TERANGA
GOLD CORPORATION

2016 Annual Report

This annual report contains certain statements that constitute forward-looking information. Please refer to the cautionary note regarding Forward-Looking Statements on page 35. All amounts are in U.S. dollars unless otherwise stated.

BUILDING

the Next Multi-Asset Mid-Tier West African Gold Producer

LETTER TO SHAREHOLDERS

For our shareholders, 2016 will mark a watershed year in the history of Teranga with the acquisitions of Gryphon Minerals and a large prospective land package in Côte d'Ivoire, providing diversification, scale and growth.

2016 ACHIEVEMENTS

- ✔ Record high production and record low unit costs
- ✔ Optimized and implemented measures to de-risk Sabodala
- ✔ Completed exploration agreement in Côte d'Ivoire
- ✔ Completed acquisition of Gryphon Minerals, providing opportunities for asset diversification, scale and growth

Today, Teranga has a robust portfolio of assets and added optionality that offer both near and longer-term growth prospects in the production, development, and exploration stages in three of the top mining jurisdictions in West Africa. Over the last 25 years, West Africa has been one of the fastest-growing regions for gold production in the world.

FLAGSHIP PRODUCING ASSET IN SENEGAL PROVIDES CASH FLOW & STRONG FOUNDATION FOR GROWTH

Last year was a great year at Sabodala, Teranga's prize gold mine in Senegal, with record production of nearly 217,000 gold ounces, all-time high mill throughput, and record low unit costs.

To further optimize and de-risk Sabodala, several measures were undertaken. In early September, we completed a large-scale mill optimization, which has increased throughput by 15% and reduced unit milling costs. The project came in well ahead of schedule and notably below budget. New grade control procedures and the build-up of a high-grade ore stockpile were also key measures taken to reduce operational risk.

With a mine life that currently extends to 2029, Sabodala provides strong free cash flow generation to help fund our exploration and growth initiatives.

DIVERSIFYING OUR ASSET BASE

To create further shareholder value, in 2016, the company undertook significant steps towards achieving our vision of becoming a diversified mid-tier West African gold producer. These steps have opened up doors to significant growth opportunities.

The first transaction was an exploration agreement we entered into in June 2016 with Miminvest SA, a company controlled by Teranga's cornerstone investor, David Mimran. The exploration agreement covers a large land package in Côte d'Ivoire, including five exploration permits. Considered by many to be the top region for gold exploration in Africa, we are very excited about our prospects in Côte d'Ivoire.

The second transaction we completed last year was the all-share acquisition of Gryphon Minerals, which brought with it three exciting assets in Burkina Faso: the fully permitted Banfora gold project and two prospective exploration properties, Golden Hill and Gourma.

FULLY PERMITTED DEVELOPMENT PROJECT

To accelerate the development timeline of Gryphon Minerals' premier asset, the Banfora gold project, prior to the close of the acquisition in October, Teranga invested over $3 million by way of a private placement to confirm and expand reserves and to begin optimization of Gryphon's previous feasibility study. The technical work for what is potentially the company's second operating gold mine is well underway and will be targeting completion by mid-year, keeping with the original timeline that was outlined in June 2016 at the time the acquisition was announced.

Assuming the Banfora feasibility study yields positive results with attractive project economics, we will seek the Board's approval regarding construction and financing with the goal of commencing construction in the second half of 2017, which would put us on track for first gold pour in the first half of 2019.

EXPLORING HIGHLY PROSPECTIVE PROPERTIES ACROSS WEST AFRICA

On the exploration front, we made a number of changes during 2016, including the addition of Teranga's first vice president of exploration as well as several seasoned professionals from Gryphon Minerals.

One of the highlights of Teranga's 2016 exploration program occurred in December when we commenced drilling at the Niakafiri deposit, which we consider to be the most prospective area on the Sabodala mine license. Drilling at the Niakafiri deposit is a primary focus in 2017. We already have more than 300,000 ounces in proven and probable reserves at Niakafiri and our drilling to-date has been very encouraging. Overall, we expect this drill program will add to reserves, fill gaps in production, and extend Sabodala's mine life beyond 2029.

We are also very excited about Golden Hill, which is located on the Houndé greenstone belt in close proximity to other high-grade deposits in Burkina Faso. Previous exploration work has defined a number of robust, high-quality prospects that we have prioritized for more advanced follow-up in 2017.

Work has also commenced at both Gourma, Teranga's exploration property in Eastern Burkina Faso and in Côte d'Ivoire at the Guitry property. With a budget of $12 to $15 million, and many prospects, we expect to have a steady stream of exploration updates throughout 2017.

2017 OUTLOOK

Production - Sabodala

- 2017 outlook: 205-225Koz
- Generate free cash flow

Development - Banfora

- Complete positive feasibility study
- Obtain board approval to proceed with development
- Announce funding and start of construction

Exploration

- Senegal
- Burkina Faso
- Côte d'Ivoire

BUILDING THE NEXT DIVERSIFIED MID-TIER WEST AFRICAN GOLD PRODUCER

Our focus is clear: create value for our shareholders. And while 2016 was a good year for the company, 2017 is setting up to be an exceptional year for three key reasons. First, we expect to have strong operating results at Sabodala. Second, we are focused on completing a positive feasibility study for Banfora and moving into construction of Teranga's second producing asset. And, third, with the exploration opportunities we have, it could very well be the year of the drill bit.

The company's balance sheet is strong with enough capital to fund our current comprehensive exploration program and construction readiness activities at Banfora. To augment our cash balance, in November 2016 Teranga completed an equity offering concurrent with a non-brokered private placement with our supportive cornerstone investor, Tablo Corporation, for total net proceeds of approximately $48 million. As at December 31, 2016, we had $95 million in cash on our balance sheet.

POSITIONED FOR A BREAKTHROUGH IN 2017

When you look at Sabodala, the company's producing asset in Senegal, as well as the pipeline of assets, including the Banfora gold project and prospective exploration properties on world-class gold belts across West Africa, it is clear that Teranga is on the cusp of being a diversified multi-asset mid-tier gold producer. Management and the board understand West Africa well and the company has a strong globally recognized social license. We are very proud that, in March 2017, Teranga received the Environmental and Social Responsibility award by the Prospectors and Developers Association of Canada for outstanding leadership and commitment to making lasting contributions to the communities surrounding Sabodala.

On behalf of Teranga's board of directors and management, we would like to express our sincere thanks to the entire team for their continued loyalty throughout 2016. It was a great year and we are excited about 2017. With your ongoing hard work and dedication, we can continue to grow the company and create value for all stakeholders.

ALAN R. HILL
Chairman

RICHARD YOUNG
President & Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2015

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, 2016 and 2015. 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, 2016 and 2015. 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 Amended and Restated Annual Information Form for the year ended December 31, 2015, as well as all other public filings, is available on the Company's website (www.terangagold.com) and on the SEDAR website (www.sedar.com).

This report is dated as of February 23, 2017. 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 listed on both the Toronto and Australian stock exchanges (TSX/ASX: TGZ), engaged in the exploration, development and production of gold in West Africa. Since 2010, the Company has produced more than 1.2 million ounces of gold at its flagship Sabodala operations in Senegal, West Africa. The Company also has a number of development and exploration projects in West Africa, including the recently acquired Banfora gold project in Burkina Faso, and five exploration properties in Côte d'Ivoire.

In the second quarter 2016, Teranga entered into an exploration agreement with Miminvest SA ("Miminvest), a privately-held company controlled by Mr. David Mimran, a director and cornerstone investor of Teranga, relating to the exploration, development and production of minerals in Côte d'Ivoire. Groupe Mimran, a company controlled by the Mimran family, has been operating in Côte d'Ivoire since 1963 and owns the largest flour producer in the country.

On October 13, 2016, Teranga acquired Gryphon Minerals Limited ("Gryphon"). Gryphon's key asset is the Banfora gold project, a permitted, open pit gold project located in Burkina Faso, West Africa. A National Instrument 43-101 ("NI 43-101") technical report is expected to be completed for Banfora by mid-2017.

Vision

Teranga's vision is to become a multi-jurisdictional West African gold producer with a portfolio of assets offering diversified production with strong margins and sustainable free cash flows.

Mission

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

Strategy

Our strategy is to maximize shareholder value. We are focused on increasing long-term sustainable cash flows through (i) reserve growth, (ii) production growth and (iii) cost reduction.

(i) Reserve Growth: Our reserve growth strategy focuses on leveraging our core competencies to advance our production pipeline, including resource to reserve conversion, exploration discoveries, and acquisitions in West Africa. We seek to achieve these by maintaining a strong balance sheet and leveraging our operating, development and community relations expertise to enhance our gold asset portfolio, such as the recently acquired Banfora gold project in Burkina Faso and the exploration properties acquired in Côte d'Ivoire.

(ii) Production Growth: Our production growth strategy focuses on optimizing our production pipeline to increase annual production ounces and extend our overall life of mine. At Sabodala, our recently completed mill optimization project is expected to increase throughput and reduce unit milling costs. With the completion of the Banfora gold project NI 43-101, expected by mid-2017, we will be able to fully assess Banfora's potential in further developing our production pipeline. Over the longer-term, we will seek to add to our pipeline through exploration discoveries and by opportunistically securing new prospects. All of our capital projects are evaluated using minimum after-tax internal rates of return to govern our capital allocation and investment decisions.

(iii) Cost Reduction: Our cost reduction strategy is to reduce our all-in sustaining costs per ounce[1] relative to the life of mine through continued focus on productivity improvements, cost reductions and increased regional scale in the areas of procurement, overheads and operational flexibility as we advance our production pipeline.

FINANCIAL AND OPERATING HIGHLIGHTS

		Three months ended December 31,			Twelve months ended December 31,		
Financial Data		**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Revenue	($000's)	55,774	58,235	(4%)	268,850	224,620	20%
Cost of sales	($000's)	(43,022)	(49,266)	(13%)	(181,528)	(174,884)	4%
Profit/(loss) attributable to shareholders of Teranga	($000's)	(1,286)	(71,824)	(98%)	23,109	(50,543)	N/A
Per share	($)	(0.00)	(0.19)	(99%)	0.06	(0.14)	N/A
EBITDA[1]	($000's)	17,553	16,071	9%	99,173	83,470	19%
Operating cash flow	($000's)	(13,627)	9,755	N/A	44,729	30,434	47%
Sustaining capital expenditures (before deferred stripping)	($000's)	7,531	9,592	(21%)	33,012	33,135	0%
Capitalized deferred stripping - sustaining	($000's)	4,822	2,715	78%	18,491	14,547	27%
Growth capital expenditures	($000's)	1,641	-	N/A	1,641	-	N/A
		Three months ended December 31,			**Twelve months ended December 31,**		
Operating Data		**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Gold Produced	(oz)	43,987	51,292	(14%)	216,735	182,282	19%
Gold Sold	(oz)	46,523	52,939	(12%)	217,652	193,218	13%
Average realized gold price[1]	($ per oz)	1,197	1,099	9%	1,234	1,161	6%
Cost of sales per ounce	($ per oz sold)	925	931	(1%)	834	905	(8%)
Total cash costs[1]	($ per oz sold)	704	672	5%	622	643	(3%)
All-in sustaining costs[1]	($ per oz sold)	1,049	973	8%	929	967	(4%)

[1] This is a non-IFRS financial measure and does not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this MD&A.

Fourth Quarter Financial and Operating Highlights

- Gold revenue decreased compared to the same prior year period due to lower sales volumes, partly offset by higher average realized gold prices.
- Gold production for the fourth quarter was 43,987 ounces, representing a decrease of 14 percent compared to the prior year period. The lower fourth quarter production was in line with the full year mine plan.
- Cost of sales for the fourth quarter declined by 13 percent primarily due to lower mine operation expenses, depreciation and royalty expenses. Cost of sales per ounce for the fourth quarter 2016 was $925 which was slightly lower than $931 in the prior year period.
- Total cash costs per ounce[1] during the quarter were $704, which was higher compared to the prior year period as a result of processing lower grade material.
- All-in sustaining costs per ounce[1] for the fourth quarter were $1,049, which was 8 percent higher than the prior year period due to an increase in total cash costs per ounce[1] and lower production.
- Consolidated net loss attributable to shareholders for the three months ended December 31, 2016 was $1.3 million ($0.00 loss per share), compared to consolidated net loss of $71.8 million ($0.19 loss per share) in the prior year period. The Company recorded a non-cash impairment charge on long-lived assets and goodwill of $77.9 million (net of tax effects) in 2015. In the 2016 period, the loss attributable to shareholders was mainly due to higher deferred income tax expense.

[1] This is a non-IFRS performance measure. Please refer to the reconciliation of non-IFRS measures at the end of this MD&A.

- In the fourth quarter of 2016, operating cash outflows were $13.6 million, compared with operating cash inflows of $9.8 million in the prior year period. The change in operating cash flow during the fourth quarter of 2016 was primarily due to $17.2 million in royalty payments and $6.7 million in spending on Gryphon operating expenditures.
- During the fourth quarter 2016, the Company completed a public offering of 34,655,000 common shares, at a price of C$1.05, and completed a non-brokered private placement of 29,500,000 common shares, at a price of C$1.05. The Company received net proceeds of C$64.9 million ($48.4 million), after deduction of underwriter fees and expenses.
- As at December 31, 2016 the Company had cash and cash equivalents of $95.2 million, compared to $44.4 million as at December 31, 2015.
- The Company successfully completed the acquisition of Gryphon on October 13, 2016 and commenced the Banfora gold project feasibility study.
- Completed the Sabodala mill optimization – under budget and ahead of schedule.
- Advanced our exploration programs in Senegal, Burkina Faso and Côte d'Ivoire.
- Extended industry-leading health and safety record to more than 3 years without a lost time injury.
- Received awards for our corporate social responsibility program from the United Nations Global Compact Network Canada and from the Prospectors & Developers Association of Canada

Outlook 2017

The following table outlines the Company's estimated 2017 summary production and cost guidance:

		Year Ended December 31		
		2016 Guidance	**2016 Actual**	**2017 Guidance**
Operating Results				
Ore mined	('000t)	2,000 – 2,500	2,132	2,000 – 2,500
Waste mined	('000t)	34,500 – 36,000	33,512	35,000 – 37,000
Total mined	('000t)	36,500 – 38,500	35,644	37,000 – 39,500
Grade mined	(g/t)	2.75 – 3.25	2.66	2.50 – 3.00
Strip ratio	waste/ore	13.00 – 15.00	15.7	15.5 – 17.5
Ore milled	('000t)	3,700 – 3,900	4,025	4,000 – 4,300
Head grade	(g/t)	1.80 – 2.00	1.81	1.70 – 1.90
Recovery rate	%	90.0 – 91.0	92.6	90.0 – 91.5
Gold produced [A]	(oz)	200,000 – 215,000	216,735	205,000 – 225,000
Cost of sales per ounce sold	$/oz sold	Not applicable	834	950 – 1,025
Total cash cost per ounce sold [B]	$/oz sold	600 - 650	622	725 – 775
All-in sustaining costs [C]	$/oz sold	900 – 975	929	1,000 – 1,075
Cash / (non-cash) inventory movements and amortized advanced royalty costs [C]	$/oz sold	Not Applicable	42	(100)
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) [C]	$/oz sold	Not Applicable	971	900 – 975
Mining	($/t mined)	2.20 – 2.40	2.33	2.25 – 2.50
Mining long haul	($/t hauled)	4.00 – 4.50	3.41	2.50 – 3.50
Milling	($/t milled)	11.00 – 12.00	10.70	11.00 – 12.00
General and Administration	($/t milled)	4.25 – 4.50	4.46	4.25 – 4.50
Mine Production Costs	$ millions	145.0 – 155.0	148.6	155.0 – 165.0
Corporate Administration Expense	$ millions	8.0 – 9.0	9.0	10.0 – 11.0
Regional Administration Costs	$ millions	2.0	2.1	3.0
Community Social Responsibility Expense	$ millions	3.0 – 3.5	3.6	3.5 – 4.0
Exploration & Evaluation (Expensed)	$ millions	5.0	4.8	6.0 – 7.0
Sustaining Capital Expenditures				
Mine site sustaining	$ millions	8.0 – 10.0	7.4	10.0 – 15.0
Capitalized reserve development	$ millions	7.0	7.1	3.0 – 4.0
Site development costs	$ millions	17.0 – 20.0	18.5	2.0
Total Sustaining Capital Expenditures [D]	$ millions	32.0 – 37.0	33.0	15.0 – 21.0
Growth Capital Expenditures (Banfora)				
Feasibility study	$ millions	Not Applicable	0.3	3.0
Capitalized reserve development	$ millions	Not Applicable	0.3	3.0 – 4.0
Construction readiness	$ millions	Not Applicable	1.0	5.0 – 8.0
Total Growth Capital Expenditures	$ millions	Not Applicable	1.6	11.0 – 15.0

Notes to Guidance Table Above:

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

B. Total cash cost per ounce sold is a non-IFRS financial measure and does not have a standard meaning under IFRS.

C. All-in sustaining costs per ounce is a non-IFRS financial measure and does not have a standard meaning under IFRS. All-in sustaining costs per ounce sold include total cash costs per ounce, administration expenses, share based compensation and sustaining capital expenditures as defined by the World Gold Council. All-in sustaining costs also include cash / (non-cash) inventory movements and non-cash amortization of advanced royalties.

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

This forecast financial information is based on the following material assumptions for 2017: gold price: $1,200 per ounce; light fuel oil price $0.81/L; heavy fuel oil price $0.46/L; Euro:USD exchange rate of 1:1.10

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

2017 Guidance Analysis

The Company's mine plans are designed to maximize sustainable free cash flows[1] over the mine life. Mining activities in 2017 will continue to focus on the higher grade and higher strip ratio deposits, including Gora and the anticipated completion of the Golouma South deposit by the end of the third quarter. Production at Kerekounda commenced in December 2016 and is expected to continue throughout 2017. The Golouma West deposit is expected to commence development and then proceed to production during the first quarter 2017 for the duration of the year. Total tonnes mined are expected to increase from 35.6 million tonnes mined in 2016 to between 37.0 and 39.5 million tonnes in 2017. We anticipate a higher mining rate together with a greater availability of shovels for 2017 as compared to 2016. Ore tonnes and grade mined are expected to be similar to 2016.

Mill throughput is expected to increase with the benefit of a full year of the mill optimization to between 4.0 and 4.3 million tonnes compared to 4.0 million tonnes in 2016. Mill grades are expected to be similar to 2016 at between 1.7 and 1.9 grams per tonne as higher grade material is supplemented with lower grade stockpiled material.

The Company expects to produce between 205,000 and 225,000 ounces of gold in 2017. The quarterly profile is expected to be reasonably consistent through the year. The Company has built up a high-grade stockpile to offset lower than planned grades or throughput during the year.

Total production costs at Sabodala are expected in the range of $155 to $165 million in 2017, which exceeds the prior year due to expectations for increased material mined and processed and higher fuel and consumables costs.

Overall, our 2017 guidance is in line with the NI 43-101 technical report dated March 2016 for Sabodala (the "Technical Report") with the exception of marginally higher costs reflecting higher fuel prices and the impact of non-refundable taxes which were not included in the Technical Report.

Administrative costs are expected to increase by up to $2.0 million to a range of $10.0 to $11.0 million reflecting the Company's expansion beyond Senegal to Burkina Faso and Côte d'Ivoire. In addition, regional office costs, including the Dakar and Ouagadougou offices, and the addition of Gryphon Minerals' office in Perth, Australia, which is expected to be retained to accommodate activities related to the potential development of the Banfora gold project, are expected to total approximately $3.0 million.

Corporate social responsibility costs are expected to rise by up to $0.4 million to between $3.5 and $4.0 million reflecting the additional activities and commitments in Burkina Faso related to the Banfora gold project.

Sustaining capital expenditures in 2017 for the Sabodala mine are expected to decrease to between $15.0 and $21.0 million, excluding deferred stripping, due to the completion of the mill optimization project in 2016. This amount is marginally higher than the Technical Report amount for 2017, as a decision to bring forward drill rig replacements has been made due to the higher operating costs of the existing fleet incurred in 2016, combined with reserve development costs which were not included in the Technical Report. New project development costs for the Banfora gold project pre-investment decision are expected to total $11.0 to $15.0 million. Banfora capital costs include the completion of the feasibility study, camp upgrades, certain site costs to prepare for construction and the cost to maintain the camp, as well as a reserve development program.

Cost of sales per ounce are expected to be in the range of $950 to $1,025. Total cash costs per ounce[1]are expected to be in the range of $725 to $775.

All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) is expected to be $900 to $975 per ounce[1].

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[1] This is a non-IFRS performance measure. Please refer to the reconciliation of non-IFRS measures at the end of this MD&A.

