





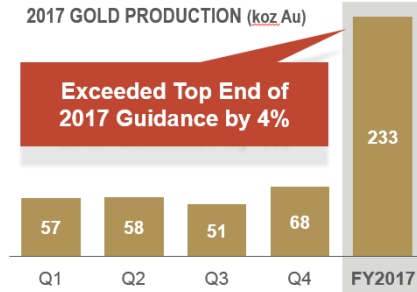
| | |
|---|----|
| Letter to Shareholders | 2 |
| Management's Discussion and Analysis | 8 |
| Management's Responsibility for Financial Reporting | 46 |
| Independent Auditors' Report | 47 |
| Consolidated Financial Statements | 48 |
| Notes to the Consolidated Financial Statements | 52 |
| Corporate Directory | 90 |

This annual report contains certain statements that constitute forward-looking information. Please refer to the cautionary note regarding Forward-Looking Statements on page 43. All amounts are in U.S. dollars unless otherwise stated.

THE NEXT

Multi-Asset Mid-Tier
West African Gold Producer

2017 GOLD PRODUCTION (koz Au)



✓ Record high production of 233,267 oz of gold

✓ Increased Sabodala reserves by 400,000 oz and filed updated NI 43-101 technical report

✓ Announced positive feasibility for Wahgnion Project including reserves of 1.2Moz

✓ Reported positive drill results from Golden Hill

✓ Entered into joint venture on Afema land package in Côte d'Ivoire

LETTER TO SHAREHOLDERS

Last year, we saw a quantum change in our company as our team delivered strong results. We achieved record production, advanced the development of our second mine, made several exploration discoveries and improved our 5-year production and free cash flow profile. Today, Teranga is positioned to offer shareholders both value and growth.

We have a clear vision: Teranga is transforming from a single asset, single jurisdiction company to a multi-asset mid-tier gold producer with a solid pipeline of projects in West Africa. Our mandate is to be disciplined and prudent in terms of capital allocation, maintaining a healthy balance sheet so we can continue to strategically invest in projects with the potential to become producing mines.

SABODALA CONTINUES TO BE THE FOUNDATION OF OUR SUCCESS

In 2017, we significantly improved our reserves, production and, most importantly, through optimizing the mine plan we increased the free cash flow profile at our Sabodala Gold Operation (“Sabodala”), the largest gold mine in Senegal.

With an updated technical report, Sabodala’s proven and probable reserves increased by more than 400,000 ounces of gold to 2.7 million ounces, improving the mine plan significantly and extending the mine life to 2031. The Niakafiri deposit, the largest deposit on our mine license, contributed most to the increase in our 2017 update of Sabodala’s reserves. As a result, Sabodala is expected to produce more than one million ounces and generate approximately \$230 million in free cash flow from 2018 to 2022 – including \$90 million over the first two years, 2018 and 2019.

Looking ahead, we are pausing our exploration program in Senegal for one year as we focus on our exploration programs in Burkina Faso and Côte d’Ivoire. Exploration in Senegal will ramp up again in 2019 at Sabodala’s highly prospective targets, including Niakafiri, once the Sabodala village relocation is complete. This resettlement action plan, which includes approximately 600 households residing on the Niakafiri deposit, is well underway with the support of ERM Group, a leading international consultancy specializing in managing resettlements.

WAHGNION IS IN CONSTRUCTION; FIRST POUR IS ANTICIPATED BY END OF 2019

In 2017, we advanced our second mine, the Wahgnion Gold Project (“Wahgnion”) in Burkina Faso, to a positive feasibility study and investment decision through to construction readiness activities.

Based on initial gold reserves of 1.2 million ounces, the Wahgnion base case demonstrates solid project economics at \$1,250 per ounce gold. However, Wahgnion’s economics are expected to improve following completion of a 73,000-metre infill drill program aimed at converting inferred resources to reserves. A conversion rate of between 25% and 50% of the inferred mineral resources is anticipated and we are on track to provide a reserve update in mid-2018. Once this new mine is built, we plan to undertake a multi-year exploration program at Wahgnion covering over a dozen more targets on the regional land package, all within trucking distance of the mill.

In early 2018, we announced a new debt facility that – combined with cash on hand and Sabodala’s cash flow in 2018 and 2019 – enables Teranga to bring Wahgnion into production. We expect to close the project financing and commence mill construction in the second quarter. With this project Teranga’s annualized consolidated gold production is anticipated to increase by 50% to between 300,000 and 350,000 ounces. We are pleased with our progress at Wahgnion and are targeting first gold pour by the end of 2019.

GOLDEN HILL IS ONE OF THE BEST EXPLORATION PROJECTS IN WEST AFRICA

Located in Burkina Faso, one of the world’s fastest growing gold regions, our Golden Hill Project (“Golden Hill”) is one of the most exciting projects in our organic pipeline.

Our earn-in agreement on Golden Hill enables Teranga, as operator, to earn a minimum 80% interest in the joint venture upon delivery of a feasibility study and payment of A\$2.5 million.

Throughout 2017, we invested \$7 million in drilling at Golden Hill, discovering a number of high-grade prospects within a 5-kilometre radius of a central point. Each prospect displays good grades, widths, continuity and strike length, and mineralized zones occur from surface with good oxide depth. Our confidence in the potential of Golden Hill grows with each new set of drill results.

Based on our success to date, we have allocated \$8 million for this year's Golden Hill exploration program to continue drilling and to move the most advanced prospects into an initial resource by year-end.

CÔTE D'IVOIRE IS AN AREA KNOWN FOR MAJOR DISCOVERIES

Côte d'Ivoire, which many say is the most prospective country in Africa, is the third West African country in which Teranga is now active.

In the past 18 months Teranga entered into two joint ventures in Côte d'Ivoire and has permits covering more than 3,200 km².

The first joint venture covers exploration properties comprising 1,838 km². While we are still in the early-stages of exploration, there is one – Guitry – which is a priority with a large gold-in-soil anomaly. We commenced a drill program at Guitry in early 2018.

In December, we announced our second joint venture in Côte d'Ivoire. Known as the Afema Gold Project, it includes three exploration permits covering 1,400 km² – Ayame, Maferé and Aboisso – and is located in the southeast corner of Côte d'Ivoire. This is a very prospective property with two well-known gold belts running through it and we are set to begin a drill campaign on the Afema mine license in the second quarter of 2018.

LOOKING AHEAD TO 2018 TO ADVANCE OUR PROJECT PIPELINE

Following a very successful year in 2017, we see a clear path to becoming a mid-tier gold producer.

We have excellent projects including a promising pipeline of exploration projects in supportive jurisdictions.

We have an outstanding management team, dedicated employees and a supportive cornerstone shareholder, who are committed to executing our strategy and realizing our vision.

We have the capital and the ongoing cash flow required to unlock the value of our pipeline, with the ability to execute on a timeline of our choosing.

Lastly, we have the endorsement of our host communities. Our success is correlated to having a strong social license in each of the jurisdictions in which we operate. We invest in youth and training, local employment, agriculture and food security, capacity-building and procurement among local businesses. Our strong social license allows us to progress our community resettlement activities in Senegal and Burkina Faso responsibly and efficiently, anchored in trust by the communities.

We were proud to receive the 2017 Environmental and Social Responsibility award from the Prospectors and Developers Association of Canada for our leadership and commitment to making lasting contributions to our surrounding communities. This is one of the many responsible mining honours and awards we received last year including: United Nations Global Compact Network Canada Sustainability Award, Corporate Knights Future 40 Responsible Leaders in Canada and Capital Finance International: Best ESG-Responsible Mining Management West Africa Award.

As we advance our projects through 2018 and beyond, we look forward to sharing our achievements with you. We are sharply focused on delivering on our vision and creating value for all of our stakeholders. You are key to our success, and we appreciate your support and confidence.



ALAN R. HILL
Chairman



RICHARD YOUNG
President & Chief Executive Officer

2018 OUTLOOK

Production - Sabodala

- Gold production forecast of 210-225koz
 - Continued strong cash flow
-

Development - Wahgnion

- Close project financing
 - Commence major plant construction
 - Announce reserves estimate update mid-year
 - Update NI 43-101 technical report
-

Exploration

- Golden Hill (Burkina Faso)
 - announce initial resource by year end
 - Guitry and Afema (Côte d'Ivoire) - provide regular drilling updates
-

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and 2016. This 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, 2017 and 2016. The Company's Statements and MD&A are presented in United States dollars, unless otherwise specified, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Additional information about Teranga, including the Company's Annual Information Form for the year ended December 31, 2016, as well as all other public filings, are 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, 2018. All references to the Company include its subsidiaries unless the context requires otherwise. On May 2, 2017, the Company completed a five-for-one share consolidation. All share and per share amounts in this MD&A reflect the effect of the consolidation.

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 multi-jurisdictional West African gold company focused on production and development as well as the exploration of more than 6,400 km² of land located on prospective gold belts. Since its initial public offering in 2010, Teranga has produced more than 1.4 million ounces of gold from its operations in Senegal, which as of June 30, 2017 had a reserve base of 2.7 million ounces of gold¹. Focused on diversification and growth, the Company is advancing its Wahgnion Gold Project (formerly referred to as the Banfora Gold Project), as well as carrying out extensive exploration programs in three West African countries: Burkina Faso, Côte d'Ivoire and Senegal. The Company has nearly 4.0 million ounces of gold reserves¹ from its combined Sabodala Gold operations and Wahgnion Gold Project. Teranga applies a rigorous capital allocation framework for its investment decisions to execute on its growth strategy relying on a combination of cash on the balance sheet, free cash flow from operations and debt.

Steadfast in its commitment to set the benchmark for responsible mining, Teranga operates in accordance with the highest international standards and aims to act as a catalyst for sustainable economic, environmental, and community development as it strives to create value for all of its stakeholders. Teranga is a member of the United Nations Global Compact and a leading member of the multi-stakeholder group responsible for the submission of the first Senegalese Extractive Industries Transparency Initiative revenue report.

VISION

Our vision is to become a multi-jurisdictional West African gold producer with a portfolio of assets offering diversified production, strong operating margins and long-term sustainable free cash flows.

MISSION

Our mission is to create value through responsible mining for all of our stakeholders by setting the benchmark for corporate social responsibility.

¹ Refer to the Company's website www.terangagold.com for further details.

STRATEGY

Our strategy is to maximize shareholder value by increasing sustainable long-term free cash flows through diversification and growth while remaining fiscally conservative through the commodity cycle. To achieve our strategic objectives, we are focused on i) optimizing our flagship Sabodala operation; ii) building our Wahgnion Gold Project on-time and on-budget; iii) unlocking additional value in Burkina Faso, Senegal and Côte d'Ivoire through resource conversion drill programs and exploration; and iv) maintaining financial flexibility to fund our future growth plans responsibly.

FINANCIAL AND OPERATING HIGHLIGHTS

| Financial Data | | Three months ended December 31, | | | Twelve months ended December 31, | | |
|---|-----------|---------------------------------|----------|--------|----------------------------------|-----------|--------|
| | | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Revenue | (\$000's) | 88,280 | 55,774 | 58% | 291,683 | 268,850 | 8% |
| Cost of sales | (\$000's) | (64,149) | (43,022) | 49% | (222,113) | (181,528) | 22% |
| Profit / (loss) attributable to shareholders of Teranga | (\$000's) | 5,758 | (1,286) | N/A | 31,932 | 23,109 | 38% |
| Per share | (\$) | 0.05 | (0.01) | N/A | 0.30 | 0.28 | 8% |
| EBITDA ¹ | (\$000's) | 26,630 | 17,553 | 52% | 95,335 | 99,173 | (4%) |
| Operating cash flow excluding changes in working capital other than inventories | (\$000's) | 24,708 | (1,842) | N/A | 82,610 | 49,142 | 68% |
| Operating cash flow | (\$000's) | 32,452 | (13,627) | N/A | 71,379 | 44,729 | 60% |
| Sustaining capital expenditures (before deferred stripping) | (\$000's) | 3,985 | 7,531 | (47%) | 25,382 | 33,011 | (23%) |
| Capitalized deferred stripping - sustaining | (\$000's) | 7,655 | 4,822 | 59% | 29,428 | 18,492 | 59% |
| Growth capital expenditures | (\$000's) | 10,509 | 1,641 | 540% | 24,623 | 1,641 | 1400% |

| Operating Data | | Three months ended December 31, | | | Twelve months ended December 31, | | |
|---|------------------|---------------------------------|--------|--------|----------------------------------|---------|--------|
| | | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Gold Produced | (oz) | 67,934 | 43,987 | 54% | 233,267 | 216,735 | 8% |
| Gold Sold | (oz) | 68,944 | 46,523 | 48% | 231,078 | 217,652 | 6% |
| Average realized gold price ¹ | (\$ per oz) | 1,279 | 1,197 | 7% | 1,261 | 1,234 | 2% |
| Cost of sales per ounce | (\$ per oz sold) | 930 | 925 | 1% | 961 | 834 | 15% |
| Total cash costs ¹ | (\$ per oz sold) | 689 | 704 | (2%) | 721 | 622 | 16% |
| All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) ¹ | (\$ per oz sold) | 860 | 1,163 | (26%) | 943 | 971 | (3%) |

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 AND YEAR TO DATE HIGHLIGHTS

Financial Highlights

- Gold revenue increased by 58 percent and 8 percent for the quarter and year respectively, compared to the prior year. The increases for both the quarter and year are due to a combination of higher sales volume and higher average realized gold prices.
- Consolidated net income attributable to shareholders was \$5.8 million (\$0.05 per share) for the quarter and \$31.9 million (\$0.30 per share) for the year. This was in comparison to a net loss of \$1.3 million (\$0.01 loss per share) in the prior year quarter and net income of \$23.1 million (\$0.28 per share) in the prior year. During the current quarter and year, higher revenues were partially reduced by higher cost of sales and expenses.
- EBITDA¹ for the fourth quarter was \$26.6 million and \$95.3 million for the year compared to \$17.6 million in the prior year quarter and \$99.2 million in the prior year. The increase during the quarter was primarily attributable to higher revenues. EBITDA¹ for the year was comparable to the prior year as increases in revenue were offset by increases in cost of sales and expenses.
- Cash flows from operating activities increased to \$32.5 million during the quarter, compared to cash outflows of \$13.6 million in the prior year period. In the prior year quarter, lower operating cash flows were primarily due to \$17.2 million in royalty payments and \$6.7 million in spending on Gryphon Minerals Limited ("Gryphon") acquisition

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

costs. In the full year period, Teranga generated operating cash flows of \$71.4 million, compared to \$44.7 million in 2016 due to higher revenues, partly offset by an increase in working capital related to payments of 2016 income taxes (paid in arrears) in 2017.

- As at December 31, 2017, Teranga had cash and cash equivalents of \$87.7 million, an increase of \$14.7 million from the third quarter. The increase was attributable to the increase in revenues partially reduced by higher cost of sales resulting from higher production.
- On September 11, 2017, the Company entered into forward gold sales contracts for a total of 131,000 ounces of gold with settlements commencing October 2017 through December 2018 at a gold price of \$1,336 per ounce. During the fourth quarter, the Company subsequently amended these contracts to defer quarterly settlements by a quarter, and as a result, the contracts extend through the first quarter of 2019. In January 2018, the Company entered into additional forward gold sales contracts for a total of 56,500 ounces at a gold price of \$1,350 per ounce, with various settlement dates between April 2019 to September 2019. As a result, the company now has forward gold sales contracts totaling 187,500 ounces of gold with settlement dates between January 2018 and September 2019, at prices between \$1,336 per ounce to \$1,350 per ounce, which are anticipated to represent less than 50 percent of production over that period. A key component of the financing plan for the Wahgnion Gold Project is the anticipated cash flows from Sabodala over the course of the construction period. The execution of the forward gold sales contracts provides greater cash flow certainty from Sabodala through to September 2019.

Operating Highlights

- Teranga finished the 2017 fiscal year with a strong fourth quarter. Gold production of 67,934 ounces was 54 percent higher than the prior year quarter. The higher fourth quarter production contributed to the Company setting a new annual production record with 233,267 ounces of gold produced in 2017, which exceeded the upper end of its 2017 production guidance.
- Cost of sales of \$930 per ounce and \$961 per ounce for the quarter and year, respectively, were at the low end of our 2017 guidance range.
- Total cash costs of \$689 per ounce and \$721 per ounce for the quarter and year, respectively, has resulted in the Company meeting the lower end of our 2017 guidance. Additionally, all-in sustaining costs, excluding cash / (non-cash) inventory movements and amortized advanced royalty costs, were \$860 per ounce and \$943 per ounce for the quarter and year, respectively, and were well within our 2017 guidance range.

