Interim Condensed Consolidated Financial Statements of

TERANGA GOLD CORPORATION

For the three months ended March 31, 2016

(unaudited)

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Three months ended March 31, 2016	2015 (Restated) note 8
Revenue	3	79,198	68,491
Cost of sales	4	(52,531)	(48,773)
Gross profit		**26,667**	**19,718**
Exploration and evaluation expenditures		(1,413)	(809)
Administration expenses	5	(1,573)	(2,991)
Corporate social responsibility expenses		(967)	(474)
Share-based compensation	23	(948)	(327)
Finance costs	6	(1,071)	(649)
Net foreign exchange gains/(losses)		(1,483)	1,291
Other income/(expenses)	7	(4,960)	1,783
		(12,415)	**(2,176)**
Profit before income tax		**14,252**	**17,542**
Income tax expense	8	(4,909)	(2,772)
Net profit		**9,343**	**14,770**
Net profit attributable to:			
Shareholders		7,812	12,987
Non-controlling interests		1,531	1,783
Net profit for the period		**9,343**	**14,770**
Other comprehensive income:			
Items that may be reclassified subsequently to profit for the year			
Change in fair value of available for sale financial asset, net of tax		-	1
Other comprehensive income for the period		**-**	**1**
Total comprehensive income for the period		**9,343**	**14,771**
Total comprehensive income attributable to:			
Shareholders		7,812	12,988
Non-controlling interests		1,531	1,783
Total comprehensive income for the period		**9,343**	**14,771**
Earnings per share from operations attributable to the shareholders of the Company during the period			
- basic earnings per share	18	0.02	0.04
- diluted earnings per share	18	0.02	0.04

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at March 31, 2016	As at December 31, 2015
Current assets			
Cash and cash equivalents	21b	53,498	44,436
Trade and other receivables	9	14,799	15,701
Inventories	10	51,802	57,529
Other current assets	11	11,338	9,381
Total current assets		**131,437**	**127,047**
Non-current assets			
Inventories	10	109,115	106,898
Property, plant and equipment	12	194,153	193,426
Mine development expenditures	13	238,937	237,046
Deferred income tax assets		23,279	23,098
Other non-current assets	11	8,060	8,701
Total non-current assets		**573,544**	**569,169**
Total assets		**704,981**	**696,216**
Current liabilities			
Trade and other payables	14	62,349	62,545
Current income tax liabilities	8	12,367	8,685
Deferred revenue	16	22,374	19,155
Provisions	17	3,245	2,588
Total current liabilities		**100,335**	**92,973**
Non-current liabilities			
Borrowings	15	13,706	13,450
Deferred revenue	16	63,616	72,190
Provisions	17	28,615	28,236
Other non-current liabilities	14	10,987	11,098
Total non-current liabilities		**116,924**	**124,974**
Total liabilities		**217,259**	**217,947**
Equity			
Issued capital		385,200	385,174
Foreign currency translation reserve		(998)	(998)
Other components of equity		16,989	16,905
Retained earnings		75,606	67,794
Equity attributable to shareholders		**476,797**	**468,875**
Non-controlling interests		10,925	9,394
Total equity		**487,722**	**478,269**
Total equity and liabilities		**704,981**	**696,216**

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

Approved by the Board of Directors

Alan Hill
Director

Alan Thomas
Director

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Three months ended March 31,	
	2016	**2015 (Restated) note 8**
Issued capital		
Beginning of period	385,174	367,837
Issued on exercise of stock options	26	-
End of period	385,200	367,837
Foreign currency translation reserve		
Beginning of period	(998)	(998)
End of period	(998)	(998)
Other components of equity		
Beginning of period	16,905	16,255
Equity-settled share-based compensation reserve	84	3
Investment revaluation reserve on change in fair value of available for sale financial asset, net of tax	-	1
End of period	16,989	16,259
Retained earnings		
Beginning of period	67,794	118,337
Profit attributable to shareholders	7,812	12,987
End of period	75,606	131,324
Non-controlling interest		
Beginning of period	9,394	14,464
Non-controlling interest - portion of profit for the period	1,531	1,783
End of period	10,925	16,247
Total equity as at March 31	**487,722**	**530,669**