Sensitivity

	2017 Assumption	Hypothetical Change	Impact on total cash costs	Impact on profit (pre-tax)
Gold revenue	$1,200/oz	$100/oz	n/a	$20.7M
Gold price effect on royalties	$1,200/oz	$100/oz	$5/oz	$1.2M
HFO price	$0.46/litre	$0.10/litre	$14/oz	$3.2M
LFO price	$0.81/litre	$0.10/litre	$10/oz	$2.2M
EUR exchange rate	1.10:1	10%	$29/oz	$6.6M

REVIEW OF OPERATING RESULTS

		Three months ended December 31,			Twelve months ended December 31,		
Operating Results		**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Ore mined	('000t)	533	1,859	(71%)	2,132	7,748	(72%)
Waste mined - operating	('000t)	7,506	4,612	63%	27,186	18,382	48%
Waste mined - capitalized	('000t)	1,689	726	133%	6,326	5,501	15%
Total mined	('000t)	9,728	7,197	35%	35,644	31,631	13%
Grade mined	(g/t)	2.89	1.37	111%	2.66	1.22	119%
Ounces mined	(oz)	49,483	82,057	(40%)	182,394	303,023	(40%)
Strip ratio	waste/ore	17.25	2.9	501%	15.7	3.1	410%
Ore milled	('000t)	1,034	919	13%	4,025	3,421	18%
Head grade	(g/t)	1.45	1.86	(22%)	1.81	1.79	1%
Recovery rate	%	91.5	93.4	(2%)	92.6	92.3	0%
Gold produced[1]	(oz)	43,987	51,292	(14%)	216,735	182,282	19%
Gold sold	(oz)	46,523	52,939	(12%)	217,652	193,218	13%
Average realized price[2]	$/oz	1,197	1,099	9%	1,234	1,161	6%
Cost of sales per ounce	$/oz sold	925	931	(1%)	834	905	(8%)
Total cash costs[2]	$/oz sold	704	672	5%	622	643	(3%)
All-in sustaining costs[2]	$/oz sold	1,049	973	8%	929	967	(4%)
Mining	($/t mined)	2.38	2.83	(16%)	2.33	2.42	(4%)
Mining long haul	($/t hauled)	2.78	5.33	(48%)	3.41	5.35	(36%)
Milling	($/t milled)	10.55	13.27	(20%)	10.70	14.01	(24%)
G&A	($/t milled)	4.61	4.99	(8%)	4.46	4.82	(7%)

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

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

		Three months ended December 31, 2016			Twelve months ended December 31, 2016			
		Gora	**Golouma**	**Kerekounda**	**Masato**	**Gora**	**Golouma**	**Kerekounda**
Ore mined	('000t)	171	258	104	455	747	826	104
Waste mined - operating	('000t)	3,576	3,283	647	166	14,000	12,373	647
Waste mined - capitalized	('000t)	1,689	-	-	-	6,326	-	-
Total mined	('000t)	5,436	3,541	751	621	21,073	13,199	751
Grade mined	(g/t)	3.15	3.15	1.80	1.16	2.83	3.44	1.80
Ounces mined	(oz)	17,301	26,160	6,022	16,969	67,948	91,455	6,022

		Three months ended December 31, 2015		Twelve months ended December 31, 2015		
		Masato	**Gora**	**Masato**	**Gora**	**Sabodala**
Ore mined	('000t)	1,632	227	6,981	294	473
Waste mined - operating	('000t)	1,292	3,320	13,130	4,748	504
Waste mined - capitalized	('000t)	-	726	4,038	1,439	24
Total mined	('000t)	2,924	4,273	24,149	6,481	1,001
Grade mined	(g/t)	1.17	2.80	1.14	2.42	1.83
Ounces mined	(oz)	61,655	20,401	252,587	22,814	27,622

Sabodala Gold Operations

Fourth Quarter 2016

Mining

- Mining activities in the fourth quarter were focused on Gora Phases 2 and 3, Golouma South, as well as the early stages of mining operations at Kerekounda. Total tonnes mined were 35 percent higher than the prior year period, as the 2016 mine plan called for an increase in material movement.
- Ore tonnes mined in the fourth quarter were 71 percent lower than the prior year period, while the average grade mined increased by 111 percent compared to the prior year period. In 2016, overall mining shifted to higher grade, higher strip ratio deposits from lower grade, lower strip ratio deposits in the prior year.
- At both Golouma South and Kerekounda, ore tonnes, grade and ounces mined continue to reconcile above the respective reserve models. At Gora, ore grades are reconciling to the reserve model in benches below historical artisanal workings.
- As planned, the Company amassed a high grade ore stockpile to help smooth out quarterly production fluctuations and act as a buffer in the event of lower than planned grades or throughput.

Processing

- Ore tonnes milled for the fourth quarter increased by 13 percent, representing a record for the Company as throughput rates increased following the commissioning of a second crushing circuit. In the prior year period, material handling issues affected throughput rates during the rainy season early in the quarter.
- Head grade for the fourth quarter was 22 percent lower than the prior year period. Mill feed for the quarter was primarily sourced from lower grade stockpiles and supplemented with high grade feed from Golouma South, Gora and Kerekounda. In the prior year period, mill feed was from high grade ore sourced mainly from Masato and Gora.

Costs – site operations

- Total mining costs for the fourth quarter were $23.1 million, 13 percent higher than the prior year period primarily due to a 35 percent increase in material movement. On a unit cost basis, mining costs for the three months were 16 percent lower than the prior year period mainly due to higher mined volumes, lower fuel costs and the positive contribution from an ongoing company-wide business performance improvement initiative. Total long-haul costs for the fourth quarter were $1.1 million, $0.4 million higher than the prior year period mainly due to an increase in ore tonnes hauled from satellite deposits.
- Total processing costs for the fourth quarter decreased to $10.9 million, 11 percent lower than the prior year period due to lower fuel prices despite a 13 percent increase in throughput. Accordingly, unit processing costs for the fourth quarter were 20 percent lower than the prior year period.
- Total mine site general and administrative costs for the fourth quarter totaled $4.8 million, 4 percent higher than the prior year period mainly due to higher labour and non-refundable value-added tax ("VAT") costs. On a unit basis, general and administrative costs decreased by 8 percent over the prior year period due to higher tonnes milled.

Full Year 2016

- Gold production in 2016 was a record 216,735 ounces, exceeding the higher end of the Company's full year production guidance. Production increased by 19 percent versus the prior year period. Prior year production was lower than planned due to material handling issues during the third quarter and the impact of artisanal miners in the fourth quarter at Gora.
- Cost of sales per ounce in 2016 was $834, which was 8 percent lower than the prior year mainly due to higher production.

- For 2016, total cash costs per ounce[1] were $622, below the mid-point of the Company's guidance range of $600 to $650 per ounce and slightly lower than the prior year, due to higher production, which was partially offset by a marginal increase in gross mine site costs from mining and processing more material.
- All-in sustaining costs per ounce[1] in 2016 were $929, below the mid-point of the Company's guidance range of $900 to $975 per ounce and slightly lower than the prior year mainly due to lower total cash costs per ounce[1].

Mining

- Total tonnes mined for the full year were 13 percent higher than the prior year due to an increase in the utilization of the mobile equipment fleet in keeping with the 2016 mine plan. Mining activities for 2016 were mainly focused on the lower benches of the Masato deposit, which were completed during the first quarter and the Gora and Golouma South deposits, which have been active throughout the year. Mining activities commenced at Kerekounda in December. In the prior year period, mining was focused on the upper benches of Masato, completion of phase 3 of the Sabodala pit and commencement of operations at Gora during the third quarter of 2015.
- Ore tonnes mined for 2016 were 72 percent lower than the prior year, while ore grades mined were 119 percent higher, as mining was shifted to higher grade deposits at Gora, Golouma South and Kerekounda.

Processing

- Ore tonnes milled for the full year were 18 percent higher than the prior year. Mill throughput for 2016 represents the highest in Company history. The higher throughput rates reflect the benefits of the mill optimization project, which included installation of the second crusher, which was commissioned a quarter ahead of schedule and 12 percent lower than budget.
- In 2016, head grades were similar to the prior year. High grade material mined in 2016 was supplemented with material from the lower grade stockpiles built up over the past several years.

Costs – site operations

- Total mining costs for the full year were $83.2 million, 9 percent higher than the prior year mainly due to a 13 percent increase in material movement partially offset by lower fuel prices. On a unit basis, mining costs for 2016 were 4 percent lower than the prior year mainly due to higher material movement. Total long-haul costs for the full year were $4.0 million, $3.2 million higher than the prior year period, mainly due to an increase in ore tonnes hauled in the current year from satellite deposits.
- Total processing costs for 2016 were $43.1 million, 10 percent lower than the prior year, despite an 18 percent increase in mill throughput, due in large part to lower fuel prices. As a result, unit processing costs decreased by 24 percent compared to the prior year.
- Total mine site general and administrative costs for 2016 were $18.0 million, 9 percent higher than the prior year mainly due to increased labour and non-refundable VAT costs. On a unit basis, mine site general and administrative costs decreased by 7 percent over the prior year mainly due to an increase in tonnes milled.

[1] This is a non-IFRS performance measure. Please refer to the reconciliation of non-IFRS measures at the end of this MD&A.

REVIEW OF FINANCIAL RESULTS

	Three months ended December 31,			Twelve months ended December 31,		
(US$000's, except where indicated)	**2016**	**2015**	**% Change**	**2016**	**2015**	**% Change**
Revenue	55,774	58,235	(4%)	268,850	224,620	20%
Mine operation expenses	(33,465)	(36,303)	(8%)	(137,486)	(126,792)	8%
Depreciation and amortization	(9,557)	(12,963)	(26%)	(44,042)	(48,092)	(8%)
Cost of sales	**(43,022)**	**(49,266)**	**(13%)**	**(181,528)**	**(174,884)**	**4%**
Gross profit	**12,752**	**8,969**	**42%**	**87,322**	**49,736**	**76%**
Exploration and evaluation expenditures	(1,101)	(743)	48%	(4,760)	(2,525)	89%
Administration expenses	(3,557)	(2,901)	23%	(8,973)	(10,835)	(17%)
Corporate social responsibility expenses[1]	(779)	(916)	(15%)	(3,613)	(2,853)	27%
Share-based compensation	538	(9)	N/A	(4,405)	(1,761)	150%
Finance costs	(908)	(973)	(7%)	(4,363)	(3,159)	38%
Impairment charge	-	(90,000)	N/A	-	(90,000)	N/A
Net foreign exchange (losses)/gains	314	(253)	N/A	(2,589)	1,901	N/A
Other (expenses)/income	(188)	(669)	(72%)	(7,401)	1,381	N/A
Profit/(loss) before income tax	**7,071**	**(87,495)**	N/A	**51,218**	**(58,115)**	N/A
Income tax (expense)/recovery	(8,563)	8,012	N/A	(23,327)	2,502	N/A
Net profit/(loss)	**(1,492)**	**(79,483)**	**(98%)**	**27,891**	**(55,613)**	**N/A**
Loss/(profit) attributable to non-controlling interests	206	7,659	(97%)	(4,782)	5,070	N/A
Profit/(loss) attributable to shareholders of Teranga	**(1,286)**	**(71,824)**	**(98%)**	**23,109**	**(50,543)**	**N/A**
Basic earnings/(loss) per share	(0.00)	(0.19)	(99%)	0.06	(0.14)	N/A

[1] In 2016 in order to better align cost presentation with industry peers, the Company has reclassified regional administration costs directly relating to cost of sales activities from administration expenses to cost of sales and corporate social responsibility costs to a separate line in the financial statements for the current and prior period.

(US$000's)	Three months ended December 31,			Twelve months ended December 31,		
Mine operation expenses	**2016**	**2015**	**% Change**	**2016**	**2015**	**% Change**
Mine production costs	39,923	38,074	5%	148,624	142,131	5%
Royalties	3,276	3,868	(15%)	16,904	13,288	27%
Regional administration costs	699	736	(5%)	2,105	2,531	(17%)
Capitalized deferred stripping	(4,775)	(2,715)	76%	(18,492)	(14,547)	27%
Inventory movements	(5,658)	(3,660)	55%	(11,655)	(16,611)	(30%)
Total mine operation expenses	**33,465**	**36,303**	**(8%)**	**137,486**	**126,792**	**8%**

(US$000's)	Three months ended December 31,			Twelve months ended December 31,		
Depreciation and amortization expenses	**2016**	**2015**	**% Change**	**2016**	**2015**	**% Change**
Depreciation and amortization	9,992	10,865	(8%)	39,987	42,008	(5%)
Inventory movements - depreciation	(60)	2,307	N/A	5,566	7,458	(25%)
Capitalized deferred stripping - depreciation	(375)	(209)	79%	(1,511)	(1,374)	10%
Total depreciation and amortization expenses	**9,557**	**12,963**	**(26%)**	**44,042**	**48,092**	**(8%)**

Review of financial results for the three months ended December 31, 2016 and 2015

Revenue

Revenue for the three months ended December 31, 2016 decreased by 4 percent over the prior year period due to lower sales volumes from lower production in the current period partially offset by higher gold prices. The fourth quarter gain on gold derivative contracts has been classified within other income (expense).

	Three months ended December 31,		
Spot price per ounce of gold	**2016**	**2015**	**% Change**
Average	$1,221	$1,106	10%
Low	$1,126	$1,049	7%
High	$1,313	$1,184	11%
Average Realized	$1,197	$1,099	9%

Mine operation expenses

For the three months ended December 31, 2016, mine operation expenses decreased by 8 percent over the prior year period to $33.5 million primarily due to higher capitalization of deferred stripping costs and inventory movements, and lower royalties expense, partly offset by higher mine production costs.

Mine production costs of $39.9 million were 5 percent higher than the prior year period. See Review of Operating Results section for additional information.

During the current quarter, $4.8 million in deferred stripping costs were capitalized compared to $2.7 million capitalized in the prior year period, mainly due to a higher a strip ratio at Gora in the current year period. Costs capitalized are amortized to expense as the deposit is mined.

Inventory movements resulted in a $5.7 million reduction to mine operating expenses in the current period compared to a reduction of $3.7 million in the prior year period, mainly as a result of higher cost ounces being accumulated on the stockpile during the fourth quarter of 2016, compared to the same period in 2015.

For the three months ended December 31, 2016, $3.3 million of royalties were expensed compared to $3.9 million in the prior year period. The decrease was primarily due to lower revenues in the current quarter, lower amortization of advanced royalties related to production from the former Oromin Joint Venture Group ("OJVG") deposits and lower royalties related to Gora.

Depreciation and amortization expenses

Depreciation and amortization expense for the three months ended December 31, 2016 was $9.6 million, $3.4 million less than the prior year period due to a 14 percent decrease in gold ounces produced. Approximately 70 percent of the Sabodala mine's fixed assets are depreciated using the units of production method of depreciation.

Administration expense

Administration expense for the three months ended December 31, 2016 was $3.6 million, $0.7 million higher compared to the prior year period. Higher administration expense in the current quarter is mainly due to higher year end accruals for audit fees and annual employee incentives. The increases were partially offset by savings in legal fees.

Share-based compensation

Share-based compensation expense for the three months ended December 31, 2016 was in a credit position of $0.5 million, compared to a nominal expense in the prior year period. This was primarily due to a lower share price for the Company at the end of the current quarter, which reduced the expense charge for both restricted share units and fixed bonus units for the current year period.

Exploration and evaluation

Exploration and evaluation expenditures for the three months ended December 31, 2016 were $1.1 million, $0.4 million higher than the prior year period. The Company continues to take a systematic and disciplined approach to exploration. Please see the Regional Business and Project Development and Exploration sections for additional information.

Finance costs

Finance costs for the three months ended December 31, 2016 were $0.9 million, representing a slight decrease compared to the prior year period, mainly due to slightly lower interest and deferred financing costs on borrowings.

Impairment charge

During the fourth quarter 2015, the Company recorded a non-cash impairment charge of $77.9 million (net of tax effects) related to long-lived assets and recorded goodwill. The impairment charge was triggered primarily by the effect of changes in the Company's long-term gold price assumptions. There was no similar impairment issue in the fourth quarter of 2016.

Other income (expense)

Other expenses for the three months ended December 31, 2016 were $0.2 million compared with $0.7 million in the prior year period. Other expenses in the current quarter included, Gryphon related acquisition costs of $0.4 million and costs associated with maintaining the Gryphon office of $0.4 million. This was partially offset by a $0.5 million gain on derivative instruments.

Income tax expense

For the three months ended December 31, 2016, the Company recorded income tax expense of $8.6 million, comprised of current income tax expense of $6.3 million and deferred income tax expense of $2.3 million. In the same prior year period, the Company recorded a recovery of income taxes of $8.0 million, comprised of recoveries of deferred income taxes of $14.2 million, including a recovery of deferred income taxes of $12.1 million related to a non-cash impairment charge on long-lived assets and goodwill, net of current income tax expense of $6.2 million. In the 2016 period, current income tax expense was similar to the prior year period, while deferred income tax expense recorded in the current year period reflects a reduction in temporary differences between the tax basis of assets and liabilities and their carrying amounts.

Net profit

Consolidated net loss attributable to shareholders for the three months ended December 31, 2016 was $1.3 million ($0.00 loss per share), compared to consolidated net loss of $71.8 million ($0.19 loss per share) in the prior year period. The Company recorded a non-cash impairment charge on long-lived assets and goodwill of $77.9 million (net of tax effects) in 2015. In the 2016 period, the loss attributed to shareholders was mainly due to higher deferred income tax expense.

Review of financial results for the twelve months ended December 31, 2016 and 2015

Revenue

Revenue for the twelve months ended December 31, 2016 increased by $44.2 million over the prior year period due to increased sales volume and higher average realized gold prices. Gains and losses on gold derivative contracts have been classified within other income (expense).

	Twelve months ended December 31,		
Spot price per ounce of gold	**2016**	**2015**	**% Change**
Average	$1,251	$1,160	8%
Low	$1,077	$1,049	3%
High	$1,366	$1,296	5%
Average Realized	$1,234	$1,161	6%

Mine operation expenses

For the twelve months ended December 31, 2016, mine operation expenses increased by 8 percent over the prior year period to $137.5 million, primarily due to higher mine production costs, higher royalty expense and lower inventory movements, partly offset by higher capitalized deferred stripping costs.

Mine production costs in the current year of $148.6 million were $6.5 million higher than the prior year period. See Review of Operating Results section for additional information.

For the twelve months ended December 31, 2016, $16.9 million of royalties were expensed compared to $13.3 million in the prior year. The increase was primarily due to higher revenue in the current year, higher amortization of advanced royalties related to production from the former OJVG deposits and royalties related to Gora.

In the twelve months ended December 31, 2016, $18.5 million of deferred stripping costs were capitalized relating to Gora which is amortized as the deposit is mined. The prior year amount of $14.5 million relates mainly to the capitalization of stripping costs at the Masato and Gora deposits.

Inventory movements in the twelve months ended December 31, 2016 resulted in a net decrease to mine operation expenses of $11.7 million compared to a reduction of $16.6 million in the prior year, mainly as a result of higher cost ounces being accumulated on the stockpile during the 2016, partly offset by a drawdown of stockpile inventory.

Depreciation and amortization expenses

Depreciation and amortization expense for the twelve months ended December 31, 2016 was $44.0 million, $4.1 million lower than the prior year period. Depreciation expense in 2016 reflects a lower amortization base for property, plant and equipment and mine development assets which was attributable to an impairment charge recognized on the Company's assets at the end of 2015. This was partially offset by increased production and corresponding depreciation rates.

Administration expense

Administration expense for the twelve months ended December 31, 2016 was $9.0 million, $1.8 million lower than the prior year period. Lower administration expense in the current period is mainly due to lower corporate office and legal and consulting costs.

Share-based compensation

Share-based compensation expense for the twelve months ended December 31, 2016 was $4.4 million, $2.6 million higher than the prior year period due to expenses related to new grants of share-based awards issued during 2015 and 2016, and significant increases in the Company's share price during the full year period.

The Company grants Deferred Share Units ("DSUs") to non-executive directors and Restricted Share Unit ("RSUs") to employees to allow participation in the long-term success of the Company and to promote alignment of interests between directors, employees and shareholders. The following table summarizes share-based awards to directors and employees of the Company.

	Twelve months ended December 31,		As of December 31, 2016	
	Grant Units	Grant Price[1]	Outstanding	Total Vested[2]
RSUs	6,140,338	C$0.67	7,667,588	4,455,201
DSUs	675,000	C$0.67	1,920,000	1,747,500
Fixed Bonus Plan Units	137,500	C$0.67	1,797,500	1,567,281

[1] Grant price determined using a volume weighted average trading price of the Company's shares for the 5-day period ended on the grant date.

[2] 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. RSUs vest over a three year period, with 50 percent of the award vesting upon achievement of two predetermined operational criteria, and 50 percent vesting with the passage of time. Both DSUs and RSUs and are payable in cash. The Company used the December 31, 2016 closing share price of C$0.82 to value the vested DSUs and RSUs.

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2015	15,539,165	C$2.42
Exercised	(247,347)	C$0.65
Granted [1]	4,141,841	C$0.68
Forfeited	(488,132)	C$0.74
Balance as at December 31, 2016	18,945,527	C$2.10

[1] The exercise price of new common share stock options granted during the first quarter was determined using a volume weighted average trading price of the Company's shares for the 5-day period ending on the grant date.

As of December 31, 2016, 18,945,527 common share stock options were issued and outstanding of which 14,720,236 are vested and 4,187,791 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 management's best estimate of outcome of achieving desired results. Under IFRS, the accelerated method of amortization is applied to new grants of stock options and fixed bonus plan units, which results in approximately 75 percent of the expense related to stock options and fixed bonus units being recorded in the first year of grant.

Corporate social responsibility expense

Corporate social responsibility expense for the twelve months ended December 31, 2016 was $3.6 million, $0.8 million higher than the prior year period mainly due to activities related to social commitments, including a road construction project in 2016.

Exploration and evaluation

Exploration and evaluation expenditures for the twelve months ended December 31, 2016 were $4.8 million, $2.2 million higher than the prior year period. The Company continues to take a systematic and disciplined approach to exploration. Please see the Regional Exploration section for additional information.

Finance costs

Finance costs for the twelve months ended December 31, 2016 were $4.4 million, $1.2 million higher than the prior year period mainly due to higher interest and deferred financing costs on borrowings and higher bank charges.

Impairment charge

During the fourth quarter 2015, the Company recorded an impairment charge of $77.9 million (net of tax effects) related to long-lived assets and recorded goodwill. The impairment charge was triggered primarily by the effect of changes in long-term gold prices. There was no similar impairment charge in 2016.

