidelines will continue to evolve in order to comply with all applicable regulatory and stock exchange requirements relating to corporate governance and will be modified as circumstances warrant.

This report describes the corporate governance principles that the Company adheres to in accomplishing its business objectives. This statement is of corporate governance practises current as of the date thereof. Governance information on Teranga is available on the Company's website at: [www.terangagold.com](http://www.terangagold.com).

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### **Board Mandate**

The Board is elected by the shareholders of Teranga and is responsible for the stewardship of Teranga and has adopted a formal written mandate setting out the Board's stewardship responsibilities, including:

- adopting a strategic planning process;
- understanding and monitoring the political, cultural, legal and business environments in which Teranga operates;
- risk identification and ensuring that procedures are in place for the management of those risks;
- review and approve annual operating plans and budgets;
- corporate social responsibility, ethics and integrity;
- succession planning, including the appointment, training and supervision of management;
- delegations and general approval guidelines for management;
- monitoring financial reporting and management;

- monitoring internal control and management information systems;
- corporate disclosure and communications;
- adopting measures for receiving feedback from stakeholders; and
- adopting key corporate policies designed to ensure that Teranga, its directors, officers and employees comply with all applicable laws, rules and regulations and conduct their business ethically and with honesty and integrity.

### **Day-to-day Management**

The Board delegates responsibility for the day to day management of Teranga's business and affairs to Teranga's senior officers and supervises such senior officers appropriately.

### **Committees of the Board**

The Board has determined that there should be six standing Board committees: (i) Audit Committee; (ii) Corporate Governance and Nominating Committee; (iii) Compensation Committee; (iv) Finance Committee; (v) Technical, Safety, and Environment Committee; and (vi) Corporate Social Responsibility Committee. The Board will change the Board committee structure and authorize and appoint other committees as it considers appropriate.

The Board may from time to time delegates certain matters it is responsible for to Board committees. The Board however, retains its oversight function and ultimate responsibility for these matters and all delegated responsibilities.

The Corporate Governance and Nominating Committee reviews the adequacy of the Board Mandate on an annual basis and recommends any proposed changes to the Board for consideration. The Board has delegated responsibility to this Committee for developing Teranga's approach to corporate governance, including recommending modifications to these Corporate Governance Guidelines for consideration by the Board.

### **Committee Charters**

The Board approves written charters for each committee of the Board setting forth the purpose, authority, duties and responsibilities of each committee, as set forth further

below. The Charter for each committee is available on the Company's website at: [www.terangagold.com](http://www.terangagold.com).

The Board has determined that all committees will be comprised entirely of directors determined by the Board to be independent, except for the Corporate Social Responsibility Committee which will be comprised of a majority of independent directors. In addition, all members of the Audit Committee will be financially literate and if required by applicable laws, rules and regulations, at least one member will be a financial expert. Membership and independence of all committee members will be publicly disclosed.

After receipt of recommendations from the Corporate Governance and Nominating Committee, the Board appoints members of the committees annually, and as necessary to fill vacancies, and appoints the chairman of each committee. Members of the committees will hold office at the pleasure of the Board.

#### **Committee Responsibilities**

The responsibilities of the *Audit Committee* include assisting the Board in fulfilling its oversight responsibilities with respect to: (a) financial reporting and disclosure requirements; (b) ensuring that an effective risk management and financial control framework has been implemented and tested by management of Teranga; and (c) external and internal audit processes.

The responsibilities of the *Corporate Governance and Nominating Committee* include assisting the Board in fulfilling its oversight responsibilities with respect to: (a) developing corporate governance guidelines and principles for Teranga; (b) identifying individuals qualified to be nominated as members of the Board; (c) the structure and composition of Board committees; and (d) evaluating the performance and effectiveness of the Board.

The responsibilities of the Compensation Committee include assisting the Board in fulfilling its oversight responsibilities with respect to: (a) the establishment of key human resources and compensation policies, including all incentive and equity based compensation plans; (b) the performance evaluation of the Chief Executive Officer and the Chief Financial Officer, and determination of the compensation for the Chief Executive Officer, the Chief Financial Officer and other senior executives of Teranga; (c) succession planning, including the appointment, training and evaluation of senior management; and (d) compensation of directors.

The responsibilities of the Finance Committee include assisting the Board in fulfilling its oversight responsibilities with respect to: (a) Teranga's financial policies and strategies, including capital structure; (b) Teranga's financial

risk management practices; and (c) proposed issues of securities and utilization of financial instruments.