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three months ended March 31,	
	Note	**2016**	**2015**
			(Restated) note 8
Cash flows related to operating activities			
Net profit for the period		9,343	14,770
Depreciation of property, plant and equipment	12	5,762	5,846
Depreciation of capitalized mine development costs	13	5,235	5,087
Inventory movements - non-cash	4	2,917	3,675
Capitalized deferred stripping - non-cash	4	(274)	(660)
Amortization of advanced royalties	4	965	429
Losses on derivative instruments	7	924	-
Amortization of intangibles		22	142
Amortization of deferred financing costs	6	256	275
Unwinding of discounts	6	225	59
Share-based compensation	23	948	327
Deferred gold revenue recognized	16	(5,355)	(7,306)
Deferred income tax expense/(recovery)	8	(180)	2,772
Loss on disposal of property, plant and equipment		-	1
Increase in inventories		1,599	2,206
Changes in non-cash working capital other than inventories	21a	1,756	(10,992)
Net cash provided by operating activities		**24,143**	**16,631**
Cash flows related to investing activities			
Expenditures for property, plant and equipment		(7,015)	(642)
Expenditures for mine development		(7,331)	(8,576)
Acquisition of intangibles		(36)	(66)
Net cash used in investing activities		**(14,382)**	**(9,284)**
Cash flows related to financing activities			
Proceeds from stock options exercised		18	-
Repayment of borrowings	15	-	(4,192)
Interest paid on borrowings		(444)	(43)
Net cash used in financing activities		**(426)**	**(4,235)**
Effect of exchange rates on cash holdings in foreign currencies		(273)	1
Net increase in cash and cash equivalents		**9,062**	**3,113**
Cash and cash equivalents at the beginning of period		**44,436**	**35,810**
Cash and cash equivalents at the end of period		**53,498**	**38,923**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

The interim condensed consolidated financial statements were approved by the Board of Directors on April 28, 2016.

b. Basis of presentation

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

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

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

d. Future accounting policies not yet adopted

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

3. REVENUE

	Three months ended March 31,	
	2016	**2015**
Gold sales - spot price	79,132	68,409
Silver sales	66	82
Total revenue	**79,198**	**68,491**

For the three months ended March 31, 2016, 67,672 ounces of gold were sold including 5,625 ounces delivered to Franco Nevada Corporation ("Franco-Nevada") at an average realized price of $1,169 per ounce (2015: 56,223 ounces were sold, including 7,500 ounces delivered to Franco Nevada at an average price of $1,217 per ounce).

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

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For the three months ended March 31, 2016, the Company delivered all of its production to two customers with associated revenues of $72.5 million, and $6.7 million, respectively (2015: two customers, $59.4 million and $9.1 million, respectively).

4. COST OF SALES

	Three months ended March 31,	
	2016	**2015**
Mine production costs	35,002	34,852
Capitalized deferred stripping - cash	(3,049)	(6,588)
Capitalized deferred stripping - non-cash	(274)	(660)
Depreciation and amortization - deferred stripping assets	551	1,560
Depreciation and amortization - property, plant and equipment and mine development expenditures	10,391	9,332
Royalties(i)	4,408	3,366
Amortization of advanced royalties	965	429
Regional administration costs(ii)	512	573
Inventory movements - cash	1,108	2,234
Inventory movements - non-cash	2,917	3,675
Total cost of sales	**52,531**	**48,773**

(i) Includes $0.5 million (2015: nil) of royalties to Axmin Inc. on account of their 1.5 percent net smelter royalty on the Gora deposit.

(ii) In 2016 in order to better align costs with industry peers, the Company has reclassified $0.5 million of regional administration costs directly relating to cost of sales activities from administration expenses to cost of sales (2015: $0.6 million) and $1.0 million of corporate social responsibility ("CSR") costs to a separate line on the consolidated statements of comprehensive income (2015: $0.5 million). The prior year figures have been adjusted to conform to the current quarter's presentation. Refer to Note 5.