Net foreign exchange gains (losses)

Net foreign exchange losses of $2.6 million were realized by the Company in the twelve months ended December 31, 2016 primarily due to realized and unrealized foreign exchange losses recorded during the first and third quarters 2016 as the Euro and CFA Franc appreciated relative to the US dollar. Net foreign exchange gains of $1.9 million were realized for the twelve months ended December 31, 2015 primarily due to gains on Euro denominated payments due to strengthening of the US dollar relative to the Euro since the start of 2015.

Other income (expense)

Other expense for the twelve months ended December 31, 2016 was $7.4 million compared with other income of $1.4 million in the prior year. Other expense in the current period included $2.2 million in losses on gold derivative contracts, $1.7 million in Gryphon acquisition related costs, $1.3 million for business and other taxes, $1.0 million related to registration fees to merge the Sabodala and Golouma mining concessions as part of the acquisition of the OJVG, as well as, miscellaneous non-recurring costs incurred during the period. Other income in the prior year related to realized gains on gold forward contracts.

Income tax expense

Effective May 2, 2015, following expiry of certain tax exemptions provided under the Sabodala mining license, the Company became subject to a 25 percent corporate income tax rate calculated on profits recorded in Senegal, as well as customs duties, non-refundable value added tax on certain expenditures, and other Senegalese taxes.

For the twelve months ended December 31, 2016, the Company recorded income tax expense of $23.3 million, comprised of current income tax expense of $19.9 million and deferred income tax expense of $3.4 million. In the prior year period, the Company recorded recoveries of income taxes of $2.5 million, comprised of recoveries of deferred income taxes of $11.2 million, including a recovery of deferred income taxes of $12.1 million related to a non-cash impairment charge on long-lived assets and goodwill, net of current income tax expense of $8.7 million. Higher current income tax expense for 2016 is mainly due to a full year of taxable profit in 2016, compared to 2015, with the end of the Company's tax holiday in Senegal on May 2, 2015, as well as higher gross profit.

Net profit

Consolidated net profit attributable to shareholders for the twelve months ended December 31, 2016 was $23.1 million ($0.06 per share), compared to consolidated net loss of $50.5 million ($0.14 loss per share) in the prior year period. The Company recorded a non-cash impairment charge of $77.9 million (net of tax effects) in the prior year. In 2016, higher gross profit from higher revenues was partly offset by higher income taxes, other expenses, foreign exchange losses, share-based compensation expense, and exploration and evaluation expenditures.

REVIEW OF QUARTERLY FINANCIAL RESULTS

(US$000's, except where indicated)	2016				2015			
	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Revenue	55,764	60,316	73,562	79,198	58,235	37,830	60,064	68,491
Average realized gold price ($/oz)	1,197	1,333	1,261	1,169	1,099	1,112	1,198	1,217
Cost of sales	43,022	37,748	48,227	52,531	49,266	33,018	43,827	48,773
Net earnings (loss)[1]	(1,286)	10,437	6,146	7,812	(71,824)	1,567	6,725	12,988
Net earnings (loss) per share ($)[1]	(0.00)	0.03	0.02	0.02	(0.19)	0.00	0.02	0.04
Operating cash flow	(13,627)	13,255	20,958	24,143	9,755	(8,221)	12,269	16,631

[1] The first quarter 2015 includes the impact of restating the deferred income tax expenses related to temporary timing differences.

Our revenues over the last several quarters reflect the variation in quarterly production and fluctuations in gold price. Cost of sales are driven by production volumes and are also influenced by fuel costs, foreign currency movements and operational efficiencies. Operating cash flow levels fluctuate depending on the price of gold and production levels each quarter.

Net loss recorded during the fourth quarter 2015 includes a non-cash impairment charge of $77.9 million (net of tax effects).

Operating cash flows during the first three quarters of 2016 were higher mainly due to higher gold production and sales. Operating cash outflows during the fourth quarter 2016 was negative mainly due to royalty payments of $17.2 million made during the quarter, representing all of the 2015 and first three quarters of 2016 royalty expense. Normally, royalties related to the prior year are paid in the third quarter of the following year. The Company has now moved to paying royalties one quarter in arrears.

BUSINESS AND PROJECT DEVELOPMENT

BURKINA FASO

Acquisition of Gryphon Minerals Limited

In June 2016, Teranga announced that it had entered into an agreement to acquire Gryphon in an all share transaction.

On July 19, 2016, the Company acquired a 5 percent interest in Gryphon by way of a placement (the "Gryphon Placement"). Through the Gryphon Placement, Teranga subscribed for 21.2 million fully paid ordinary shares of Gryphon for total consideration of approximately $3.3 million. As a result of the Gryphon Placement, Teranga owned approximately 5 percent of Gryphon's issued shares as at September 30, 2016. Following the Gryphon Placement, Gryphon commenced a resource conversion drill program, plant re-design studies required to complete a fully optimized and de-risked feasibility study in the first half of 2017, and an update to the relocation action plan and tailings storage facility design required as a result of the decision to move forward with a carbon-in-leach plant.

On October 13, 2016, Teranga completed the acquisition (the "Acquisition") of Gryphon, by way of a scheme of arrangement (the "Scheme") under the Australian Corporations Act 2001 (Cth).

Pursuant to the Scheme, shareholders of Gryphon received an aggregate of 70,638,853 Teranga common shares held on the Toronto Stock Exchange or chess depository interests ("CDIs") listed on the Australian Securities Exchange ("ASX") (based on their election) on the basis of 0.169 Teranga common share or CDI for each Gryphon common share not already held by the Company.

Gryphon's key asset is the Banfora gold project ("Banfora"), a permitted, open pit gold project located in Burkina Faso, West Africa, a mining-friendly jurisdiction.

Banfora Gold Project Update

Preparation of the feasibility study has progressed during the fourth quarter with a focus towards the delivery of a NI 43-101 compliant resource and reserve estimate, revised plant design, construction execution plan and updated capital and operating costs. The new study is expected to leverage Teranga's extensive operational and construction experience in West Africa to optimize the study along with independent technical consultants. The completed feasibility study is expected by mid-year 2017 at which point a construction decision will be made. An infill exploration program for the Stinger deposit began in the fourth quarter and, together with a number of additional prospective areas on the

Banfora property, is expected to continue to be explored in 2017. In parallel, the strategic review and execution plan for the relocation action plan and livelihood restoration plan has begun.

SENEGAL

Mill Optimization

Commissioning of the additional crusher and screening station was completed in third quarter 2016 allowing for steady state crush feed to the SAG mill throughout the fourth quarter. Sustained throughput rates on a daily basis were achieved in excess of 520-580 tonnes per hour with a fresh/oxide blend throughout fourth quarter, achieving the desired outcome of a 15 percent improvement to the original throughput capability of the plant.

With the major capital project now complete, further optimization has shifted focus to improving the grind size throughput rate and gold recovery relationship as the varying ore blends are processed. Specific projects to assist with this include optimal power application to the ball mill motors, a revised gearbox design (installed in fourth quarter), improvements in reliability and throughput rate of the recycle (pebble) crusher and general semi autogenous ball-mill-crushing operating and data analytic improvements.

CÔTE D'IVOIRE

Exploration Agreement with Miminvest

During the second quarter 2016, the Company entered into an exploration agreement with Miminvest SA ("Miminvest") to identify and acquire gold exploration stage mining opportunities in Côte d'Ivoire (the "Exploration Agreement"). Miminvest is a company established to invest in gold and natural resources in West Africa and is controlled by the Mimran family and Mr. David Mimran. It holds four existing exploration permits, representing 1,838 km^2 in Côte d'Ivoire. Mr. David Mimran, in addition to being CEO of Miminvest, is CEO of Grands Moulins d'Abidjan and Grands Moulins de Dakar, one of the largest producers of flour and agri-food in West Africa and is also a director and the largest shareholder of Teranga.

Under the terms of the Exploration Agreement, a separate entity was created and is wholly owned and funded by Teranga. Miminvest will transfer into the entity its permits giving Teranga a 100 percent ownership interest and in exchange Miminvest retains a net smelter royalty interest of 3 percent and will provide ongoing in-country strategic advice. Teranga reimbursed Miminvest for all direct and reasonable costs associated with exploration work related to all permits included within the Exploration Agreement. Furthermore, the entity will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest permits. One additional permit was added in the fourth quarter bringing the total permits held to five.

The Exploration Agreement represents an opportunity to increase Teranga's optionality and expand the Company's footprint in West Africa with Mr. David Mimran, a strong local partner with whom we have worked closely. The combined Teranga and Gryphon technical team has significant expertise, a track record of success and in-depth knowledge of the geology of Côte d'Ivoire, making this a logical next step in our West Africa growth plan.

EXPLORATION

Senegal Exploration Highlights

On the Sabodala mine lease, drilling evaluation of the Goumbati West deposit continues to yield encouraging gold results over what is now a confirmed strike length of approximately 1.5 kilometres which warrants additional work. In addition, the Niakafiri drilling program to upgrade resource classifications and confirm model interpretations commenced on the Dinkokono-Niakafiri Main and Niakafiri Southeast deposits.

Within the regional permits, additional core drilling provided encouraging results at the Doughnut Jam prospect and the Marougou Main deposit which warrant additional work. On the Sounkounkou KB prospect, trenching across geochemical soil anomalies identified two broad mineralized zones with potential for additional exploration.

Sabodala Mine Lease Reserve Development

Goumbati West Deposit

During the fourth quarter of 2016, positive results were received from the Goumbati West deposit core-drilling program which now warrants additional work. The deposit comprises, a NNE trending gold in quartz vein system comprised of several Zones (A, B, C and D) located approximately 10 kilometres from the Sabodala Plant. Drilling evaluation remains at an early stage and continues to target shallow, near-surface oxide mineralization along strike and to depths where mineralization is transitioning into fresher material.

The Goumbati West quartz vein system displays very good hole-to-hole and section-to-section continuity and remains open to further expansion along trend both north and south as well as to depth. With recent drilling success of Zone D representing a 520-metre strike length along trend to the north of Zones A and B, the Goumbati West quartz vein system comprises a minimum strike extent of approximately 1,500 metres. Fifty-nine drill holes totaling 5,600 metres were drilled during fourth quarter 2016, along the trend to the north (Zone D) testing both gold-in-soil geochemical anomalies and coincident trench results located between Goumbati West and the Kobokoto South prospect. Positive drilling results also continue to be received from the Goumbati West Zone C area, which covers an extensive gold-in-soil geochemical anomaly located immediately west of previously drill defined Goumbati West Zones A and B, suggesting a sub-parallel quartz vein system is present.

In the first half 2017, results from the fourth quarter 2016 program, and ongoing drilling in first quarter 2017, will be used to upgrade the initial mineral resource estimate.

Niakafiri Deposit

A two-phase drilling program commenced at the Niakafiri deposit in fourth quarter 2016. Phase 1 involved drilling the eastern side of the deposit. Phase 2 drilling of primarily the western side of the deposit began in February 2017. Community resettlement negotiations will take place alongside the drill program. The objective of the drill program is to upgrade the resource classifications, test mineralization extents and confirm model interpretations. The Niakafiri deposit area is located 3 kilometres to the southeast of the Sabodala Plant.

Other Mine Lease Prospects

Elsewhere on Sabodala's mine lease, in addition to ongoing first quarter 2017 drilling at the Niakafiri and Goumbati West deposits, drilling programs are planned to follow-up on successful initial drilling at Maleko, test for along-trend gold mineralization at the Niakafiri South extension target and evaluate positive trenching results at the Torosita Prospect.

Senegal Regional Exploration

Several regional exploration targets continued to return favourable trenching and drilling results, as described below.

Marougou Main Deposit

The Marougou Main deposit is located approximately 10 kilometres east of the Gora open pit, which is located approximately 25 kilometres north of the Sabodala Plant. The NNE trending Marougou Main deposit is comprised of a series of shallow to moderately dipping, sub-parallel gold mineralized horizons within a sequence of steeply dipping, alternating fine and coarse bedded sediments for which an initial resource estimate has been calculated. A limited resource expansion drilling program commenced at Marougou Main during fourth quarter 2016, focusing primarily on defining strike extension correlation and depth continuity of the sub-parallel gold horizons. Initial results from the eleven hole, 650 metre drill program have been encouraging. The remaining assay results are expected in first quarter 2017, which may warrant further follow up trenching and drilling programs.

Other Regional Prospects

On the Sounkounkou Permit systematic exploration of the various targets and prospects throughout the Doughnut area continue to provide considerable encouragement, all of which are expected to lead to follow-up trenching and drilling campaigns on a number of fronts in the first half 2017. At the Jam prospect, the initial six holes have yielded encouraging results and trenching programs on the Honey prospect continue to outline extensions to several broad zones of gold mineralization, requiring additional follow-up work. More recent exploration trenching conducted over geochemical gold-in-soil anomalies at the KB prospect have identified two broad mineralized zones with potential warranting follow up evaluation in first quarter 2017.

Elsewhere, Marougou Main is proximal to several other prospects, Tourokhoto, Marougou North, Marougou South and Dembala Hill, where trenching and drilling exploration programs are planned for the first half of 2017.

A more detailed geologic summary of the fourth quarter 2016 exploration results is available on the Company's website at www.terangagold.com under "Exploration".

Burkina Faso Exploration Highlights

Banfora Mine License Reserve Development

As a part of the resource/reserve definition program, drilling began at the Stinger deposit in November 2016 following completion of similar drill efforts at Samavogo, Fourkoura and Nogbele deposits in the third quarter of 2016. In total, fourteen holes comprising 1,800 metres were completed prior to program end in mid-December 2016. The Stinger deposit drill program recommenced early in the first quarter of 2017.

In addition, follow-up drilling, based on positive third quarter 2016 drilling results from both the Samavogo deposit and the Tahiti Zone at the Nogbele deposit, is planned for first quarter 2017.

Banfora Regional Exploration

An auger drilling program began at both the Kafina West and the Ouahiri prospects in November 2016. These two prospects are rated high priority based on the Company's current understanding of the numerous prospects throughout the Banfora regional ground. Prior to close of drilling in mid-December 2016 a total of 251 holes comprising 1,270 metres of auger drilling were completed at Kafina West, and 65 holes totalling 430 metres were finished at Ouahiri. The Ouahiri program re-commenced early in first quarter 2017.

In addition, both core and reverse circulation drilling are expected to commence during first quarter 2017 at a number of Regional prospects including Kafina West, Ouahiri, Hillside, Muddhi and, Pettite Colline. Auger drilling is expected to also continue on various prospect areas as an early-stage screening tool.

Golden Hill

A short field exploration campaign began at Golden Hill in November 2016 and concluded in mid-December 2016. The purpose of this program was to rotary air blast ("RAB") drill two prospects, Nahiri and Pourey-Peksou, and to commence geologic and detailed structural mapping at the Ma and Ma West prospects in preparation for drilling evaluations to begin early in 2017. In total, 99 RAB holes were completed consisting of 1,320 metres of drilling at both Pourey-Peksou and Nahiri. The results of the mapping program identified favourable structural trends hosting gold mineralization and will be utilized in designing the upcoming drilling program at Ma and Ma West which began in late January 2017.

Field activities in 2017 are expected to be directed at many of the high priority prospects throughout Golden Hill including Ma, Ma Breccia, Ma East, Nahiri, Pourey-Peksou, Zones A-B-C, Jackhammer Hill and Didro. Field activities are expected to include detailed soil sampling, detailed geologic and structural mapping, induced polarization geophysics, auger drilling, RAB drilling, reverse circulation drilling and diamond core drilling.

Côte d'Ivoire Exploration Highlights

Teranga holds, by way of joint venture, five greenfield exploration tenements totalling nearly (1,838 km^2) in Côte d'Ivoire. As a follow-up to initial field investigations, including stream sediment and orientation soil sampling, a high precision bulk leach extractable gold ("BLEG") drainage survey is planned across much of the current land package at an average density of one sample per 5 km^2. The detailed BLEG surveys, scheduled for the first half 2017, is expected to include acquisition of remote sensing data and undertaking reconnaissance scale geological mapping ahead of drawing up other work plans based off the drainage sampling results.

At one of the current tenements, Guitry, the initial stream sediment and orientation soil sampling results warranted a follow-up grid soil program. Results from the grid-sampling program have partially outlined a large gold-in-soil geochem anomaly. In first quarter 2017, the plan is to expand this grid coverage to include closer-spaced sample points and a hand-pitting program.

HEALTH AND SAFETY

Health and safety remains a constant and overriding priority at Sabodala. It comes first in all regards and everyone is continuously reminded to consider safety first. Each daily meeting begins with a safety report and every site report whether it is daily, weekly, monthly or annually begins with safety. The Operational Health and Safety (OHS) program matured in 2014, and the focus remains on proactive, people-based safety management which uses a documented systematic approach. In 2015, Management focused efforts on improving loss prevention controls and integrating these into the daily life of all who conduct their task at the operations and intensified internal auditing with regards to safety management systems. In 2016, there has been a focus on pro-active reporting through a documented Task Observation Process and departmental self-inspections on site and applying a broader scope to risk management through enterprise risk evaluation and management. For 2017, the focus remains on the people through quality reporting and close out of incidents and actions within an allocated time frame using an appointed investigation team on site. As well, there will be a focus on adopting the safety culture from Sabodala to the newly acquired Banfora gold project.

Creating and sustaining a healthy and safe work environment for all stakeholders is never compromised. The Company incurred zero lost time injuries ("LTI") in the last three consecutive years that trend has continued into 2017 as of the date of this report. As of year-end 2016, the Company achieved 1,213 consecutive days without an LTI.

CORPORATE SOCIAL RESPONSIBILITY

Teranga's Corporate Social Responsibility ("CSR") program continues to set the industry standard for socially responsible mining in Senegal, with strong emphasis on long-term economic and social development partnerships with the communities around its mine and across the country. In recognition of its success in effective partnerships with its communities, Teranga received a number of notable CSR awards in 2016 including the Canadian UN Sustainable Development Goals (SDG) Award and the Prospectors & Developers Association of Canada Environmental and Social Responsibility Award.

In 2016 Teranga continued to increase its footprint in the areas of impact mitigation and benefits sharing within its regional communities. At Gora, a community fund management committee was created in partnership with local leaders from six villages to oversee the funding and execution of community programs. Created by Teranga, this project-specific fund was established to support alternative livelihoods, employment generation and other long-term benefits for the Gora communities, which previously relied on artisanal mining activity. In its first year, the fund supported the provision of a fully equipped tractor, several grain mills, a hotel and a market garden to the targeted communities.

Teranga Gold continued to execute on its regional Teranga Development Strategy in 2016 with the completion of the Kedougou Region decentralization development plans created in close collaboration with the Government of Senegal. On the partnerships front, Teranga continued to sponsor SODEFITEX, the largest in-country textile producer, in its support of 500 cotton farmers as part of the large scale cotton textile industry "White Gold for Life" program launched by Teranga in partnership with the government and local companies. Teranga's partnership with the Fondation Paul Gérin Lajoie for the vocational training of 50 youths in Tambacounda and Kédougou Regions was in its second year in 2016, with the first class scheduled to graduate in early 2017. On the local procurement front, Teranga's Kédougou regional procurement program focused on training and capacity building of 20 regional companies as well as the continued delivery of several SGO procurement contracts.

Teranga progressed its local CSR communications platform in 2016 through the creation of a Sabodala community website and a revised responsibility report format in order to further improve communication and transparency with its local and national stakeholders.

Following the acquisition of Gryphon Minerals, Teranga retained global resettlement consultants, rePlan Inc., in late 2016 in order to progress resettlement planning activities in conjunction with the resettlement of 430 households within the Banfora, Burkina Faso project area. Comprehensive community development planning and livelihood restoration activities are planned at Banfora in 2017 as part of the resettlement action plan.

MARKET REVIEW – IMPACT OF KEY ECONOMIC TRENDS

Gold Price

The price of gold is the largest factor in determining our profitability and cash flow from operations. During 2016, the average London PM Fix price of gold was $1,251 per ounce, with gold trading between a range of $1,077 and $1,366 per ounce. This compares to an average of $1,160 per ounce during 2015, with a low of $1,049 per ounce and a high of $1,296 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. In 2016, the Company had entered into gold forward contracts and zero cost collars to manage its exposures. Management may consider entering into derivative contracts should the price and terms be deemed acceptable.

The U.S. Presidential election and the United Kingdom's likely withdrawal from the European Union, led to higher geopolitical risk and currency volatility. Upcoming elections in France, Germany, and Netherlands, could add to this uncertainty. During periods of market instability, investors often seek out safe haven investments like gold. Reduced gold demand in India and China in 2016 negatively affected global demand figures, however, some forecasts have suggested this trend may reverse in 2017. Gold mine supply decreased by approximately 0.5 percent in 2016, the first annual decline since 2008. Gold mine supply is forecasted to decline further in 2017[1], as free cash flow is being allocated to balance sheet recapitalization rather than investment in exploration and new projects[1]. Overall, we believe demand and supply fundamentals for gold continue to support higher long term prices.

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 of maximizing shareholder value through effective management of our Sabodala mine along with our development and exploration programs.

Oil Price

Fuel costs related to 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 $27 million in 2016 or approximately 18 percent of gross mine production costs.

The Sabodala operation is located in remote, southeastern Senegal and it is necessary to generate our own power. Six, 6-megawatt Wartsila generator engines provide power for the operations. In 2016, the operations consumed approximately 30 million litres of heavy fuel oil ("HFO"). This equates to costs of approximately $0.12 per kilowatt hour, which is less than the cost of grid electricity in industrialized Senegal. Sabodala's mobile fleet runs on light fuel oil ("LFO") and the operations consumed approximately 20 million litres of LFO in 2016. We source our HFO and LFO from an international fuel supplier with a local distribution network in Senegal.