The responsibilities of the *Technical, Safety and Environment Committee* include assisting the Board in fulfilling its oversight responsibilities with respect to: (a) technical matters relating to exploration, development, permitting, construction and operation of Teranga's mining activities; (b) resources and reserves on Teranga's mineral resource properties; (c) material technical commercial arrangements regarding EPCM activities; (d) operating and production plans for proposed and existing operating mines; (e) due diligence in the development, implementation and monitoring of systems and programs for management, and compliance with applicable law related to health, safety, environment and social responsibility; (f) ensuring Teranga implements best-in-class property development and operating practices; (g) monitoring safety, environment and social responsibility performance; and (h) monitoring compliance with applicable laws related to safety, environment and social responsibility.

The responsibilities of the *Corporate Social Responsibility Committee* is to assist the Board in the development, implementation and monitoring of systems and programs for management, and compliance with applicable law related to corporate social responsibility, monitoring corporate social responsibility performance, and monitoring compliance with applicable laws related to corporate social responsibility.

#### **Management Performance and Compensation**

The Compensation Committee conducts an annual review of the performance objectives for the Chief Executive Officer, the Chief Financial Officer and the senior executives and, in the Committee's discretion, presents its conclusions and recommends any compensation changes to the Board for consideration.

#### **Diversity**

While the Board of Directors has not adopted a specific diversity policy at this time it has approved amendments to both its Corporate Governance Guidelines as well as Corporate Governance and Nominating Committee (the "Committee") Charter to address the importance of the identification and nomination of women directors, as well as other characteristics, to ensure an appropriate representation of diversity of background and perspective at the Board level.

The Corporate Governance Guidelines as well as the Committee Charter have been expanded to confirm and highlight the importance Teranga places on maintaining an appropriate level of diversity. While the primary objectives of the Committee are to ensure consideration of individuals

who are highly qualified, based on their talents, experience, functional expertise and personal skills, character and qualities, the Committee will balance these objectives with the need to identify and promote individuals who are reflective of diversity for nomination for election to the Board. In particular, the Committee will consider the level of representation of women and other diverse candidates on the Board when making recommendations for nominees to the Board.

As noted above, the Board has expanded its governance disclosure to confirm and reflect the importance of a diversity of perspectives and backgrounds within its executive management team, paying specific attention to the representation of women. The Company has always maintained at least one woman within its relatively small executive management team and is committed to maintaining this minimum level of representation and expanding upon it depending on the suitability. The Board and management recognize the value brought by a diversity of perspectives and background within the management team and have made specific amendments to its governance practices to ensure the level of women's representation is a key factor when the composition of the executive management team is being considered.

Given an established Board and executive management team in place with representation of women at both levels Teranga has not adopted any specific targets with respect to the representation of women. However it will continue to promote its objectives through the initiatives set out in its Corporate Governance Guidelines with a view to identifying and fostering the development of a suitable pool of candidates for nomination or appointment over time. The Committee Charter has also been amended to require an annual review of succession plans for the Chairman, CEO and the executive management team of the Company specifically taking into account the level of women and other diverse candidates in each of these roles.

With respect to Teranga's current organization:

- of the 7 members of the Board of Directors, one is female
- within the Corporate office, excluding executive officers, approximately 75% of staff are female; and
- within the general workforce in Senegal, approximately 10% of employees, including expatriate personnel and contractors are female.

The identity of all Board members is disclosed within this Annual Report. Further details of Teranga's workforce both in its head office and on-site in Senegal can be found in the Our People section of the 2014 Responsibility Report available on the Company's website.

## **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

### ***Election by Shareholders***

The members of the Board are selected each year by the shareholders of Teranga at the annual general meeting of shareholders. The Board proposes individual nominees to the shareholders for election to the Board at each such meeting. Between annual meetings of shareholders, the Board may appoint directors to serve until the next such meeting in accordance with Teranga's articles and by-laws.

### ***Selection of Chairman of the Board***

The Chairman of the Board is appointed by the Board after considering the recommendation of the Corporate Governance and Nominating Committee. The Board adopts and performs an annual review of the position description for the Chairman of the Board.

### ***Role of Chairman and CEO***

The roles of each of the Chairman and the CEO of Teranga are held by two different individuals. The Board has taken the view that given the stage of development of the Company and the unique skill set of the Chairman, it is important that the Chairman be an active member of the executive team and therefore, a non-independent member of the Board.

### ***Independence; Lead Director***

The Board is comprised of a majority of independent directors.