5. ADMINISTRATION EXPENSES

	Three months ended March 31,	
	2016	**2015**
Corporate office	1,099	2,054
Audit fees	50	219
Legal and other	406	590
Depreciation	18	128
Total administration expenses	**1,573**	**2,991**

6. FINANCE COSTS

	Three months ended March 31,	
	2016	**2015**
Interest and deferred financing costs on borrowings	581	340
Unwinding of discounts	225	59
Stocking fees	154	170
Bank charges	93	46
Other	18	34
Total finance costs	**1,071**	**649**

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7. OTHER (INCOME) / EXPENSES

	Three months ended March 31,	
	2016	**2015**
Losses/(gains) on derivative instruments (i)	926	(1,770)
Business process consulting	777	-
Mine license registration fees(ii)	1,033	-
Business taxes(iii)	2,500	-
Interest and other income	(276)	(13)
Total other (income)/expenses	**4,960**	**(1,783)**

(i) In February 2016, the Company entered into gold forward contracts with Société Générale to deliver 28,000 ounces with settlement dates from March to August 2016 at an average price of $1,201 per ounce. Based on the spot price at the expiry of the March contract and the gold forward curve at March 31, 2016, realized hedge losses of $0.1 million and unrealized hedge losses of $0.8 million were recorded (2015: realized hedge gains of $1.8 million). Refer to Note 14.
(ii) During the quarter, the Company paid $1.0 million in prescribed fees (land registry and notary), related to the OJVG acquisition, to register its expanded Sabodala mining license area granted in July of 2015 which incorporated the Gora deposit area (45km), the former Sabodala mining license area (33km), and the Golouma mining license area (212km).
(iii) Business taxes are calculated based on the gross value of fixed assets of the preceding year. The amount recorded during the first quarter represents the full 2016 liability.

8. INCOME TAX

On May 2, 2015, the Company's tax holiday in Senegal ended and the Company has recorded a current income tax expense on taxable income earned in its Senegalese entities for the period of January 1, 2016 to March 31, 2016 at a rate of 25 percent. Current income tax is calculated using local tax rates on taxable income which is estimated in accordance with local statutory requirements and is denominated in the Senegalese currency (CFA Franc). As a result, the tax basis of all assets and non-current intercompany loans are recorded using historical exchange rates and translated to the functional currency using the period end exchange rate, and the Company's deferred tax balances will fluctuate due to changes in foreign exchange rates. The consolidated effective tax rate is also affected by non-deductible expenses and tax losses not benefitted in jurisdictions outside of Senegal.

For the three months ended March 31, 2016, the Company recorded an income tax expense of $4.9 million, comprised of current income tax expense of $5.1 million net of recovery of deferred income taxes of $0.2 million.

During the second quarter of 2015, upon completion of local tax filings, it was determined that goodwill on the OJVG acquisition had no tax basis and as such a temporary deferred tax difference exists with respect to OJVG mineral property assets. The purchase price equation had been restated to recognize a deferred tax asset of $13.4 million in relation to the deferred mineral property expenditures and a corresponding reduction in goodwill. As a result, income tax expense for the first quarter of 2015 had also been restated to include $2.8 million of deferred tax expense.

9. TRADE AND OTHER RECEIVABLES

	As at March 31, 2016	As at December 31, 2015
Current		
Trade receivables (i)	457	625
Value added tax ("VAT") recoverable (ii)	12,297	13,187
Other receivables (iii)	2,045	1,889
Total trade and other receivables	**14,799**	**15,701**

(i) Trade receivables relate to gold and silver shipments made prior to quarter-end that were settled after quarter-end.
(ii) Value added tax ("VAT") is levied at a rate of 18 percent on supply of goods and services and is recoverable on the majority of purchases in Senegal. Non-recoverable VAT is expensed to net profit. The Company was previously exempt from VAT during the tax holiday in Senegal.
(iii) Other receivables primarily include receivables from suppliers for services, materials and utilities used at the Sabodala gold mine, a $0.3 million receivable related to the sale of exploration rights (2015: $0.4 million) and $0.1 million of Canadian sales tax refunds as at March 31, 2016 (2015: $0.1 million).