Our main benchmark for fuel prices is Brent crude oil, which increased by 34 percent in 2016. Both crude oil and natural gas prices varied significantly during the year. Oil prices fell to very low prices early in 2016 but subsequently increased by year end. U.S. domestic oil production has increased significantly over the last few years, leaving oil exporters competing for new customers. Saudi Arabia, Nigeria, and Algeria for example, now have to compete heavily to supply Asian markets, with prices being lowered as a result. In November 2016, the Organization of the Petroleum Exporting Countries ("OPEC") agreed to limit production for six months starting in 2017. Although this may strengthen prices in the short term, some analysts believe the production caps will only have limited value in regulating prices as Iraq and North America continue to increase production.

The government in Senegal sets prices for various types of fuels consumed in the country, and they review these prices every 4 weeks. Price stabilization levies are applied in times of low market prices. In December 2015, we successfully negotiated the removal of these levies, which were inflating our prices in Senegal relative to market oil prices by 20 to 30 percent. Furthermore, in January 2016, the Government of Senegal reduced the regulated price for both HFO and LFO by an additional 12 to 17 percent. As a result, the prices paid by the Company for HFO and LFO in 2016 were lower than prices paid in the prior year, notwithstanding the increase in market fuel prices in 2016 from the beginning of the year. The Company will be assessing the fuel market in Burkina Faso in conjunction with the feasibility study for the Banfora gold project.

The Company does not have any oil hedges in place. Management may consider entering into oil hedge contracts should the price and terms be deemed acceptable.

Currency

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

Overall, financial markets have suffered from a series of global political events in 2016. Currency volatility is likely to remain high given the uncertainty of the policy decisions of the new U.S. administration and the impact of the United Kingdom's exist from the European Union. The Euro entered December 2016 around 1.06 to the U.S. Dollar, slightly above a multi-year low surrounding the new U.S. administration. Euro exchange rates were volatile throughout the year despite modest economic growth.

All of the Company's current production comes from its operation in Senegal, therefore costs will continue to be exposed to foreign exchange rate movements. The Company monitors currency exposure on an ongoing basis. The Company had previously hedged a portion of its exposure to the Euro using forward contracts, and currently does not have any currency hedges in place. With the Company's projects in Burkina Faso and Côte d'Ivoire, the Company's operating

[1] Source: Zacks Equity Research

costs and capital will also have portions denominated in currencies other than the U.S. dollar. Management will regularly assess currency exposures and may consider entering into hedge programs should the price and terms be acceptable.

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

Balance Sheet	As at December 31, 2016	As at December 31, 2015
Cash and cash equivalents	95,188	44,436
Trade and other receivables	9,882	15,701
Inventories	171,232	164,427
Deferred tax assets	20,084	23,098
Other assets	515,820	448,554
Available for sale financial assets	1,171	-
Total assets	**813,377**	**696,216**
Trade and other payables	47,409	62,545
Borrowings	13,844	13,450
Provisions	34,473	30,824
Deferred revenue	68,815	91,345
Other liabilities	31,903	19,783
Total liabilities	**196,444**	**217,947**
Total equity	**616,933**	**478,269**

Balance Sheet Review

Cash

The Company's cash and cash equivalents balance at December 31, 2016 was $95.2 million, $50.8 million higher than the balance at the start of the year, primarily due to cash flow provided by operations of $44.7 million and cash flows from financing activities of $54.3 million. The cash inflows were reduced by capital expenditures and investments totalling $48.1 million during 2016.

Trade and Other Receivables

The trade and other receivables balance of $9.9 million includes $7.8 million in VAT recoverable which is expected to be refunded over in 2017. In February 2016, the Company received an exemption for the payment and collection of refundable VAT. This exemption is governed by an amendment to our mining convention and is enforceable for the next 6 years, expiring on May 2, 2022.

Other Assets

Other assets increased by $67.3 million to $515.8 million in 2016. The increase was attributed to the acquisition of Gryphon for $54.1 million recorded as mine development expenditures and $13.2 million of sustaining capital expenditures related to the Company's Sabodala mine operations. In 2016, the Company completed the mill optimization project at Sabodala.

Available for Sale Financial Assets

Through its wholly owned Gryphon subsidiary, the Company now holds 13.5 million shares of Tawana Resources NL. As at December 31, 2016, these shares are valued at $1.2 million.

Trade and Other Payables

As at December 31, 2016 the trade and other payables balance decreased by $15.1 million to $47.4 million. The decrease was primarily the result of a reduction in year-end trade payables and settlement of royalties payable to the Republic of Senegal.

Deferred Revenue

During the twelve months ended December 31, 2016, the Company delivered 22,500 ounces of gold to Franco-Nevada and recorded revenue of $28.1 million, consisting of $5.2 million received in cash proceeds, $0.4 million in accounts receivable and $22.5 million recorded as a reduction of deferred revenue.

Other Liabilities

The increase in other liabilities in 2016 was a result of higher current tax liabilities of $11.1 million and higher deferred income tax liabilities of $1.2 million. The increase to deferred income tax liabilities was due to the acquisition of Gryphon.

Liquidity and Cash Flow

Cash Flow

(US$000's)	Three months ended December 31,		Twelve months ended December 31,	
Cash Flow	**2016**	**2015**	**2016**	**2015**
Operating	(13,627)	9,755	44,729	30,434
Investing	(5,673)	(12,307)	(48,129)	(47,682)
Financing	55,566	17,109	54,276	25,873
Effect of exchange rates on cash holdings in foreign currencies	1,051	-	(124)	1
Change in cash and cash equivalents during the period	37,317	14,557	50,752	8,626
Cash and cash equivalents - beginning of period	**57,871**	**29,879**	**44,436**	**35,810**
Cash and cash equivalents - end of period	**95,188**	**44,436**	**95,188**	**44,436**

Sources and Uses of Cash

	Twelve months ended December 31, 2016				
Cash Flow - Sources and Uses (US$000's)	**Cash Flow Prior to Acquistion and Equity Offerings**	**Net cash acquired from Gryphon**	**Expenditures related to Gryphon**	**Net Proceeds from Equity Offerings**	**Consolidated Cash Flow**
Operating	**51,411**		**(6,682)**		**44,729**
- Acquisition costs incurred by Teranga			*(1,474)*		
- Operating expenditures incurred by Gryphon			*(5,208)*		
Investing	**(51,503)**	**5,015**	**(1,641)**		**(48,129)**
- Cash acquired from Gryphon		*8,321*			
- Investment in Gryphon common shares		*(3,306)*			
- Expenditures for mine development - growth			*(1,607)*		
- Expenditures for property, plant and equipment - growth			*(34)*		
Financing	**(1,614)**			**55,890**	**54,276**
- Proceeds from Equity Offering and Private Placement				*48,349*	
- Proceeds from Private Placement				*7,541*	
Effect of exchange rates on cash holdings in foreign currencies	**(124)**				**(124)**
Change in cash and cash equivalents during the period	**(1,830)**	**5,015**	**(8,323)**	**55,890**	**50,752**
Cash and cash equivalents - beginning of period					**44,436**
Cash and cash equivalents - end of period					**95,188**

Operating Cash Flow

(US$000's)	Three months ended December 31,		Twelve months ended December 31,	
Changes in working capital other than inventory	**2016**	**2015**	**2016**	**2015**
(Increase)/decrease in trade and other receivables	4,360	(5,678)	(715)	(13,766)
(Increase)/decrease in other assets	(728)	(512)	6,224	1,251
(Decrease)/increase in trade and other payables	(21,789)	6,887	(22,171)	(5,466)
(Decrease)/increase in provisions	48	1	(568)	(294)
Increase in current income taxes payable	6,324	6,468	12,817	9,176
Net change in working capital other than inventory	**(11,785)**	**7,166**	**(4,413)**	**(9,099)**

Cash used by operations for the three months ended December 31, 2016 was $13.6 million compared to a source of cash of $9.8 million in the prior year period. The decrease in operating cash flow was mainly due to acquisition costs and operating expenditures related to Gryphon of $6.7 million and the payment of royalties to the Republic of Senegal during the fourth quarter 2016. During the fourth quarter of 2016, the Company paid $17.2 million in royalty payments to the Republic of Senegal to settle the remaining 2015 royalties owed and royalties owed related to the first three quarters of 2016. An additional $1.6 million of royalty payments was settled through an offset of VAT receivables owing from the Republic of Senegal. The Company has now moved to payment of government royalties one quarter in arrears.

Cash provided by operations for the twelve months ended December 31, 2016 was $44.7 million compared to $30.4 million in the prior year period. The increase in operating cash flow was primarily due to higher profit and lower VAT payments made during the year, partly offset by acquisition costs and operating expenditures as a result of the acquisition of Gryphon Minerals and higher royalty payments.

Investing Cash Flow

(US$000's)	Three months ended December 31,		Twelve months ended December 31,	
Investing activities	**2016**	**2015**	**2016**	**2015**
Sustaining Capital				
Mine site capex - sustaining	2,444	1,074	7,362	4,361
Mine site capex - project	362	5,384	11,188	8,831
Development capital	1,802	2,282	7,324	15,119
Capitalized reserve development (mine site exploration)	2,923	852	7,138	4,824
Sustaining Capital Expenditures, before Deferred Stripping	**7,531**	**9,592**	**33,012**	**33,135**
Capitalized deferred stripping	4,822	2,715	18,491	14,547
Total Sustaining Capital Expenditures	**12,353**	**12,307**	**51,503**	**47,682**
Growth Capital				
Feasibility	325	-	325	-
Reserve development	337	-	337	-
Construction readiness	979	-	979	-
Total Growth Capital Expenditures	**1,641**	**-**	**1,641**	**-**
Gryphon Minerals Limited opening balance sheet cash balance	(8,321)	-	(8,321)	-
Investment in Gryphon common shares	-	-	3,306	-
Investing Activities	**5,673**	**12,307**	**48,129**	**47,682**

Net cash used in investing activities for the three months ended December 31, 2016 was $5.7 million, $6.6 million lower than the prior year period, mainly due to an increase in cash with the acquisition of Gryphon Minerals.

Net cash used in investing activities in 2016 was $48.1 million, $0.4 million higher than the prior year period. Higher capital expenditures in 2016, related to project costs for the mill optimization project and deferred stripping costs, were mostly offset by lower development capital and an increase in cash with the acquisition of Gryphon Minerals.

Financing Cash Flow

Net cash generated from financing activities for the three months ended December 31, 2016 was $55.6 million, related to proceeds received from equity offerings during the quarter. Please see Liquidity and Capital Resources Outlook section for further details. The comparative prior year period provided cash of $17.1 million as a result of an equity issuance.

Net cash generated from financing activities for the twelve months ended December 31, 2016 was $54.3 million, related to proceeds received from equity offerings during the fourth quarter. Please see Liquidity and Capital Resources Outlook section for further details. Financing activities in the prior year period included proceeds of $17.3 million from an equity issuance, $15.0 million from the drawdown of the Revolver Facility less financing costs paid of $2.0 million, and $4.2 million in a repayment of borrowings.

LIQUIDITY AND CAPITAL RESOURCES OUTLOOK

In June 2016, the Company completed an extension of its $30.0 million Revolver Facility with Société Générale. The Revolver Facility matures on September 30, 2019, with the available amount decreasing to $15.0 million on June 30, 2018. The Revolver Facility carries an interest rate of LIBOR plus 4.65 percent with any unused facility amounts subject to a commitment fee of 1.6 percent. The Revolver Facility is subject to covenants that require the Company to maintain a current ratio of not less than 1.10:1; total debt to EBITDA[1] of not greater than 2:1; historic debt coverage ratio of greater than 2.5:1 and a tangible net worth of not less than $300 million. The Company was compliant with all covenants for the year.

On October 13, 2016, Tablo Corporation ("Tablo") exercised its pre-emptive participation right, pursuant to a Voting and Investor Rights Agreement with Teranga dated October 14, 2015, to subscribe for 9,671,625 Teranga common shares. The issuance price to Tablo was C$1.0322 per share, being the 5-day volume weighted average price of Teranga common shares as of close of business on October 12, 2016. The Teranga common shares issued to Tablo is subject to a customary four month hold period.

On November 21, 2016, the Company completed an equity offering (the "Offering") of 34,655,000 common shares, at a price of C$1.05 per share for gross proceeds of approximately C$36.4 million. Concurrent with the closing of the Offering, the Company completed a non-brokered private placement with Tablo (the "Private Placement"), a company controlled by Mr. David Mimran, of 29,500,000 common shares at a price of C$1.05 per share for gross proceeds of approximately C$31.0 million. Net proceeds of the Offering and the Private Placement were C$64.9 million (US$48.4 million) after deduction of underwriter fees and expenses totaling approximately C$2.5 million (US$1.8 million). The net proceeds are being used for construction readiness activities at the Banfora gold project, funding of exploration activities associated with the Banfora, Golden Hill, and Gourma gold projects in Burkina Faso and for general corporate purposes.

Teranga's primary source of liquidity comes from the Company's cash balance of $95.2 million as at December 31, 2016, which includes the funds received from Tablo and the Offering. Additional sources of liquidity for the Company in 2017 are expected to come from Sabodala cash flows, $15.0 million in undrawn funds from an existing $30.0 million revolving credit facility and $10.3 million of VAT receivables and VAT certificates received as at December 31, 2016.

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;
- expected sustaining and growth capital expenditure requirements; and
- the gold price.

Our cash position is highly dependent on the key factors noted above, and we expect we will generate sufficient cash flow from operations combined with our Revolver Facility to fund our current and short-term initiatives. Using a $1,200 per ounce gold, the Company expects to generate sustainable free cash flows from Sabodala in 2017.

The Banfora gold project is currently in the early stages of pre-construction activities and therefore has yet to generate any revenues. The Company is currently assessing various alternatives of financing construction of the project which may include debt or equity or a combination thereof. The Company's current cash balance and the cash flows from Sabodala will be key contributors to the development of the Banfora gold project. Funding under any facility will be subject to customary conditions precedent for a financing of the type. Although the Company has been successful in the past in financing its activities, there is no certainty any project debt or equity offering will be successfully completed.

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.

In February 2016, after an increase in the gold spot price, 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. There were no outstanding hedge forward contracts as at December 31, 2016.

At the end of February 2016, the Company entered into zero cost collars with Macquarie Bank. The agreements provide a guaranteed floor price of $1,150 per ounce and also provide exposure to the gold price up to an average of $1,312 per ounce. These agreements covered 15,000 ounces of production between October and December 2016. There were no outstanding zero cost collars as at December 31, 2016.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31, 2016, the Company had the following payments due on contractual obligations and commitments:

Payments Due By Period (US$ millions)	**Total**	**< 1 year**	**1-3 years**	**4-5 years**	**>5 years**
Revolving Line of Credit (i)	15.0	-	15.0	-	-
Franco-Nevada gold stream (ii)	68.8	21.6	47.2	-	-
Exploration commitments (iii)	10.8	3.4	7.4	-	-
Purchase obligations for supplies and services (iv)	2.4	2.4	-	-	-
Capital commitments (v)	3.1	3.1	-	-	-
Total	**100.1**	**30.5**	**69.6**	**-**	**-**

(i) In 2015, the Company secured a $30.0 million Revolver Facility of which $15.0 million was drawn at December 31, 2016.

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

(iii) Reflects the exploration permits, licenses and drilling contracts committed to by the Company. The exploration commitments represent the amounts the Company is required to spend to remain eligible for the renewal of permits beyond the current validity period, for permits on which management intends to continue exploration activities. 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.

(iv) Purchase obligations for supplies and services - includes commitments related to maintenance and explosives services contracts.

(v) Capital commitments - Purchase obligations for capital expenditures include only those items where binding commitments have been entered into.

Sabodala Gold Operations ("SGO"), Sabodala Mining Company ("SMC") and the Oromin Joint Venture Group Ltd. ("OJVG") Operating Commitments

The Company has the following operating commitments in respect of the SGO, SMC and the former 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 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. 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.
- In addition to the Company's corporate social responsibility spending, Teranga has agreed to establish a social development fund which includes making a payment of $15.0 million to the Republic of Senegal at the end of the mine operational life. As at December 31, 2016 $8.0 million was accrued which is the discounted value of the $15.0 million future payment.
- With the recommencement of drilling activities on the western side of the Niakafiri deposit, the Company is required to make a dividend prepayment of $2.7 million to the Republic of Senegal.
- $350 thousand is payable annually for training of Directorate of Mines and Geology officers and Mines Ministry and $30 thousand is payable annually for logistical support of the territorial administration of the region for SGO.
- $250 thousand is payable annually for a forestry protocol to the Ministry of Environment for the period of 5 years.
- On May 1, 2016 SGO entered into a commitment with local communities around its Gora deposit to provide annual social assistance funding in the amount of $150 thousand for the initial year, and $200 thousand for each successive year over a five year period, which is the anticipated operating life of the Gora deposit.
- $112 thousand is payable annually as institutional support for the exploration licenses.

CONTINGENT LIABILITIES

Royalty payments

Government royalties are accrued based on the mine head value of the gold and related substances produced at a rate of 5 percent of sales. During the twelve months ended December 31, 2016, the Company paid $19.3 million in royalty payments to the Republic of Senegal to settle 2015 royalties owed and royalties owed related to the first three quarters of 2016. An additional $1.6 million of royalty payments were settled through an offset of VAT receivables owing from the Republic of Senegal. The Company has now moved to payment of government royalties one quarter in arrears. At December 31, 2016, $2.6 million of government royalties related to the fourth quarter 2016 were accrued.

Reserve payment

A reserve payment is payable to the Republic of Senegal, calculated on the basis of $6.50 for each ounce of new reserves until December 31, 2012 and 1 percent of the trailing twelve-month gold price for each ounce of new reserve beyond December 31, 2012 on the Sabodala mine license. As at December 31, 2016, $1.9 million remains accrued as a current liability.

OJVG advanced royalty payment

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. Prior to 2016, a total of $6.5 million was paid. During the twelve months ended December 31 2016, $1.2 million was paid and the remaining $2.3 million has been accrued and is expected to be paid during 2017. An additional payment will become payable when the actual cumulative production from the OJVG, net of mining royalties, multiplied by our weighted average realized gold prices, multiplied by 1 percent, exceeds the initial payments.

Mining permit surface taxes

In Burkina Faso, surface taxes are payable by mining companies that hold prospecting permits and mining. Prior to the acquisition of Gryphon, an accrued liability of $1.4 million in regards to surface taxes was owing. During the period from acquisition by Teranga to December 31 2016, $0.2 million was paid in relation to the mining license on which the Banfora gold project is situated. As at December 31, 2016, $1.4 million has been accrued for surface taxes, with payment expected during 2017.

Outstanding tax assessments

In April 2016, the Company received a withdrawal of the 2011 tax assessment for all but $1.0 million, which remains in dispute. No amounts were accrued relating to this matter.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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 consolidated statements of comprehensive income.

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 contained ounces of gold milled.

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 non-current assets

Non-current assets are tested for impairment if there is an indicator of impairment. 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 inflows 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 stripping activities in the production phase of surface mining. Deferred stripping is defined as the excess waste material moved above the average strip ratio to provide access to further quantities of ore that will be mined in future periods, which are estimated by management.

Taxes

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

Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within the Company's control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims, that may result in such proceedings or regulatory or government actions that may negatively impact the Company's business or operations, the Company with assistance from its legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or assessing the impact on the carrying value of assets. Contingent assets are not recognized in the consolidated financial statements.

Determination of purchase price allocation

Business combinations require the Company to determine the identifiable asset and liability in fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities. This requires management to make judgements and estimates to determine the fair value, including the amount of mineral reserves and resources acquired, future metal prices, future operating costs, capital expenditure requirements and discount rates.

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 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 is 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. This measure is 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.

"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. All-in sustaining 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.

The Company also expands upon the WGC definition of all-in sustaining costs by presenting an additional measure of "all-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)". This measure excludes cash and non-cash inventory movements and amortized advanced royalty costs which management does not believe to be true cash costs and are not fully indicative of performance for the period.

"Total cash costs per ounce", "all-in sustaining costs per ounce" and "all-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty 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-IFRS measures to the most directly comparable IFRS measure.

In this MD&A, the Company has amended its "total cash costs per ounce" and "all in sustaining costs per ounce" figures from those previously disclosed by removing adjustments which management does not believe to be significant.

"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.

"Earnings before interest, taxes, depreciation and amortization" ("EBITDA") is a non-IFRS financial measure, which excludes income tax, finance costs (before unwinding of discounts), interest income, depreciation and amortization, and non-cash impairment charges from net earnings. EBITDA is intended to provide additional information to investors and analysts 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. Management believes that EBITDA is a valuable indicator of our ability to generate liquidity by producing operating cash flow to: fund working capital needs, service debt obligations, and fund capital expenditures.

"Free cash flow" is a non-IFRS financial measure. The Company calculates free cash flow as net cash flow provided by operating activities less sustaining capital expenditures. The Company believes this to be a useful indicator of our ability generate cash for growth initiatives. Other companies may calculate this measure differently.

RECONCILIATION OF NON-IFRS MEASURES

1. The reconciliation cash costs per ounce, cost of sales per ounce, all-in sustaining costs, and all-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs follows below.