The independent directors select an independent director to carry out the functions of a lead director. If Teranga has a non-executive Chairman of the Board, then the role of the lead director is filled by the non-executive Chairman of the Board. The lead director or non-executive Chairman of the Board Chairs regular meetings of the independent directors and assumes other responsibilities that the independent directors as a whole have designated.

The primary responsibility of the lead director is to seek to ensure that appropriate structures and procedures are in place so that the board of directors may function independently and to lead the process by which the independent directors seek to ensure that the board of directors represents and protects the interests of all shareholders. In addition, the lead independent director reviews, comments and is given the opportunity to set agendas for meetings of the Board (full board or independent directors only), oversee the information made available to directors by management and manages

requests from or other issues that independent directors may have.

#### **Director Selection Criteria**

The Corporate Governance and Nominating Committee is required under its charter to annually review the characteristics, qualities, skills and experience which form the criteria for candidates to be considered for nomination to the Board. The objective of this review will be to maintain the composition of the Board in a way that provides, in the judgment of the Board, the best mix of skills and experience to provide for the overall stewardship of Teranga. All directors are required to possess fundamental qualities of intelligence, honesty, integrity, ethical behavior, fairness and responsibility and be committed to representing the long-term interests of the shareholders. They must also have a genuine interest in Teranga, the ability to be objective at all times about what is in the best interests of Teranga, have independent opinions on all issues and be both willing and able to state them in a constructive manner and be able to devote sufficient time to discharge their duties and responsibilities effectively. The Committee is mandated to identify qualified candidates for nomination as directors and to make recommendations to the Board. Directors are encouraged to identify potential candidates.

#### **Board Size**

The Board has the ability to increase or decrease its size within the limits set out in Teranga's articles and by-laws. The Board will determine its size with regard to the best interests of Teranga. The Board believes that the size of the Board should be sufficient to provide a diversity of expertise and opinions and to allow effective committee organization, yet small enough to enable efficient meetings and decision-making and maximize full Board attendance. The Board will review its size if a change is recommended by the Committee.

#### **Term Limits for Directors**

The Board has determined that fixed term limits for directors should not be established at this time. The Board is of the view that such a policy would have the effect of forcing directors off the Board who have developed, over a period of service, increased insight into Teranga and who, therefore, can be expected to provide an increasing contribution to the Board. Teranga is entering only its fifth year of operations and believes the continuity of the five (5) directors who have been members of the Board since Teranga's initial public offering (Msrs Hill, Lattanzi, Thomas, Wheatley and Young) is a resource to the Company as it continues to work towards executing on its vision of expansion and consolidation in Senegal through a prudent allocation of capital. The Board does not believe

that an arbitrary term limit for Board members is the most effective way of ensuring overall Board effectiveness. At the same time, the Board recognizes the value of some turnover in Board membership to provide fresh ideas and views, and the Corporate Governance and Nominating Committee is mandated to annually consider recommending changes to the composition of the Board.

#### **Director Compensation**

The Board has determined that the directors should be compensated in a form and amount that is appropriate and which is customary for comparative companies, having regard to such matters as time commitment, responsibility and trends in director compensation. The Compensation Committee is mandated to review the compensation of the directors on an annual basis. All compensation paid to Directors will be publicly disclosed.

#### **Attendance at Meetings**

Directors are expected to attend all Board and committee meetings either in person or by conference call. A director will notify the Chairman of the Board or of a committee or the Corporate Secretary if the director will not be able to attend or participate in a meeting. Teranga will publicly disclose the Directors' attendance record on an annual basis.

#### **Assessment of Board and Committee Performance**

The Corporate Governance and Nominating Committee is mandated to undertake an annual assessment of the overall performance and effectiveness of the Board and each committee of the Board and report on such assessments to the Board. The purpose of the assessments is to ensure the continued effectiveness of the Board in discharging its duties and responsibilities and to contribute to a process of continuing improvement.

### **PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

The Company has implemented a set of core values designed to act as guidelines for the standards of integrity and performance for the Board, Management, employees, and other members of the Company. The Company's vision and values are disclosed on the Company's website.

Employees are responsible for their conduct which is expected to comply with Company policies and procedures including those related to health & safety, social & environmental, equal opportunity, human rights, disclosure and trading in Company securities. Induction programs and on-going training are required for each employee and

contractor to ensure they are aware and kept up to date of acceptable behaviour and Company policies.

Procedures are in place to record and publicly report each Director's shareholdings in the Company.

The Company Secretary is responsible for investigating any reports of unethical practices and reporting the outcomes to the Chairman and the CEO or to the Board, as appropriate.