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10. INVENTORIES

	As at March 31, 2016	As at December 31, 2015
Current		
Gold bullion	2,709	1,948
Gold in circuit	4,450	4,075
Ore stockpile	11,467	18,845
Total gold inventories	**18,626**	**24,868**
Diesel fuel	1,364	1,881
Materials and supplies	28,503	28,981
Goods in transit	3,309	1,799
Total other inventories	**33,176**	**32,661**
Total current inventories	**51,802**	**57,529**
Non-current		
Ore stockpile	109,115	106,898
Total inventories	**160,917**	**164,427**

11. OTHER ASSETS

	As at March 31, 2016	As at December 31, 2015
Current		
Prepayments (i)	2,602	4,129
Security deposit (ii)	1,500	1,500
Advanced royalty (iii)	3,028	3,338
Financial derivative assets	-	41
VAT certificates received (iv)	4,208	373
Total other current assets	**11,338**	**9,381**
Non-current		
Advanced royalty (iii)	7,875	8,530
Intangible assets	185	171
Total other non-current assets	**8,060**	**8,701**
Total other assets	**19,398**	**18,082**

(i) As at March 31, 2016, prepayments include $2.3 million (2015 - $3.2 million) of advances to vendors and contractors and $0.3 million for insurance (2015 - $0.9 million).

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

(iii) As at March 31, 2016, the Company has recorded $3.0 million in other current assets and $7.9 million in other non-current assets as advanced royalty payments to the Government of Senegal. In total, the Company had recorded $10.0 million related to the OJVG in 2014 and $4.2 million related to the Gora deposit in the first quarter of 2015. The advanced royalties are expensed to net profit based on actual production from the former OJVG and Gora deposits. During the three months ended March 31, 2016, the Company expensed $1.0 million as amortization of OJVG and Gora advanced royalties (2015: $0.4 million). The advanced royalty recorded within other current assets is based on the expected production from the OJVG and Gora deposits over the next 12 months and the remaining balance is recorded within other non-current assets. Refer to Note 14.

(iv) At March 31, 2016, the Company held $4.2 million of VAT refunds in the form of VAT certificates. These certificates are highly liquid and are convertible into cash at local banks or may be issued directly to the Company's suppliers to reduce future VAT collections or other taxes payable by the Company.

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12. PROPERTY, PLANT AND EQUIPMENT

	Buildings and property improvements	Plant and equipment	Office furniture and equipment	Motor vehicles	Mobile equipment	Capital work in progress	Total
Cost							
Balance as at January 1, 2015	**45,035**	**261,200**	**2,231**	**3,031**	**83,173**	**4,727**	**399,397**
Additions	33	8,732	24	-	2,474	25,842	**37,105**
Disposals	-	(394)	(30)	-	(1)	-	**(425)**
Other	-	34	-	-	-	-	**34**
Transfer	6,035	6,882	253	788	-	(13,958)	**-**
Balance as at December 31, 2015	**51,103**	**276,454**	**2,478**	**3,819**	**85,646**	**16,611**	**436,111**
Additions	-	214	9	-	-	6,592	**6,815**
Disposals	-	-	-	-	(173)	-	**(173)**
Transfer to Mine development expenditures	-	-	-	-	-	(326)	**(326)**
Transfer[1]	(4,716)	(1,728)	67	2,056	4,233	88	**-**
Balance as at March 31, 2016	**46,387**	**274,940**	**2,554**	**5,875**	**89,706**	**22,965**	**442,427**
Accumulated depreciation and impairment charges							
Balance as at January 1, 2015	**21,446**	**119,600**	**1,798**	**2,340**	**55,780**	**-**	**200,964**
Disposals	-	(315)	(19)	-	-	-	**(334)**
Impairment charges	3,111	16,241	-	-	-	-	**19,352**
Depreciation expense	1,892	12,269	231	376	7,935	-	**22,703**
Balance as at December 31, 2015	**26,449**	**147,795**	**2,010**	**2,716**	**63,715**	**-**	**242,685**
Disposals	-	-	-	-	(173)	-	**(173)**
Depreciation expense	599	4,647	84	206	226	-	**5,762**
Balance as at March 31, 2016	**27,048**	**152,442**	**2,094**	**2,922**	**63,768**	**-**	**248,274**
Net book value							
Balance as at December 31, 2015	**24,654**	**128,659**	**468**	**1,103**	**21,931**	**16,611**	**193,426**
Balance as at March 31, 2016	**19,339**	**122,498**	**460**	**2,953**	**25,938**	**22,965**	**194,153**

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

Additions made to property, plant and equipment during the three months ended March 31, 2016 relate mainly to expenditures for the mill optimization project and sustaining capital.