(US$000's, except where indicated)	**Three months ended December 31,**		**Twelve months ended December 31,**	
	2016	**2015**	**2016**	**2015**
Gold produced[1] (oz)	43,987	51,292	216,735	182,282
Gold sold (oz)	46,523	52,939	217,652	193,218
Cash costs per ounce sold				
Mine operation expenses	33,465	36,303	137,486	126,792
Less: Regional administration costs	(699)	(736)	(2,105)	(2,531)
Total cash costs	**32,766**	**35,567**	**135,381**	**124,261**
Total cash costs per ounce sold	**704**	**672**	**622**	**643**
Cost of sales per ounce sold				
Cost of sales	**43,022**	**49,266**	**181,528**	**174,884**
Total cost of sales per ounce sold	**925**	**931**	**834**	**905**
All-in sustaining costs				
Total cash costs	32,766	35,567	135,381	124,261
Administration expenses[2]	4,232	3,618	10,991	13,111
Share-based compensation	(538)	9	4,405	1,761
Capitalized deferred stripping	4,822	2,715	18,491	14,547
Capitalized reserve development	2,923	852	7,138	4,824
Mine site sustaining capital	4,608	8,740	25,874	28,311
All-in sustaining costs	**48,813**	**51,501**	**202,280**	**186,815**
All-in sustaining costs per ounce sold	**1,049**	**973**	**929**	**967**
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)				
All-in sustaining costs	48,813	51,501	202,280	186,815
Amortization of advanced royalties	(357)	(787)	(2,557)	(1,892)
Inventory movements - cash	5,658	3,660	11,655	16,611
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)	**54,114**	**54,374**	**211,378**	**201,534**
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) per ounce	**1,163**	**1,027**	**971**	**1,043**

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

[2] Administration expenses include share based compensation and exclude Corporate depreciation expense.

2. Free cash flow is a non-IFRS performance measure that does not have a standard meaning under IFRS. Teranga defines free cash flow net cash flow provided by operating activities less sustaining capital expenditures.

3. Earnings before interest, taxes, depreciation and amortization ("EBITDA") is calculated as follows:

	Three months ended December 31, 2016		Twelve months ended December 31,	
(US$000's)	2016	2015	2016	2015
Profit for the period	(1,492)	(79,483)	27,891	(55,613)
Add: finance costs	551	369	2,366	1,907
Add: impairment charge	-	90,000	-	90,000
Less: finance income	(25)	6	(51)	(43)
Add: income tax expense	8,563	(8,012)	23,327	(2,502)
Add: depreciation and amortization	9,956	13,191	45,640	49,721
Earnings before interest, taxes, depreciation and amortization	**17,553**	**16,071**	**99,173**	**83,470**

OUTSTANDING SHARE DATA

The Company's fully diluted share capital as at December 31, 2016, is as follows:

Outstanding	
Ordinary shares as at December 31, 2016	536,713,915
Stock options granted at an exercise price of C$3.00 per option	11,627,500
Stock options granted at an exercise price of C$0.64 per option	3,516,821
Stock options granted at an exercise price of C$0.67 per option	3,687,051
Stock options granted at an exercise price of C$1.07 per option	91,125
Stock options granted at an exercise price of C$1.26 per option	23,030
Fully diluted share capital	**555,659,442**

TRANSACTIONS WITH RELATED PARTIES

During the three and twelve months ended December 31, 2016, there were transactions totalling $68 thousand and $97 thousand, respectively, between the Company and a director-related entity. No loans were made to directors or director-related entities during the period.

The Company entered into an exploration agreement with a related party, Miminvest, to identify and acquire gold exploration stage mining opportunities in Côte d'Ivoire. Miminvest is a company established to invest in gold and natural resources in West Africa and is controlled by the Mimran family and Mr. David Mimran, a director and the largest shareholder of Teranga. Miminvest holds five existing exploration permits, representing 1,838 km^2 in Côte d'Ivoire.

Under the terms of the exploration agreement, a separate entity was created and is owned and funded by Teranga. Miminvest transferred its permits into the entity and in exchange retains a net smelter royalty interest of 3 percent and will provide ongoing in-country strategic advice. Furthermore, the entity will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest permits. As at December 31, 2016, Teranga owed Miminvest $0.5 million for all direct and reasonable costs associated with exploration work related to the transferred permits. The entire amount was paid in the first quarter of 2017.

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.

CEO/CFO CERTIFICATION

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

The Company's CEO and CFO certify that, as at December 31, 2016, 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 issed on May 14, 2013. There is no material weakness relating to the design of ICFR. As at December 31, 2016, the Company has certified compliance with the COSO framework. Based on this evaluation, management concluded that the Company's ICFR and DC&P were effective.

The Company has limited the scope of the design of ICFR and DC&P to exclude the controls, policies and procedures of the entities acquired as part of the Gryphon Minerals Limited acquisition. The balance sheet and operating results of the entities are included in the consolidated financial statements of Teranga for the year ended December 31, 2016, following the acquisition on October 13, 2016. The scope limitation is in accordance with Section 3.3 of NI 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings, which allows an issuer to limit its design of ICFR and DC&P to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates.

RISKS AND UNCERTAINTIES

The Company identified a number of risk factors to which it is subject to in its Amended and Restated Annual Information Form filed for the year ended December 31, 2015. 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 MD&A contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"), which reflects management's expectations regarding Teranga's future growth, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities. Wherever possible, words such as "plans", "expects", "does not expect", "budget", "scheduled", "trends", "indications", "potential", "estimates", "predicts", "forecasts", "anticipate" or "does not anticipate", "believe", "intend", "ability to" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might", "will", or are "likely" to be taken, occur or be achieved, have been used to identify such forward looking information. Forward-looking statements include, without limitation, all disclosure regarding possible events, conditions or results of operations, future economic conditions and anticipated courses of action. Although the forward-looking statements contained in this MD&A reflect management's current beliefs based upon information currently available to management and based upon what management believes to be reasonable assumptions, Teranga cannot be certain that actual results will be consistent with such forward looking statements. Such forward-looking 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 but that may prove to be incorrect. These assumptions include, among other things, the ability to obtain any requisite governmental approvals, the accuracy of mineral reserve and mineral resource estimates, gold price, exchange rates, fuel and energy costs, future economic conditions, anticipated future estimates of free cash flow, and courses of action. Teranga cautions you not to place undue reliance upon any such forward-looking statements.

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 Teranga's Amended and Restated 2015 Annual Information Form dated November 15, 2016, and in other filings of Teranga with securities and regulatory authorities which are available at www.sedar.com. Teranga does not undertake any obligation to update forward-looking statements should *assumptions related to these plans, estimates, projections, beliefs and opinions change. Nothing in this report should be construed as either an offer to sell or a solicitation to buy or sell Teranga securities. All references to Teranga include its subsidiaries unless the context requires otherwise.*

TERANGA GOLD COMPETENT PERSONS STATEMENT

The technical information contained in this MD&A relating to the open pit 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 not "independent" within the meaning of 43-101. However, he 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" (the "JORC Code"). 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 JORC Code. Mr. Chawrun has consented to the inclusion in this MD&A of the matters based on his compiled information in the form and context in which it appears in this MD&A.

The technical information contained in this MD&A relating to mineral resource estimates is based on, and fairly represents, information compiled by Ms. Patti Nakai-Lajoie. Ms. 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 NI 43-101. However, she is a "qualified person" as defined in NI 43-101 and a "competent person" as defined in the JORC Code. Ms. Nakai-Lajoie 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 JORC Code. Resources remain 2004 JORC Compliant and not updated to the JORC Code on the basis that information has not materially changed since it was last reported. Ms. Nakai-Lajoie has consented to the inclusion in this MD&A of the matters based on her compiled information in the form and context in which it appears in this MD&A.

The information in this MD&A that relates to Mineral Reserve estimates has been extracted from the Technical Report dated March 22, 2016 ("Technical Report"). The information in this MD&A that refers to Mineral Resource estimates is derived from the Company's Third Quarter Results press release dated October 28, 2016 ("Q3 Results"). The Technical Report and the Q3 Results are available to be viewed on the company website at: www.terangagold.com

Teranga's exploration programs are being managed by Peter Mann, M.Sc. Geology, Minerals Exploration who is a Professional Fellow Member of the Australasian Institute of Mining and Metallurgy (Reg. 990534). The technical information contained in this MD&A 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 reverse circulation (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 is a full time employee of Teranga and is not "independent" within the meaning of NI 43-101. However, he is a "qualified person" as defined in NI 43-101 and a "competent person" as defined in the JORC Code. 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 JORC Code. Mr. Mann 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 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 Standards on Mineral Resources and Mineral Reserves (the "CIM Standards"), adopted by the Canadian Institute of Mining, Metallurgy, and Petroleum ("CIM") and its council, as may be amended from time to time by CIM. 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.

Teranga confirms that it is not aware of any new information or data that materially affects the information included in the Technical Report or fourth quarter 2016 results, market announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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
Chief Financial Officer

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 statements of financial position as at December 31, 2016 and 2015, 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 statement s present fairly, in all material respects, the financial posit ion of Teranga Gold Corporation as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

February 22, 2017
Toronto, Canada

A member firm of Ernst & Young Global Limited

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	For the years ended December 31, 2016	2015
Revenue	7	268,850	224,620
Mine operation expenses	8	(137,486)	(126,792)
Depreciation and amortization	9	(44,042)	(48,092)
Cost of sales		(181,528)	(174,884)
Gross Profit		**87,322**	**49,736**
Exploration and evaluation expenditures		(4,760)	(2,525)
Administration expenses	10	(8,973)	(10,835)
Corporate social responsibility expenses		(3,613)	(2,853)
Share-based compensation	35	(4,405)	(1,761)
Finance costs	11	(4,363)	(3,159)
Impairment charge	18	-	(90,000)
Net foreign exchange (losses)/gains		(2,589)	1,901
Other (expenses)/income	12	(7,401)	1,381
		(36,104)	**(107,851)**
Profit/(loss) before income tax		**51,218**	**(58,115)**
Income tax (expense)/recovery	13	(23,327)	2,502
Net profit/(loss)		**27,891**	**(55,613)**
Net profit/(loss) attributable to:			
Shareholders		23,109	(50,543)
Non-controlling interests		4,782	(5,070)
Net profit/(loss) for the year		**27,891**	**(55,613)**
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit for the year			
Change in fair value of available for sale financial asset, net of tax		(250)	-
Other comprehensive loss for the year		**(250)**	**-**
Total comprehensive income/(loss) for the year		**27,641**	**(55,613)**
Total comprehensive income/(loss) attributable to:			
Shareholders		22,859	(50,543)
Non-controlling interests		4,782	(5,070)
Total comprehensive income/(loss) for the year		**27,641**	**(55,613)**
Earnings/(loss) per share from operations attributable to the shareholders of the Company during the year			
- basic earnings/(loss) per share	27	0.06	(0.14)
- diluted earnings/(loss) per share	27	0.06	(0.14)

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,	
	Note	2016	2015
Current assets			
Cash and cash equivalents	33b	95,188	44,436
Trade and other receivables	14	9,882	15,701
Inventories	15	49,987	57,529
Other current assets	17	8,330	9,381
Available for sale financial assets	16	1,171	-
Total current assets		**164,558**	**127,047**
Non-current assets			
Inventories	15	121,245	106,898
Property, plant and equipment	19	185,404	193,426
Mine development expenditures	20	314,522	237,046
Deferred income tax assets	21	20,084	23,098
Other non-current assets	17	7,564	8,701
Total non-current assets		**648,819**	**569,169**
Total assets		**813,377**	**696,216**
Current liabilities			
Trade and other payables	22	47,409	62,545
Current income tax liabilities		19,834	8,685
Deferred revenue	24	21,353	19,155
Provisions	25	4,979	2,588
Total current liabilities		**93,575**	**92,973**
Non-current liabilities			
Borrowings	23	13,844	13,450
Deferred revenue	24	47,462	72,190
Provisions	25	29,494	28,236
Deferred income tax liabilities	21	1,185	-
Other non-current liabilities	22	10,884	11,098
Total non-current liabilities		**102,869**	**124,974**
Total liabilities		**196,444**	**217,947**
Equity			
Issued capital		496,326	385,174
Foreign currency translation reserve		(998)	(998)
Other components of equity		17,514	16,905
Retained earnings		90,903	67,794
Equity attributable to shareholders		**603,745**	**468,875**
Non-controlling interests		13,188	9,394
Total equity		**616,933**	**478,269**
Total equity and liabilities		**813,377**	**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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	For the years ended December 31, 2016	2015
Issued capital			
Beginning of year		385,174	367,837
Shares issued from public and private offerings	26	112,788	17,454
Issued on exercise of stock options	35	198	-
Less: Share issue costs	26	(1,834)	(117)
End of year		496,326	385,174
Foreign currency translation reserve			
Beginning of year		(998)	(998)
End of year		(998)	(998)
Other components of equity			
Beginning of year		16,905	16,255
Equity-settled share-based compensation expense		918	650
Value of compensation cost associated with exercised options		(59)	-
Investment revaluation reserve on change in fair value of available for sale financial asset, net of tax		(250)	-
End of year		17,514	16,905
Retained earnings			
Beginning of year		67,794	118,337
Profit/(loss) attributable to shareholders		23,109	(50,543)
End of year		90,903	67,794
Non-controlling interest			
Beginning of year		9,394	14,464
Non-controlling interest - portion of profit/(loss) for the period		4,782	(5,070)
Non-controlling interest - acquisition of Gryphon	6	(988)	-
End of year		13,188	9,394
Total equity as at December 31		**616,933**	**478,269**

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the years ended December 31,	
	Note	**2016**	**2015**
Cash flows related to operating activities			
Net profit/(loss) for the year		27,891	(55,613)
Impairment charge		-	90,000
Depreciation of property, plant and equipment	19	21,103	22,703
Depreciation of capitalized mine development costs	20	19,159	19,526
Inventory movements - non-cash	9	5,566	7,458
Capitalized deferred stripping - non-cash	9	(1,511)	(1,374)
Amortization of advanced royalties		2,557	1,892
Gain on sale of exploration rights		-	(400)
Amortization of intangibles		80	247
Amortization of deferred financing costs		690	793
Unwinding of discounts	11	975	951
Share-based compensation	35	4,405	1,761
Deferred gold revenue recognized	24	(22,530)	(22,653)
Deferred income tax expense/(recovery)	21	3,365	(11,219)
Loss on disposal of property, plant and equipment		32	84
Interest on borrowings		(1,307)	(459)
Increase in inventories		(11,333)	(14,164)
Changes in non-cash working capital other than inventories	33a	(4,413)	(9,099)
Net cash provided by operating activities		**44,729**	**30,434**
Cash flows related to investing activities			
Expenditures for property, plant and equipment	33c	(17,965)	(23,962)
Expenditures for mine development	33c	(34,532)	(23,545)
Acquisition of intangibles		(647)	(175)
Net cash from Gryphon acquisition	6	8,321	-
Investment in Gryphon common shares	6	(3,306)	-
Net cash used in investing activities		**(48,129)**	**(47,682)**
Cash flows related to financing activities			
Net proceeds from equity offering	26	55,890	17,337
Proceeds from stock options exercised	26	139	-
Repayment of borrowings	23	-	(4,192)
Draw-down from revolving credit facility	23	-	15,000
Financing costs paid		(296)	(2,025)
Interest paid on borrowings		(1,457)	(247)
Net cash provided by financing activities		**54,276**	**25,873**
Effect of exchange rates on cash holdings in foreign currencies		(124)	1
Net increase in cash and cash equivalents		**50,752**	**8,626**
Cash and cash equivalents at the beginning of year		**44,436**	**35,810**
Cash and cash equivalents at the end of year		**95,188**	**44,436**
Taxes paid		8,688	-

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

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 Securities 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 its exploration permits which are in the process of consolidation and renewal.

As part of the Company's strategy to become a multi-jurisdictional gold producer with diversified production and cash flow, Teranga entered into two transactions in 2016.

In second quarter 2016, Teranga entered into an agreement with Miminvest SA ("Miminvest"), a privately-held company controlled by Mr. David Mimran, a director of Teranga, relating to the exploration, development and production of minerals in Côte d'Ivoire.

On October 13, 2016, Teranga acquired Gryphon Minerals Limited ("Gryphon") in an all share transaction. Gryphon's key asset is the Banfora gold project, a permitted, open pit gold project located in Burkina Faso, West Africa.

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 22, 2017.

Certain comparative amounts 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 also 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 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 5 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 32 for a material listing of the Company's controlled subsidiaries.

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 business 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. Business Combination

Businesses combinations are accounted for using the acquisition method.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values at the acquisition date, the day on which the Company obtains control, of the assets transferred to the Company, the liabilities assumed by the Company to former owners of the acquiree and the equity interests issued by the Company in exchange of control over the acquiree. The Company accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except as follows:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with International Accounting Standards ("IAS") 12 Income Taxes and IAS 19 Employee Benefits, respectively.

- Assets or disposal groups that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

- Liabilities or equity instruments related to share-based remuneration of the acquiree or share-based remuneration of the Company entered into to replace such arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment.

In cases where the sum of the consideration transferred, the amount of non-controlling interest in the acquiree and the fair value of equity interests in the acquiree held previously by the Company exceeds the net value of identifiable assets and liabilities at the acquisition date, goodwill is measured at the excess amount. A gain is recorded through the consolidated statements of income if the cost of the acquisition is less than the fair values of the identifiable net assets acquired.

c. 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.

d. 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.

e. 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 overhead costs, depreciation and amortization on property, plant and equipment used in the production process and depreciation and amortization of capitalized stripping costs. As ore is removed from inventory, 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.

f. 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 contained ounces of gold milled. Mining assets include buildings and property improvements, and plant and equipment.

The Company uses the straight-line method when depreciating office furniture and equipment, motor vehicles and mobile 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	n/a
Office furniture and equipment	Straight-line	3 - 8 years
Motor vehicles	Straight-line	5 years
Mobile equipment	Straight-line	5 – 8 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.

g. 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 statements 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 (i.e. the technical feasibility and commercial viability of extracting a mineral resource is considered to have occurred), 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 related to these 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.

h. 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 is deferred to asset, the cost or revalued amount will be amortized on a units of production basis in the subsequent period.

i. 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.

j. 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.

When there is goodwill, it is tested for impairment annually effective on November 1st 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.

As at December 31, 2016, the Company does not have any goodwill. There is no goodwill recognized in the preliminary purchase price allocation of the Gryphon acquisition.

k. 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 inflows 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.

l. 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.

m. 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 are measured using the remuneration rate expected to apply at the time of settlement.

n. 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 24.

o. 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.

p. 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.

q. 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.

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.

r. 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.

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.

s. Available for sale Investments

Investments may be classified as an available for sale investment based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. Changes in market value, excluding other-than-temporary impairments, are recorded through other comprehensive income.

t. 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 consolidated statements 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 is 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 consolidated 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 consolidated statements of comprehensive income.

Fixed Bonus Plan Units (FBUs)

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

The fair value of the FBUs 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.

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

u. 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 consolidated statements of comprehensive income.

v. Royalties

Royalties

Royalties, whether paid to the Government of Senegal or to third party interests, are based on gold sales and the liability is accrued as revenues are recognized. 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 former Oromin Joint Venture Group ("OJVG") and Gora properties are subject 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 twelve months and the remaining amount is recorded within other non-current assets. The advanced royalty balance will be expensed through net profit based on actual production from the properties.

w. 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.

4. NEW STANDARDS AND INTERPRETATIONS

a. Standards, amendments and interpretations to existing standards that have been adopted by the Company

IAS 1, Presentation of Financial Statements ("IAS 1")

On January 1, 2016, the Company implemented certain amendments to IAS 1 which clarify guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statements of net income or loss and comprehensive income or loss, and which provide additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The implementation of amendments to IAS 1 had no impact to the Company's 2016 consolidated financial statements.

b. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

At the date of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 9, Financial Instruments ("IFRS 9")

In November 2009 and October 2010, the IASB issued the first phase of IFRS 9, Financial Instruments. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes a third measurement category for financial assets (fair value through other comprehensive income) and a single, forward-looking 'expected loss' impairment model. The adoption date for IFRS 9 is January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

The IASB has issued IFRS 15, Revenue from Contracts with Customers, which will replace IAS 11, Construction Contracts, and IAS 18, Revenue. The mandatory effective date of IFRS 15 is January 1, 2018 with early adoption permitted. IFRS 15 establishes a principle-based model to be applied to all contracts with customers in determining how and when revenue is recognized. IFRS 15 also requires entities to provide additional disclosures. The Company is currently evaluating the impact of adopting IFRS 15 in its consolidated financial statements in future periods.

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 which supersedes IAS 17 Leases and related interpretations. The new standard provides a single lessee accounting model which eliminates the distinction between operating and finance leases, by requiring lessees to recognize assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. The Company does not anticipate early adoption and plans to adopt the standard on its effective date of January 1, 2019. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements. At this point, the Company believes IFRS 16 will have minimal impact on the consolidated financial statements.

5. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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 consolidated statements of comprehensive income.

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 contained ounces of gold milled.

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 non-current assets

Non-current assets are tested for impairment if there is an indicator of impairment. 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 inflows 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 stripping activities in the production phase of surface mining. Deferred stripping is defined as the excess waste material moved above the average strip ratio to provide access to further quantities of ore that will be mined in future periods, which are estimated by management.

Taxes

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

Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within the Company's control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims, that may result in such proceedings or regulatory or government actions that may negatively impact the Company's business or operations, the Company with assistance from its legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or assessing the impact on the carrying value of assets. Contingent assets are not recognized in the consolidated financial statements.

Determination of purchase price allocation

Business combinations require the Company to determine the identifiable asset and liability in fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities. This requires management to make judgements and estimates to determine the fair value, including the amount of mineral reserves and resources acquired, future metal prices, future operating costs, capital expenditure requirements and discount rates.

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

6. ACQUISITION

a. Acquisition of Gryphon

On October 13, 2016, Teranga completed the acquisition (the "Acquisition") of Gryphon Minerals Limited, by way of a scheme of arrangement (the "Scheme") under the Australian Corporations Act 2001 (Cth).