Growth Highlights

- Following a competitive selection process, Teranga executed a project finance mandate with a leading institution which will further fund the development of the Wahgnion Gold Project in Burkina Faso. In February 2018, technical due diligence was completed following site visits. Legal due diligence is ongoing and is expected to be completed in the coming weeks, after which Teranga anticipates receiving a commitment letter for a senior project debt facility (the "Facility") for net new financing of \$150 million. The Company anticipates closing the Facility in the second quarter 2018.
- On August 30, 2017, the Company filed an updated National Instrument 43-101 *Standards of Disclosure for Mine Projects* ("NI 43-101") technical report for Sabodala ("Sabodala Technical Report") reflecting an increase in gold reserves by more than 400,000 ounces to a total of 2.7 million ounces as at June 30, 2017 and improved Sabodala's five-year production and operating cash flow profile. Between 2018 and 2022, Sabodala's gold production is expected to increase by 20 percent from the prior NI 43-101 estimate, to more than one million ounces¹ and generate a total of \$230 million in free cash flow². The increase in production was attributable to new reserves at Niakafiri, as well as an improved mine plan profile.

¹ This production target is based on proven and probable reserves only from the Sabodala Gold operations. The estimated ore reserves underpinning this production target have been prepared by a qualified person or persons (see Qualified Persons section).

² This is a non-IFRS performance measure. Please refer to the reconciliation of non-IFRS measures at the end of this MD&A. This Sabodala free cash flow is an estimate that is based on the updated life of mine plan and reserve estimate for the Sabodala Project, as set out in the Technical Report of Teranga for the Sabodala Project, Senegal, West Africa, dated August 30, 2017. See in particular Section 21 of the Sabodala Technical Report – Capital and Operating Costs.

- On October 20, 2017, the Company filed the first NI 43-101 technical report for the Wahgnion Gold Project in Burkina Faso, which was completed by Roscoe Postle Associates Inc. ("Wahgnion Technical Report"). This positive feasibility study underpinning the Wahgnion Technical Report was based on initial gold reserves of 1.2 million ounces, which generates a 15 percent internal rate of return at \$1,250 per ounce of gold. The Wahgnion Gold Project has been advancing on all fronts since the announcement of the feasibility study results. The owner's construction management team has been assembled and project civils and site infrastructure have commenced. Plant construction has been awarded to Lycopodium Ltd. ("Lycopodium") with an engineering, procurement and construction management based arrangement. Resettlement negotiations are also nearing completion. A reserve update based on an extensive 73,000 metre infill drilling campaign completed in late 2017 is expected in mid-2018.
- In November 2017, the Company announced positive drill results at the Ma Prospect as well as the addition of the Jackhammer Hill Prospect. Combined with the Peksou and Nahiri Prospects, the Company now has four centrally-located, advanced exploration prospects on the Golden Hill property in Burkina Faso. The Company is rapidly advancing this project to evaluate the potential scale and grades leading towards an initial resource in 2018.
- On December 13, 2017, the Company entered into a memorandum of understanding with Sodim Limited ("Sodim"), a private investment company, to acquire a controlling interest in the exploration and development of the Afema land package in Côte d'Ivoire ("Afema"). The Afema land package is located in southwest Côte d'Ivoire and covers more than 1,400 km², consisting of the Afema mining license and three exploration permits – Ayame, Mafere and Aboisso. Under the terms of the memorandum of understanding, the Company maintains its 51 percent interest in the Afema mining lease and Afema permits through the completion of a three-year \$11.0 million exploration and community relations work program, increasing its interest to 70 percent on the Afema mining license through the delivery of a positive economic evaluation of potential mining on the Afema land package and Teranga's commitment to fund its 70 percent interest in the project through construction. On January 25, 2018 the amended Afema mining convention was signed and delivered by the Ministry of Mines of Côte d'Ivoire. The Company is currently working towards a definitive agreement between Sodim and Teranga for the Afema land package. Pursuant to the Company's joint venture agreement with Miminvest SA ("Miminvest"), a 3 percent royalty is payable to Miminvest in connection with Teranga's share of production or product emanating from the Afema mining lease as the land package was considered an exploration property.
- On December 15, 2017, the Company commenced trading in the United States on the OTC Markets Group ("OTCQX") market. The new platform enables the Company to broaden its exposure to U.S. retail and institutional shareholders and provide U.S. shareholders with timely news and information to help them better analyze, value and trade our securities.

Outlook 2018

The following table outlines the Company's estimated 2018 summary production and cost guidance:

| Year Ended December 31 | | | | |
|--|---------------|---------------------------|----------------|-------------------|
| | | 2017 Original Guidance | 2017 Actual | 2018 Guidance |
| Operating Results | | | | |
| Ore mined | ('000t) | 2,000 – 2,500 | 2,101 | 2,000 – 2,500 |
| Waste mined | ('000t) | 35,000 – 37,000 | 35,385 | 35,000 – 37,000 |
| Total mined | ('000t) | 37,000 – 39,500 | 37,486 | 37,000 – 39,500 |
| Grade mined | (g/t) | 2.50 – 3.00 | 3.48 | 2.50 – 3.00 |
| Strip ratio | waste/ore | 15.5 – 17.5 | 16.8 | 16.5 – 18.5 |
| Ore milled | ('000t) | 4,000 – 4,300 | 4,221 | 4,200 – 4,400 |
| Head grade | (g/t) | 1.70 – 1.90 | 1.87 | 1.70 – 1.90 |
| Recovery rate | % | 90.0 – 91.5 | 92.1 | 90.0 – 91.5 |
| Gold produced ^A | (oz) | 205,000 – 225,000 | 233,267 | 210,000 – 225,000 |
| | | | | |
| Cost of sales per ounce sold | \$/oz sold | 950 – 1,025 | 961 | 950 – 1,025 |
| Total cash cost per ounce sold ^B | \$/oz sold | 725 – 775 | 721 | 700 – 750 |
| All-in sustaining costs ^C | \$/oz sold | 1,000 – 1,075 | 1,024 | 1,000 – 1,075 |
| Cash / (non-cash) inventory movements and amortized advanced royalty costs ^C | \$/oz sold | (100) | (81) | (50) |
| All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) ^C | \$/oz sold | 900 – 975 | 943 | 950 – 1,025 |
| Mining | (\$/t mined) | 2.25 – 2.50 | 2.36 | 2.25 – 2.50 |
| Mining long haul | (\$/t hauled) | 2.50 – 3.50 | 2.97 | 2.50 – 3.50 |
| Milling | (\$/t milled) | 11.00 – 12.00 | 11.34 | 11.00 – 12.50 |
| General and Administration | (\$/t milled) | 4.25 – 4.50 | 4.26 | 4.25 – 4.50 |
| Mine Production Costs | \$ millions | 155.0 – 165.0 | 161.2 | 162.0 – 172.0 |
| Corporate Administration Expense | \$ millions | 10.0 – 11.0 | 10.7 | 11.0 – 13.0 |
| Regional Administration Costs | \$ millions | 3.0 | 2.0 | ~2.0 |
| Community Social Responsibility Expense | \$ millions | 3.5 – 4.0 | 2.9 | 4.0 – 5.0 |
| Exploration and Evaluation ^D | \$ millions | 20.0 – 25.0 | 24.9 | ~15.0 |
| Sabodala Capital Expenditures | | | | |
| Mine site sustaining | \$ millions | 10.0 – 15.0 | 10.7 | 10.0 – 15.0 |
| Site development costs ^E | \$ millions | 2.0 | 8.6 | 10.0 – 15.0 |
| Total Sabodala Capital Expenditures ^F | \$ millions | 12.0 – 17.0 | 19.3 | 20.0 – 30.0 |
| Growth Capital Expenditures (Wahgnion) | | | | |
| Feasibility study | \$ millions | 3.0 | 2.4 | N/A |
| Construction readiness / early works ^G | \$ millions | 5.0 – 8.0 | 15.8 | ~30.0 |
| Total Growth Capital Expenditures | \$ millions | 8.0 – 11.0 | 18.2 | ~30.0 |
| 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. Exploration and evaluation costs includes both Expensed Exploration, primarily attributable to exploration work on exploration permits, and Capitalized Reserve Development, which is work performed on Mine Licenses. For a breakdown of this spend for 2018, please see the Exploration section of this MD&A. | | | | |
| E. Site development costs for 2018 include village relocation costs for the Sabodala village. | | | | |
| F. Excludes capitalized deferred stripping costs, included in mine production costs. | | | | |
| G. Construction readiness / early works expenditures for 2018 includes anticipated expenditures for the construction of the Wahgnion Gold Project prior to completion of a debt facility agreement. | | | | |
| This forecast financial information is based on the following material assumptions for 2018: gold price: \$1,250 per ounce; light fuel oil price \$0.87/L; heavy fuel oil price \$0.50/L; Euro:USD exchange rate of 1:1.17 | | | | |
| 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. | | | | |

2018 Guidance Analysis

The Company's mine plan for Sabodala is designed to maximize free cash flows¹ for 2018. Free cash flows from our Sabodala mine will be used to fund the Company's growth strategy, including construction of the Company's second mine, Wahgnion. Mining activities during 2018 will continue to focus on the higher grade and higher strip ratio deposits at Golouma West, Kerekounda, Golouma South and Gora. Golouma South and Gora will complete mining activities during the first half of 2018. The completion of Gora will be followed by closure and rehabilitation activities. Mining activities will recommence at Sabodala Phase 4, the last phase of Sabodala, during the second quarter 2018. Total tonnes mined are expected to be similar to the 37.5 million tonnes mined (excluding 2.6 million capitalized pre-stripping tonnes) in 2017 at between 37.0 and 39.5 million tonnes in 2018. Ore tonnes and grade mined are expected to be similar to 2017.

Mill throughput is expected to increase with the operation of the second primary crusher and ongoing optimization activities at the SAG and ball mill circuit to between 4.2 and 4.4 million tonnes, compared to 4.2 million tonnes in 2017. Mill grades are expected to be similar to 2017 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 210,000 and 225,000 ounces of gold in 2018. The quarterly production profile is expected to be reasonably consistent throughout the year. The Company has built up a high-grade stockpile to support quarterly and annual production targets.

Total production costs at Sabodala are expected to be in the range of \$162 to \$172 million in 2018, which exceeds the prior year due to a stronger Euro relative to the U.S. dollar combined with higher fuel costs.

Overall, our 2018 cash flows are in line with the Sabodala Technical Report, other than slightly higher fuel prices and the impact of a stronger Euro relative to the U.S. dollar more than offset by higher anticipated production.

Administrative costs are expected to increase by up to \$2 million to a range of \$11 to \$13 million reflecting the Company's expansion beyond Senegal to Burkina Faso and Côte d'Ivoire and strengthening of the Canadian dollar compared to the U.S. dollar, as most of the Company's administration costs are denominated in Canadian dollars. In addition, regional office costs, including the Dakar and Ouagadougou offices, are expected to total approximately \$2 million, similar to 2017.

Corporate social responsibility costs are expected to rise by up to \$1 million to between \$4 and \$5 million reflecting activities deferred from 2017 to 2018.

The Company's exploration and evaluation budget has been reduced to approximately \$15 million for 2018, reflecting a greater emphasis on exploration of Golden Hill, Afema and Guitry toward delineating maiden resources and away from resource conversion programs at the Sabodala mine and the Wahgnion Gold Project. For additional details on our 2018 program, please see the Exploration section.

Sustaining capital expenditures in 2018 for the Sabodala mine are expected to be similar to 2017 at between \$10 and \$15 million, as well as an additional \$10 to \$15 million required to commence relocation of the Sabodala village. Sustaining capital expenditures exclude capitalized deferred stripping costs included in total production costs. This amount is similar to the Sabodala Technical Report, however a decision to accelerate the relocation of the Sabodala village has been made to provide earlier access to Niakafiri, resulting in higher overall capital expenditures at Sabodala. Growth capital expenditures includes construction readiness / early works capital for the Wahgnion Gold Project. In total, approximately \$30 million is expected to be spent in 2018 on construction readiness / early works activities and project construction costs prior to finalization of the debt facility (see Liquidity and Capital Resources section for more details).

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

Cost of sales are expected to be in the range of \$950 to \$1,025 per ounce. Total cash costs are expected to be in the range of \$700 to \$750 per ounce¹.

All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) are expected to be between \$950 to \$1,025 per ounce¹.

Sensitivity

| | 2018 Assumption | Hypothetical Change | Impact on total cash costs | Impact on cash flow |
|--------------------------------|--------------------|------------------------|-------------------------------|------------------------|
| Gold revenue | \$1,250/oz | \$100/oz | n/a | \$20.7M |
| Gold price effect on royalties | \$1,250/oz | \$100/oz | \$5/oz | \$1.2M |
| HFO price | \$0.50/litre | \$0.10/litre | \$15/oz | \$3.3M |
| LFO price | \$0.87/litre | \$0.10/litre | \$9/oz | \$2.1M |
| EUR exchange rate | 1.17:1 | 10% | \$35/oz | \$7.9M |

REVIEW OF OPERATING RESULTS

| Operating Results | | Three months ended December 31, | | | Twelve months ended December 31, | | |
|---|---------------|---------------------------------|--------|----------|----------------------------------|---------|----------|
| | | 2017 | 2016 | % Change | 2017 | 2016 | % Change |
| Ore mined | ('000t) | 712 | 533 | 34% | 2,101 | 2,132 | (1%) |
| Waste mined - operating | ('000t) | 6,773 | 7,506 | (10%) | 23,520 | 27,186 | (13%) |
| Waste mined - capitalized | ('000t) | 2,813 | 1,689 | 67% | 11,865 | 6,326 | 88% |
| Total mined | ('000t) | 10,298 | 9,728 | 6% | 37,486 | 35,644 | 5% |
| Grade mined | (g/t) | 4.10 | 2.89 | 42% | 3.48 | 2.66 | 31% |
| Ounces mined | (oz) | 93,865 | 49,483 | 90% | 235,262 | 182,394 | 29% |
| Strip ratio | (waste/ore) | 13.5 | 17.3 | (22%) | 16.8 | 15.7 | 7% |
| Ore milled | ('000t) | 1,077 | 1,034 | 4% | 4,221 | 4,025 | 5% |
| Head grade | (g/t) | 2.11 | 1.45 | 45% | 1.87 | 1.81 | 3% |
| Recovery rate | (%) | 93.1 | 91.5 | 2% | 92.1 | 92.6 | (1%) |
| Gold produced ¹ | (oz) | 67,934 | 43,987 | 54% | 233,267 | 216,735 | 8% |
| Gold sold | (oz) | 68,944 | 46,523 | 48% | 231,078 | 217,652 | 6% |
| Average realized price ² | (\$/oz) | 1,279 | 1,197 | 7% | 1,261 | 1,234 | 2% |
| Cost of sales per ounce | (\$/oz sold) | 930 | 925 | 1% | 961 | 834 | 15% |
| Total cash costs ² | (\$/oz sold) | 689 | 704 | (2%) | 721 | 622 | 16% |
| All-in sustaining costs ² | (\$/oz sold) | 938 | 1,049 | (11%) | 1,024 | 929 | 10% |
| All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) ² | (\$/oz sold) | 860 | 1,163 | (26%) | 943 | 971 | (3%) |
| Mining | (\$/t mined) | 2.46 | 2.38 | 3% | 2.36 | 2.33 | 1% |
| Mining long haul | (\$/t hauled) | 3.16 | 2.78 | 14% | 2.97 | 3.41 | (13%) |
| Milling | (\$/t milled) | 11.36 | 10.55 | 8% | 11.34 | 10.70 | 6% |
| G&A | (\$/t milled) | 4.70 | 4.61 | 2% | 4.26 | 4.46 | (4%) |

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

² Average realized price, 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) 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.