The Company has created a formal Code of Conduct and Ethics which described the Company's values, and can be found in the Corporate Governance section of the Company's website. All details describing, prescribing and underpinning ethical conduct are contained in the values and key policies outlined therein.

In summary, Teranga's Code of Conduct includes an equal opportunity requirement mandating that "all employees are to be recruited, and to pursue their careers, free from any form of unwanted discrimination" and that "Teranga shall not discriminate on the basis of age, color, creed, disability, ethnic origin, gender, marital status, national origin, political belief, race, religion or sexual orientation, unless required for occupational reasons as permitted by law."

#### **PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

The primary function of the audit committee of the Board (the "Audit Committee") is to assist the Board in fulfilling its financial reporting and controls responsibilities to Shareholders Information with respect to the Audit Committee is contained in the Company's Annual Information Form.

##### ***Composition of the Audit Committee***

The Audit Committee of the Company is currently comprised of four independent members. All members of the Audit Committee are financially literate in that they have the ability to read and understand a set of financial statements that are of the same breadth and level of complexity of accounting issues as can be reasonably expected to be raised by the Company's financial statements.

##### ***Relevant Education and Experience***

For summary details regarding the relevant education and experience of each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee, please refer to the Corporate Governance page of the Company's website: [www.terangagold.com](http://www.terangagold.com).

#### ***Audit Committee Oversight***

At no time since the commencement of the Company's most recently completed financial year did the Board decline to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor. The Audit Committee is chaired by an independent director who is not the chairman of the Board.

#### **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

Teranga's Corporate Disclosure Policy is included on its website (on the "Corporate Governance" page under the section titled "Teranga") and sets out a policy that is consistent with the recommendations included under Principal 5.

#### **PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS**

The Company regularly engages with its shareholders and conducts regular analyst briefings. These activities are supported by the publication of the Annual Report, Quarterly Reports both financial and operational, public announcements and the posting of all press releases (TSX and ASX) on the Company website immediately after their public disclosure. Shareholders can elect to receive email notification of announcements by requesting addition to the Company's mailing list.

Shareholders are encouraged to attend the Annual General Meeting and to listen to regular conference calls which are scheduled and disclosed publicly. Replays of conference calls are available for a limited time. Details of such replays are outlined on the original conference call scheduling announcement. The external auditor attends the Annual General Meeting and is available to answer questions in relation to the audit of the financial statements.

Teranga does not have a distinct communications policy but its Corporate Disclosure Policy (available on the Company website) does address the matters recommended under Principal 6 with respect to promoting effective communication with shareholders and the effective use of electronic communication.

#### **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

The Board will adopt a strategic planning processes to establish objectives and goals for Teranga's business and will review, approve and modify as appropriate the strategies proposed by senior management to achieve such objectives and goals. The Board will review and approve, at least on an annual basis, a strategic plan which takes into



account, among other things, the opportunities and risks of Teranga's business and affairs.

The Board, in conjunction with management, will identify the principal risks of Teranga's business and oversee management's implementation of appropriate systems to effectively monitor, manage and mitigate the impact of such risks. Pursuant to its duty to oversee the implementation of effective risk management policies and procedures, the Board will delegate to the Compensation Committee the responsibility for assessing and implementing risk management policies and procedures directly connected to Teranga's compensation practices. Similarly, the Board will delegate the responsibility of assessing and implementing risk management policies and procedures directly connected to environmental risk management to the Technical, Safety, and Environmental and Committee. The Board will work in conjunction with each Committee, respectively, to oversee the implementation of such policies and procedures.

Under applicable securities laws, Teranga's CEO and CFO are required to certify, on a quarterly basis, on the design and effectiveness of disclosure controls and procedures as well as internal controls over financial reporting, and to indicate any identified weaknesses;

As per the Audit Committee Charter, specifically under Section 4.2 thereof, the Audit Committee is charged with reviewing and making recommendations to the Board regarding Teranga's risk management policies and procedures;

The Board recognizes the importance of managing the risks associated with Teranga' business operations and has defined a set of processes to effectively manage risk within the business. They include (but are not limited to) processes to:

- identify risks relevant to the business to determine what can happen, when and how;
- assess identified risks to determine their potential severity and impact on the business;
- evaluate risks;
- treatment plans for risks deemed unacceptable to the business;
- communicate risk management activities and processes to employees; and
- monitor and review risks, risk mitigation strategies and actions as well as the risk management processes and system.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Teranga operates in the international gold mining industry, which is a highly competitive market for executives and Teranga has designed its compensation program to ensure it is able to both attract and retain qualified and experienced executives with the skills and experience required to execute its strategy.