Pursuant to the Scheme, shareholders of Gryphon received an aggregate of 70,638,853 Teranga common shares or chess depository interests (CDIs) listed on the ASX (based on their election) on the basis of 0.169 Teranga common share or CDI for each Gryphon common share not already held by the Company. Each share was valued at C$1.032.

Gryphon's key asset is the 90 percent-owned Banfora gold project located in Burkina Faso, West Africa.

Management has determined that the acquisition of Gryphon was a business combination in accordance with the definition in IFRS 3, Business Combinations, and has accounted for the transaction in accordance with this standard. Accordingly, 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 Gryphon's identifiable assets and liabilities. Expected future cash flows were based on estimates of projected future revenues, production costs and capital expenditures. The purchase price allocation is preliminary due to the complexity of determining tax values for the purposes of calculating the deferred income taxes, continuing analysis of the salvage value of property, plant, and equipment and further work will be required to confirm the fair values of certain acquired assets and liabilities. The finalization of the purchase price allocation will be completed within 12 months of the acquisition date.

Since the date of acquisition to December 31, 2016, Gryphon has not recorded any revenue and incurred $1.2 million of expenditures and income tax expense of $0.4 million which are included in the consolidated statement of comprehensive income.

The following table presents the purchase price and the preliminary allocation of the purchase price to the assets and liabilities acquired. No goodwill has been recognized in the preliminary purchase price allocation.

Purchase Cost	
Shares issued to Gryphon shareholders	55,064
Replacement share appreciation rights ("SARs") to Gryphon employees	19
Total Acquisition Cost	**55,083**
Fair value of previously held interest	3,366
	58,449
Cash acquired with Gryphon	(8,321)
Consideration, net of cash acquired	**50,128**

Summary of Preliminary Purchase Price Allocation	
Assets	
Current assets	8,878
Non-current assets (excluding mine development)	2,687
Mine development costs	54,074
Total assets	**65,639**
Liabilities	
Current liabilities	7,343
Non-current liabilities	835
Total liabilities	**8,178**
Net assets acquired, before non-controlling interest	57,461
Non-controlling interest	988
Net assets acquired	**58,449**

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

7. REVENUE

	For the years ended December 31,	
	2016	**2015**
Gold sales - spot price	268,515	224,342
Silver sales	335	278
Total revenue	**268,850**	**224,620**

For the year ended December 31, 2016, 217,652 ounces of gold were sold including 22,500 ounces delivered to Franco Nevada Corporation ("Franco-Nevada") at an average realized price of $1,234 per ounce (2015: 193,218 ounces were sold, including 24,375 ounces delivered to Franco Nevada at an average price of $1,161 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 24.

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

	For the years ended December 31,	
	2016	**2015**
Customer 1	198,368	41,301
Customer 2	42,320	151,520
Customer 3	28,162	28,315
Customer 4	-	3,484
Total revenue	**268,850**	**224,620**

8. MINE OPERATION EXPENSES

	For the years ended December 31,	
	2016	**2015**
Mine production costs	148,624	142,131
Royalties(i)	16,904	13,288
Regional administration costs	2,105	2,531
Capitalized deferred stripping	(18,492)	(14,547)
Inventory movements	(11,655)	(16,611)
Total Mine Operation Expenses	**137,486**	**126,792**

(i) Includes $1.0 million (2015: $0.3 million) of royalties to Axmin Inc. on account of their 1.5 percent net smelter royalty on the Gora deposit.

9. DEPRECIATION AND AMORTIZATION

	For the years ended December 31,	
	2016	**2015**
Depreciation and amortization	39,987	42,008
Inventory movements - depreciation	5,566	7,458
Capitalized deferred stripping - depreciation	(1,511)	(1,374)
Total Depreciation and Amortization	**44,042**	**48,092**

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

10. ADMINISTRATION EXPENSES

	For the years ended December 31,	
	2016	**2015**
Corporate office	7,418	7,721
Audit fees	380	468
Legal and other	1,088	2,391
Depreciation	87	255
Corporate Administration	**8,973**	**10,835**

11. FINANCE COSTS

	For the years ended December 31,	
	2016	**2015**
Interest and deferred financing costs on borrowings	1,997	1,252
Unwinding of discounts	975	951
Stocking fees	712	619
Bank charges	516	243
Other	163	94
Total finance costs	**4,363**	**3,159**

12. OTHER (INCOME)/EXPENSES

	For the years ended December 31,	
	2016	**2015**
Acquisition (i)	1,652	-
Gains on sale of exploration rights(ii)	-	(500)
Losses/(gains) on derivative instruments (iii)	2,155	(2,581)
Government of Senegal payments (iv)	1,033	1,973
Business process consulting	886	-
Business and other taxes (v)	1,339	-
Gryphon corporate office (vi)	407	-
Interest income and other income and expenses	(71)	(273)
Total other expenses / (income)	**7,401**	**(1,381)**

(i) Includes costs for legal, advisory and consulting related to the acquisition of Gryphon Minerals.

(ii) A settlement agreement was reached with a joint venture partner whereby Teranga relinquished its interest in the Garaboureya exploration permit in exchange for cash consideration of $0.5 million.

(iii) 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. In February 2016, the Company also entered into zero cost collars with Macquarie Bank, which provided a floor price of $1,150 per ounce and provide exposure to the gold price of up to $1,312. These agreements covered 15,000 ounces of production between October and December 2016. During the year ended December 31, 2016, losses of $2.2 million were realized (2015: $2.6 million gain was realized on 28,000 ounces of gold forward sales contracts). As at December 31, 2016, there were no gold derivative contracts outstanding.

(iv) During the first quarter of 2016, 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). In 2015, the Company made payments to the Government of Senegal related to registration duties as a result of the merger of the Golouma mining concession with the Company's existing Sabodala concession, net of a present value adjustment related to the social development fund, which reflects a change in the expected payment date from 2023 to 2029.

(v) Business taxes are calculated based on the gross value of fixed assets of the preceding year. In 2016, the Company paid $1.2 million in business tax. Other taxes of $0.1 million include tax on insurance premiums.

(vi) These expenditures relate to the transitional costs incurred since the acquisition date to maintain the regional Gryphon office located in Perth, Australia.

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

13. INCOME TAX EXPENSE/ (RECOVERY)

Current income tax is calculated using local tax rates on taxable income which is estimated in accordance with local statutory requirements. Where denominated in foreign currency, the tax basis of all assets and non-current intercompany loans recorded using historical exchange rates are translated to the functional currency using the period end exchange rate. As the CFA Franc moves against the US dollar, the Company's deferred tax balances will fluctuate due to changes in foreign exchange rates. The effective tax rate is also affected by non-deductible expenses and tax losses not benefitted in jurisdictions outside of Senegal.

For the year ended December 31, 2016, the Company recorded an income tax expense of $23.3 million, comprised of current income tax expense of $19.9 million and a deferred income tax expense of $3.4 million (2015: $2.5 million recovery, comprised of current income tax expense of $8.7 million and a deferred income tax recovery of $11.2 million).

	For the years ended December 31,	
	2016	**2015**
Current income tax expense	19,962	8,717
Deferred tax expense / (recovery)	3,365	(11,219)
Total income tax expense / (recovery)	**23,327**	**(2,502)**

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,	
	2016	**2015**
Income (loss) before income taxes	51,219	(58,115)
Statutory tax rates	26.5%	26.5%
Income tax expense (recovery) computed at statutory tax rates	13,573	(15,401)
Impact of foreign tax rates	1,071	1,845
Non-deductible items	1,302	1,781
Income (loss) not subject to tax	-	(8,660)
Foreign tax credits	(66)	(721)
Impairment of goodwill	-	10,444
Tax Settlement	-	1,878
Change in foreign exchange rates	1,286	5,046
Recognition of exploration expenditures	37	(1,778)
Unrecognized deferred tax assets	5,531	3,064
Other	593	-
Provision for income taxes	**23,327**	**(2,502)**

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

14. TRADE AND OTHER RECEIVABLES

	As at December 31, 2016	As at December 31, 2015
Current		
Trade receivables (i)	426	625
Value added tax ("VAT") recoverable (ii)	7,819	13,187
Other receivables (iii)	1,637	1,889
Total trade and other receivables	**9,882**	**15,701**

(i) Trade receivables relate to gold and silver shipments made prior to year end that were settled after year 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 value added tax is expensed to net profit. In February 2016, the Company received an exemption for the payment and collection of refundable VAT. This exemption is governed by an amendment to the Company's mining convention and expires on May 2, 2022. The balance at end of December 31, 2016 primarily relates to VAT amounts paid prior to February 2016.

(iii) Other receivables primarily include receivables from suppliers for services, materials and utilities used at the Sabodala gold mine, a $0.1 million receivable related to the sale of exploration rights (2015: $0.4 million) and $0.1 million of Canadian sales tax refunds as at December 31, 2016 (2015: $0.1 million).

15. INVENTORIES

	As at December 31, 2016	As at December 31, 2015
Current		
Gold bullion	1,563	1,948
Gold in circuit	5,600	4,075
Ore stockpile	9,452	18,845
Total gold inventories	**16,615**	**24,868**
Diesel fuel	1,509	1,881
Materials and supplies	29,978	28,981
Goods in transit	1,885	1,799
Total other inventories	**33,372**	**32,661**
Total current inventories	**49,987**	**57,529**
Non-current		
Ore stockpile	121,245	106,898
Total inventories	**171,232**	**164,427**

16. AVAILABLE FOR SALE FINANCIAL ASSETS

	Amount
Balance at January 1, 2016	-
Tawana Resources shares acquired	1,481
Change in fair value of available for sale financial asset during period	(247)
Foreign exchange loss	(63)
Balance at December 31, 2016	**1,171**

In conjunction with the acquisition of Gryphon, the Company holds 13,505,000 shares of Tawana Resources NL ("Tawana Resources"). The Tawana Resources shares are classified as available for sale financial assets and are revalued to prevailing market prices at period end.

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

17. OTHER ASSETS

	As at December 31, 2016	As at December 31, 2015
Current		
Prepayments (i)	3,110	4,129
Security deposit (ii)	-	1,500
Advanced royalty (iii)	2,702	3,338
Financial derivative assets	-	41
VAT certificates held (iv)	2,518	373
Total other current assets	**8,330**	**9,381**
Non-current		
Advanced royalty (iii)	6,609	8,530
Intangible assets	955	171
Total other non-current assets	**7,564**	**8,701**
Total other assets	**15,894**	**18,082**

(i) As at December 31, 2016, prepayments include $2.7 million (2015 - $3.2 million) of advances to vendors and contractors and $0.4 million for insurance (2015 - $0.9 million).

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

(iii) As at December 31, 2016, the Company has recorded $2.7 million in other current assets and $6.6 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 year ended December 31, 2016, the Company expensed $2.6 million as amortization of OJVG and Gora advanced royalties (2015: $1.9 million). The advanced royalty recorded within other current assets is based on the expected production from the OJVG and Gora deposits over the next year and the remaining balance is recorded within other non-current assets. Refer to Note 22.

(iv) At December 31, 2016, the Company held $2.5 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.

18. IMPAIRMENT OF GOODWILL AND OTHER LONG-LIVED ASSETS

In 2016, no impairment charges or reversal of previously impaired assets were recorded.

For the year ended December 31, 2015 impairment losses of $77.9 million (net of tax effects) were recognized in the Consolidated Statements of Comprehensive Income. The key trigger for the impairment test was primarily the effect of changes in the future estimate of gold prices. The impairment charge was used first to reduce the carrying value of the goodwill which arose during the purchase of the OJVG and then pro-rata against the remaining assets of CGU based on carrying values of property, plant and equipment and mine development expenditures, provided that the impairment did not reduce the carrying amount of any asset below its FLVCD.

The following impairment losses were recognized:

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

With the exception of goodwill charges, impairment losses booked will be tested in future periods for possible reversal when an event or change in circumstance indicates the impairment may have reversed. If it has been determined that the impairment has reversed, the carrying amount of the asset must be increased to its recoverable amount to a maximum of the carrying value that would have been determined had no impairment loss been recognized in prior periods.

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

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings and property improvements	Plant and equipment	Office furniture and equipment	Motor vehicles	Mobile equipment	Capital work in progress	Subtotal	Banfora Expenditures	Total
Cost									
Balance as at January 1, 2015	**45,035**	**261,200**	**2,231**	**3,031**	**83,173**	**4,727**	**399,397**	**-**	**399,397**
Additions	33	8,732	24	-	2,474	25,842	37,105	-	**37,105**
Disposals	-	(394)	(30)	-	(1)	-	(425)	-	**(425)**
Other	-	34	-	-	-	-	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**	**-**	**436,111**
Acquisition of Gryphon								989	
Additions	14	724	34	-	-	17,146	17,918	16	**17,934**
Disposals	-	-	-	(117)	(173)	-	(290)	(43)	**(333)**
Transfer to Mine development expenditures	-	-	-	-	-	(5,786)	(5,786)		**(5,786)**
Transfer(i)	(4,068)	17,656	253	3,552	6,649	(24,042)	-		**-**
Balance as at December 31, 2016	**47,049**	**294,834**	**2,765**	**7,254**	**92,122**	**3,929**	**447,953**	**962**	**448,915**
Accumulated depreciation and impairment charges									
Balance as at January 1, 2015	**21,446**	**119,600**	**1,798**	**2,340**	**55,780**	**-**	**200,964**	**-**	**200,964**
Disposals	-	(315)	(19)	-	-	-	(334)	-	**(334)**
Impairment charges	3,111	16,241	-	-	-	-	19,352	-	**19,352**
Depreciation expense	1,892	12,269	231	376	7,935	-	22,703	-	**22,703**
Balance as at December 31, 2015	**26,449**	**147,795**	**2,010**	**2,716**	**63,715**	**-**	**242,685**	**-**	**242,685**
Disposals	-	-	-	(84)	(173)	-	(257)	(20)	**(277)**
Depreciation expense	1,886	10,131	267	964	7,723	-	20,971	132	**21,103**
Balance as at December 31, 2016	**28,335**	**157,926**	**2,277**	**3,596**	**71,265**	**-**	**263,399**	**112**	**263,511**
Net book value									
Balance as at December 31, 2015	**24,654**	**128,659**	**468**	**1,103**	**21,931**	**16,611**	**193,426**	**-**	**193,426**
Balance as at December 31, 2016	**18,714**	**136,908**	**488**	**3,658**	**20,857**	**3,929**	**184,554**	**850**	**185,404**

(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 year ended December 31, 2016 relate primarily to expenditures for the mill optimization project and sustaining capital.

Depreciation of property, plant and equipment was $21.1 million for the year ended December 31, 2016 (2015: $22.7 million).

In 2015, as part of an impairment review of asset carrying values, a charge of $19.4 million was recorded in relation to Property, Plant and Equipment (see note 18).

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

20. MINE DEVELOPMENT EXPENDITURES

	Mine reserve development costs	Deferred stripping assets	Acquisition of Gryphon	Total
Cost				
Balance as at January 1, 2015	**295,945**	**89,829**	**-**	**385,774**
Additions incurred during the period	8,804	15,921	-	24,725
Balance as at December 31, 2015	**304,749**	**105,750**	**-**	**410,499**
Acquisition of Gryphon	-	-	54,074	54,074
Additions incurred during the period	15,406	20,002	1,367	36,775
Transfer from Property, plant and equipment	5,786	-	-	5,786
Balance as at December 31, 2016	**325,941**	**125,752**	**55,441**	**507,134**
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**
Depreciation expense	15,751	3,408	-	19,159
Balance as at December 31, 2016	**125,725**	**66,887**	**-**	**192,612**
Carrying amount				
Balance as at December 31, 2015	**194,775**	**42,271**	**-**	**237,046**
Balance as at December 31, 2016	**200,216**	**58,865**	**55,441**	**314,522**

	As at December 31, 2016	As at December 31, 2015
Capitalized mine development additions		
Deferred stripping costs	20,002	15,921
Capitalized mine development - Gora	-	1,863
Capitalized mine development - Golouma	2,296	1,272
Capitalized mine development - Kerekounda	3,035	-
Capitalized reserve development - sustaining	8,441	4,855
Capitalized reserve development - growth	1,367	-
Other	1,634	814
Total capitalized mine development additions	**36,775**	**24,725**

Mine development expenditures are related to the Sabodala deposit, Gora satellite deposit, and development costs for the former OJVG deposits. The acquisition of Gryphon resulted in additional development costs related to the Nogbele and Dierisso exploration permits in Burkina Faso.

Depreciation of capitalized mine development of $19.2 million was expensed as cost of sales for the year ended December 31, 2016 (2015: $19.5 million).

As part of an impairment review of asset carrying values, a charge of $28.9 million was recorded in relation to Mine Development Expenditures as at December 31, 2015.

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

21. DEFERRED INCOME TAX ASSETS/(LIABILITIES)

The deferred income tax assets balance reported on the balance sheet is comprised of the following temporary differences:

	As at December 31, 2016	As at December 31, 2015
Deferred income tax assets		
Unrealized foreign exchange	20,173	17,718
Mining and property plant and equipment	-	5,449
Deferred income tax liabilities		
Mining and property, plant, and equipment	(21)	-
Other	(68)	(69)
Net deferred tax assets	**20,084**	**23,098**

The deferred income tax liabilities balance reported on the balance sheet and relating to the Banfora gold project is comprised of the following temporary differences:

	As at December 31, 2016	As at December 31, 2015
Deferred income tax liabilities		
Unrealized foreign exchange	114	-
Mining and property plant and equipment	1,071	-
Deferred income tax liabilities	**1,185**	**-**

Unrecognized Deferred Tax Assets

Deferred income tax assets such as tax loss carry-forwards, property, plant and equipment, share issuance costs are recognized as assets to the extent that the realization of the related tax benefit through future taxable profits is probable.

	For the years ended December 31	
	2016	2015
Deferred income tax assets not recognized		
Share issuance and transaction costs	710	468
Loss carry forwards	19,121	15,051
Property, plant and equipment	809	769
Other	1,588	818
Deferred income tax assets not recognized	**22,228**	**17,106**

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes on the unremitted earnings of certain subsidiaries as these amounts will not be distributed in the foreseeable future. Unremitted earnings totalled $372,279 at December 31, 2016.

As at December 31, 2016, the tax losses not recognized by the Company and their associated expiry dates are as follows:

		For the years ended December 31,	
	Expiry Date	2016	2015
Tax losses - gross			
Canada	2030 - 2036	69,035	54,594
Mauritius	2017 - 2020	1,973	3,980
Ivory Coast	2021	5	-
Australia	Indefinitely	1,764	-
		72,777	58,574

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

22. TRADE AND OTHER PAYABLES

	As at December 31, 2016	As at December 31, 2015
Current		
Trade payables (i)	14,593	22,903
Sundry creditors and accrued expenses	17,618	14,900
Government royalties (ii)	2,637	11,054
Amounts payable to Republic of Senegal (iii) (iv) (vii)	11,927	13,155
Contingent consideration (vi)	634	533
Total current trade and other payables	**47,409**	**62,545**
Non-Current		
Amounts payable to Republic of Senegal (v)	7,954	7,565
Contingent consideration (vi)	2,930	3,533
Total other non-current liabilities	**10,884**	**11,098**
Total trade and other payables	**58,293**	**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, which was 1,640 million XOF (2015: 6,635 million XOF). During the fourth quarter of 2016, the Company transitioned to the payment of government royalties one quarter in arrears. During the year ended December 31, 2016, royalty payments totalling $21.0 million for 2015 and the first nine months of 2016 were made to the Republic of Senegal (2015: $11.0 million paid for 2014 royalties).

(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 December 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. For the year ended December 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 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 of the Sabodala mine. It is recorded at its net present value of $8.0 million.

(vi) The Company acquired Badr's 13 percent carried interest in the former OJVG for cash consideration of $7.5 million and further contingent consideration which will be based on realized gold prices and increases to the former OJVG's mining reserves through 2020, of which $3.8 million was accrued upon finalization of the purchase price allocation in 2014. As at December 31, 2016, $0.6 million has been recorded as a current liability and $2.9 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 former OJVG. As at December 31, 2016, $2.3 million remains to be paid and has been accrued as a current liability.

23. BORROWINGS

	As at December 31, 2016	As at December 31, 2015
Non-Current		
Revolving credit facility	15,000	15,000
Deferred financing costs	(1,156)	(1,550)
Total borrowings	**13,844**	**13,450**

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

a. Senior Secured Revolving Credit Facility

In June 2016, the Company completed an extension of its $30.0 million Revolver Facility with Société Générale ("Revolver Facility"). The Revolver Facility matures on September 30, 2019, with the available amount decreasing to $15.0 million on June 30, 2018. The Revolver Facility carries an interest rate of LIBOR plus 4.65 percent with any unused facility amounts subject to a commitment fee of 1.6 percent. As at December 31, 2016, $15.0 million was drawn on the Revolver Facility.

The Revolver Facility is subject to covenants that require the Company to maintain a current ratio of not less than 1.10:1; total debt to EBITDA of not greater than 2:1; historic debt coverage ratio of greater than 2.5:1 and a tangible net worth of not less than $300 million. The Company was compliant with all covenants during the year.

24. 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	(22,530)
Balance as at December 31, 2016	**68,815**

	As at December 31, 2016	As at December 31, 2015
Current	21,353	19,155
Non-Current	47,462	72,190
Total deferred revenue	**68,815**	**91,345**

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 in Senegal, thereafter, in exchange for a deposit of $135.0 million.