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

| | | Three months ended December 31, 2017 | | | | | Twelve months ended December 31, 2017 | | | | |
|---------------------------|---------|--------------------------------------|--------|---------------|------------|--------|---------------------------------------|---------|---------------|------------|---------|
| | | Golouma West | Gora | Golouma South | Kerekounda | Total | Golouma West | Gora | Golouma South | Kerekounda | Total |
| Ore mined | ('000t) | 187 | 295 | 127 | 103 | 712 | 384 | 698 | 668 | 351 | 2,101 |
| Waste mined - operating | ('000t) | 2,972 | 2,896 | 110 | 795 | 6,773 | 861 | 11,778 | 2,598 | 8,283 | 23,520 |
| Waste mined - capitalized | ('000t) | 1,003 | - | - | 1,810 | 2,813 | 5,757 | 2,387 | - | 3,721 | 11,865 |
| Total mined | ('000t) | 4,162 | 3,191 | 237 | 2,708 | 10,298 | 7,002 | 14,863 | 3,266 | 12,355 | 37,486 |
| Grade mined | (g/t) | 2.16 | 6.39 | 2.86 | 2.60 | 4.10 | 2.10 | 5.14 | 3.02 | 2.59 | 3.48 |
| Ounces mined | (oz) | 13,006 | 60,587 | 11,664 | 8,608 | 93,865 | 25,914 | 115,398 | 64,772 | 29,178 | 235,262 |

| | | Three months ended December 31, 2016 | | | | | Twelve months ended December 31, 2016 | | | | |
|---------------------------|---------|--------------------------------------|---------------|------------|--------|--------|---------------------------------------|---------------|------------|---------|--|
| | | Golouma Gora | Golouma South | Kerekounda | Total | Masato | Gora | Golouma South | Kerekounda | Total | |
| Ore mined | ('000t) | 171 | 258 | 104 | 533 | 455 | 747 | 826 | 104 | 2,132 | |
| Waste mined - operating | ('000t) | 3,576 | 3,283 | 647 | 7,506 | 166 | 14,000 | 12,373 | 647 | 27,186 | |
| Waste mined - capitalized | ('000t) | 1,689 | - | - | 1,689 | - | 6,326 | - | - | 6,326 | |
| Total mined | ('000t) | 5,436 | 3,541 | 751 | 9,728 | 621 | 21,073 | 13,199 | 751 | 35,644 | |
| Grade mined | (g/t) | 3.15 | 3.15 | 1.80 | 2.89 | 1.16 | 2.83 | 3.44 | 1.80 | 2.66 | |
| Ounces mined | (oz) | 17,301 | 26,160 | 6,022 | 49,483 | 16,969 | 67,948 | 91,455 | 6,022 | 182,394 | |

| | | Three months ended December 31, | | | Twelve months ended December 31, | | |
|--|---------|---------------------------------|--------|----------|----------------------------------|--------|----------|
| | | 2017 | 2016 | % Change | 2017 | 2016 | % Change |
| Total mined (as above) | ('000t) | 10,298 | 9,728 | 6% | 37,486 | 35,644 | 5% |
| Capitalized pre-stripping | ('000t) | - | 723 | (100%) | 2,604 | 1,779 | 46% |
| Total mined (including pre-strip tonnes) | ('000t) | 10,298 | 10,451 | (1%) | 40,090 | 37,423 | 7% |

Operating results for the three months ended December 31, 2017

Mining

For the three months ended December 31, 2017 mining activities were focused on four deposits: Gora Phase 3, Golouma West, Golouma South and Kerekounda.

Total tonnes mined for the period increased by 6 percent from the prior year period mainly due to favourable digging conditions at Gora and Kerekounda. During the current year period, ore tonnes mined and ore grades were 34 and 42 percent higher, respectively, compared to the prior year period mainly due to increased mining rates in high grade areas of Gora Phase 3. This resulted in almost 94,000 ounces mined during the fourth quarter 2017, a record for the Company, and 90 percent higher than the prior year period. In the prior year period, mining activities were focused on Gora Phases 2 and 3, Golouma South, as well as the early stages of mining operations at Kerekounda.

As part of our ongoing grade control processes and conservative resource modelling near surface, during the last 18 months through to June 30, 2017, total ore tonnes mined at all deposits were 19 percent higher than the reserve models, resulting in a 20 percent positive variance in total mined ounces, as reflected in the Sabodala Technical Report issued during the third quarter. This trend continued during the second half of 2017 resulting in production exceeding the higher end of the Company's guidance range.

Processing

Ore tonnes milled for the fourth quarter were 4 percent higher than the prior year period, representing a new record for the Company. Throughput rates benefited from operation of the second primary crusher commissioned in August 2016 ramping up to full capacity by the beginning of 2017, and optimization of the SAG and ball mill circuit in 2017.

Head grade for the fourth quarter was 45 percent higher than the prior year period due to the increased proportion of high-grade ore from Gora, Golouma (South & West) and Kerekounda in the mill feed. In the prior year, mill feed was sourced from lower grade stockpiles, supplemented with high grade feed from Golouma South, Gora and Kerekounda.

Gold production in the fourth quarter was 54 percent higher than the prior year period, which is mainly attributable to higher head grade.

Costs – site operations

Total mining costs for the fourth quarter were \$25.4 million, 10 percent higher than the prior year period mainly attributable to a 6 percent increase in material movement, higher fuel prices and unfavorable currency movements. On a unit cost basis, mining costs for the fourth quarter were 3 percent higher than the prior year period due to an increase

in material movement partially offsetting the higher costs. Total long-haul costs for the fourth quarter were \$1.7 million, \$0.6 million higher than the prior year period mainly due to an increase in ore tonnes hauled from satellite deposits in the current year period.

Total processing costs for the fourth quarter were \$12.2 million, 12 percent higher than the prior year period due to higher throughput, higher fuel prices and unfavourable currency movements. Accordingly, unit processing costs for the fourth quarter were 8 percent higher than the prior year period with higher throughput partially offsetting higher costs.

Total mine site general and administrative costs for the fourth quarter totaled \$5.1 million, 6 percent higher than the prior year period mainly due to higher labour costs. However, on a unit basis, general and administrative costs only increased by 2 percent over the prior year period mainly due to higher tonnes milled.

Total cash costs¹ decreased by 2 percent to \$689 per ounce for the fourth quarter compared to the prior year period. Total cost of sales of \$930 per ounce for the fourth quarter was in line with the prior year period. Higher amortization of deferred stripping assets was offset by lower total cash costs.

All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)¹ of \$860 per ounce were 26 percent lower than the prior year period mainly due to the increase in the volume of gold ounces sold, partially offset by higher mine production costs.

Operating results for the twelve months ended December 31, 2017

Gold production in 2017 was a record 233,267 ounces, exceeding the higher end of the Company's full year production guidance range of 205,000 to 225,000 ounces. Gold production increased by 8 percent compared to the prior year.

Mining

Total tonnes mined for the full year were 5 percent higher than the prior year. Mining activities were focused on four deposits: Gora, Kerekounda, Golouma South and pre-stripping leading to production at Golouma West. Including pre-stripping waste tonnes capitalized, total tonnes mined were 7 percent higher than the prior year period. Higher tonnes mined were mainly due to improved shovel productivity in the oxide zones at Golouma West and Kerekounda, as well as higher equipment availability and utilization rates for the mining fleet in 2017. In the prior year period, mining activities were mainly focused on the lower benches of the Masato deposit, completed during the first quarter of 2016, the Gora and Golouma South deposits, which were active throughout the year, and Kerekounda, which commenced mining activities in December.

Ore tonnes mined for the full year were similar to the prior year period, while ore grades mined were 31 percent higher, mainly due to an increase in tonnes and grade from the Gora deposit.

Processing

Ore tonnes milled for the full year were 5 percent higher than the prior year mainly due to operation of the second primary crusher and a continuous focus to optimize the crushing and grinding circuit despite a higher proportion of hard ore in the mill feed in 2017 compared to the prior year. Mill throughput for 2017 represents the highest in Company history.

Head grade for the full year was 3 percent higher than the previous year due to higher proportion of high grade ore from Gora, Golouma (South & West) and Kerekounda in the mill feed in the current year.

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

Costs – site operations

Total mining costs for the full year were \$88.3 million, 6 percent higher than the prior year mainly due to a 5 percent increase in material movement, higher fuel prices and unfavourable currency movements. On a unit basis, mining costs for 2017 were similar to the prior year. Total long-haul costs for the full year were \$6.2 million, \$2.2 million higher than the prior year, mainly due to an increase in ore tonnes hauled from satellite deposits in the current year.

Total processing costs for the full year were \$47.9 million, 11 percent higher than the prior year predominantly due to a 5 percent increase in throughput, higher fuel prices and unfavourable currency movements. This also caused an increase to unit processing costs by 6 percent compared to the prior year.

Total mine site general and administrative costs for the full year were \$18.0 million, which were comparable to the prior year. On a unit basis, mine site general and administrative costs decreased by 4 percent over the prior year due to an increase in tonnes milled.

Total cash costs¹ for the year were \$721 per ounce, below the low end of the Company's guidance range of \$725 - \$775 per ounce but 16 percent higher than the prior year, due to higher production costs and higher inventory movement expense, partly offset by higher capitalized stripping costs.

Cost of sales in 2017 were \$961 per ounce, at the low-end of the Company's guidance range of \$950 to \$1,025 per ounce, and 15 percent higher than the prior year mainly due to higher total cash costs and amortization of deferred stripping assets, slightly offset by higher capitalized stripping costs and a higher volume of gold sold.

All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)¹ in 2017 were \$943 per ounce, within the Company's guidance range of \$900 to \$975 per ounce and 3 percent lower than the prior year mainly due to lower sustaining capital costs and higher gold ounces sold, slightly offset by higher production costs.

REVIEW OF FINANCIAL RESULTS

| (US\$000's) | Three months ended December 31, | | | Twelve months ended December 31, | | |
|--|---------------------------------|-----------------|------------|----------------------------------|------------------|--------------|
| | 2017 | 2016 | % Change | 2017 | 2016 | % Change |
| Revenue | 88,280 | 55,774 | 58% | 291,683 | 268,850 | 8% |
| Mine operation expenses | (48,166) | (33,465) | 44% | (168,689) | (137,486) | 23% |
| Depreciation and amortization | (15,983) | (9,557) | 67% | (53,424) | (44,042) | 21% |
| Cost of sales | (64,149) | (43,022) | 49% | (222,113) | (181,528) | 22% |
| Gross profit | 24,131 | 12,752 | 89% | 69,570 | 87,322 | (20%) |
| Exploration and evaluation expenditures | (5,928) | (1,101) | 438% | (12,373) | (4,760) | 160% |
| Administration expenses | (3,941) | (3,557) | 11% | (10,702) | (8,973) | 19% |
| Corporate social responsibility expenses | (615) | (779) | (21%) | (2,906) | (3,613) | (20%) |
| Share-based compensation | (935) | 538 | N/A | (2,580) | (4,405) | (41%) |
| Finance costs | (1,241) | (908) | 37% | (3,907) | (4,363) | (10%) |
| Net foreign exchange (losses) / gains | (491) | 314 | N/A | (4,632) | (2,589) | 79% |
| Other (expenses) / income | (1,612) | (188) | 757% | 4,496 | (7,401) | N/A |
| Profit before income tax | 9,368 | 7,071 | 32% | 36,966 | 51,218 | (28%) |
| Income tax expense | (3,410) | (8,563) | (60%) | (2,436) | (23,327) | (90%) |
| Net profit / (loss) | 5,958 | (1,492) | N/A | 34,530 | 27,891 | 24% |
| (Profit) / loss attributable to non-controlling interests | (200) | 206 | N/A | (2,598) | (4,782) | (46%) |
| Profit / (loss) attributable to shareholders of Teranga | 5,758 | (1,286) | N/A | 31,932 | 23,109 | 38% |
| Basic earnings / (loss) per share | 0.05 | (0.01) | N/A | 0.30 | 0.28 | 7% |

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

| (US\$000's) | Three months ended December 31, | | | Twelve months ended December 31, | | |
|--------------------------------------|---------------------------------|---------------|------------|----------------------------------|----------------|------------|
| | 2017 | 2016 | % Change | 2017 | 2016 | % Change |
| Mine operation expenses | | | | | | |
| Mine production costs | 44,742 | 39,923 | 12% | 161,155 | 148,624 | 8% |
| Royalties | 5,895 | 3,276 | 80% | 19,180 | 16,904 | 13% |
| Regional administration costs | 689 | 699 | (1%) | 1,996 | 2,105 | (5%) |
| | 51,326 | 43,898 | 17% | 182,331 | 167,633 | 9% |
| Capitalized deferred stripping | (7,655) | (4,775) | 60% | (29,428) | (18,492) | 59% |
| Inventory movements | 4,495 | (5,658) | N/A | 15,786 | (11,655) | N/A |
| | (3,160) | (10,433) | (70%) | (13,642) | (30,147) | (55%) |
| Total mine operation expenses | 48,166 | 33,465 | 44% | 168,689 | 137,486 | 23% |

| (US\$000's) | Three months ended December 31, | | | Twelve months ended December 31, | | |
|---|---------------------------------|--------------|------------|----------------------------------|---------------|------------|
| | 2017 | 2016 | % Change | 2017 | 2016 | % Change |
| Depreciation and amortization expenses | | | | | | |
| Depreciation and amortization - property, plant and equipment and mine development expenditures | 10,730 | 8,309 | 29% | 39,152 | 36,579 | 7% |
| Depreciation and amortization - deferred stripping assets | 10,016 | 1,683 | 495% | 22,555 | 3,408 | 562% |
| | 20,746 | 9,992 | 108% | 61,707 | 39,987 | 54% |
| Inventory movements - depreciation | (4,333) | (60) | 7122% | (6,306) | 5,566 | N/A |
| Capitalized deferred stripping - depreciation | (430) | (375) | 15% | (1,977) | (1,511) | 31% |
| | (4,763) | (435) | 995% | (8,283) | 4,055 | N/A |
| Total depreciation and amortization expenses | 15,983 | 9,557 | 67% | 53,424 | 44,042 | 21% |

Financial Results for the three months ended December 31, 2017

Revenue

Revenue for the three months ended December 31, 2017 increased 58 percent compared to the prior year period due to a 48 percent increase in ounces sold and a 7 percent increase in average realized gold prices.

| Spot price per ounce of gold | Three months ended December 31, | | |
|------------------------------|---------------------------------|---------|----------|
| | 2017 | 2016 | % Change |
| Average | \$1,276 | \$1,221 | 4% |
| Low | \$1,241 | \$1,126 | 10% |
| High | \$1,303 | \$1,313 | (1%) |
| Average Realized | \$1,279 | \$1,197 | 7% |

Mine Operation Expenses

For the three months ended December, 2017, mine operation expenses, before capitalized deferred stripping and inventory movements, increased by 17 percent over the prior year period to \$51.3 million primarily due to an increase in material mined and processed, unfavourable currency movements and higher fuel prices during the current quarter.

The amount of mining costs capitalized as deferred stripping costs will fluctuate from period to period depending on whether the Company is mining above or below the life of phase strip ratio in a particular pit. During the fourth quarter, the Company mined above the life of phase strip ratios at the Kerekounda and Golouma West deposits. In the prior year period, the Company mined above the life of phase strip ratio at the Gora deposit. As a result, 2.8 million tonnes, or \$7.7 million of deferred stripping costs were capitalized in the current period, compared to only 1.7 million tonnes, or \$4.8 million capitalized in the prior year period. Capitalized costs are amortized to expense as the deposit is mined.

The largest component of inventory movement costs relates to changes in ore stockpiles. Normally increases in the number of ounces in stockpiles results in a reduction of operating costs as mining costs are capitalized to inventory on the balance sheet while decreases to ore in stockpiles, as stockpiled ore is processed, increase operating costs as historic costs are expensed to the income statement. However, increases and decreases to the dollar value of stockpiles on the balance sheet is impacted by changes to the Company's mine plan and capitalized deferred stripping costs.

Inventory movements for the three months ended December 31, 2017 resulted in an increase to mine operation expenses of \$4.5 million compared to a decrease to mine operation expenses of \$5.7 million in the prior year period. During the current year period, the Company increased operating costs despite an increase in the number of ounces

in stockpiles. This was mainly due to a record number of ounces mined combined with higher deferred stripping cost during the current quarter, which resulted in a decrease in the dollar value of stockpiles on the balance sheet. In the prior year period, the higher per ounce cost additions to the stockpile increased the overall value of stockpile even though there was no movement in stockpiled gold ounces.

Depreciation and amortization expenses

Total depreciation and amortization expense for the three months ended December 31, 2017 was \$16.0 million, \$6.4 million higher than the prior year period. The increase was mainly due to higher depreciation and amortization of deferred stripping assets attributed to Gora, Kerekounda and Golouma West. In the prior year period, only Gora's deferred stripping asset was being amortized.

Depreciation related to inventory movements for the three months ended December 31, 2017 decreased by \$4.3 million. The decrease was a result of a net increase in stockpile gold ounces. The prior year period had marginal net movements of gold ounces in stockpile inventory and lower non-cash depreciation as a result of only depreciating Gora's deferred stripping asset.

Exploration and evaluation

Exploration and evaluation expenditures for the three months ended December 31, 2017 were \$5.9 million, \$4.8 million higher than the prior year period. Refer to the Exploration section for additional details.

Administration expense

Administration expense for the three months ended December 31, 2017 was \$3.9 million compared to \$3.6 million in the prior year period. The higher costs were due largely to increased personnel costs due to the growth of the Company beyond our Sabodala Gold operations in Senegal and other miscellaneous corporate support costs.

Corporate social responsibility expenses

Corporate social responsibility expenses for the three months ended December 31, 2017 were \$0.6 million, \$0.2 million lower than the prior year period. This variance was a result of differences in the timing of program expenditures between the comparative periods.

Share-based compensation

Share-based compensation expense for the three months ended December 31, 2017 was \$0.9 million, \$1.5 million higher than the prior year period mainly due to a 7 percent increase in the Company's share price in the current year period compared to a 30 percent decrease in the Company's share price in the prior year period. The increase in the Company's share price increased the expense charge for both restricted share units and fixed bonus units for the current year period.

Finance costs

Finance costs for the three months ended December 31, 2017 were \$1.2 million, an increase of \$0.3 million compared to the prior year period. The increase is mainly due to an increase in bank charges.