### **Composition of the Compensation Committee**

The Compensation Committee is comprised of three independent directors and while the Board determines its members, the CEO is not involved in the selection process for this committee. The chair of the Compensation Committee is a non-executive independent director.

### **Role of the Compensation Committee**

The Compensation Committee is established by the Board to assist the Board in fulfilling its oversight responsibilities relating to compensation. The Compensation Committee helps to ensure that Teranga has a compensation program that will attract, retain, motivate and reward its executive officers for their performance and contribution to achieving Teranga's long term strategy.

The Board of Teranga established a Compensation Committee on incorporation. Accordingly, the Compensation Committee has been in place for the entire 2013 fiscal year.

The Compensation Committee's primary responsibilities include:

*Compensation Philosophy, Policies and Practices* – ensure compensation philosophy, policies and practices for the directors, the Chief Executive Officer ("CEO") and the executive officers:

- properly reflect their respective duties and responsibilities;
- are competitive in attracting, retaining and motivating people of the highest quality;
- align the interests of the directors, the CEO and the executive officers with shareholders as a whole;
- are based on established corporate and individual performance objectives; and
- do not encourage the taking of inappropriate or excessive risks.

*Evaluation of Performance* – annually review and evaluate the performance of the CEO and the executive officers and, in light of pre-established performance objectives, report its conclusions to the Board;

*Performance Objectives* – annually review the performance objectives for the CEO and the executive officers and, in the Committee's discretion, recommend any changes to the Board for consideration;

*Chief Executive Officer Compensation* – annually review the compensation for the CEO and, in the Committee's discretion, recommend any changes to the Board for consideration;

*Executive Officers Compensation* – annually review the CEO's recommendations for the executive officers' compensation and, in the Committee's discretion, recommend any changes to the Board for consideration;

*Succession Planning* – annually review Teranga's succession plan for the CEO and the executive officers, including appointment, training and evaluation;

*Directors' Compensation* – annually review directors' compensation and, in the Committee's discretion, recommend any changes to the Board for consideration;

*Mitigation of Compensation Risk* – annually consider the risks associated with Teranga's compensation policies and practices, and ensure appropriate risk mitigation measures are adopted.

#### **Role of the Chief Executive Officer**

The CEO's role in executive compensation matters includes making recommendations to the Compensation Committee regarding the Company's annual business plan and objectives, which provide the basis for establishing both corporate and individual performance goals for all executive officers. The CEO reviews the performance of the other executive officers, and also makes recommendations with respect to adjustments in base salary, awarding of annual performance incentives, and awarding of long-term equity incentives to such executive officers. The CEO is not involved in the selection process for the Compensation Committee, or in making recommendations with respect to his own compensation package.

The Compensation Committee reviews the basis for the recommendations of the CEO and, prior to making its recommendations to the Board, exercises its sole discretion in making any modifications to such recommendations.

#### **Compensation Philosophy**

The objective of Teranga's compensation program is to attract, retain, motivate and reward its executive officers for their performance and contribution to executing Teranga's long-term strategy to maximize shareholder value. Teranga's compensation policy revolves around a pay for

performance philosophy whereby fixed elements of pay, such as salary, are positioned at market median levels for the comparator group, while short and longer term incentives are structured to provide above-market total compensation for high levels of corporate and personal performance. The Compensation Committee believes it is necessary to adopt this compensation philosophy in order to attract and retain qualified executive officers with the skills and experience necessary to execute Teranga's strategy.

The Board seeks to compensate Teranga's executive officers by combining short and long-term cash and equity incentives. It also seeks to reward the achievement of corporate and individual performance objectives, and to align executive officers' incentives with shareholder value creation. The Board also seeks to set company performance goals that reach across all business areas and to tie individual goals to the area of the executive officer's primary responsibility.

At this point the Compensation Committee does not anticipate making any significant changes to its compensation philosophy, policies and practices for the 2015 financial year, but expects to review best practice developments in this regard to ensure that current practices do not create undue risk to Teranga and to continue to ensure the alignment of compensation packages with the objective of enhancing shareholder value through an increased share price.

#### **Management Performance and Compensation**

The Compensation Committee conducts an annual review of the performance objectives for the Company's executive management group. Compensation changes may be recommended to the Board, at the Committee's discretion, based upon an executive officer's success in meeting or exceeding individual performance goals, as well as contributing to achieving Company performance goals. The Committee also conducts an independent review of current market standards regarding executive compensation, as well as an assessment of Teranga's executive compensation relative to peer industry participants. The Company's executive compensation program is designed to be competitive with those offered by publicly traded mining companies comparable to Teranga in terms of size, assets, production and region of operation.