Depreciation of property, plant and equipment was $5.8 million for the three months ended March 31, 2016 (2015: $5.8 million).

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13. MINE DEVELOPMENT EXPENDITURES

	Development and exploration costs	Deferred stripping assets	Total
Cost			
Balance as at January 1, 2015	**295,945**	**89,829**	**385,774**
Additions incurred during the year	8,804	15,921	24,725
Balance as at December 31, 2015	**304,749**	**105,750**	**410,499**
Additions incurred during the period	3,478	3,322	6,800
Transfer from Property, plant and equipment	326	-	326
Balance as at March 31, 2016	**308,553**	**109,072**	**417,625**
Accumulated depreciation and impairment charges			
Balance as at January 1, 2015	**72,596**	**52,459**	**125,055**
Depreciation expense	13,840	5,686	19,526
Impairment charges	23,538	5,334	28,872
Balance as at December 31, 2015	**109,974**	**63,479**	**173,453**
Additions incurred during the period	4,684	551	5,235
Balance as at March 31, 2016	**114,658**	**64,030**	**178,688**
Carrying amount			
Balance as at December 31, 2015	**194,775**	**42,271**	**237,046**
Balance as at March 31, 2016	**193,895**	**45,042**	**238,937**

	As at March 31, 2016	As at December 31, 2015
Capitalized mine development additions		
Deferred stripping costs	3,322	15,921
Capitalized mine development - Gora	-	1,863
Capitalized mine development - Golouma	1,993	1,272
Capitalized reserve development	971	4,855
Other	514	814
Total capitalized mine development additions	**6,800**	**24,725**

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

Depreciation of capitalized mine development of $5.2 million was expensed as cost of sales for the three months ended March 31, 2016 (2015: $5.1 million).

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14. TRADE AND OTHER PAYABLES

	As at March 31, 2016	As at December 31, 2015
Current		
Trade payables (i)	16,324	22,903
Sundry creditors and accrued expenses	16,085	14,900
Government royalties (ii)	15,416	11,054
Amounts payable to Republic of Senegal (iii) (iv) (vii)	13,067	13,155
Financial derivative liabilities	924	-
Contingent consideration (vi)	533	533
Total current trade and other payables	**62,349**	**62,545**
Non-Current		
Amounts payable to Republic of Senegal (v)	7,665	7,565
Contingent consideration (vi)	3,322	3,533
Total other non-current liabilities	**10,987**	**11,098**
Total trade and other payables	**73,336**	**73,643**

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

(ii) Government royalties are accrued based on the mine head value of the gold and related substances produced at a rate of 5 percent of sales (8,968 million XOF). Beginning in 2015, we had anticipated transitioning to quarterly payments of royalties, however with the weaker gold price, that transition has been deferred.

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

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

(v) The Company agreed to establish a social development fund which involves making a payment of $15.0 million to the Republic of Senegal at the end of the operational life. It is recorded at its net present value of $7.7 million.

(vi) The Company acquired Badr's 13 percent carried interest in the OJVG for cash consideration of $7.5 million and further contingent consideration which will be based on realized gold prices and increases to the OJVG's mining reserves through 2020, of which $3.8 million was accrued upon finalization of the purchase price allocation in 2014. As at March 31, 2016, $0.5 million has been recorded as a current liability and $3.3 million has been recorded as a non-current liability and is recorded at its net present value (2015: $0.5 million in current liabilities and $3.5 million in non-current liabilities).

(vii) Pursuant to the completion of the acquisition of the OJVG in 2014, the Company is required to make initial payments totalling $10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the OJVG. As at March 31, 2016, $3.4 million remains to be paid and has been accrued as a current liability.

15. BORROWINGS

	As at March 31, 2016	As at December 31, 2015
Non-Current		
Revolving credit facility	15,000	15,000
Deferred financing costs	(1,294)	(1,550)
Total borrowings	**13,706**	**13,450**

a. Senior Secured Revolving Credit Facility

During 2015, the Company entered into a $30.0 million Revolver Facility with Société Générale which is being used for general corporate purposes and working capital needs. The Revolver Facility carries an interest rate of LIBOR plus 5.0 percent and matures on June 30, 2017, with any unused facility subject to a commitment fee of 1.75 percent. At March 31, 2016, the Company had drawn down $15.0 million from the Revolver Facility for working capital needs. The Revolver Facility is subject to covenants that require the Company to maintain a current ratio of not less than

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1.10:1; total debt to EBITDA of not greater than 2:1; historic debt coverage ratio of greater than 2.5:1 and a tangible net worth of not less than $300 million. The Company was compliant with all covenants during the quarter.