Net foreign exchange losses

Net foreign exchange losses of \$0.5 million were realized by the Company in the three months ended December 31, 2017 compared to a net foreign exchange gain of \$0.3 million in the prior year period. The variance was due to realized and unrealized foreign exchange losses recorded during the quarter as the Euro appreciated relative to the U.S. dollar compared to a depreciation of the Euro relative to the U.S. dollar in the prior year period.

Other income/expenses

Other expenses for the three months ended December 31, 2017 were \$1.6 million compared with \$0.2 million in the prior year period. The increased expense was due to the forward gold sales contracts that the Company entered into in September 2017. Based on the mark-to-market value of these contracts as at December 31, 2017, a hedge loss of \$3.5 million was recognized. The loss on forward gold sales contracts in the current year period was partially offset by a \$2.5 million gain on sale of all of the Company's shareholdings in Tawana Resources. In the prior year period, a gain on forward gold sales contracts of \$0.5 million was recognized.

Income tax expense

The Company records a current income tax expense on taxable income earned in Senegal at a rate of 25 percent. Current income tax is calculated using local tax rates on taxable income, which is estimated in accordance with local statutory requirements and is denominated in the Senegalese currency (CFA Franc). The tax basis of all assets and non-current intercompany loans are recorded using historical exchange rates and translated to the functional currency using the period end exchange rate, and as a result, the Company's deferred tax balances will fluctuate due to changes in foreign exchange rates. Current income taxes are also affected by changes in foreign exchange rates as unrealized foreign exchange gains as well as losses, recorded in the local financial statements, are taxable / deductible for purposes of calculating income tax in Senegal. The Company also has a number of development and exploration projects in Burkina Faso and Côte d'Ivoire, which currently don't generate any profit subject to income tax.

For the three months ended December 31, 2017, the Company recorded income taxes expense of \$3.4 million, comprised of current income tax expense of \$3.7 million and a recovery of deferred income taxes of \$0.3 million. In the prior year period, income tax expense of \$8.6 million was comprised of current income tax expense of \$6.3 million and deferred income tax expense of \$2.3 million. Current income tax expense was lower during the quarter due to changes in foreign exchange rates resulting in higher foreign exchange losses, which reduced income subject to income tax.

Net profit

Consolidated net profit attributable to shareholders for the three months ended December 31, 2017 was \$5.8 million (\$0.05 per share), compared to a consolidated net loss of \$1.3 million (\$0.01 loss per share) in the prior year period. The increase is attributable to higher revenue in the current year period as a result of more gold ounces sold and a higher average realized gold price. Net profit was also positively impacted by a decrease in income tax expense of \$5.2 million, when compared to the prior year period.

Financial Results for the twelve months ended December 31, 2017*Revenue*

Revenue for the twelve months ended December 31, 2017 increased by 8 percent over the prior year mainly due to increased sales volume.

| Spot price per ounce of gold | Twelve months ended December 31, | | |
|-------------------------------------|---|-------------|-----------------|
| | 2017 | 2016 | % Change |
| Average | \$1,257 | \$1,251 | 1% |
| Low | \$1,151 | \$1,077 | 7% |
| High | \$1,346 | \$1,366 | (1%) |
| Average Realized | \$1,261 | \$1,234 | 2% |

Mine Operation Expenses

For the twelve months ended December 31, 2017, mine operation expenses, before capitalized deferred stripping and inventory movements, increased by 9 percent over the prior year to \$182.3 million, primarily due to an increase in material mined and processed, unfavourable currency movements and higher fuel prices.

The amount of mining costs capitalized as deferred stripping costs will fluctuate from period to period depending on whether the Company is mining above or below the life of phase strip ratio in a particular pit. The Company mined above the life of phase strip ratios at the following three deposits: Kerekounda, Gora, and Golouma West in the current year. In the prior year, the Company mined above the life of phase strip ratio at one deposit, Gora. As a result, 11.9 million tonnes, or \$29.4 million of deferred stripping costs were capitalized in the current period, compared to only 6.3 million tonnes, or \$18.5 million capitalized in the prior year period. Costs capitalized are amortized to expense as the deposit is mined.

The largest component of inventory movement costs relates to changes in ore stockpiles. Normally, increases in the number of ounces in stockpiles results in a reduction of operating costs as mining costs are capitalized to inventory on the balance sheet while decreases to ore in stockpiles, as stockpiled ore is processed, increase operating costs as historic costs are amortized to the income statement. However, increases and decreases to the dollar value of stockpiles on the balance sheet is impacted by changes to the Company's mine plan and capitalized deferred stripping costs.

Inventory movements for the year ended December 31, 2017 resulted in an increase to mine operation expenses of \$15.8 million compared to a decrease of \$11.7 million in the prior year period. During both the current and prior year periods, the Company had a similar decrease in ounces in inventory as stockpiled ore was processed. Changes to the mine plan as the Company moved from lower grade, lower strip ratio deposits to higher grade, higher strip ratio deposits has resulted in the mining cost per ounce rising, particularly in 2016, which resulted in an increase in the value of stockpiles in 2016 despite the fact that the number of ounces declined.

Depreciation and amortization expenses

Total depreciation and amortization expense for the twelve months ended December 31, 2017 was \$53.4 million, \$9.4 million higher than the prior year. Depreciation and amortization expense for property, plant, and equipment and mine development expenditures remained consistent between the comparative years. Depreciation and amortization of deferred stripping assets increased by \$19.1 million mainly related to amortization of previously capitalized deferred stripping costs at Gora and Kerekounda, as well as the incremental impact of Golouma West going into production in August 2017, while depreciation related to inventory movements decreased by \$11.9 million.

Exploration and evaluation

Exploration and evaluation expenditures for the twelve months ended December 31, 2017 were \$12.4 million, \$7.6 million higher than the prior year. Refer to the Exploration section for additional details.

Administration expense

Administration expense for the twelve months ended December 31, 2017 was \$10.7 million, \$1.7 million higher than the prior year. The higher costs were primarily due to increased personnel costs related to the growth of the Company beyond our Sabodala Gold operations in Senegal and other miscellaneous corporate support costs.

Share-based compensation

Share-based compensation expense for the twelve months ended December 31, 2017 was \$2.6 million, \$1.8 million lower than the prior year due to a decline in the Company's share price during the current year compared to an increase in share price in the prior year.

The Company continues to grant Deferred Share Units ("DSUs") to non-executive directors and Restricted Share Units ("RSUs") and stock options 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:

| | Number of Options | Weighted Average Exercise Price |
|---------------------------------|-------------------|---------------------------------|
| Balance as at December 31, 2016 | 3,789,106 | C\$10.48 |
| Exercised | (2,763) | C\$3.33 |
| Granted ¹ | 891,488 | C\$4.16 |
| Forfeited | (223,340) | C\$10.91 |
| Balance as at December 31, 2017 | 4,454,491 | C\$9.20 |

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

The following table summarizes RSU's, DSU's and fixed bonus plan units:

| | Twelve months ended December 31, 2017 | | As of December 31, 2017 | |
|------------------------|---------------------------------------|--------------------------|-------------------------|---------------------------|
| | Grant Units | Grant Price ¹ | Outstanding | Total Vested ² |
| RSUs | 856,460 | C\$3.00-\$4.20 | 1,606,201 | 1,040,323 |
| DSUs | 180,000 | C\$4.18 | 563,998 | 518,988 |
| Fixed Bonus Plan Units | - | - | 359,500 | 342,781 |

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 are payable in cash. The Company used the December 31, 2017 closing post-consolidation share price of C\$2.99 to value the vested DSUs and RSUs.

Of the 4,454,491 common share stock options issued and outstanding as at December 31, 2017, 3,488,194 are vested and the remaining 966,297 vest over a three-year period. The fair value of options that vest upon achievement of milestones will be recognized based on management's assessment of the likelihood of reaching those milestones. Under IFRS, the graded method of amortization is applied to new grants of stock options and fixed bonus plan units, which results in approximately 91 percent of the cost of the stock options and fixed bonus plan units recorded in the first twelve months from the grant date.

Finance costs

Finance costs for the twelve months ended December 31, 2017 were \$3.9 million, \$0.5 million lower than the prior year period due to a decrease in bank charges and deferred financing costs on borrowings.

Net foreign exchange losses

Net foreign exchange losses of \$4.6 million and \$2.6 million were realized by the Company in the twelve months ended December 31, 2017 and 2016 respectively. This was due to realized and unrealized foreign exchange losses recorded as the Euro appreciated relative to the US dollar. Net foreign exchange losses were greater in 2017 due to higher foreign currency expenditures.

Other income/expenses

Other income for the twelve months ended December 31, 2017 was \$4.5 million compared with other expenses of \$7.4 million in the prior year. Other income in the current year included a \$2.5 million gain on sale of all of the Company's Tawana Resources shareholdings, gains of \$1.8 million on gold forward sales contracts, a \$1.2 million milestone payment received pursuant to an option agreement with Algold Resources Ltd, and income earned on cash balances. This was in part offset by \$1.2 million in business taxes. Other expenses in the prior year period included \$2.2 million in losses on forward gold sales contracts, \$1.7 million in Gryphon acquisition related costs, \$1.3 million for business taxes, \$1.0 million related to registration fees to merge the Sabodala and Golouma mining concessions as part of the acquisition of the Oromin Joint Venture Group, as well as, miscellaneous non-recurring costs incurred during the period.

Income tax expense

For the twelve months ended December 31, 2017, the Company recorded income taxes expense of \$2.4 million, comprised of current income tax expense of \$6.9 million and a recovery of deferred income taxes of \$4.5 million. In the prior year period, income tax expense of \$23.3 million was comprised of current income tax expense of \$19.9 million and deferred income tax expense of \$3.4 million. Current income tax expense was lower during the twelve months due to changes in foreign exchange rates resulting in higher foreign exchange losses, which reduced income subject to income tax.

Net profit

Consolidated net profit attributable to shareholders for the twelve months ended December 31, 2017 was \$31.9 million (\$0.30 per share), compared to consolidated net profit of \$23.1 million (\$0.28 per share) in the prior year period. This was mainly a result of lower income taxes in the current year. Lower non-cash inventory charges and lower capitalized deferred stripping costs also contributed to the increase in the current year net profit and earnings per share compared to the prior year.

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

| | As at December 31, 2017 | As at December 31, 2016 |
|-------------------------------------|-------------------------|-------------------------|
| Balance Sheet | | |
| Cash and cash equivalents | 87,671 | 95,188 |
| Trade and other receivables | 5,484 | 9,882 |
| Inventories | 160,662 | 171,232 |
| Deferred tax assets | 26,491 | 21,966 |
| Available for sale financial assets | 964 | 1,171 |
| Other assets ¹ | 534,960 | 512,753 |
| Total assets | 816,232 | 812,192 |
| Trade and other payables | 54,165 | 47,409 |
| Borrowings | 14,307 | 13,844 |
| Provisions | 34,303 | 34,473 |
| Deferred revenue | 46,209 | 68,815 |
| Other liabilities ² | 17,693 | 30,718 |
| Total liabilities | 166,677 | 195,259 |
| Total equity | 649,555 | 616,933 |

¹ Includes Property, Plant and Equipment; Mine Development Expenditures; Other Current Assets and Other Non-current Assets.

² Includes Current Income Tax Liabilities; Deferred Income Tax Liabilities and Other Non-Current Liabilities.

Balance Sheet Review

Cash

The Company's cash balance at December 31, 2017 was \$87.7 million, \$7.5 million lower than the balance at the start of the year. Refer to the Liquidity and Cash Flow sections below for further details.

Trade and Other Receivables

The trade and other receivables balance of \$5.5 million includes \$4.4 million in VAT recoverable. In February 2016, the Company received an exemption for the payment and collection of refundable VAT in Senegal. This exemption is governed by an amendment to our Senegalese mining convention and expires on May 2, 2022.

Inventories

Inventories decreased by \$10.6 million to \$160.7 million as at December 31, 2017. The decrease was primarily attributable to a net drawdown on low-grade stockpile inventories during the year.

Other Assets

Other assets increased by \$22.2 million to \$535.0 million as at December 31, 2017. The increase was largely attributable to additions to capitalized mine development expenditures of \$64.6 million and additions to property, plant and equipment (net of disposals) of \$20.9 million during the year, less combined depreciation expense of \$61.8 million.

Available for Sale Financial Assets

The Company holds marketable securities. During the fourth quarter of 2017, the Company disposed of all 13,505,000 shares it held in Tawana Resources for net cash proceeds of \$4.0 million. As at December 31, 2017, the Company's remaining securities were valued at \$1.0 million, compared to \$1.2 million as at December 31, 2016.

Deferred Revenue

During the twelve months ended December 31, 2017, the Company delivered 22,500 ounces of gold to Franco-Nevada and recorded revenue of \$28.3 million, consisting of \$5.7 million received in cash proceeds and \$22.6 million recorded as a reduction of deferred revenue.

Other Liabilities

Other liabilities decreased by \$13.4 million to \$17.7 million as at December 31, 2017. The decrease was largely attributable to a reduction of taxes payable of \$12.2 million, which was settled partially in cash and through the redemption of VAT certificates.

2016 Comparative Figures

Certain previously reported Teranga consolidated balance sheet line items as at December 31, 2016 were updated to reflect adjusted final estimates of the fair value of identifiable assets acquired and liabilities assumed related to the October 13, 2016 acquisition of Gryphon. As a result of new information obtained about the facts and circumstances that existed as of the Gryphon acquisition date, the following adjustments were recorded to both the adjusted final purchase price allocation and the December 31, 2016 balance sheet as previously reported:

- mine development decreased by \$2.8 million;
- deferred tax assets increased by \$2.2 million;
- deferred tax liabilities decreased \$0.8 million; and
- other non-current assets decreased by \$0.2 million.

REVIEW OF QUARTERLY FINANCIAL RESULTS

| (US\$000's, except where indicated) | 2017 | | | | 2016 | | | |
|--|---------|---------|---------|---------|----------|---------|---------|---------|
| | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 |
| Revenue | 88,280 | 61,041 | 72,040 | 70,322 | 55,764 | 60,316 | 73,562 | 79,198 |
| Average realized gold price (\$/oz) ¹ | 1,279 | 1,277 | 1,260 | 1,226 | 1,197 | 1,333 | 1,261 | 1,169 |
| Cost of sales | 64,149 | 49,225 | 54,281 | 54,458 | 43,022 | 37,748 | 48,227 | 52,531 |
| Net earnings / (loss) | 5,758 | 10,370 | 9,640 | 5,592 | (1,286) | 10,437 | 6,146 | 7,812 |
| Net earnings / (loss) per share | 0.05 | 0.10 | 0.09 | 0.05 | (0.01) | 0.13 | 0.08 | 0.10 |
| Operating cash flow | 32,452 | 10,235 | 7,434 | 21,258 | (13,627) | 13,255 | 20,958 | 24,143 |

¹ Average realized gold price is a non-IFRS financial measure that does not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this MD&A.

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, operational efficiencies and inventory movements. The largest component of inventory movement costs relates to changes in ore stockpiles. Increases in the number of ounces in stockpiles results in a reduction of operating costs as mining costs are capitalized to inventory on the balance sheet while decreases to ore in stockpiles, as stockpiled ore is processed, increase operating costs as historic costs are amortized to the income statement. Operating cash flow levels fluctuate depending on the price of gold and production levels each quarter.

Operating cash flows during the fourth quarter 2016 were negative mainly due to royalty payments of \$17.2 million made during the quarter. Previously, royalties related to the prior year were 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**Wahgnion Gold Project Update****Reserve Update**

The Company anticipates an improvement in the Wahgnion Gold Project's economics following completion of the infill drill program designed to convert inferred resources to indicated resources and then potentially to reserves. Approximately 73,000 metres of drilling were completed in the fourth quarter and a reserves update is expected in mid-2018. The infill drill program targeted inferred resources located adjacent to the current reserve pits. The Company anticipates achieving a conversion rate of between 25 percent and 50 percent of the inferred resources based on the location of the infill drilling within or adjacent to existing wire framed domains of primarily inferred mineralization and lie within the existing resource or reserve pit shells of current reserve models.

The current gold reserves base of approximately 1.2 million ounces is derived from four deposits (Nogbele, Fourkoura, Samavogo, and Stinger) within the Wahgnion mine license. Beyond the initial four deposits included in the feasibility

study, Teranga has initiated a multi-year exploration program on over a dozen other priority targets on its regional exploration land package, all within trucking distance of the proposed mill site.

Construction and Development Update

The project construction will be managed through an owner's team with responsibility for delivering the site infrastructure, tailings, mine site services and initiation of mine operations. Plant construction has been awarded to Lycopodium with an engineering, procurement and construction management based arrangement. Early works construction has begun at the Wahgnion site with initial bulk civil works for the permanent camp, mine services and plant areas in progress. Key large vendor packages have been awarded and detailed engineering has been initiated. Plant construction on site has been scheduled to begin early in the second quarter, with subsequent preparation for the early works to be completed in support. First gold pour is expected by the end of 2019.