For ounces of gold delivered to Franco-Nevada under the streaming transaction, Franco-Nevada pays the Company cash at the prevailing spot price of gold at the date of delivery on 20 percent of the ounces delivered. For the remaining 80 percent of the ounces delivered to Franco-Nevada, the deferred revenue balance is drawn down based on the prevailing spot price for gold. Once the deferred revenue has been drawn down to $nil, the Company will record sales of 20 percent of spot price, equal to the cash payments, for 6 percent of ounces produced.

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 is recorded as deferred revenue.

During the year ended December 31, 2016, the Company delivered 22,500 ounces of gold to Franco-Nevada (2015: 24,375 ounces) and recorded revenue of $28.1 million, consisting of $5.2 million received in cash proceeds, $0.4 million in accounts receivable and $22.5 million recorded as a reduction of deferred revenue. (2015: revenue of $28.3 million, consisting of $5.6 million received in cash proceeds and $22.7 million recorded as a reduction of deferred revenue).

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

25. PROVISIONS

	As at December 31, 2016	As at December 31, 2015
Current		
Employee benefits (i)	2,227	1,847
Cash settled share-based compensation (iii)	2,752	741
Total current provisions	**4,979**	**2,588**
Non-Current		
Mine restoration and rehabilitation (ii)	27,414	26,962
Employee benefits (i)	891	837
Cash settled share-based compensation (iii)	1,189	437
Total non-current provisions	**29,494**	**28,236**
Total provisions	**34,473**	**30,824**

(i) The current provisions for employee benefits include $1.2 million accrued vacation and $1.0 million long service leave entitlements for the period ended December 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 created based on estimates and assumptions which management believes 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. In 2015 an updated study was performed by a third party which resulted in an undiscounted provision of $26.5 million. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. The discount rate used in the calculation of the provision as at December 31, 2016 was 0.8 percent (2015: 1.1 percent).

(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 35 for further details.

26. ISSUED CAPITAL

	Number of shares	Amount
Balance as at January 1, 2015	**352,801,091**	**367,837**
Private placement issuance	39,200,000	17,454
Less: Share issue costs	-	(117)
Balance as at January 1, 2016	**392,001,091**	**385,174**
Issued to Gryphon shareholders (i)	70,638,853	55,064
Private placement issuance - October 13	9,671,625	7,541
Equity offering issuance - November 21	34,655,000	27,108
Private placement issuance - November 21	29,500,000	23,075
Stock option exercised	247,347	198
Less: Share issue costs	-	(1,834)
Balance as at December 31, 2016	**536,713,916**	**496,326**

(i) Refer to Note 6 for details of the Gryphon acquisition.

In 2015, the Company completed a non-brokered private placement with Mr. David Mimran, the CEO of Grands Moulins d'Abidjan and Grands Moulins de Dakar, one of the largest producers of flour and agri-food in West Africa. Pursuant to the terms of the Offering, Tablo Corporation ("Tablo"), a Mimran family company, was issued 39,200,000 common shares of Teranga at a price of C$0.58 per common share for gross proceeds of $17.5 million.

On October 13, 2016, Tablo exercised its pre-emptive participation right, pursuant to a Voting and Investor Rights Agreement with Teranga dated October 14, 2015, to subscribe for 9,671,625 Teranga common shares (the "Private

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

Placement"). The issuance price to Tablo was C$1.0322 per share, being the 5-day volume weighted average price of Teranga common shares as of close of business on October 12, 2016. The Teranga common shares issued to Tablo were subject to a customary four month hold period.

On November 21, 2016, the Company completed a previously announced equity offering (the "Offering") to a syndicate of underwriters on a bought deal basis to purchase 32,500,000 common shares, with an additional 2,155,000 common shares from a partially exercised over-allotment option, at a price of C$1.05 per share for gross proceeds of approximately C$36.4 million. Concurrently, the Company completed a non-brokered private placement with Tablo, to purchase 29,500,000 shares at the same price of C$1.05 per share for gross proceeds of approximately C$31.0 million. Net proceeds were C$64.9 million ($48.4 million) after consideration of underwriter fees and expenses totaling approximately C$2.5 million ($1.8 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.

27. EARNINGS PER SHARE (EPS)

	For the years ended December 31,	
	2016	**2015**
Basic EPS (US$)	0.06	(0.14)
Diluted EPS (US$)	0.06	(0.14)
Basic EPS:		
Net profit/(loss) used in the calculation of basic EPS	23,109	(50,543)
Weighted average number of common shares for the purposes of basic EPS ('000)	416,747	360,211
Effect of dilutive share options ('000)	1,248	-
Weighted average number of common shares outstanding for the purpose of diluted EPS ('000)	417,995	360,211

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 11.6 million and 15.5 million shares relating to share options that were anti-dilutive for the years ended December 31, 2016 and December 31, 2015, respectively.

28. COMMITMENTS FOR EXPENDITURES

As at December 31, 2016, the Company had the following payments due on contractual obligations and commitments:

Payments Due By Period (US$ millions)	**Total**	**< 1 year**	**1-3 years**	**4-5 years**	**>5 years**
Revolving Line of Credit (i)	15.0	-	15.0	-	-
Franco-Nevada gold stream (ii)	68.8	21.6	47.2	-	-
Exploration commitments (iii)	10.8	3.4	7.4	-	-
Purchase obligations for supplies and services (iv)	2.4	2.4	-	-	-
Capital commitments (v)	3.1	3.1	-	-	-
Total	**100.1**	**30.5**	**69.6**	**-**	**-**

(i) In 2015, the Company secured a $30.0 million Revolver Facility of which $15.0 million was drawn at December 31, 2016.

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

(iii) Reflects the exploration permits, licenses and drilling contracts committed to by the Company. The exploration commitments represent the amounts the Company is required to spend to remain eligible for the renewal of permits beyond the current validity period, for permits on which management intends to continue exploration activities. The Company may elect to allow certain permits to expire and is 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.

(iv) Purchase obligations for supplies and services - includes commitments related to maintenance and explosives services contracts.

(v) Capital commitments - Purchase obligations for capital expenditures include only those items where binding commitments have been entered into.

Sabodala Gold Operations ("SGO"), Sabodala Mining Company ("SMC") and the Oromin Joint Venture Group ("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. 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.

- In addition to the Company's corporate social responsibility spending, Teranga has agreed to establish a social development fund which includes making a payment of $15.0 million to the Republic of Senegal at the end of the mine operational life. As at December 31, $8.0 million was accrued which is the discounted value of the $15.0 million future payment.

- With the recommencement of drilling activities at Niakafiri, the Company is required to make a dividend prepayment of $2.7 million to the Republic of Senegal. Refer to Note 39.

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

- $250 thousand is payable annually for a forestry protocol to the Ministry of Environment for the period of 5 years, beginning April 2014.

- On May 1, 2016 SGO entered into a commitment with local communities around its Gora deposit to provide annual social assistance funding in the amount of $150 thousand for the initial year, and $200 thousand for each successive year over a five year period, which is the anticipated operating life of the Gora deposit.

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

29. CONTINGENT ASSET

On October 28, 2015, Gryphon entered into an option agreement (the "Agreement") with Kanosak (Barbados) Ltd ("Kanosak"), a subsidiary of Algold Resources Ltd. ("Algold") and Algold whereby Kanosak had the right to acquire the Tijirit and Akjoujt exploration licenses (the "Licenses"). In consideration of granting the Agreement, 1,666,666 common shares of Algold were issued to Gryphon and were subsequently sold.

In March 2016, Gryphon received notice that Kanosak had exercised its option to acquire 100% of Gryphon's interest in the Licenses. Gryphon received a further 8,700,000 shares in Algold bringing the total number of shares held to 10,366,666, which have been subsequently sold.

Pursuant to the Agreement, Gryphon is also entitled to the following milestone payment:

a. C$1.5 million, payable at the option of Algold either in cash or Algold common shares upon the earlier of:

   i. the date that is 90 days after Algold announces that there is an NI 43-101 compliant mineral resource (of any one or more categories of measured, indicated or inferred) of 500,000 ounces on a gold equivalent ounces basis at any of the Licenses or combination thereof; and

   ii. the later of the following two dates:

      (1) the date which falls on the 15 month anniversary of the Agreement; and

      (2) the date on which Algold receives, from the Mauritanian authorities, the documents evidencing the renewal of the licenses with respect to the tenements subject to the Agreement.

30. CONTINGENT LIABILITIES

Settled and outstanding tax assessments

In April 2016, the Company received a withdrawal of the 2011 tax assessment for all but $1.0 million, which remains in dispute. No amounts were accrued relating to this matter.

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

31. 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 2016 %
Sabodala Mining Company[(i)]		
Dembala Berola	Gold exploration	100
Massakounda	Gold exploration	100
Bransan	Gold exploration	100
Heremakono[(ii)]	Gold exploration	100
Sounkounkou[(ii)]	Gold exploration	100
Bransan Sud	Gold exploration	100
Sabodala Ouest	Gold exploration	100
Saiansoutou	Gold exploration	100
Boss Gold Sarl[(iii)]		
Boutouanou	Gold Exploration - Jointly Controlled	51
Diabatou	Gold Exploration - Jointly Controlled	51
Foutouri	Gold Exploration - Jointly Controlled	51
Kankandi	Gold Exploration - Jointly Controlled	51
Tyara	Gold Exploration - Jointly Controlled	51
Tyabo	Gold Exploration - Jointly Controlled	51
Boss Minerals Sarl[(iii)]		
Baniri	Gold Exploration - Jointly Controlled	51
Intiedougou	Gold Exploration - Jointly Controlled	51
Mougue	Gold Exploration - Jointly Controlled	51
Gryphon Minerals Burkina Faso Sarl[(iv)]		
Dierisso	Gold Exploration	100
Nianka	Gold Exploration	100
Nogbele	Gold Exploration	100
Zeguedougou	Gold Exploration	100
Teranga Exploration (Ivory Coast) Sarl[(v)]		
Dianra	Gold Exploration	100
Guitry	Gold Exploration	100
Mahapleu	Gold Exploration	100
Tissalé	Gold Exploration	100
Sangaredougou	Gold Exploration	100

(i) As at December 31, 2016, 3 of the 8 exploration permits held by Sabodala Mining Company were current. SMC has filed applications with the relevant Senegalese authorities to consolidate and renew its exploration permits, including those which have expired.

(ii) The joint venture partner of the exploration license has elected to take a 1.5 percent net smelter royalty on all currently identified targets including the Gora project in exchange for its fully participatory 20 percent interest. The joint venture partner retains a 20 percent participatory right for any new exploration targets identified or to elect the royalty.

(iii) Interests in Boss Gold Sarl and Boss Minerals Sarl were inherited as part of the acquisition of Gryphon on October 13, 2016. Teranga is the operator of the ventures and has the right to earn a further 19% interest upon delivery of a bankable feasibility study regarding a potential deposit within any of the permits comprising the joint ventures. At that point, Boss must participate on a pro-rata basis for all costs associated with the development of the project or default to 1.5 percent net smelter royalty interest. In addition, upon attaining a 70 percent equity interest, Teranga has the option to acquire a further 10 percent interest in the joint venture upon payment of AUD$2.5 million dollars within 60 days of delivery of the relevant feasibility study.

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

(iv) Sanembaore Sarl holds a one percent net smelter royalty on Banfora production.

(v) A 3 percent net smelter royalty is owing to Miminvest SA pursuant to the terms of an exploration agreement.

32. CONTROLLED ENTITIES

The significant mining and exploration entities of Teranga are listed below.

	Country of Incorporation	Percentage owned 2016
Controlled entities consolidated		
Teranga Gold B.V.I. Corporation	British Virgin Islands	100
Sabodala Gold (Mauritius) Limited	Mauritius	100
Teranga Gold (Australia) Pty Ltd. (formerly Gryphon Minerals Ltd)	Australia	100
Teranga Gold (Ivory Coast) Corporation	Canada	100
Subsidiaries of Sabodala Gold (Mauritius) Limited:		
Sabodala Mining Company SARL	Senegal	100
Sabodala Gold Operations SA	Senegal	90
Subsidiaries of Teranga Gold (Australia) Pty Ltd.		
Gryphon Minerals Burkina Faso Pty Ltd.	Australia	100
Gryphon Minerals West Africa Pty Ltd.	Australia	100
Boss Minerals Pty Ltd.	Australia	51
Askia Gold Pty Ltd.	Australia	51
Subsidiary of Gryphon Minerals Burkina Faso Pty Ltd.		
Loumana Holdings Ltd.	Mauritius	100
Subsidiary of Gryphon Minerals West Africa Pty Ltd.		
Gryphon Minerals Burkina Faso Sarl	Burkina Faso	100
Subsidiary of Boss Minerals Pty Ltd		
Boss Minerals Sarl	Burkina Faso	100
Subsidiary of Askia Gold Pty Ltd.		
Boss Gold Sarl	Burkina Faso	100
Subsidiary of Loumana Holdings Ltd.		
Société Minière Gryphon SA	Burkina Faso	89.8
Subsidiary of Teranga Gold (Ivory Coast) Corporation		
Teranga Exploration (Ivory Coast) Sarl	Ivory Coast	100

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

33. CASH FLOW INFORMATION

a. Change in working capital

	For the years ended December 31,	
	2016	**2015**
Changes in working capital other than inventory		
Increase in trade and other receivables	(715)	(13,766)
Decrease in other assets	6,224	1,251
Decrease in trade and other payables	(22,171)	(5,466)
Decrease in provisions	(568)	(294)
Increase in current income taxes payable	12,817	9,176
Net change in working capital other than inventory	**(4,413)**	**(9,099)**

b. Cash balance subject to liquidity covenant

As part of the streaming transaction with Franco-Nevada, the Company is required to maintain a minimum consolidated cash balance of $15.0 million.

c. Investing activities

For the year ended December 31, 2016, expenditures for property, plant and equipment consists of $17.9 million related to the Sabodala gold mine (2015: $24.0 million) and $34 thousand related to the Banfora gold project (2015: $nil). For the year ended December 31, 2016, expenditures for mine development consists of $32.9 million related to the Sabodala gold mine (2015: $23.5 million) and $1.6 million related to the Banfora gold project (2015: $nil).

34. 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 December 31, 2016 and 2015, 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, as at December 31, 2016 and 2015:

	As at December 31, 2016	As at December 31, 2015
Financial assets:		
Cash and cash equivalents	95,188	44,436
Loans and receivables		
Trade and other receivables	9,882	15,701
Financial derivative assets	-	41
Other assets		
Available-for-sale financial assets	1,171	-
Financial liabilities:		
Other financial liabilities at amortized cost		
Trade and other payables	62,234	74,821
Current income tax liabilities	19,834	8,685
Borrowings	13,844	13,450

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

The Company's financial assets (excluding those acquired in the Gryphon acquisition) have been pledged as collateral for the Senior Secured Revolving Credit Facility.

b. 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.

c. 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, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
CFA Franc (XOF)	8,646	13,819	59,745	64,861
EUR	11,149	663	709	1,433
CAD	3,248	590	6,272	1,532
AUD	402	43	2,485	484
Other	1	1	27	644

Foreign currency sensitivity analysis

The Company is mainly exposed to CFA Franc, EUR, CAD and AUD. Based on the Company's currency exposures relating to foreign currency denominated monetary items, a 10% appreciation of the US dollar against the applicable foreign currencies would have resulted in the following gains/(losses) at December 31, 2016:

	Financial Assets		Financial Liabilities	
	As at December 31, 2016	**As at December 31, 2015**	**As at December 31, 2016**	**As at December 31, 2015**
10% Strengthening of functional currency				
CFA Franc (XOF) Impact				
Gain or (loss)	(865)	(1,382)	5,975	6,486
EUR Impact				
Gain or (loss)	(1,115)	(66)	71	143
CAD Impact				
Gain or (loss)	(325)	(59)	627	153
AUD Impact				
Gain or (loss)	(40)	(4)	249	48

d. 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, 2016 and 2015:

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

	As at of December 31, 2016	As at of December 31, 2015
Financial assets		
Cash and cash equivalents	95,188	44,436
Financial liabilities		
Borrowings	13,844	13,450

The Company's interest rate on its borrowings is calculated at LIBOR plus 4.65 percent margin on the Senior Secured Revolving Credit 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, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
Profit or (loss)	331	190	(75)	(38)

e. 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 gold sales are executed with either AAA rated banking institutions or established gold metal merchants with access to significant credit lines. 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 Senegalese and French banks that disburse cash on behalf of its Senegal subsidiaries. The Company manages its Senegalese and French 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 Senegalese banks. The Company's current balances held in Burkina Faso and Côte d'Ivoire are not currently significant.

f. 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 accounts 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.

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

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	Due over five years
Financial Liabilities						
December 31, 2016						
Non-interest bearing	-	34,491	-	22,471	7,793	-
Variable interest rate instruments	5.51%	-	-	-	15,000	-
Fixed interest rate instruments	3.08%	1,850	-	-	-	-
Fixed interest rate instruments	7.50%	-	634	-	3,207	-
Fixed interest rate instruments	5.00%	-	-	-	-	15,000
Total		**36,341**	**634**	**22,471**	**26,000**	**15,000**
December 31, 2015						
Non-interest bearing	-	41,316	2,764	16,976	7,793	-
Variable interest rate instruments	5.34%	-	-	-	15,000	-
Fixed interest rate instruments	3.08%	-	925	925	-	-
Fixed interest rate instruments	7.50%	-	534	-	3,840	-
Fixed interest rate instruments	5.00%	-	-	-	-	15,000
Total		**41,316**	**4,223**	**17,901**	**26,633**	**15,000**

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.

g. Fair value of financial instruments

The Company's trade and other receivables, and trade and other payables are 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, 2016		As at December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial derivative assets	-	-	41	41
Financial liabilities				
Borrowings	13,844	12,914	13,450	13,824

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.

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

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, 2016			As at December 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets						
Cash and cash equivalents	95,188	-	-	44,436	-	-
Available-for-sale financial assets	1,171	-	-	-	-	-
Total	**96,359**	**-**	**-**	**44,436**	**-**	**-**
Financial Liabilities						
Borrowings	-	13,844	-	-	13,450	-
Cash settled share-based compensation	3,777		164	1,063		115
Total	**3,777**	**13,844**	**164**	**1,063.00**	**13,450**	**115**

35. SHARE BASED COMPENSATION

The share-based compensation expense for the year ended December 31, 2016 totaled $4.4 million (2015: $1.8 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 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 upon 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, 2016 and 2015, a total of 4,141,841 and 3,855,000 common share stock options, respectively, were granted to officers and employees. The exercise price of new stock options granted current year was determined using a volume weighted average trading price of the Company's shares for the 5-day period ended on the grant date.

In 2015, 7,746,600 common share stock options related to the acquisition of Oromin expired with no options exercised prior to the expiry.

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

The following stock options were outstanding as at December 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	500,000	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	1,266,821	31-Mar-15	31-Mar-20	0.64	0.30
Granted on March 31, 2016	3,687,051	31-Mar-16	31-Mar-21	0.67	0.35
Granted on August 2, 2016	91,125	02-Aug-16	11-Aug-21	1.07	0.64
Granted on September 12, 2016	23,030	12-Sep-16	12-Sep-21	1.26	0.57

As at December 31, 2016, approximately 34.7 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.

Of the 18,945,527 common share stock options issued and outstanding as at December 31, 2016, 4,225,291 are unvested of which 4,187,791 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 the best estimate of outcome of achieving our results.

As at December 31, 2016, 11,627,500 and 7,318,027 share options had a contractual life of ten years and five years at issuance, respectively.

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

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,	
	2016	**2015**
Grant date share price	C$0.73-C$1.27	C$0.64
Weighted average fair value of awards	C$0.36	C$0.33
Exercise price(i)	C$0.67-$1.26	C$0.64
Range of risk-free interest rate	0.52%-0.60%	0.55%-0.77%
Volatility of the expected market price of share(ii)	67%-71%	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 on the grant date.

(ii) For the twelve months ended December 31, 2016, volatility was determined using the 3-year average historical volatility of the Company's share price. For the twelve months ended December 31, 2015, volatility was determined using the existing historical volatility information of the Company's share price combined with the industry average for comparable-size mining companies, due to a lack of sufficient historical information for the Company.

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
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	4,141,841	C$0.68
Forfeited during the period	(488,132)	C$0.74
Exercised during the period(i)	(247,347)	C$0.65
Balance as at December 31, 2016	**18,945,527**	**C$2.10**
Number of options exercisable - December 31, 2015	12,670,177	
Number of options exercisable - December 31, 2016	14,720,236	

(i) The weighted average share price at the time of the option exercises was C$1.12.

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 the 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.

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

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

As at December 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 December 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 of C$0.14 per Unit at December 31, 2016. The total fair value of the Units at December 31, 2016 is $0.2 million (December 31, 2015: $0.1 million).

The estimated fair values of the Units are amortized over the period in which the Units vest. Of the 1,797,500 Units issued, 1,567,281 Units were vested at December 31, 2016 with the remaining Units to be fully vested by March 31, 2019.

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,	
	2016	**2015**
Share price at the end of the period	C$0.82	C$0.49
Weighted average fair value of vested awards	C$0.14	C$0.10
Exercise price (i)	C$0.64 - C$3.00	C$0.64 - C$3.00
Range of risk-free interest rate	0.73%-1.11%	0.48%-0.73%
Volatility of the expected market price of share (ii)	65.49%	66.71%-68.3%
Expected life of options (years)	2.0-4.0	2.0-5.0
Dividend yield	0%	0%
Forfeiture rate	5%-50%	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 on the grant date.

(ii) For the twelve months ended December 31, 2016, volatility was determined using the 3-year average historical volatility of the Company's share price. For the twelve months ended December 31, 2015, volatility was determined using the existing historical volatility information of the Company's share price combined with the industry average for comparable-size mining companies, due to a lack of sufficient historical information for the Company.

c. 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 twelve months of 2016, 6,140,338 RSUs were granted at a price of C$0.67 per unit and 1,029,223 RSUs were forfeited (2015: 3,055,000 RSUs granted, 479,410 forfeited). As of December 31, 2016 a total of 7,667,588 RSU's were outstanding of which 4,455,201 units were vested. As at December 31, 2016, $1.7 million of current RSU liability and $1.0 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).