16. DEFERRED REVENUE

	Amount
Balance as at January 1, 2015	**113,998**
Amortization of deferred revenue	(22,653)
Balance as at December 31, 2015	**91,345**
Amortization of deferred revenue	(5,355)
Balance as at March 31, 2016	**85,990**

	As at March 31, 2016	As at December 31, 2015
Current	22,374	19,155
Non-Current	63,616	72,190
Total deferred revenue	**85,990**	**91,345**

During the three months ended March 31, 2016, the Company delivered 5,625 ounces of gold to Franco-Nevada and recorded revenue of $6.7 million, consisting of $1.3 million received in cash proceeds and $5.4 million recorded as a reduction of deferred revenue. (2015: 7,500 ounces delivered, revenue of $9.1 million, consisting of $1.8 million received in cash proceeds and $7.3 million recorded as a reduction of deferred revenue).

17. PROVISIONS

	As at March 31, 2016	As at December 31, 2015
Current		
Employee benefits (i)	1,812	1,847
Cash settled share-based compensation (iii)	1,433	741
Total current provisions	**3,245**	**2,588**
Non-Current		
Mine restoration and rehabilitation (ii)	27,215	26,962
Employee benefits (i)	868	837
Cash settled share-based compensation (iii)	532	437
Total non-current provisions	**28,615**	**28,236**
Total provisions	**31,860**	**30,824**

(i) The provisions for employee benefits include $1.1 million accrued vacation and $0.7 million long service leave entitlements for the period ended March 31, 2016 (2015 - $1.0 million and $0.7 million). The non-current provisions for employee benefits include $0.9 million accrued vacation (2015 - $0.8 million).

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

(iii) The provision for cash settled share-based compensation represents the amortization of the fair value of the fixed bonus plan units and the amortization of the fair value of the RSUs and DSUs. Please see Note 23 for further details.

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

18. EARNINGS PER SHARE (EPS)

	Three months ended March 31,	
	2016	**2015**
Basic EPS (US$)	0.02	0.04
Diluted EPS (US$)	0.02	0.04
Basic EPS:		
Net profit used in the calculation of basic EPS	7,812	12,987
Weighted average number of common shares for the purposes of basic EPS ('000)	392,001	352,801
Effect of dilutive share options ('000)	424	-
Weighted average number of common shares outstanding for the purpose of diluted EPS ('000)	392,425	352,801

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 11.7 million and 17.2 million shares relating to share options that were anti-dilutive for the periods ended March 31, 2016 and March 31, 2015, respectively.

19. COMMITMENTS FOR EXPENDITURES

The Company has entered into various capital purchase obligations related to the mill optimization and other projects. As at March 31, 2016, total future purchase obligations related to these projects were approximately $8.7 million.

20. CONTINGENT LIABILITIES

a. Settled and outstanding tax assessments

During the first quarter 2016, confirmation of the withdrawal of the January 2015 tax assessment was received without any further liability to SGO. In April 2016, the Company received a similar withdrawal of the 2011 tax assessment for all but $1 million which remains in dispute.

21. CASH FLOW INFORMATION

a. Change in working capital

Net change in working capital other than inventory	**Three months ended March 31,**	
	2016	**2015**
Changes in working capital other than inventory		
Increase in trade and other receivables	(3,904)	(167)
Decrease/(increase) in other assets	1,460	(720)
Increase/(decrease) in trade and other payables	602	(10,104)
Decrease in provisions	(85)	(1)
Increase in current income taxes payable	3,683	-
Net change in working capital other than inventory	**1,756**	**(10,992)**

b. Cash balance subject to liquidity covenant

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

22. FINANCIAL INSTRUMENTS

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

a. Categories of financial instruments

As at March 31, 2016, the Company's financial instruments consisted of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