Afema

On December 7, 2017, the Company entered into a memorandum of understanding with Sodim, a private investment company, to acquire a controlling interest in the exploration and development of the Afema land package in Côte d'Ivoire. The Afema land package is located in southwest Côte d'Ivoire and covers more than 1,400 km², consisting of the Afema mining license and three exploration permits – Ayame, Mafere and Aboisso.

Under the terms of the memorandum of understanding, the Company maintains its 51 percent interest in the Afema mining lease and Afema permits through the completion of a three-year \$11.0 million exploration and community relations work program, increasing its interest to 70 percent on the Afema mining license through the delivery of a positive economic evaluation of potential mining on the Afema land package and Teranga's commitment to fund its 70 percent interest in the project through construction. On January 25, 2018 the amended Afema mining convention was signed and delivered by the Ministry of Mines of Côte d'Ivoire. The Company is currently working towards a definitive agreement between Sodim and Teranga for the Afema land package. Pursuant to the Company's joint venture agreement with Miminvest, a 3 percent royalty is payable to Miminvest in connection with Teranga's share of production or product emanating from the Afema mining lease as the land package was considered an exploration property.

Management is currently assessing previous work within the original Afema mine license. This includes review of the baseline environmental test work to support an environmental impact assessment and the supporting engineering for various processing options. Once review of the existing work has been completed, management will determine potential for future CIM compliant resources through exploration and resource delineation programs.

EXPLORATION

During 2017, the Company received encouraging drill results from the Golden Hill Project in Burkina Faso and completed the infill drill program at the Wahgnion Gold Project in Burkina Faso. The majority of the Company's \$24.9 million global exploration expenditures for 2017 focused on conversion of resources to reserves and towards establishing new resources.

Burkina Faso

Wahgnion Mine License Reserve Development

Nogbele Deposit, Stinger Deposit, Samavogo Deposit, Fourkoura Deposit

Drilling activities during 2017 were focused on the four reserve deposits: Nogbele, Stinger, Samavogo and Fourkoura comprising the Wahgnion Gold Project NI 43-101 compliant resources and reserves estimate, as outlined in the technical report dated October 20, 2017.

The drilling campaign was designed to upgrade resources classified as inferred to indicated for the potential conversion to reserves. Management believes there is a reasonable basis for such anticipated conversion, given drilling is taking place within (or near to) existing wire-framed domains of primarily inferred mineralization and lie within the existing resource or reserve pit shells of the current resource models. At present, drill spacing is too widely spaced to classify these resources as indicated, thus are not included as part of the reserves estimate. As such, this program primarily provides infill drilling at a closer spacing. This campaign was completed during the fourth quarter with an overall total of 1,666 holes (73,000 metres) being drilled.

The Company has budgeted \$0.5 million in 2018 toward an updated reserve estimate for the Wahgnion Gold Project, incorporating all results of this drill program for all four deposits, which is expected mid-year 2018.

Wahgnion Regional Exploration

No regional exploration was undertaken during the fourth quarter. The Company has budgeted \$1.0 million for 2018 surface mapping, trenching and potentially initial drilling programs across previously identified structural trends and geochemically anomalous areas.

Golden Hill Property

During 2017, the Company spent \$6.5 million on an exploration program at the Golden Hill property drilling the Ma, Jackhammer Hill, Peksou, Nahiri and C-Zone Prospects that are all located within approximately 5 kilometres of a central point.

The Company issued several news releases through 2017 announcing exploration-drilling results from the Golden Hill Property. Complete tables of available drill hole results including those from the various components comprising all five prospect areas can be found on the Company's website at www.terangagold.com under "Exploration".

The Company has budgeted \$8 million for the 2018 exploration program at Golden Hill to move the five current prospects into an initial resource by year end and to expand our exploration program to initiate exploration on more than a half dozen other targets in close proximity.

Gourma Property

The Company spent \$0.5 million on an initial field program at the Gourma Property that led to a six-hole drill program. Early results were favourable on this early stage property.

The Company has budgeted \$0.5 million for the 2018 exploration program at Gourma, consisting primarily of auger sampling, across previously identified structural trends and geochemically anomalous areas.

Senegal

Sabodala Mine Lease Reserve Development

The Niakafiri deposit area, located within 5 kilometres of the Sabodala plant, has recently had a Resource and Reserve estimation update which incorporated results available as of April 2017, announced as a component of an overall Sabodala Gold Operations resource and reserve update in a Company news release dated July 19, 2017. Subsequently, the Company completed a revised NI 43-101 technical report dated August 30, 2017 with an accompanying news release.

Niakafiri remains a highly-prospective area on our mine license. As a result of Niakafiri's encouraging results, the Company has re-designed mine sequencing with a view to bringing forward the development of the Niakafiri deposit, which is expected to increase near term production and cash flows. Community resettlement activities are ongoing alongside the drilling evaluation program, with community site selection activities and household and land survey activities in progress. As the village relocation progresses, we expect to be able to complete the drill program at Niakafiri.

There are plans to continue drilling at both Niakafiri and elsewhere on the mining license over the next several years with the objective to further increase resources and subsequent reserves.

Senegal Regional Exploration¹

During the fourth quarter 2017, the Company received the results from the property-wide stream sediment bulk leach extractable gold sampling ("BLEG") program completed earlier in the year. Initial interpretation of these results

¹ Applications seeking the consolidation and renewal of Teranga's regional exploration package in Senegal were filed with the Ministry of Mines in late December 2016. Working with the Department of Mines and Geology, our proposal sought two new exploration permits, replacing the prior eight permits held directly or indirectly by Sabodala Mining Company, covering a materially reduced land area of approximately 650 kilometres from a prior 1,000 kilometres. We anticipate formal approval of these new permits in the near term from the Senegalese Ministry of Mines.

suggests that five prospective areas within the regional exploration properties and one prospective area within the mine license (outside of currently known deposits) warrant follow-up evaluations based on moderate and highly anomalous drainage basin results. No exploration work is planned for the regional exploration ground in 2018, however, field programs designed to assess anomalous areas identified from the BLEG program will continue over the next several years. Applications for renewal and extension of the Company's regional land package, after relinquishment of up to a third of the total land area, were submitted in the fourth quarter of 2017 and approvals are anticipated in due course.

Côte d'Ivoire Exploration Highlights

The Company holds, by way of an exploration agreement, five greenfield exploration tenements totaling nearly 1,838 km² in Côte d'Ivoire. Including Afema, the Company has budgeted \$3.5 million for 2018 exploration activities in Côte d'Ivoire.

Guitry Property

At the Guitry Property, we have outlined a large gold-in-soil geochemical anomaly. The Company is planning for a 4,000 metre reverse circulation drill program in the first quarter 2018. A series of multi-hole profiles will test across the central core area of the large gold-in-soil geochemical anomaly. A follow-up program will be designed based on the initial drill results.

Sangaredougou Property

Our initial field exploration program at our newest permit in Cote d'Ivoire, the Sangaredougou Property, was completed during the fourth quarter. The Sangaredougou Property is contiguous to the Guitry Property. This program consisted of soil sampling over a regional grid that, in part, overlays an area of old artisanal workings. Results from the soil-sampling program are pending.

HEALTH AND SAFETY

Health and safety remains the principal priority at Sabodala and all personnel are part of extensive campaigns to integrate a safety awareness culture as part of their daily activities. Safety is the first topic of all meetings and site reports, whether they are on a daily, weekly, monthly or annual basis. The Company's operational health and safety program focuses on proactive, people-based safety management using a documented systematic approach. In 2016, there was a focus on pro-active reporting through a documented task observation process and departmental self-inspections on site. During 2017, the Company incurred its first fatality. After a thorough investigation, the focus remains on safe workplace behaviour through quality reporting, close out of incidents and corrective actions within an allocated period. In addition, a consequence management program was rolled out late in 2017 to ensure a culture where all employees assume responsibility for their own safety and the safety of their colleagues.

The focus for 2018 will be on advanced supervisor safety training as part of the frontline leadership program, coupled with core refresher safety training for all teams. There will also be an improved reward and recognition program aimed at promoting the message "Safety our Responsibility" and ensuring that it is maintained and understood by all.

CORPORATE SOCIAL RESPONSIBILITY

Teranga's award-winning Corporate Social Responsibility ("CSR") program continues to set a high standard for socially responsible mining, with strong emphasis on long-term economic and social development partnerships with the communities around its mine. Teranga is replicating this successful sustainability framework in Burkina Faso with the development of the Wahgnion Gold Project.

Senegal

In 2017, Teranga continued its emphasis on capacity building and benefits sharing within its Senegalese regional communities. At Gora, the community fund management committee continued to perform 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 2017, the fund supported the provision of a modern 63-seat bus, the donation of several peanut mills to targeted communities, the rehabilitation of the Djegoune market garden and the construction and equipment of a hen house in Diakhaling. In total, \$1.4 million were committed through the Social and Gora fund in 2017.

Teranga also continued its partnership with 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 continued to sponsor Foundation Paul Gerin Lajoie for the vocational training. The funding will enable the foundation to provide toolkits to 52 young women and men in the regions of Tambacounda and Kédougou that completed the training program and have obtained the required professional certification. Local procurement investments continued in connection with several mining consumables and services contracts tendered within the Kédougou region, and additional training to 12 regional companies focused on capacity building within and beyond the mining industry.

At Sabodala, community resettlement activities are ongoing alongside the Niakafiri drilling program with the support of an international consultancy specialized in managing displacement (ERM Group, Inc.). Community site selection activities and household and land survey team activities were completed, with all structures inclusive of 599 households including 142 one-person (renter) households having been surveyed. Community compensation negotiations are underway, and the resettlement team has launched the permitting process and housing construction readiness activities.

Burkina Faso

In 2017, Teranga continued to progress resettlement planning activities in conjunction with the phased resettlement of 430 households within the Wahgnion Gold Project with the support of ERM. Activities included an update of household and land surveys, extensive negotiations with affected communities through the agreed-upon forums, and the development and approval of a livelihood restoration plan and compensation framework. Several livelihood pilots projects were also initiated, including irrigated garden and cassava cultivation. These projects will continue to be expanded upon in 2018.

Teranga also launched several community investment initiatives in 2017, including the provision of 10 boreholes to the community, donation of grain mills to women's groups, and financial and in-kind support for community events.

In 2018, resettlement activities will include the first land take by the Project and the first physical relocation of households. A community development framework encompassing social investment, local recruitment, local procurement, influx management, and stakeholder engagement will also be developed in 2018 in alignment with Teranga's corporate CSR strategy.

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 2017, the average London PM fix price of gold was \$1,257 per ounce, with gold trading between a range of \$1,151 and \$1,346 per ounce. This compares to an average of \$1,251 during 2016, with a low of \$1,077 per ounce and a high of \$1,366 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 late 2017 and 2018, the Company entered into gold forward contracts to provide greater certainty of cash flows from the Company's Sabodala mine as we look to develop our next mine in Burkina Faso.

On December 13, 2017, the U.S. Federal Reserve raised its benchmark interest rate by a quarter of a percentage point, to a range of 1.25 percent to 1.5 percent. This marked the third interest rate increase in 2017 and for the fifth time since the 2008 to 2009 financial crisis. It is expected that the U.S. Federal Reserve will continue its gradual policy normalization, with polls anticipating three interest rate increases in 2018. Should the U.S. Federal Reserve continue monetary policy tightening in 2018, a softening of gold prices may result. Fears that the U.S. will pull out of the North American Free Trade Agreement has benefitted gold prices and is expected to continue to do so in 2018. Additionally, 2017 was the first year in almost ten years where global mine production decreased from the prior year period. This reduction may continue in 2018 as lower output is expected from China and a number of South American producers. A reduction in the global gold supply is expected to have a positive impact on gold prices in 2018.

Overall, Teranga anticipates the gold price will remain at, or slightly above, current spot prices in the near-term and are bullish over the medium to long-term based on supply and demand fundamentals.

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 Gold Mine and prudent capital allocation in connection 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 \$35.2 million in 2017 or approximately 20 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 2017, operations consumed approximately 32 million litres of heavy fuel oil ("HFO"). This equated to cost of approximately \$0.136 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 23.4 million litres of LFO in 2017. 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 18 percent in 2017. Both crude oil and natural gas prices varied significantly during the year and oil prices are forecasted to trade higher in 2018. Overall, demand growth for crude looks to be firm while supply has remained tight as the organization for oil producing countries' recent supply cuts were lower than expected. Geopolitical tensions in Iran, the Middle East and Venezuela could provide a risk premium to oil price as they present the possibility of supply disruptions.

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, the Company successfully negotiated the removal of these levies, which were inflating our prices in Senegal relative to market oil prices by 20 to 30 percent.

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 advantageous.

Currency

A significant portion of operating costs and capital expenditures of the Sabodala Gold Mine's operations are denominated in currencies other than U.S. dollars. Historical accounts payable 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 2017 but the Euro currency has strengthened significantly over the US dollar, increasing from 1.05 to over 1.20.

Two major events are expected to dominate the Eurozone currency bloc in 2018 including the Italian general election in May, and developments around the European Central Bank's quantitative easing scheme. That said, the Euro currency is expected to outperform the U.S. dollar in the near term. 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 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.

Liquidity and Cash Flow

Cash Flow

| (US\$000's) | Three months ended December 31, | | Twelve months ended December 31, | |
|--|---------------------------------|---------------|----------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Cash Flow | | | | |
| Operating activities excluding changes in working capital other than inventories | 24,708 | (1,842) | 82,610 | 49,142 |
| Changes in non-cash working capital other than inventories | 7,744 | (11,785) | (11,231) | (4,413) |
| Operating | 32,452 | (13,627) | 71,379 | 44,729 |
| Investing | (18,159) | (5,673) | (75,836) | (48,129) |
| Financing | (289) | 55,566 | (3,808) | 54,276 |
| Effect of exchange rates on cash holdings in foreign currencies | 707 | 1,051 | 748 | (124) |
| Change in cash and cash equivalents during the period | 14,711 | 37,317 | (7,517) | 50,752 |
| Cash and cash equivalents - beginning of period | 72,960 | 57,871 | 95,188 | 44,436 |
| Cash and cash equivalents - end of period | 87,671 | 95,188 | 87,671 | 95,188 |

Sources and Uses of Cash

| Cash Flow - Sources and Uses (US\$000's) | Three months ended December 31, 2017 | | | | Consolidated Cash Flow |
|--|--------------------------------------|----------------|-----------------|----------------|------------------------|
| | Sabodala | Corporate | Wahgnion | Exploration | |
| Operating | 42,279 | (4,440) | (3,362) | (2,025) | 32,452 |
| Investing | (11,515) | 3,873 | (9,996) | (521) | (18,159) |
| - Expenditures for mine development - sustaining | (8,946) | (93) | - | (8) | |
| - Expenditures for property, plant and equipment - sustaining | (2,570) | (10) | - | - | |
| - Expenditures for mine development - growth | - | - | (4,526) | - | |
| - Expenditures for property, plant and equipment - growth | - | - | (5,470) | (513) | |
| - Expenditures for investing in shares | - | - | - | - | |
| - Expenditures for intangibles | 1 | (14) | - | - | |
| - Proceeds from sale of available for sale financial assets | - | 3,990 | - | - | |
| Financing | (289) | - | - | - | (289) |
| - Interest paid on borrowings | (289) | - | - | - | |
| Effect of exchange rates on cash holdings in foreign currencies | 634 | 73 | - | - | 707 |
| Change in cash and cash equivalents during the period | 31,109 | (494) | (13,358) | (2,546) | 14,711 |

| Cash Flow - Sources and Uses (US\$000's) | Year ended December 31, 2017 | | | | Consolidated Cash Flow |
|--|------------------------------|-----------------|-----------------|----------------|---------------------------|
| | Sabodala | Corporate | Wahgnion | Exploration | |
| Operating | 97,871 | (14,398) | (4,564) | (7,530) | 71,379 |
| Investing | (54,167) | 2,982 | (24,110) | (541) | (75,836) |
| - Expenditures for mine development - sustaining | (43,425) | (337) | - | (28) | |
| - Expenditures for property, plant and equipment - sustaining | (10,519) | (202) | - | - | |
| - Expenditures for mine development - growth | - | - | (17,199) | - | |
| - Expenditures for property, plant and equipment - growth | - | - | (6,911) | (513) | |
| - Expenditures for investing in shares | - | (393) | - | - | |
| - Proceeds from sale of available for sale financial assets | - | 3,990 | - | - | |
| - Expenditures for intangibles | (223) | (76) | - | - | |
| Financing | (3,815) | 7 | - | - | (3,808) |
| - Proceeds on stock options exercised | - | 7 | - | - | |
| - Dividend payment to the Government of Senegal | (2,700) | - | - | - | |
| - Interest paid on borrowings | (1,115) | - | - | - | |
| Effect of exchange rates on cash holdings in foreign currencies | 581 | 167 | - | - | 748 |
| Change in cash and cash equivalents during the period | 40,470 | (11,242) | (28,674) | (8,071) | (7,517) |

During the three and twelve months ended December 31, 2017, Sabodala generated net cash of \$31.1 million and \$40.5 million, respectively. The funds generated from Sabodala, which in addition to the Company's existing cash balances were used to support the corporate offices, advance construction readiness and early works activities at the Wahgnion Gold Project, and further our exploration programs.