Further detailed information on director and executive management compensation for the 2014 financial year will be disclosed in the Company's Management Information Circular to be filed with the TSX and ASX prior to April 4, 2015.

# ASX LISTING RULES: ADDITIONAL DISCLOSURES

## Substantial Shareholders

As at December 31, 2014 there was one substantial shareholder of Teranga beyond 5%. The details are as follows:

Shareholder	Number of Shares	% of Issued Capital
Van Eck Associates Corporation	20,853,276	5.91

## Distribution Schedule of Common Shares and CDI holders (as at March 15, 2015)

Range	CDIs			Common Shares		
	Total Holders	Units	% of Issued Capital	Total Holders	Units	% of Issued Capital
1 - 1,000	1,008	347,353	0.51	17	5,354	0.00
1,001 - 5,000	693	1,715,973	2.51	15	42,479	0.01
5,001 - 10,000	226	1,660,580	2.43	12	84,231	0.02
10,001 - 100,000	256	6,925,843	10.13	16	523,939	0.15
100,001 - 9,999,999,999	32	57,716,926	84.42	10	352,145,087	99.81
<b>Rounding</b>			<b>0.00</b>			<b>0.01</b>
<b>Total</b>	<b>2,215</b>	<b>68,366,675</b>	<b>100.00</b>	<b>70</b>	<b>352,801,090</b>	<b>100.00</b>

## Distribution Schedule of outstanding options (as at March 29, 2015)<sup>(1)</sup>

Range	Options		
	Total Holders	Options	% of Options Outstanding
0 - 50,000	16	602,500	4.50
50,001 - 100,000	13	1,173,611	8.76
100,001 - 250,000	8	1,481,111	11.05
250,001 - 500,000	5	1,965,000	14.66
500,001 - 1,000,000	3	1,780,000	13.28
1,000,001 - 1,500,000	2	2,200,000	16.42
1,500,001 - 2,000,000	1	2,000,000	14.92
2,000,001 - 2,500,000	1	2,200,000	16.42
<b>Total</b>	<b>49</b>	<b>13,402,222</b>	<b>100.00</b>

<sup>(1)</sup> As of the date hereof, 13,402,222 incentive stock options ("Options") are outstanding to the Company's directors, officers, employees, and consultants. Total Options outstanding represent approximately 4% of Issued Capital on a fully diluted basis and are held by 49 option holders. No individual held more than 20% of these unquoted equity securities.

## Unmarketable Parcels of Securities, Escrow and On-market Buyback

As at March 15, 2015, there were 956 CDI holders with an unmarketable parcel of securities (less than \$500 based on a market price of \$0.57 per unit) totalling 298,401 units.

There are not currently any class of securities the subject of escrow. There is no current on-market buy-back.

**TGZ Top 20 Holders of CDIs as at March 15, 2015:**

Rank	Holder	Number of CDIs	% of Issued CDIs
1	Citicorp Nominees Pty Limited	15,409,737	22.54
2	National Nominees Limited	10,862,542	15.89
3	HSBC Custody Nominees (Australia) Limited	10,543,110	15.42
4	Zero Nominees Pty Ltd	8,533,246	12.48
5	J P Morgan Nominees Australia Limited	4,869,497	7.12
6	RBC Investor Services Australia Nominees Pty Limited	1,040,231	1.52
7	UBS Wealth Management Australia Nominees Pty Ltd	862,314	1.26
8	Mr Anthony Platt	556,640	0.81
9	Warbont Nominees Pty Ltd	500,000	0.73
10	Toad Facilities Pty Ltd	420,000	0.61
11	Mr Jeffrey Williams + Mrs Rosalyn Williams	360,000	0.53
12	P G Howarth Pty Ltd	354,374	0.52
13	RBC Securities Nominees Pty Limited	278,000	0.41
14	Mrs Penelope Margaret Ackland + Mr Martin Clyde Ackland	271,695	0.40
15	Senegal Nominees Surl	268,416	0.39
16	Mrs Penelope Jane Bligh	227,957	0.33
17	Gecko Resources Pty Ltd	200,000	0.29
18	Uob Kay Hian (Hong Kong) Limited	190,687	0.28
19	Javelin Minerals Inc	175,000	0.26
20	Mr James Peter Karlson	175,000	0.26
<b>Total Top 20 Holders Balance</b>		<b>56,098,446</b>	<b>82.06</b>
<b>Total Remaining Holders Balance</b>		<b>12,268,229</b>	<b>17.94</b>
<b>Total CDIs on Issue</b>		<b>68,366,675</b>	<b>100.00</b>