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

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

	As at March 31, 2016	As at December 31, 2015
Financial assets:		
Loans and receivables		
Trade and other receivables	14,799	15,701
Financial liabilities:		
Other financial liabilities at amortized cost		
Trade and other payables	75,301	74,821
Borrowings	13,706	13,450

b. Fair value of financial instruments

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

	As at March 31, 2016		As at December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Borrowings	13,706	15,000	13,450	15,000

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

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

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

	As at March 31, 2016			As at December 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets						
Cash and cash equivalents	53,498	-	-	44,436	-	-
Total	**53,498**	**-**	**-**	**44,436**	**-**	**-**
Financial Liabilities						
Borrowings	-	13,706	-	-	13,450	-
Financial derivative liabilities	924	-	-	-	-	-
Cash settled share-based compensation	-	1,756	209	-	1,063	115
Total	**924**	**15,462**	**209**	**-**	**14,513**	**115**

23. SHARE BASED COMPENSATION

The share-based compensation expense for the three months ended March 31, 2016 totaled $0.9 million (2015: $0.3 million).

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

a. Incentive Stock Option Plan

During the three months ended March 31, 2016, 4,027,686 common share stock options were granted at an exercise price of C$0.67, 16,665 common share stock options were forfeited and 36,106 options were exercised. The exercise price of new stock options granted during the current year was determined using a volume weighted average trading price of the Company's shares for the 5-day period ended March 31, 2016.

	Number of options	Weighted average exercise price
Balance as at January 1, 2015	**21,470,489**	**C$2.54**
Granted during the period	3,855,000	C$0.64
Forfeited during the period	(2,039,724)	C$3.00
Expired during the period	(7,746,600)	C$1.73
Balance as at December 31, 2015	**15,539,165**	**C$2.42**
Granted during the period	4,027,686	C$0.67
Forfeited during the period	(16,665)	C$3.00
Exercised during the period	(36,106)	C$0.64
Balance as at March 31, 2016	**19,514,080**	**C$2.05**
Number of options exercisable - December 31, 2015	12,670,177	
Number of options exercisable - March 31, 2016	12,957,143	

The following stock options were outstanding as at March 31, 2016:

Option series	Number	Grant date	Expiry date	Exercise price (C$)	FV at grant date (C$)
Granted on November 26, 2010	5,320,000	26-Nov-10	26-Nov-20	3.00	1.19
Granted on December 3, 2010	1,200,000	03-Dec-10	03-Dec-20	3.00	1.19
Granted on February 9, 2011	675,000	09-Feb-11	09-Feb-21	3.00	0.99
Granted on April 27, 2011	25,000	27-Apr-11	27-Apr-21	3.00	0.80
Granted on June 14, 2011	317,500	14-Jun-11	14-Jun-21	3.00	0.94
Granted on August 13, 2011	360,000	13-Aug-11	13-Aug-21	3.00	0.82
Granted on December 20, 2011	1,075,000	20-Dec-11	20-Dec-21	3.00	0.61
Granted on February 24, 2012	540,000	24-Feb-12	24-Feb-22	3.00	0.37
Granted on February 24, 2012	225,000	24-Feb-12	24-Feb-22	3.00	1.26
Granted on June 5, 2012	50,000	05-Jun-12	05-Jun-22	3.00	0.17
Granted on September 27, 2012	600,000	27-Sep-12	27-Sep-22	3.00	0.93
Granted on October 9, 2012	600,000	09-Oct-12	06-Oct-22	3.00	1.01
Granted on October 31, 2012	80,000	31-Oct-12	31-Oct-22	3.00	0.52
Granted on October 31, 2012	140,000	31-Oct-12	31-Oct-22	3.00	0.18
Granted on December 3, 2012	200,000	03-Dec-12	03-Dec-22	3.00	0.61
Granted on February 23, 2013	50,000	23-Feb-13	23-Feb-23	3.00	0.42
Granted on May 14, 2013	40,000	14-May-13	14-May-23	3.00	0.06
Granted on June 3, 2013	120,000	03-Jun-13	03-Jun-23	3.00	0.04
Granted on May 1, 2014	50,000	01-May-14	01-May-24	3.00	0.10
Granted on March 31, 2015	2,250,000	31-Mar-15	31-Mar-20	0.64	0.35
Granted on March 31, 2015	1,568,894	31-Mar-15	31-Mar-20	0.64	0.30
Granted on March 31, 2016	4,027,686	31-Mar-16	31-Mar-21	0.67	0.35

As at March 31, 2016, approximately 19.7 million (2015: 23.7 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.