Operating Cash Flow

| (US\$000's) | Three months ended December 31, | | Twelve months ended December 31, | |
|---|---------------------------------|-----------------|----------------------------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Changes in working capital other than inventory | 2017 | 2016 | 2017 | 2016 |
| Decrease / (Increase) in trade and other receivables | 97 | 4,360 | (1,769) | (715) |
| Decrease / (Increase) in other assets | 2,132 | (728) | 2,978 | 6,224 |
| Increase / (decrease) in trade payables and other | 1,852 | (21,789) | (5,128) | (22,171) |
| (Decrease) / Increase in provisions | (3) | 48 | (88) | (568) |
| Increase / (decrease) in current income taxes payable | 3,666 | 6,324 | (7,224) | 12,817 |
| Net change in working capital other than inventory | 7,744 | (11,785) | (11,231) | (4,413) |

Cash provided by operations before net changes in working capital other than inventories for the three months ended December 31, 2017 increased to \$24.7 million compared to a \$1.8 million cash outflow in the prior year quarter. Net cash provided by operating activities, after changes in working capital, increased to \$32.5 million compared to a cash outflow of \$13.6 million in the prior year quarter. The increases in operating cash flows were primarily due to a \$32.5 million increase in gold sales and a \$14.1 million decrease in cash royalties paid due to the timing of payments compared to the prior year period.

Cash provided by operations before net changes in working capital other than inventories for the year ended December 31, 2017 increased to \$82.6 million compared to \$49.1 million in the prior year period. Net cash provided by operating activities, after changes in working capital, increased to \$71.4 million compared to \$44.7 million in the prior year period. The increase in operating cash flows were primarily due to a \$22.8 million increase in gold sales.

Investing Cash Flow

| (US\$000's) | Three months ended December 31, | | Twelve months ended December 31, | |
|---|---------------------------------|---------------|----------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Investing Activities | | | | |
| Sustaining Capital (Sabodala) | | | | |
| Mine site capital expenditure - sustaining | 2,552 | 2,444 | 10,660 | 7,361 |
| Mine site capital expenditure - project | 135 | 362 | 705 | 11,188 |
| Development capital | 333 | 1,802 | 7,904 | 7,324 |
| Capitalized reserve development (mine site exploration) | 965 | 2,923 | 6,113 | 7,138 |
| Sustaining Capital Expenditures, before Deferred Stripping | 3,985 | 7,531 | 25,382 | 33,011 |
| Capitalized deferred stripping | 7,655 | 4,822 | 29,428 | 18,492 |
| Total Sustaining Capital Expenditures | 11,640 | 12,353 | 54,810 | 51,503 |
| Growth Capital | | | | |
| Feasibility | 340 | 325 | 2,446 | 325 |
| Reserve development | 2,440 | 337 | 6,417 | 337 |
| Construction readiness | 2,484 | 979 | 10,409 | 979 |
| Early works | 5,245 | - | 5,351 | - |
| Total Growth Capital Expenditures | 10,509 | 1,641 | 24,623 | 1,641 |
| Gryphon Minerals Limited opening balance sheet cash balance | - | (8,321) | - | (8,321) |
| Investment in available for sale financial assets | - | - | 393 | 3,306 |
| Proceeds from available for sale financial assets | (3,990) | - | (3,990) | - |
| Investing Activities | 18,159 | 5,673 | 75,836 | 48,129 |

Net cash used in investing activities for the three months ended December 31, 2017 was \$18.2 million, \$12.5 million higher than the prior year period, mainly due to expenditures for the Wahgnion Gold Project and higher capitalized deferred stripping costs at Sabodala.

Net cash used in investing activities for the twelve months ended December 31, 2017 were \$75.8 million, \$27.7 million higher than the prior year period, mainly due to higher capitalized deferred stripping costs related to activities at Sabodala and development expenditures related to the Wahgnion Gold Project.

Financing Cash Flow

Net cash flow used in financing activities in the three months ended December 31, 2017 was \$0.3 million, and was related to interest and financing costs paid on borrowings.

Net cash flow used in financing activities for the twelve month ended December 31, 2017 was \$3.8 million compared to a cash inflow of \$54.3 million in the prior year. Financing activities in the current year includes a \$2.7 million prepayment of dividends to the Republic of Senegal related to the recommencement of drilling activities at the Niakafiri deposit. Financing activities in the prior year included \$55.9 million in net proceeds from a November 2016 equity offering.

LIQUIDITY AND CAPITAL RESOURCES OUTLOOK

We require sufficient liquidity and capital resources to not only run our existing operations but to also execute on our growth strategy, which includes i) optimizing our Sabodala operation; ii) building the Wahgnion Gold Project on time and on budget; and iii) carrying out targeted reserve/resource and exploration drill programs in Burkina Faso, Senegal and Côte D'Ivoire through resource conversion drill programs and exploration.

(i) Optimizing Our Sabodala Operation

Our ability to generate free cash flow from operations is a function of our ability to execute on our mine plan at Sabodala and the price of gold. At the Sabodala mine, the mine plan was re-sequenced to bring the development of the Niakafiri open pit deposit forward and to defer underground development. This will require the relocation of the Sabodala village. Overall, these changes are expected to increase the amount of free cash flow generated over the next 5 years.

(ii) Building the Wahgnion Gold Project On-Time and On Budget

The Teranga board approved construction of the Wahgnion Gold Project, subject to completion of its financing

plan. In total approximately \$30 million is expected to be spent on construction readiness / early works activities and project construction costs prior to finalization of the anticipated senior project debt facility.

(iii) Targeted Exploration Programs

Based on the success of the exploration programs in Burkina Faso and Senegal the reserve development and exploration budget for 2018 is expected to be approximately \$15 million.

We believe we are in a strong position to execute on the Company's growth strategy with the following sources of liquidity:

- i. *Cash Balance.* As at December 31, 2017, we had a consolidated cash balance of \$87.7 million.
- ii. *Available for Sale Securities.* As at December 31, 2017, we had available for sale securities with a market value of \$1.0 million.
- iii. *Cash Flows from Sabodala (unhedged).* Using a \$1,250 per ounce gold price, we expect Sabodala to generate \$88 million in free cash flows¹ over 2018 and 2019 and \$230 million in free cash flows¹ between 2018 and 2022.
- iv. *Sabodala Gold Hedges.* The Company entered into forward gold sales contracts which provide greater cash flow certainty from Sabodala through to September 30, 2019. Using a gold price assumption of \$1,250 per ounce, this hedge program provides \$17.0 million in additional free cash flow from Sabodala through to September 30, 2019.
- v. *Wahgnion Financing.* In November 2017, following a competitive selection process, Teranga executed a project finance mandate with a leading lending institution (the "Institution") targeting a new financing facility of \$150 million, which will further fund the development of the Company's Wahgnion Gold Project. In February 2018, technical due diligence was completed following site visits in both Senegal and Burkina Faso. Legal due diligence is ongoing and is expected to be completed in the coming weeks, after which the Company anticipates receiving a commitment letter from the Institution, confirming the terms and amount of the Facility, with a targeted financial close in the second quarter 2018. Proceeds of this Facility will, in part, repay the \$15 million drawn under the Société Générale Revolver Facility of \$30 million. Additional details, will be made available once the commitment letter has been received by the Company.

In addition to the sources of liquidity noted above, we may also source additional funding in the form of equity. Our objective is to have a financing plan in place, which eliminates, or at least minimizes the requirement for issuing equity. With the anticipated completion of the Facility in the second quarter, combined with cash on hand and cash flow from ongoing operations, we believe we have sufficient financial resources to bring the Wahgnion Gold Project into production. If external equity funding is subsequently required, these funds will be used to support our current and longer-term growth projects and our exploration initiatives. Our cornerstone investor, Mr. David Mimran, retains pre-emptive participation rights to maintain his current 21.5 percent ownership position in any future potential equity raise.

Although we have been successful in the past in financing our activities, there is no certainty that any required additional financing will be successfully completed.

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

| (US\$000's) | Anticipated Sources & Uses 2018/2019 |
|--|--------------------------------------|
| Cash Balance ¹ | 88 |
| Sabodala Free Cash Flow ² | 88 |
| Gold Forward Sales (\$1,350 per ounce) ³ | 17 |
| Debt Facility (based on project finance facility mandate) ⁴ | 165 |
| Equipment Facility (based on indicative term sheets) ⁵ | 10 |
| Total Anticipated Sources | 368 |
| Wahgnion Pre-production Capital ⁶ | 232 |
| Wahgnion Pre-production Operating Costs ⁷ | 19 |
| Corporate Overhead | 20 |
| Repayment of Revolver Facility ⁸ | 15 |
| Consolidated Minimum Cash ⁹ | 20 |
| Total Anticipated Uses | 306 |
| Other Considerations¹⁰ | 62 |

¹ Teranga's consolidated cash and cash equivalents as of December 31, 2017 was \$87.7 million

² This Sabodala free cash flow is an estimate that is based on the updated life of mine plan and reserve estimate for the Sabodala project, as set out in the Technical Report of Teranga for the Sabodala Project, Senegal, West Africa, dated August 30, 2017 (the "Sabodala Technical Report"). See in particular Section 21 of the Sabodala Technical Report - Capital and Operating Costs.

³ The Company executed forward gold sales contracts totaling 187,500 ounces of gold commencing January 1, 2018 through September 30, 2019, at an average price of \$1,340 per ounce of gold. The forward gold sales contracts can be settled at the option of Teranga in either cash or by physical delivery of gold. As part of this forward gold sales program, 25,000 ounces of gold previously due for settlement during the fourth quarter of 2017, was rolled over to now settle during the first quarter 2019. The Company has scheduled 26,500 ounces of gold for settlement in each of the four quarters of 2018 as well as second quarter 2019. Lastly, the Company has scheduled 30,000 ounces for settlement during the third quarter 2019. The incremental free cash flow benefit to Teranga is calculated by multiplying the total ounces under the forward sales program of 187,500 ounces of gold by the difference between the hedge price of \$1,336 per ounce and the Company's long-term gold price assumption of \$1,250 per ounce.

⁴ Teranga is working towards the completion of a net new \$150 million secured project development facility which is subject to the completion of all necessary regulatory approvals and the finalization of the facility and security documentation with a targeted financial close in the second quarter 2018.

⁵ There is no guarantee Teranga will be able to negotiate and enter into an equipment finance facility for \$10 million in respect of the Wahgnion Project on terms that are acceptable to us. Any such equipment finance facility, if entered into, could be more or less than this amount.

⁶ See the Wahgnion Feasibility Study. Wahgnion pre-production capital costs of \$232 million are an estimate only and excludes \$12 million in estimated construction readiness activities expected to be spent prior to major construction. Actual Wahgnion pre-production capital costs could be greater or less than this amount.

⁷ See the Wahgnion Feasibility Study.

⁸ Proceeds from the debt facility will be used, in part, to repay amounts owing under the Revolver Facility with Société Generale. The Revolver Facility will subsequently be terminated.

⁹ Consolidated minimum cash represents the minimum amount of cash or working capital that the Company considers as appropriate to conduct day-to-day operations.

¹⁰ Other considerations (uses) is an estimate of potential other uses of the Company's cash during the period, including, but not limited to, acquisition costs to acquire an interest in the Afema project, discretionary exploration expenditures, financing costs and any cost overrun or minimum cash requirements that might be contained in any completed debt financing agreement. Actual amounts may total more or less than the aggregate amount specified.

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.

On September 11, 2017, the Company entered into forward gold sales contracts with Macquarie Bank Limited for a total of 131,000 ounces of gold at a price of \$1,336 per ounce with revised quarterly settlements from March 29, 2018 to March 26, 2019. The Company anticipates settling 26,500 ounces in each quarter of 2018 and 25,000 ounces in the first quarter of 2019. Of the 26,500 ounces to be settled by March 29, 2018, 16,125 ounces were settled in early 2018.

In early January 2018, the Company entered into deliverable forwards with Macquarie for a total of 22,000 ounces of gold at prices of \$1,321 and \$1,323 per ounce with monthly settlements in January through to April 2018. On January 16, 2018, the Company entered into additional forward gold sales contracts with Macquarie for a total of 56,500 ounces of gold at a price of \$1,350 per ounce with monthly settlements between April to September 2019.

As a result, the Company has hedged about 50 percent of anticipated production over the next seven quarters at gold prices above \$1,320 per ounce to provide improved revenue certainty during construction of the Wahgnion Gold Project.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31, 2017, 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⁾ | 46.2 | 22.5 | 23.7 | - | - |
| Purchase obligations for supplies and services ⁽ⁱⁱⁱ⁾ | 2.2 | 2.2 | - | - | - |
| Sustaining capital commitments ^(iv) | 1.3 | 1.3 | - | - | - |
| Growth capital commitments ^(v) | 27.1 | 27.1 | - | - | - |
| Afema Investment ^(vi) | 18.5 | 7.5 | 11.0 | - | - |
| Total | 110.3 | 60.6 | 49.7 | - | - |

⁽ⁱ⁾ In 2015, the Company secured a \$30.0 million Revolver Facility of which \$15.0 million was drawn at December 31, 2017.

⁽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 \$1,250 per ounce.

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

^(iv) Sustaining capital commitments - purchase obligations for capital expenditures at Sabodala, which include only those items where binding commitments have been entered into.

^(v) Growth capital commitments - purchase obligations for capital expenditures at the Wahgnion Gold Project, which include only those items where binding commitments have been entered into.

^(vi) On December 7, 2017, the Company entered into a memorandum of understanding with Sodim for the exploration and development of the Afema land package in Côte d'Ivoire, for total cash consideration of \$10.0 million, payable over four instalments. The first payment of \$2.5 million was paid in January 2018; a second payment of \$2.5 million will be due upon the execution of the final agreement and the receipt of the amended convention and exploration permits from the government; a third payment of \$2.5 million will be payable January 2019; and, a fourth payment of \$2.5 million upon delivery of a confirmation study or updated feasibility study with Teranga's confirmation of its decision to proceed with the Afema Gold Project. Under the terms of the memorandum of understanding, the Company maintains its 51 percent interest in the Afema mining lease and Afema permits through the completion of a three-year \$11.0 million exploration and community relations work program, increasing its interest to 70 percent on the Afema mining license through the delivery of a positive economic evaluation of potential mining on the Afema land package and Teranga's commitment to fund its 70 percent interest in the project through construction. Pursuant to the Company's existing joint venture agreement with Miminvest SA, a 3 percent royalty is payable to Miminvest in connection with Teranga's share of production or product emanating from the Afema mining lease as the land package was considered an exploration property.

SABODALA GOLD OPERATIONS ("SGO"), SABODALA MINING COMPANY ("SMC"), WAHGNION GOLD OPERATIONS SA ("WGO") AND THE OROMIN JOINT VENTURE GROUP LTD. ("OJVG") OPERATING COMMITMENTS

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

- Pursuant to the Company's Senegal 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 Senegal Mining Concession, \$1.5 million is payable in 2018, and \$1.2 million annually thereafter 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, 2017 \$7.8 million was accrued which is the discounted value of the \$15.0 million future payment.
- \$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.
- On May 1, 2016 SGO entered into a commitment with local communities around its Gora deposit to provide annual social assistance funding. An amount of \$400 thousand is payable in 2018 and \$200 thousand annually thereafter, until 2021.
- \$250 thousand is payable annually, until 2019, to the Ministry of Environment pursuant to a forestry protocol with the Government of Senegal.
- Pursuant to the Company's Burkina Faso Mining Concession, a sliding net smelter royalty of 3 to 5 percent of gold sales, based on the daily spot price of gold, is payable to the government of Burkina Faso.
- In addition, pursuant to the 2015 Burkina Faso Mining Code, 1 percent of monthly turnover (before tax) is to be contributed to the mining fund for local development.

CONTINGENT LIABILITIES

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.

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, 2017 \$2.1 million was accrued as a current liability.

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

Ore reserves

Management estimates its ore reserves based upon information compiled by qualified persons as defined in accordance with NI 43-101 requirements. 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.

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 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.

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.

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.

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. Impairment assessments are conducted at the level of cash generating units ("CGUs"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company classifies our Sabodala Gold Mine, Wahgnion Gold Project and exploration projects as separate CGUs.