**TGZ Top 20 Holders of Common Shares as at March 15, 2015:**

Rank	Shareholder	Number of Shares	% of Issued Shares
1	CDS & Co	275,196,117	78.00
2	Chess Depository Nominee Pty Limited	68,366,675	19.38
3	Cede & Co	5,763,936	1.63
4	Kingsdale Shareholder Services Inc Tr Unexchanged Oromin Explorations	1,653,528	0.47
5	Taif Telecom Trading Sarl <Account 1>	263,292	0.07
6	Taif Telecom Trading Sarl <Account 2>	263,292	0.07
7	Libah Investments Ltd	221,165	0.06
8	Tarcoola Limited	173,338	0.05
9	Etrade Clearing	142,455	0.04
10	John Russell Eastman	101,289	0.03
11	John Rigas	86,856	0.02
12	John Russell Eastman Sally Elaine Eastman Ten Com	68,487	0.02
13	Leppard Investments Limited	49,499	0.01
14	Wm P Cribbs Dds + Brenda Lee Cribbs Ten Com	47,520	0.01
15	The Hampshire Foundation	40,000	0.01
16	Mario Sanchez	30,000	0.01
17	Janney Montgomery Scott LLC	28,800	0.01
18	Tombstone Enterprises LLC	26,057	0.01
19	Mr Wolfgang Karl Feldhus	25,452	0.01
20	Walter Bruce Butler	25,320	0.01
<b>Total Top 20 Holders Balance</b>		<b>352,573,078</b>	<b>99.94</b>
<b>Total Remaining Holders Balance</b>		<b>228,012</b>	<b>0.06</b>
<b>Total Shares on Issue</b>		<b>352,801,090</b>	<b>100.0</b>

## Share Classes and Voting Rights

There is only a single share class being common shares of Teranga Gold Corporation. The total amount of outstanding common shares of Teranga Gold Corporation is 352,801,090.

Teranga is authorized to issue an unlimited number of common shares with no par value. Holders of common shares are entitled to one vote for each common share on all matters to be voted on by shareholders at meetings of Teranga's shareholders. All dividends which the Board of Directors may declare shall be declared and paid in equal amounts per share on all common shares at the time outstanding. There are no pre-emptive, redemption or conversion rights attaching to the common shares. All common shares, when issued, are and will be issued as fully paid and non-assessable shares without liability for further calls or to assessment. As each CDI represents a beneficial interest in one common share, CDI holders need to provide confirmation of their voting instructions to CHES Depository Nominees Pty Ltd (CDN), as registered holder of the underlying common shares, in order to vote at shareholder meetings. Alternatively, if a holder of CDIs wishes to attend and vote at shareholder meetings, they may instruct CDN to appoint the CDI holder (or a person nominated by the CDI holder) as the holders proxy for the purposes of attending and voting at shareholder meetings. As of the date hereof, 13,402,222 incentive stock options are outstanding to the Company's directors, officers, employees, and consultants. Holders of options are not entitled to vote.

### Issuance of Options to Directors

On November 30, 2010, Teranga received its conditional listing approval from ASX which was subject to a number of conditions ("Listing Conditions"). Teranga received a waiver from ASX Listing Rule 10.14 to the extent necessary to permit Teranga to issue options to Messrs. Hill, Young, Lattanzi, Thomas and Wheatley pursuant to the terms and conditions contained in Teranga's incentive stock option plan summarized in its IPO prospectus on the condition that:

- (a) the options were issued within three years of the date of admission to the official list of ASX; and
- (b) details of any options that are subsequently issues are published in each annual report of Teranga relevant to the period in which they are issued.

No options were issued during the 2014 fiscal period to any members of the Board.

## Corporate Status

Teranga Gold Corporation (ACN 146 848 508) (Teranga) is a company incorporated under the laws of Canada, with members' liability limited.

*Not Subject To Chapters 6, 6a, 6B and 6c of The Corporations Act 2001 (Cth)*

Teranga is not subject to chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 dealing with the acquisition of shares in Teranga in relation to substantial holdings and takeovers.