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

Of the 19,514,080 common share stock options issued and outstanding as at March 31, 2016, 12,957,143 are vested, 6,519,437 vest over a three-year period and 37,500 vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized based on management's best estimate of outcome of achieving desired results

As at March 31, 2016, 11,667,500 and 7,846,580 share options had a contractual life of ten years and five years at issuance, respectively.

Fair value of stock options granted

The grant date fair value of options granted during the three months ended March 31, 2016 was calculated using the Black-Scholes option pricing model with the following assumptions:

	Three months ended March 31,	
	2016	**2015**
Grant date share price	C$0.73	C$0.64
Weighted average fair value of awards	C$0.35	C$0.33
Exercise price(i)	C$0.67	C$0.64
Range of risk-free interest rate	0.53%	0.55%-0.77%
Volatility of the expected market price of share(ii)	70.11%	66.71%-67.28%
Expected life of options (years)	3.0	3.5-5.0
Dividend yield	0%	0%
Forfeiture rate	5%	5%-50%

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

(ii) Volatility was determined using the 3 year average historical volatility of the Company's share price.

b. Fixed Bonus Plan

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

As at March 31, 2016, there were 1,797,500 Units outstanding that were granted on August 8, 2012, March 31, 2015 and March 31, 2016 with expiry dates ranging from March 31, 2020 through to February 24, 2022. Of the 1,797,500 Units outstanding as at March 31, 2016, 1,360,000 Units have an exercise price of C$3.00, 300,000 Units have exercise price of C$0.64 and 137,500 Units have an exercise price of C$0.67. The total outstanding Units have fair values at March 31, 2016 in the range of C$0.02 to C$0.40 per Unit. The total fair value of the Units at March 31, 2016 is $0.2 million (December 31, 2015: $0.1 million).

The estimated fair values of the Units were amortized over the period in which the Units vest. Of the 1,797,500 Units issued, 1,653,750 units were vested at March 31, 2016 with the remaining units to be fully vested by December 31, 2017.

Fair value of Units

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

	Three months ended March 31,
	2016
Share price at the end of the period	C$0.73
Weighted average fair value of awards	C$0.02-C$0.40
Exercise price	C$0.64 - C$3.00
Range of risk-free interest rate	0.53%-0.68%
Volatility of the expected market price of share	61.98%
Expected life of options (years)	2.0-5.0
Dividend yield	0%
Forfeiture rate	5%-50%

c. Restricted Stock Units ("RSUs")

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

During the three months ended March 31, 2016, 5,990,183 RSUs were granted at a price of C$0.67 per unit and 80,000 RSUs were forfeited (2015: 2,912,500 RSUs granted and no units forfeited). As of March 31, 2016 a total of 9,224,955 RSUs were outstanding of which 1,342,761 units were vested. As at March 31, 2016, $0.7 million of current RSU liability and $0.3 million of non-current RSU liability have been recorded in the consolidated financial statement of financial position (2015: $0.4 million and $0.3 million in current and non-current RSU liability respectively).

d. Deferred Stock Units ("DSUs")

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

During the three months ended March 31, 2016, 175,000 DSUs were vested, 600,000 DSUs were issued and none were cancelled. Of the 1,845,000 DSUs outstanding at March 31, 2016, 1,245,000 were vested. As at March 31, 2016, $0.7 million of current DSU liability has been recorded in the consolidated financial statement of financial position (2014: $0.4 million).

24. RELATED PARTY TRANSACTIONS

a. Equity interests in related parties

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

b. Transactions with key management personnel

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

25. SUBSEQUENT EVENT

a. Settled and outstanding tax assessments

During the first quarter 2016, confirmation of the withdrawal of the January 2015 tax assessment was received without any further liability to SGO. In April 2016, the Company received a similar withdrawal of the 2011 tax assessment for all but $1 million which remains in dispute.

26. COMPARATIVE FINANCIAL STATEMENTS

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