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

d. DSUs

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

The Company granted 675,000 DSUs during the year ended December 31, 2016 at a price of C$0.67 per unit. Of the 1,920,000 DSUs outstanding at December 31, 2016, 1,747,500 DSUs were vested and no units were cancelled. As at December 31, 2016, $1.1 million of current DSU liability has been recorded in the consolidated financial statement of financial position (2015: $0.4 million).

36. SEGMENT REPORTING

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

Geographical information

The Company has one operating mine in the Republic of Senegal. With the acquisition of Gryphon, the Company now has a development project in Burkina Faso.

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

	For the years ended December 31	
	2016	**2015**
Republic of Senegal – Sabodala revenue from gold and silver sales	268,850	224,620
Republic of Senegal – Sabodala interest income	27	43
Canada	24	-
Total	**268,901**	**224,663**

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

	As at December 31, 2016	As at December 31, 2015
Republic of Senegal - Sabodala	584,616	562,169
Burkina Faso - Banfora	56,509	-
Other	7,694	7,000
Total	**648,819**	**569,169**

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

37. KEY MANAGEMENT PERSONNEL COMPENSATION

The Company considers key members of management to include the President and CEO and officers.

The remuneration of the key members of management includes 6 members during the year ended December 31, 2016 and 5 members during the year ended December 31, 2015. The remuneration during the years ended December 31, 2016 and 2015 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	
	Salary and Fees	Non-Cash Benefits	Cash Bonus (i)	RSUs	Options	Total
For the year ended December 31, 2016						
Compensation	1,586	13	71	711	312	**2,693**
For the year ended December 31, 2015						
Compensation	1,405	10	611	276	460	**2,762**

(i) The amount is based on the cash payment made during the year.

38. RELATED PARTY TRANSACTIONS

a. Transactions with key management personnel

During the year ended December 31, 2016, there were transactions totaling $0.1 million between the Company and director-related entities.

b. Exploration agreement with Miminvest SA

The Company entered into an exploration agreement with a related party, Miminvest SA ("Miminvest"), to identify and acquire gold exploration stage mining opportunities in Côte d'Ivoire. Miminvest is a company established to invest in gold and natural resources in West Africa and is controlled by the Mimran family and Mr. David Mimran, a director and the largest shareholder of Teranga. Miminvest holds five existing exploration permits, representing 1,838 km^2 in Côte d'Ivoire.

Under the terms of the exploration agreement, a separate entity was created and is wholly owned and funded by Teranga. Miminvest transferred into the entity its permits and in exchange retain a net smelter royalty interest of 3 percent and will provide ongoing in-country strategic advice. As at December 31, 2016, Teranga owed Miminvest $0.5 million for all direct and reasonable costs associated with exploration work related to the transferred permits. The entire amount was paid in the first quarter of 2017. Furthermore, the entity will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest permits.

39. SUBSEQUENT EVENTS

On May 31, 2013, the Company signed an agreement with the Republic of Senegal 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 dividend prepayment of $2.7 million, with a further dividend prepayment of $2.7 million required with the recommencement of drilling activities on the western side of the Niakafiri deposit, which occurred on February 7, 2017. A total of $7.8 million was accrued at December 31, 2016 (see note 22).

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.

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; (vi) Corporate Social Responsibility Committee; and (vii) Risk 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.

The Board has determined that all committees will be comprised of a majority of directors determined by the Board to be independent, except for the Corporate Social Responsibility Committee and the Risk 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 (the "CEO") and the Chief Financial Officer (the "CFO"), and determination of the compensation for the CEO, the CFO and other senior executives of Teranga; (c) the establishment of policies and procedures designed to identify and mitigate risks associated with the Company's compensation policies and practices; (d) succession planning, including the appointment, training and evaluation of senior management; and (e) 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, and environmental responsibility; (f) ensuring Teranga implements best-in-class property development and operating practices; (g) monitoring safety, environmental performance; and (h) monitoring compliance with applicable laws related to safety and environmental responsibility.

The responsibilities of the *Corporate Social Responsibility Committee* include assisting the Board in fulfilling its oversight responsibilities with respect to: (a) the due diligence of the development, implementation and monitoring of systems and programs for management, and compliance with applicable law related to corporate social responsibility; (b) monitoring corporate social responsibility performance; and (c) monitoring compliance with applicable laws related to corporate social responsibility.

The responsibilities of the Risk Committee include assisting the Board in fulfilling its oversight responsibilities with respect to: (i) Teranga's enterprise risk management systems, policies and procedures; (ii) implementation of appropriate standards for identifying monitoring and mitigating such risks; and (iii) ensuring risk management systems are utilized to support strategic plans and objectives for Teranga.

Management Performance and Compensation

The Compensation Committee conducts an annual review of the performance objectives for the CEO, the CFO 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 in 2014 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 were 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 nine members of the Board of Directors, one is female

- two of the most seven senior management positions in the corporate office are held by women including one of four vice presidents;
- within the corporate office, excluding executive officers, approximately 70% of staff are female; and
- within the general workforce in Senegal, approximately 9% 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 2015 Responsibility Report. An update to the Responsibility Report will be available on the Company's website later this year.

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 other directors 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 Chief Executive Officer

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 sixth 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 (Mssrs 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 mission and vision 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 CEO is responsible for investigating any reports of unethical practices and reporting the outcomes to the Chairman of the Board and/or the Chairman of the Audit Committee, 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 oversight responsibilities to shareholders with respect to financial reporting, risk management, and external and internal audit processes. 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 three 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 at 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 email distribution 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: RECOGNIZE AND MANAGE RISK

The Board will adopt a strategic planning process 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.

Management will identify the principal risks of Teranga's business and the Board will oversee management's implementation of appropriate systems to effectively monitor, manage and mitigate the impact of such risks through the Risk Committee. In addition, 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 Risk Committee or the Technical, Safety, and Environmental Committee as it deems necessary. 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, the Audit Committee is charged with reviewing and making recommendations to the Board regarding financial risk exposure and the management policies and procedures to monitor and control such exposures.

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:

- establishing a standing committee of the Board specifically mandated to oversee risk;
- 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 has been established by the Board to assist the Board in fulfilling its oversight responsibilities relating to executive 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 in achieving Teranga's long-term strategy.

The Board established a Compensation Committee on incorporation. Accordingly, the Compensation Committee has remained an active standing committee since 2010 and has fulfilled its responsibilities (described below) on an annual basis.

The Compensation Committee's primary responsibilities include:

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

- 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; and

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 Corporation's annual business plan and objectives, which provide the basis for establishing both corporate objectives and individual performance objectives 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 with the CEO the basis for his recommendations. While the Compensation Committee takes the CEO's recommendations into consideration, the Compensation Committee formulates its own recommendations based upon corporate and executive performance, consultation with the independent compensation consultant engaged by the Compensation Committee, review of comparator company practices, and a variety of other quantitative and qualitative factors in making its recommendations to the Board. Finally, the Compensation Committee retains the right to exercise its sole discretion in making recommendations to the Board.

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 median levels for the competitive market, 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 achievement of corporate and individual performance is rewarded through short term cash incentives while long-term equity incentives align executives with long-term shareholder value creation. The Board seeks to set company performance goals that reach across all aspects of the business and to tie individual goals to the area of the executive officer's primary responsibility.

The Compensation Committee does not anticipate making any significant changes to its compensation philosophy, policies and practices at this stage of the Company's development. The Compensation Committee will continue 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 2016 financial year will be disclosed in the Company's Management Information Circular to be filed with the TSX and ASX in April of 2017.

ASX LISTING RULES: ADDITIONAL DISCLOSURES

SUBSTANTIAL SHAREHOLDERS

As at March 27, 2017, there were two substantial shareholders of Teranga beyond 5%. The details are as follows:

Shareholder	Number of Shares	% of Issued Capital
Tablo Corporation	103,281,500	19.2
Van Eck Associates Corporation	71,620,412	13.3

DISTRIBUTION SCHEDULE OF COMMON SHARES AND CDI HOLDERS (as at March 27, 2017)

	CDIs			Common Shares		
Range	Total Holders	Units	% of Issued Capital	Total Holders	Units	% of Issued Capital
1 - 1,000	2,014	721,057	1.23	86	40,771	0.01
1,001 - 5,000	1,492	3,626,190	6.19	69	171,175	0.03
5,001 - 10,000	449	3,197,437	5.46	31	229,972	0.04
10,001 - 100,000	491	13,372,929	22.84	27	728,010	0.14
100,001 - 1,000,000	47	12,729,292	21.74	7	1,872,000	0.35
1,000,001 and over	3	24,906,975	42.54	4	533,685,804	99.43
Rounding			**0.00**			**0.00**
Total	**4,496**	**58,553,880**	**100.00**	**224**	**536,727,732**	**100.00**

DISTRIBUTION SCHEDULE OF OUTSTANDING OPTIONS (as at February 28, 2017)(1)

Range	Total Holders	Options	% of Options Outstanding
0 - 50,000	10	319,823	1.72
50,001 - 100,000	15	1,330,112	7.15
100,001 - 250,000	6	1,143,718	6.15
250,001 - 500,000	8	3,029,856	16.30
500,001 - 1,000,000	5	3,241,616	17.44
1,000,001 - 1,500,000	2	2,450,000	13.18
1,500,001 - 2,000,000	1	1,675,000	9.01
2,000,001 - 2,500,000	1	2,200,000	11.83
2,500,001 - 3,000,000	1	3,200,000	17.21
Total	**49**	**18,590,125**	**100.00**

(1) As of the date hereof, 18,590,125 incentive stock options (“Options”) are outstanding to the Company’s directors, officers, employees, and consultants. Total Options outstanding represent approximately 3.4% 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 27, 2017, there were 1,523 CDI holders with an unmarketable parcel of securities (less than $500 based on a market price of $0.82 per unit) totaling 338,657 units.

Currently, Teranga only has one class of securities (common shares), none of which are the subject of escrow. There is no current on-market buy-back.

TGZ TOP 20 REGISTERED HOLDERS OF CDIs (as at March 27, 2017)

Rank	Registered Holder	Number of CDIs	% of Issued CDIs
1.	HSBC Custody Nominees (Australia) Limited	11,935,942	20.38
2.	Citicorp Nominees Pty Limited	10,944,381	18.69
3.	JP Morgan Nominees Australia Limited	2,026,652	3.46
4.	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	910,322	1.55
5.	Mr Anthony Platt	568,145	0.97
6.	Home Capital Finance Pty Ltd	563,022	0.96
7.	JBwere (NZ) Nominees Limited <32198 A/C>	500,000	0.85
8.	Ms Sarah June McAlpine	499,327	0.85
9.	BNP Paribas Noms Pty Ltd <Drp>	479,202	0.82
10.	Symorgh Investments Pty Ltd <Symorgh Super Fund A/C>	422,500	0.72
11.	Toad Facilities Pty Ltd <JP Nettleton/Toad S/F A/C>	420,000	0.72
12.	National Nominees Limited <DB A/C>	414,669	0.71
13.	Dr Steven G Rodwell	376,440	0.64
14.	Parkview Super Nominees Pty Ltd <Park View Superannuation A/C>	360,000	0.61
15.	PG Howarth Pty Ltd	354,374	0.61
16.	Mr Benjamin Chun Ming Seeto + Mrs Shirley Seeto <Avalon Sb Super Fund A/C>	352,000	0.60
17.	Symorgh Investments Pty Ltd <Symorgh A/C>	344,136	0.59
18.	Kane Diamonds & Pearls Pty Ltd <Diamonds & Pearls A/C>	332,057	0.57
19.	Mr Simon James Sydney Bolster + Ms Roslyn Pamela O'Sullivan <Bolster Family A/C>	305,045	0.52
20.	Senegal Nominees Surl <Account 15>	268,416	0.46
Top 20 Registered Holders		**32,376,630**	**55.29**
Total Remaining Holders Balance		**26,177,250**	**44.71**
Total CDIs on Issue		**58,553,880**	**100.00**

TGZ TOP 20 REGISTERED HOLDERS OF COMMON SHARES (as at March 27, 2017)

Rank	Registered Holder	Number of Shares	% of Issued Shares
1.	CDS & Co	467,759,927	87.15
2.	Chess Depositary Nominee Pty Limited	58,553,880	10.91
3.	Cede & Co	5,794,575	1.08
4.	Kingsdale Shareholder Services Inc TR Unexchanged Oromin Explorations	1,577,422	0.29
5.	Zivvo Pty Ltd <A/C Stella>	673,258	0.13
6.	Taif Telecom Trading Sarl <Account 1>	263,292	0.05
7.	Taif Telecom Trading Sarl <Account 2>	263,292	0.05
8.	Libah Investments Ltd	221,165	0.04
9.	Tarcoola Limited	173,338	0.03
10.	Etrade Clearing	142,455	0.03
11.	CPK Nominees Pty Ltd <A/C The CPK Family>	135,200	0.03
12.	John Rigas	86,856	0.02
13.	Mary Altis	51,668	0.01
14.	Leppard Investments Limited	49,499	0.01
15.	WMP Cribbs DDS + Brenda Lee Cribbs Ten Com	47,520	0.01
16.	Leo Patrick Quinn + Tonya Maria Quinn Ten Com	40,098	0.01
17.	The Hampshire Foundation	40,000	0.01
18.	Seneschal (Wa) Pty Ltd <A/C Winston Scotney Fam S/F>	33,800	0.01
19.	Mario Sanchez	30,000	0.01
20.	Janney Montgomery Scott LLC	28,800	0.01
Top Registered Holders Balance		**535,966,045**	**99.86**
Remaining Holders Balance		**761,687**	**0.14**
Shares on Issue		**536,727,732**	**100.00**

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 536,727,732 as at March 27, 2017.

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 CHESS Depositary 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 February 28, 2017, 18,590,125 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 2016 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 which were materially amended during 2016. 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[1] (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) for all non-exempt takeover bids, meet a minimum requirement of more than 50 percent of the outstanding securities subject to the bid;

c) keep the bid open for at least 105 days plus an additional 10 day extension if minimum tender requirement and all other conditions are met; and

d) 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,
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Australia: Computershare Investor Services
The Registrar,
Computershare Investor Services Pty Limited
GPO Box 2975,
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Tel: + 1-300-850-505

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1 On February 25, 2016, the Canadian Securities Regulators announced material changes to Canada's takeover bid rules which took effect on May 9, 2016. The changes include: (i) a requirement all non-exempt takeover bids meet a minimum tender requirement of more than 50 percent of the outstanding securities subject to the bid (previously there was no minimum tender amount); and (ii) that bids remain open for a minimum period of 105 days (from prior 35 days) plus an additional 10 day extension if minimum tender requirement and all other conditions are met.

MINERAL RESERVES AND RESOURCES

The mineral Reserve and Resource tables below are sourced from the Company's NI 43-101 Technical Report on The Sabodala Project, Sénégal, West Africa (the "Technical Report") available on the Company's website at www.terangagold.com.

OPEN PIT AND UNDERGROUND MINERAL RESERVE SUMMARY (AS AT DECEMBER 31, 2015)

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

In accordance with ASX Listing Rule 5.21.4, there has been no material changes to these mineral reserve estimates since December 31, 2015, except for the depletion of reserves during 2016. All material assumptions and technical parameters previously disclosed continue to be applicable. The Company plans to update its mineral reserve and resource estimates in 2017.

Notes for 2015 Mineral Reserve Summary:

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

The above proven and probable ore reserve estimates were first disclosed in Teranga's December 31, 2015 Quarterly Report filed on January 29, 2016 in accordance with ASX Listing Rules. In accordance with ASX Listing Rule 5.21.4, there has been no material changes to these mineral reserve estimates since December 31, 2015, except for the depletion of reserves during 2016. All material assumptions and technical parameters previously disclosed continue to be applicable. The Company plans to update its mineral reserve and resource estimates in 2017. Please refer to Teranga's December 2015 Quarterly Report for further information including required additional disclosures under the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". See also the Competent Person Statements on pages 36.

OPEN PIT AND UNDERGROUND MINERAL RESOURCE SUMMARY (AS AT DECEMBER 31, 2015)

Deposit	Domain	Measured			Indicated			Measured and Indicated			Inferred		
		Tonnes ('000s)	Grade (g/t Au)	Au ('000s)	Tonnes ('000s)	Grade (g/t Au)	Au ('000s)	Tonnes ('000s)	Grade (g/t Au)	Au ('000s)	Tonnes ('000s)	Grade (g/t Au)	Au ('000s)
Sabodala	Open Pit	13,742	1.13	497	6,488	1.59	332	20,230	1.28	829	2,525	1.23	100
	Underground				1,631	3.65	191	1,631	3.65	191	460	3.60	53
	Combined	13,742	1.13	497	8,119	2.01	524	21,861	1.45	1,021	2,985	1.60	153
Gora	Open Pit	466	4.55	68	1,083	6.11	213	1,549	5.64	281	53	4.95	8
	Underground				315	5.14	52	315	5.14	52	59	4.83	9
	Combined	466	4.55	68	1,398	5.89	265	1,864	5.56	333	113	4.88	18
Niakafiri	Open Pit	4,909	1.33	210	7,222	0.98	228	12,131	1.12	438	2,472	1.09	87
	Underground										184	2.51	15
	Combined	4,909	1.33	210	7,222	0.98	228	12,131	1.12	438	2,656	1.19	102
Masato	Open Pit	5,894	0.79	150	22,617	1.16	844	28,511	1.08	994			
	Underground				1,163	2.75	103	1,163	2.75	103	1,984	2.85	182
	Combined	5,894	0.79	150	23,780	1.24	947	29,674	1.15	1,097	1,984	2.85	182
Golouma	Open Pit				6,800	2.98	653	6,800	2.98	653	88	2.46	7
	Underground				2,134	4.09	280	2,134	4.09	280	854	3.66	100
	Combined				8,934	3.25	933	8,934	3.25	933	942	3.55	107
Kerekounda	Open Pit				1,255	4.28	173	1,255	4.28	173			
	Underground				499	4.88	78	499	4.88	78	235	5.70	43
	Combined				1,755	4.45	251	1,755	4.45	251	235	5.70	43
Maki Medina	Open Pit				2,112	1.22	83	2,112	1.22	83	114	0.81	3
	Underground				109	2.71	10	109	2.71	10	85	2.54	7
	Combined				2,221	1.30	93	2,221	1.30	93	199	1.55	10
Niakafiri SW	Open Pit				770	0.81	20	770	0.81	20	30	0.67	1
	Underground												
	Combined				770	0.81	20	770	0.81	20	30	0.67	1
Niakafiri SE	Open Pit				4,439	0.98	140	4,439	0.98	140	162	0.96	5
	Underground				73	2.60	6	73	2.60	6	16	2.64	1
	Combined				4,512	1.01	146	4,512	1.01	146	177	1.11	6
Others	Open Pit				1,590	1.80	92	1,590	1.80	92	4,890	1.26	198
	Underground				59	9.15	18	59	9.15	18	1,045	3.68	124
	Combined				1,649	2.07	110	1,649	2.07	110	5,935	1.69	322
Total	**Open Pit**	**25,011**	**1.15**	**926**	**54,377**	**1.59**	**2,777**	**79,388**	**1.45**	**3,703**	**10,333**	**1.23**	**409**
	Underground				**5,985**	**3.84**	**738**	**5,985**	**3.84**	**738**	**4,921**	**3.38**	**534**
	Combined	**25,011**	**1.15**	**926**	**60,362**	**1.81**	**3,516**	**85,373**	**1.62**	**4,441**	**15,254**	**1.92**	**944**

In accordance with ASX Listing Rule 5.21.4, there has been no material changes to these mineral resource estimates since December 31, 2015. All material assumptions and technical parameters previously disclosed continue to be applicable. The Company plans to update its mineral reserve and resource estimates in 2017.

Notes for 2015 Mineral Resource Summary:

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

The above measured and indicated resource and inferred resource estimates were first disclosed in Teranga's December 31, 2015 Quarterly Report filed on January 29, 2016 in accordance with ASX Listing Rules. In accordance with ASX Listing Rule 5.21.4, there has been no material changes to these mineral resource estimates since December 31, 2015. All material assumptions and technical parameters previously disclosed continue to be applicable. The Company plans to update its mineral reserve and resource estimates in 2017. Please refer to Teranga's December 2015 Quarterly Report for further information including required additional disclosures under the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". See also the Competent Person Statements on pages 36.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Alan R. Hill
Chairman

Richard Young
President and Chief Executive Officer

William Biggar
Non-Executive Director

Jendayi Frazer
Non-Executive Director

Edward Goldenberg
Non-Executive Director

Christopher R. Lattanzi
Non-Executive Director

David Mimran
Non-Executive Director

Alan R. Thomas
Non-Executive Director

Frank D. Wheatley
Non-Executive Director

SENIOR MANAGEMENT

Richard Young
President and Chief Executive Officer

Paul Chawrun
Chief Operating Officer

Navin Dyal
Chief Financial Officer

David Savarie
Vice President, General Counsel and Corporate Secretary

Sepanta Dorri
Vice President, Corporate and Stakeholder Development

David Mallo
Vice President, Exploration

Trish Moran
Head of Investor Relations

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Stock Exchange Listings
Toronto Stock Exchange: TGZ
Australian Securities Exchange: TGZ

Common Shares Issued and Outstanding
536,727,732 (as at March 27, 2017)

TERANGA
GOLD CORPORATION

www.terangagold.com