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 assets and liabilities acquired and the allocation of the purchase consideration based on the fair value of these 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 financial 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. These 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 in prior periods, 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, | |
|---|---------------------------------|---------------|----------------------------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Gold produced ¹ (oz) | 67,934 | 43,987 | 233,267 | 216,735 |
| Gold sold (oz) | 68,944 | 46,523 | 231,078 | 217,652 |
| Cash costs per ounce sold | | | | |
| Mine operation expenses | 48,166 | 33,465 | 168,689 | 137,486 |
| Less: Regional administration costs | (689) | (699) | (1,996) | (2,105) |
| Total cash costs | 47,477 | 32,766 | 166,693 | 135,381 |
| Total cash costs per ounce sold | 689 | 704 | 721 | 622 |
| Cost of sales per ounce sold | | | | |
| Cost of sales | 64,149 | 43,022 | 222,113 | 181,528 |
| Total cost of sales per ounce sold | 930 | 925 | 961 | 834 |
| All-in sustaining costs | | | | |
| Total cash costs | 47,477 | 32,766 | 166,693 | 135,381 |
| Administration expenses ² | 4,600 | 4,236 | 12,580 | 10,991 |
| Share-based compensation | 935 | (538) | 2,580 | 4,405 |
| Capitalized deferred stripping | 7,655 | 4,822 | 29,428 | 18,492 |
| Capitalized reserve development | 965 | 2,923 | 6,113 | 7,138 |
| Mine site sustaining capital | 3,006 | 4,608 | 19,256 | 25,874 |
| All-in sustaining costs | 64,638 | 48,817 | 236,650 | 202,281 |
| All-in sustaining costs per ounce sold | 938 | 1,049 | 1,024 | 929 |
| All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) | | | | |
| All-in sustaining costs | 64,638 | 48,817 | 236,650 | 202,281 |
| Amortization of advanced royalties | (867) | (357) | (3,003) | (2,557) |
| Inventory movements - cash | (4,495) | 5,658 | (15,786) | 11,655 |
| All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) | 59,276 | 54,118 | 217,861 | 211,379 |
| All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) per ounce | 860 | 1,163 | 943 | 971 |

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

² Administration expenses include regional administration costs and exclude Corporate depreciation.

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:

| (US\$000's) | Three months ended December 31, | | Twelve months ended December 31, | |
|---|---------------------------------|---------------|----------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Profit / (loss) for the period | 5,958 | (1,492) | 34,530 | 27,891 |
| Add: finance costs | 863 | 551 | 3,042 | 2,366 |
| Less: finance income | (44) | (25) | (192) | (51) |
| Adjust: income tax expense | 3,410 | 8,563 | 2,436 | 23,327 |
| Add: depreciation and amortization | 16,443 | 9,956 | 55,519 | 45,640 |
| Earnings before interest, taxes, depreciation and amortization | 26,630 | 17,553 | 95,335 | 99,173 |

OUTSTANDING SHARE DATA

At December 31, 2017 the Company had 107,343,902 outstanding shares.

TRANSACTIONS WITH RELATED PARTIES

During the three and year ended December 31, 2017, there were transactions totaling \$0.1 million between the Company and director-related entities.

The Company has an exploration agreement with Miminvest, a related party, 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 km² 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. In 2017, Teranga paid Miminvest \$0.5 million for all direct and reasonable costs associated with exploration work related to permits transferred in 2016.

SHAREHOLDINGS

Teranga's 90 percent shareholding in SGO, the company operating the Sabodala gold mine, is held 89.5 percent through a Mauritius holding company, Sabodala Gold Mauritius Limited ("SGML"), and the remaining 0.5 percent by individuals nominated by SGML to be on the board of directors in order to meet the minimum shareholding requirements under Senegalese law. Upon 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.

SHARE CAPITAL

On May 2, 2017, the shareholders of the Company approved a five-for-one consolidation of the common shares of the Company. The common shares began trading on a consolidated basis on the Toronto Stock Exchange and Australian Securities Exchange on May 8, 2017. All references to share and per share amounts in this MD&A have been retroactively restated to give effect to this share consolidation, unless otherwise stated.

After a cost benefit analysis, management deemed that it was in the best interests of its shareholders to delist from the Australian Securities Exchange ("ASX"). The Company concluded that the ongoing administration and compliance costs required to maintain a secondary listing on the ASX outweighed the benefits. On September 14, 2017, the Company was removed from the official list of the Australian Securities Exchange at the close of trading. Teranga's common shares continue to be listed on the Toronto Stock Exchange.

On December 15, 2017, the Company commenced trading in the United States on the OTCQX market under the symbol TGCDF. The new platform enables the Company to broaden our exposure to U.S. retail and institutional shareholders and provide U.S. shareholders with timely news and information to help them better analyze, value and trade our securities.

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, 2017, 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 issued on May 14, 2013. There is no material weakness relating to the design of ICFR. In 2017, the Company has included the scope of the design of ICFR and DC&P to include the controls, policies and procedures of the entities acquired as part of the Gryphon Minerals Limited acquisition on October 13, 2016. There have been no other material changes in the Company's design of the ICFR that occurred during the twelve months ended December 31, 2017 which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

RISKS AND UNCERTAINTIES

The Company identified a number of risk factors to which it is subject to in its Annual Information Form dated March 29, 2017 and filed for the year ended December 31, 2016. 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, 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, adverse changes to taxation laws, West African political risks, risk of a disease outbreak impacting our West African workforce 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 opportunities, results of operations, performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and other opportunities. Wherever possible, words such as "plans", "expects", "does not expect", "scheduled", "trends", "indications", "potential", "estimates", "predicts", "anticipate", "to establish" 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. Specific 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 information. 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 Annual Information Form dated March 30, 2017, 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 MD&A 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.

QUALIFIED PERSONS STATEMENT

The technical information contained in this MD&A relating to the Sabodala open pit mineral reserve estimates is based on, and fairly represents, information compiled by Mr. Stephen Ling, P. Eng who is a member of the Professional Engineers Ontario. Mr. Ling is a full time employee of Teranga and is not "independent" within the meaning of NI 43-101. Mr. Ling has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Qualified Person" under NI 43-101 Standards of Disclosure for Mineral Projects. Mr. Ling 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 Sabodala 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. Ms. Nakai-Lajoie is a full time employee of Teranga and is not "independent" within the meaning of NI 43-101. Ms. Nakai-Lajoie has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a "Qualified Person" under NI 43-101 Standards of Disclosure for Mineral Projects. 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 technical information contained in this MD&A relating to the Sabodala underground ore reserves estimates is based on, and fairly represents, information compiled by Jeff Sepp, P. Eng., of Roscoe Postle Associates Inc. ("RPA"), who is a member of the Professional Engineers Ontario. Mr. Sepp is "independent" within the meaning of NI 43-101. Mr. Sepp has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a "Qualified Person" under NI 43-101 Standards of Disclosure for Mineral Projects. Mr. Sepp 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 the Wahgnion open pit mineral reserve estimates is based on, and fairly represents, information compiled by Mr. Glen Ehasoo, P. Eng., of RPA, who is a member of the Association of Professional Engineers and Geoscientists of British Columbia. Mr. Ehasoo is "independent" within the meaning of NI 43-101. Mr. Ehasoo has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Qualified Person" under NI 43-101 Standards of Disclosure for Mineral Projects. Mr. Ehasoo 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 Wahgnion mineral resource estimates is based on, and fairly represents, information compiled by Mr. David Ross, P. Geo., of RPA, who is a Member of the Association of Professional Geoscientists of Ontario. Mr. Ross is "independent" within the meaning of NI 43-101. Mr. Ross has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Qualified Person" under NI 43-101 Standards of Disclosure for Mineral Projects. Mr. Ross 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.

Teranga's exploration programs are being managed by Peter Mann, FAusIMM. Mr. Mann is a full time employee of Teranga and is not "independent" within the meaning of NI 43-101. Mr. Mann has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Qualified Person" as under NI 43-101 Standards of Disclosure for Mineral Projects. The technical information contained in this MD&A relating to 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 samples are prepared at site and assayed in the SGS laboratory located at the site. Analysis for diamond drilling is sent for fire assay analysis at ALS Johannesburg, South Africa. Mr. Mann has consented to the inclusion in this MD&A of the matters based on his compiled information in the form and context in which it appears in this MD&A.

Teranga's disclosure of mineral reserve and mineral resource information is governed by NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as may be amended from time to time by the CIM ("CIM Standards"). 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 reports for the Sabodala Project (August 30, 2017) and the Wahgnion Project (October 20, 2017) pursuant to National Instrument 43-101 - Standards of Disclosure for Mineral Projects (the "Technical Reports"), or year end 2017 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 announcements concerning the Technical Reports continue to apply and have not materially changed.

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, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Teranga Gold Corporation as at December 31, 2017 and 2016 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, 2018
Toronto, Canada

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | | For the years ended December 31, | |
|---|--------|----------------------------------|------------------|
| | Note | 2017 | 2016 |
| Revenue | 7 | 291,683 | 268,850 |
| Mine operation expenses | 8 | (168,689) | (137,486) |
| Depreciation and amortization | 9 | (53,424) | (44,042) |
| Cost of sales | | (222,113) | (181,528) |
| Gross profit | | 69,570 | 87,322 |
| Exploration and evaluation expenditures | 10 | (12,373) | (4,760) |
| Administration expenses | 11 | (10,702) | (8,973) |
| Corporate social responsibility expenses | | (2,906) | (3,613) |
| Share-based compensation | | (2,580) | (4,405) |
| Finance costs | 12 | (3,907) | (4,363) |
| Net foreign exchange losses | | (4,632) | (2,589) |
| Other income/(expenses) | 13 | 4,496 | (7,401) |
| | | (32,604) | (36,104) |
| Profit before income tax | | 36,966 | 51,218 |
| Income tax expense | 14 | (2,436) | (23,327) |
| Net profit | | 34,530 | 27,891 |
| Net profit attributable to: | | | |
| Shareholders | | 31,932 | 23,109 |
| Non-controlling interests | | 2,598 | 4,782 |
| Net profit for the year | | 34,530 | 27,891 |
| Other comprehensive income for the year | | | |
| Change in fair value of available for sale financial assets, net of tax | | 2,455 | (250) |
| Reclassification to income, net of tax | | (2,764) | - |
| Other comprehensive loss for the year | | (309) | (250) |
| Total comprehensive income for the year | | 34,221 | 27,641 |
| Total comprehensive income attributable to: | | | |
| Shareholders | | 31,623 | 22,859 |
| Non-controlling interests | | 2,598 | 4,782 |
| Total comprehensive income for the year | | 34,221 | 27,641 |
| Earnings per share from operations attributable to the shareholders of the Company during the year | | | |
| - basic earnings per share | 2b, 27 | 0.30 | 0.28 |
| - diluted earnings per share | 2b, 27 | 0.30 | 0.28 |

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Note | 2017 | 2016 ⁽ⁱ⁾ |
|--|------|----------------|---------------------|
| Current assets | | | |
| Cash and cash equivalents | | 87,671 | 95,188 |
| Trade and other receivables | 15 | 5,484 | 9,882 |
| Inventories | 16 | 57,024 | 49,987 |
| Available for sale financial assets | 17 | 964 | 1,171 |
| Other current assets | 18 | 9,686 | 8,330 |
| Total current assets | | 160,829 | 164,558 |
| Non-current assets | | | |
| Inventories | 16 | 103,638 | 121,245 |
| Property, plant and equipment | 19 | 184,011 | 185,399 |
| Mine development expenditures | 20 | 336,823 | 311,676 |
| Deferred income tax assets | 21 | 26,491 | 21,966 |
| Other non-current assets | 18 | 4,440 | 7,348 |
| Total non-current assets | | 655,403 | 647,634 |
| Total assets | | 816,232 | 812,192 |
| Current liabilities | | | |
| Trade and other payables | 22 | 54,165 | 47,409 |
| Current income tax liabilities | | 7,634 | 19,834 |
| Deferred revenue | 24 | 24,206 | 21,353 |
| Provisions | 25 | 4,919 | 4,979 |
| Total current liabilities | | 90,924 | 93,575 |
| Non-current liabilities | | | |
| Borrowings | 23 | 14,307 | 13,844 |
| Deferred revenue | 24 | 22,003 | 47,462 |
| Provisions | 25 | 29,384 | 29,494 |
| Other non-current liabilities | 22 | 10,059 | 10,884 |
| Total non-current liabilities | | 75,753 | 101,684 |
| Total liabilities | | 166,677 | 195,259 |
| Equity | | | |
| Issued capital | 26 | 496,333 | 496,326 |
| Foreign currency translation reserve | | (998) | (998) |
| Other components of equity | | 18,299 | 17,514 |
| Retained earnings | | 122,835 | 90,903 |
| Equity attributable to shareholders | | 636,469 | 603,745 |
| Non-controlling interests | | 13,086 | 13,188 |
| Total equity | | 649,555 | 616,933 |
| Total equity and liabilities | | 816,232 | 812,192 |

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

⁽ⁱ⁾ As set out in Note 6, certain previously reported December 31, 2016 consolidated balance sheet line items have been updated to reflect adjusted final estimates of fair value related to the October 13, 2016 acquisition of Gryphon Minerals Limited ("Gryphon").

Approved by the Board of Directors



Alan Hill
Director



Alan Thomas
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Note | For the years ended December 31, | |
|---|------|----------------------------------|----------------|
| | | 2017 | 2016 |
| Issued capital | | | |
| Beginning of year | | 496,326 | 385,174 |
| Shares issued from public and private offerings | 26 | - | 112,788 |
| Issued on exercise of stock options | 34 | 7 | 198 |
| Less: Share issue costs | 26 | - | (1,834) |
| End of year | | 496,333 | 496,326 |
| Foreign currency translation reserve | | | |
| Beginning of year | | (998) | (998) |
| End of year | | (998) | (998) |
| Other components of equity | | | |
| Beginning of year | | 17,514 | 16,905 |
| Equity-settled share-based compensation expense | | 1,094 | 918 |
| Value of compensation cost associated with exercised options | | - | (59) |
| Investment revaluation reserve on change in fair value of available for sale financial assets, net of tax | | (309) | (250) |
| End of year | | 18,299 | 17,514 |
| Retained earnings | | | |
| Beginning of year | | 90,903 | 67,794 |
| Profit attributable to shareholders | | 31,932 | 23,109 |
| End of year | | 122,835 | 90,903 |
| Non-controlling interest | | | |
| Beginning of year | | 13,188 | 9,394 |
| Non-controlling interest - portion of profit for the year | | 2,598 | 4,782 |
| Non-controlling interest - acquisition of Gryphon | 6 | - | (988) |
| Dividend payment to the Government of Senegal | | (2,700) | - |
| End of year | | 13,086 | 13,188 |
| Total equity as at December 31 | | 649,555 | 616,933 |

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Note | For the years ended December 31, | |
|--|------|----------------------------------|-----------------|
| | | 2017 | 2016 |
| Cash flows related to operating activities | | | |
| Net profit for the year | | 34,530 | 27,891 |
| Depreciation of property, plant and equipment | 19 | 23,165 | 21,103 |
| Depreciation of capitalized mine development costs | 20 | 39,492 | 19,159 |
| Inventory movements - non-cash | 9 | (6,306) | 5,566 |
| Capitalized deferred stripping - non-cash | 9 | (1,977) | (1,511) |
| Amortization of advanced royalties | | 3,003 | 2,557 |
| Unrealized gains on derivative instruments | | (1,832) | - |
| Amortization of intangibles | | 220 | 80 |
| Amortization of deferred financing costs | | 463 | 690 |
| Unwinding of discounts | 12 | 865 | 975 |
| Share-based compensation | 34 | 2,580 | 4,405 |
| Deferred gold revenue recognized | 24 | (22,606) | (22,530) |
| Deferred income tax (expense)/recovery | 14 | (4,525) | 3,365 |
| Gain on sale of available for sale financial asset | 13 | (2,469) | - |
| Loss on disposal of property, plant and equipment | | - | 32 |
| Interest on borrowings | | 1,131 | (1,307) |
| Decrease/(Increase) in inventories | | 16,876 | (11,333) |
| Cash flows related to operating activities before changes in working capital excluding inventories | | 82,610 | 49,142 |
| Changes in working capital other than inventories | 32a | (11,231) | (4,413) |
| Net cash provided by operating activities | | 71,379 | 44,729 |
| Cash flows related to investing activities | | | |
| Expenditures for property, plant and equipment | | (18,145) | (17,965) |
| Expenditures for mine development | | (60,989) | (34,532) |
| Acquisition of intangibles | | (299) | (647) |
| Investment in Gryphon Minerals Limited common shares | | - | (3,306) |
| Investment in available for sale financial assets | | (393) | - |
| Proceeds from sale of available for sale financial assets | | 3,990 | - |
| Net cash from Gryphon acquisition | | - | 8,321 |
| Net cash used in investing activities | | (75,836) | (48,129) |
| Cash flows related to financing activities | | | |
| Net proceeds from equity offering | 26 | - | 55,890 |
| Proceeds from stock options exercised | 26 | 7 | 139 |
| Financing cost paid | | - | (296) |
| Dividend payment to the Government of Senegal | | (2,700) | - |
| Interest paid on borrowings | 23 | (1,115) | (1,457) |
| Net cash (used in)/provided by financing activities | | (3,808) | 54,276 |
| Effect of exchange rates on cash holdings in foreign currencies | | 748 | (124) |
| Net (decrease)/increase in cash and cash equivalents | | (7,517) | 50,752 |
| Cash and cash equivalents at the beginning of year | | 95,188 | 44,436 |
| Cash and cash equivalents at the end of year | | 87,671 | 95,188 |
| Taxes paid in cash | | 15,202 | 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 in the United States on the OTCQX market (OTCQX: TGPDF). On September 14, 2017, the Company voluntarily delisted from 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 in Senegal and is developing its second mine, the Wahgnion Gold Project (formerly known as the Banfora Gold Project) in Burkina Faso. In addition, the Company has a number of early to advanced stage exploration properties in Burkina Faso, Côte d'Ivoire and Senegal.