*Limitations on the Acquisition of Teranga Securities Imposed By Canada*

In Canada, acquisitions of securities by takeover bid are regulated by provincial securities legislation. Generally, under this legislation, an offer to acquire securities from a shareholder resident in a Canadian province which will result in the offeror (including joint actors) holding 20 percent or more of the issued share capital of the company constitutes a takeover bid. Subject to limited exceptions (for example the purchase at not more than a market price of up to 5 percent of outstanding shares over 12 months, private offers to no more than 5 persons at no greater than 115 percent of market price and purchases from treasury) an offeror must:

- (a) provide shareholders with a takeover bid circular describing the terms of the offer and if securities of the offeror form part of the consideration, including prospectus level disclosure about the offeror and its business;
- (b) keep the bid open for at least 35 days; and
- (c) deliver the circular and extend the offer to each shareholder of the company, with the ultimate purchase of shares being pro rata amongst those shareholders who have tendered their shares under the bid. Rules also provide an early warning system to notify the market of significant accumulations of securities.

Under federal corporate law, if a takeover bid is accepted by the holders of not less than 90 percent of the outstanding shares (excluding shares held at the date of the bid by or on behalf of the offeror) the offeror is entitled and the remaining shareholders can require the offeror to acquire the remaining shares either on the same terms of the takeover bid or at fair market value, as elected by the shareholder.

Canadian rules also provide an early warning system to notify the market of significant accumulation of securities. Under the system an acquirer must issue a press release and file a report with provincial securities

commission under the initial acquisition (whether from market purchases, treasury or otherwise) of 10 percent or more of the share capital of a public company and thereafter upon acquisition of an additional 2 percent.

The above is only a short summary of certain takeover bid and related requirements and reference must be made to applicable Canadian corporate and securities legislation, including the requirements of the Toronto Stock Exchange, for further details of takeover bid provisions and other regulated transactions such as insider bids, related party transactions and private placements, among others.

### **Share Registries**

*Canada: Computershare Trust Company of Canada*

Computershare Trust Company of Canada,  
100 University, Avenue, 8th Floor,  
Toronto, Ontario, Canada, M5J 2Y1  
Tel: + 1-800-564-6253

*Australia: Computershare Investor Services*

The Registrar,  
Computershare Investor Services Pty Limited  
GPO Box 2975,  
Melbourne VIC 3001, Australia  
Tel: + 1-300-850-505

### **Registered Office in Australia**

Hardy Bowen Lawyers  
Level 1, 28 Ord Street  
West Perth WA 6005, Australia

# CORPORATE DIRECTORY

## BOARD OF DIRECTORS

**Alan R. Hill**  
Chairman

**Richard Young**  
President and CEO

**Christopher R. Lattanzi**  
Non-Executive Director

**Alan R. Thomas**  
Non-Executive Director

**Frank D. Wheatley**  
Non-Executive Director

**Edward Goldenberg**  
Non-Executive Director

**Jendayi Frazer**  
Non-Executive Director

## SENIOR MANAGEMENT

**Richard Young**  
President and CEO

**Mark English**  
Vice President, Sabodala Operations

**Paul Chawrun**  
Vice President, Technical Services

**Navin Dyal**  
Vice President and CFO

**David Savarie**  
Vice President, General Counsel and  
Corporate Secretary

**Aziz Sy**  
General Manager and  
Vice President, Development, Senegal

**Sepanta Dorri**  
Vice President, Corporate and Stakeholder  
Development

## CORPORATE HEAD OFFICE

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Tel: + 1-416-607-4507

**Senegal Office**  
2K Plaza Suite B4, 1er Etage  
Sis Route du Méridien Président  
Dakar Almadies  
Tel: + 221-338-693-181  
Fax: + 221-338-603-683

**Auditor**  
Ernst & Young LLP  
Chartered Accountants  
Toronto, Ontario, Canada

**Legal Counsel**  
Stikeman Elliott LLP  
Toronto, Ontario, Canada

**Registrar and Transfer Agent**  
Canada: Computershare Trust Company of Canada  
100 University Avenue, 8th Floor, Toronto, Ontario,  
Canada M5J 2Y1  
Tel: + 1-800-564-6253

Australia: Computershare Investor Services Pty Ltd.  
GPO Box 2975, Melbourne VIC 3001,  
Australia Tel: + 1-300-850-505  
(investors within Australia)  
Tel: + 61-3-9415-4000 (investors)

**Stock Exchange Listings**  
Toronto Stock Exchange: TGZ  
Australian Securities Exchange: TGZ

**Common Shares Issued and Outstanding**  
352,801,090 (as at March 15, 2015)

Teranga Gold's full 2014 annual report can be viewed online at [www.terangagold.com/annualreport2014](http://www.terangagold.com/annualreport2014) when available.

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