The address of the Company's principal office is 77 King Street West, Suite 2110, Toronto, Ontario, Canada, M5K 2A1.

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, 2018.

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 certain financial assets and liabilities that are measured at fair value as disclosed elsewhere in the notes to the financial statements. The consolidated financial statements have been prepared based on the Company's accounting policies set out in Note 3.

On May 2, 2017, the shareholders of the Company approved a five-for-one consolidation of the common shares of the Company. The common shares began trading on a consolidated basis on the TSX and ASX on May 8, 2017. The Company's common shares ceased trading on the ASX on September 14, 2017. All references to share and per share amounts in these consolidated financial statements have been retroactively restated to give effect to the share consolidation unless otherwise stated.

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 31 for a listing of the Company's material 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

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 for 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 capitalized as an 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. 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 incurred an impairment loss or if there is a reversal of existing 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 fair value less costs of disposal and the value in use. Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the Cash Generating Unit ("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.

k. 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.

l. 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.

m. 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 for further details.

n. 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.

o. 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.

p. 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.

q. 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.

r. 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.

s. 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 remaining unamortized expense for the award is recorded on a straight-line basis over the remaining 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.

t. 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.

u. Royalties

Royalties

Royalties, whether paid to the Government of Senegal or to third party interests, are based on gold and silver 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.

v. 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 common shares outstanding during the financial period.

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

4. NEW STANDARDS AND INTERPRETATIONS

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 has evaluated the impact of IFRS 9 on its consolidated financial statements and concludes there will be minimal impact on the consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Company did not early adopt IFRS 15. In 2017, the Company has advanced its assessment of the impact on its consolidated financial statements. The current assessment is as follows:

- For normal gold sales, no material changes are expected in respect of timing and amount of revenue currently recognized by the Company.
- The Company has determined that the Franco-Nevada Corporation's (“Franco-Nevada”) gold streaming arrangement (refer to Note 24 for further details), falls within the scope of IFRS 15 as it constitutes a contract with a customer to deliver an uncertain quantity of ounces in the future. The upfront payment constitutes a contract liability whereby the performance obligations are in the form of future deliveries of refined ounces under the streaming agreement.

Under the Franco-Nevada gold streaming arrangement, the Company is required to deliver ounces of production annually commencing in 2014 from the Company's existing properties in Senegal, thereafter, in exchange for an upfront deposit of \$135 million. As the total amount paid up-front by Franco-Nevada for the future deliveries (the promised consideration) differs from the stand-alone selling price of the product purchased (i.e. the expected forward price as applied to total anticipated future deliveries), the Company concluded that this arrangement provided the entity with a significant benefit of financing and therefore contains a significant financing component (“SFC”) as defined under IFRS 15. The consideration transferred, in this case the contract liability, should be adjusted for the effects of a SFC, and its

effects should be accounted for separately. In order to estimate the effect of the SFC, Teranga has determined a discount rate of approximately 9 percent based on management's best estimates of information available at the inception of the streaming arrangement related to the anticipated future deliveries, and the forward prices for gold (estimated at \$1,250/oz). This discount rate is not subsequently changed for changes in timing, price or quantities of deliveries, and is applied to the contract liability to reflect the effects of financing in each period.

Deliveries due in connection with the up-front deposit are recorded in revenue based on the forward prices originally established at the time of entering into the contract (i.e. \$1,250/oz), being the estimated stand-alone selling price of the deliveries as determined at contract inception (after separating the SFC). The outstanding contract liability will accrue interest at the discount rate determined, reflecting the cost of financing. Changes in quantity and timing of future deliveries due under the arrangement affect the consideration transferred in exchange for each ounce delivered, and constitute the resolution of uncertain events. The remaining contract liability is determined using the revised production profile combined with the original estimated discount rate, and original estimated forward prices. Such changes result in an adjustment to revenue recorded on satisfied performance obligations via a 'cumulative catch-up', recorded as revenue or a reversal of revenue in the period of change in estimate, and corresponding adjustment to the contract liability remaining.

The Company intends to use the modified retrospective method of applying IFRS 15. This method requires the standard to be applied to contracts that are initiated after the effective date and contracts that have remaining obligations as of the effective date. Under the modified retrospective method, the financial statements are retrospectively adjusted but the cumulative impact is recognized at the date of initial application (January 1, 2018 for calendar year ends). Comparatives periods are not restated. Upon the adoption of IFRS 15, the Company preliminarily estimates that it will record the following cumulative impact effective January 1, 2018 (these results are preliminary and are subject to change):

- Increase to Contract Liability of \$45 million
- Decrease to Retained Earnings of \$45 million

The Company expects that upon application of the standard in the next reporting period, revenue arising from the streaming arrangement will change due to being recorded in reference to anticipated stand-alone selling prices as at the time of entering the agreement. Additionally, the impact of the financing component will be recorded separately as an interest expense in the Company's statement of comprehensive income.

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 twelve 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 currently evaluating the impact of adopting IFRS 16 in its consolidated financial statements in future periods.

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. 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 recoverable proven and probable mineral reserves 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 proven and probable mineral reserves. 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 the Company 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.

6. BUSINESS COMBINATION

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 14,127,770 Teranga common shares or chess depository interests (CDIs) listed on the ASX (based on their election) on the basis of 0.0338 Teranga common share or CDI for each Gryphon common share not already held by the Company. Each share was valued at C\$5.16.

Gryphon's key asset is the 90 percent-owned Wahgnion Gold Project located in Burkina Faso, West Africa.

Management determined that the acquisition of Gryphon was a business combination in accordance within 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 finalization of the purchase price allocation has been completed. Refer to the table below for details.

The following table presents the purchase price and the final allocation of the purchase price to the assets and liabilities acquired. No goodwill has been recognized in the final 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 Final Purchase Price Allocation | Preliminary ⁽ⁱ⁾ | Adjustments | Adjusted Final |
|--|-----------------------------------|--------------------|-----------------------|
| Assets | | | |
| Current assets | 8,878 | - | 8,878 |
| Non-current assets (excluding mine development) | 2,687 | 2,010 | 4,697 |
| Mine development costs | 54,074 | (2,845) | 51,229 |
| Total assets | 65,639 | (835) | 64,804 |
| Liabilities | | | |
| Current liabilities | 7,343 | - | 7,343 |
| Non-current liabilities | 835 | (835) | - |
| Total liabilities | 8,178 | (835) | 7,343 |
| Net assets acquired, before non-controlling interest | 57,461 | - | 57,461 |
| Non-controlling interest | 988 | - | 988 |
| Net assets acquired | 58,449 | - | 58,449 |

(i) Preliminary estimates of the fair value of assets acquired and liabilities assumed are presented as reported in the Company's 2016 annual audited consolidated financial statements.

7. REVENUE

| | For the years ended December 31, | |
|-------------------------|---|----------------|
| | 2017 | 2016 |
| Gold sales - spot price | 291,335 | 268,515 |
| Silver sales | 348 | 335 |
| Total Revenue | 291,683 | 268,850 |

For the year ended December 31, 2017, 231,078 ounces of gold were sold including 22,500 ounces delivered to Franco-Nevada at an average realized price of \$1,261 per ounce (2016: 217,652 ounces were sold, including 22,500 ounces delivered to Franco-Nevada at an average price of \$1,234 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 for further details.

The Company delivered all of its production to three customers in 2017 and in 2016 as follows:

| | For the years ended December 31, | |
|----------------------|---|----------------|
| | 2017 | 2016 |
| Customer 1 | 149,976 | 198,368 |
| Customer 2 | 113,449 | 42,320 |
| Customer 3 | 28,258 | 28,162 |
| Total Revenue | 291,683 | 268,850 |

8. MINE OPERATION EXPENSES

| | For the years ended December 31, | |
|--------------------------------------|----------------------------------|----------------|
| | 2017 | 2016 |
| Mine production costs | 161,155 | 148,624 |
| Royalties ⁽ⁱ⁾ | 19,180 | 16,904 |
| Regional administration costs | 1,996 | 2,105 |
| Capitalized deferred stripping | (29,428) | (18,492) |
| Inventory movements | 15,786 | (11,655) |
| Total Mine Operation Expenses | 168,689 | 137,486 |

(i) Includes \$1.6 million (2016: \$1.0 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, | |
|---|----------------------------------|---------------|
| | 2017 | 2016 |
| Depreciation and amortization - property, plant and equipment and mine development expenditures | 39,152 | 36,579 |
| Depreciation and amortization - deferred stripping assets | 22,555 | 3,408 |
| Inventory movements - depreciation | (6,306) | 5,566 |
| Capitalized deferred stripping - depreciation | (1,977) | (1,511) |
| Total Depreciation and Amortization | 53,424 | 44,042 |

10. EXPLORATION AND EVALUATION EXPENDITURES

Included in exploration and evaluation expenditures is \$2 million capitalized in prior years related to smaller exploration properties that the Company does not intend to pursue in the near to medium term.

11. ADMINISTRATION EXPENSES

| | For the years ended December 31, | |
|--------------------------------------|----------------------------------|--------------|
| | 2017 | 2016 |
| Corporate office | 8,855 | 7,418 |
| Audit fees | 301 | 380 |
| Legal and other | 1,428 | 1,088 |
| Depreciation | 118 | 87 |
| Total Administration Expenses | 10,702 | 8,973 |

12. FINANCE COSTS

| | For the years ended December 31, | |
|---|----------------------------------|--------------|
| | 2017 | 2016 |
| Interest and deferred financing costs on borrowings | 1,594 | 1,997 |
| Unwinding of discounts | 865 | 975 |
| Stocking fees | 761 | 712 |
| Bank charges | 620 | 516 |
| Other | 67 | 163 |
| Total Finance Costs | 3,907 | 4,363 |

13. OTHER (INCOME)/EXPENSES

| | For the years ended December 31, | |
|---|----------------------------------|--------------|
| | 2017 | 2016 |
| Acquisition ⁽ⁱ⁾ | 52 | 1,652 |
| (Gains)/losses on derivative instruments ⁽ⁱⁱ⁾ | (1,832) | 2,155 |
| Business process consulting | - | 886 |
| Government of Senegal payments ^{(iii)(iv)} | (569) | 1,033 |
| Business and other taxes ^(v) | 1,152 | 1,339 |
| Perth office | 543 | 407 |
| Option Agreement - Milestone Payment ^(vi) | (1,150) | - |
| Gain on sale of available for sale financial asset ^(vii) | (2,469) | - |
| Interest income and other income | (223) | (71) |
| Total Other (Income) / Expenses | (4,496) | 7,401 |

- (i) Includes costs for legal, advisory and consulting related to the acquisition of Gryphon Minerals Limited.
- (ii) On September 11, 2017, the Company entered into forward gold sales contracts with Macquarie Bank Limited for a total of 131,000 ounces of gold at a price of \$1,336 per ounce. During the fourth quarter, the Company amended these contracts to defer quarterly settlements by a quarter, and as a result, the contracts extend through the first quarter of 2019. The Company anticipates settling 26,500 ounces in each quarter of 2018 and 25,000 ounces in the first quarter of 2019.
- (iii) During the third quarter of 2017, a present value adjustment related to the social development fund was recorded to reflect a change in the expected payment date from 2029 to 2031.
- (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 (45 km²), the former Sabodala mining license area (33 km²), and the Golouma mining license area (212 km).
- (v) Senegalese business taxes which are calculated based on the gross value of fixed assets of the preceding year.
- (vi) On October 28, 2015, Gryphon entered into an option agreement with a subsidiary of Algold Resources Ltd ("Algold"). Pursuant to the agreement, subject to certain milestones being met, a payment of C\$1.5 million (\$1.2 million) was due either in cash or Algold shares to Gryphon or its successor. During the second quarter 2017, the required milestones were met and the Company recorded the income. During the third quarter 2017, the Company recorded the receipt of payment in the form of 7,349,339 Algold shares.
- (vii) Refer to Note 17 for further details.

14. INCOME TAX EXPENSE

The Company records a current income tax expense on taxable income earned in Senegal at a rate of 25 percent. Current income tax is calculated using local tax rates on taxable income, which is estimated in accordance with local statutory requirements and is denominated in the Senegalese currency (CFA Franc). The tax basis of all assets and non-current intercompany loans are recorded using historical exchange rates and translated to the functional currency using the period end exchange rate, and as a result, the Company's deferred tax balances will fluctuate due to changes in foreign exchange rates. Current income taxes are also affected by changes in foreign exchange rates as unrealized foreign exchange gains as well as losses, recorded in the local financial statements, are taxable / deductible for purposes of calculating income tax in Senegal. The Company also has a number of development and exploration projects in Burkina Faso and Côte d'Ivoire, which currently do not generate any profit subject to income tax. For the year ended December 31, 2017, the Company recorded income tax expense of \$2.4 million, comprised of current income tax expense of \$6.9 million and a deferred income tax recovery of \$4.5 million (2016: \$23.3 million expense, comprised of current income tax expense of \$19.9 million and a deferred income tax expense of \$3.4 million).

| | For the years ended December 31, | |
|-----------------------------------|----------------------------------|---------------|
| | 2017 | 2016 |
| Current income tax expense | 6,962 | 19,962 |
| Deferred tax (recovery) / expense | (4,526) | 3,365 |
| Total income tax expense | 2,436 | 23,327 |

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, | |
|---|----------------------------------|---------------|
| | 2017 | 2016 |
| Income before income taxes | 36,966 | 51,218 |
| Statutory tax rates | 26.5% | 26.5% |
| Income tax expense (recovery) computed at statutory tax rates | 9,796 | 13,573 |
| Impact of foreign tax rates | 808 | 1,071 |
| Non-deductible items | 888 | 1,302 |
| Adjustment for prior years | (667) | 268 |
| Foreign tax credits | (64) | (66) |
| Change in foreign exchange rates | (13,745) | 1,323 |
| Unrecognized deferred tax assets | 5,420 | 5,856 |
| Provision for income taxes | 2,436 | 23,327 |

15. TRADE AND OTHER RECEIVABLES

| | As at December 31, 2017 | As at December 31, 2016 |
|---|-------------------------|-------------------------|
| Current | | |
| Trade receivables ⁽ⁱ⁾ | - | 426 |
| Value added tax ("VAT") recoverable ⁽ⁱⁱ⁾ | 4,378 | 7,819 |
| Other receivables ⁽ⁱⁱⁱ⁾ | 1,106 | 1,637 |
| Total Trade and Other Receivables | 5,484 | 9,882 |

- (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, 2017 primarily relates to VAT amounts paid prior to May 2017. On December 20, 2017, the Company received construction phase exoneration from VAT taxes for the Wahgnion Gold Project from the Burkinabe government.
- (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 (2016: \$0.1 million) and \$0.1 million of Canadian sales tax refunds as at December 31, 2017 (2016: \$0.1 million).

16. INVENTORIES

| | As at December 31, 2017 | As at December 31, 2016 |
|----------------------------------|-------------------------|-------------------------|
| Current | | |
| Gold bullion | 2,929 | 1,563 |
| Gold in circuit | 5,451 | 5,600 |
| Ore stockpile | 16,356 | 9,452 |
| Total gold inventories | 24,736 | 16,615 |
| Diesel fuel | 1,891 | 1,509 |
| Materials and supplies | 28,581 | 29,978 |
| Goods in transit | 1,816 | 1,885 |
| Total other inventories | 32,288 | 33,372 |
| Total current inventories | 57,024 | 49,987 |
| Non-current | | |
| Ore stockpile | 103,638 | 121,245 |
| Total Inventories | 160,662 | 171,232 |

17. AVAILABLE FOR SALE FINANCIAL ASSETS

| | Amount |
|---|--------------|
| Balance at January 1, 2016 | - |
| Marketable securities acquired | 1,481 |
| Change in fair value of marketable securities during year | (247) |
| Foreign exchange loss | (63) |
| Balance at December 31, 2016 | 1,171 |
| Marketable securities acquired | 1,583 |
| Change in fair value of marketable securities during the year | 2,178 |
| Marketable securities disposed | (4,245) |
| Foreign exchange gain | 277 |
| Balance at December 31, 2017 | 964 |

The Company holds marketable securities that are classified as available for sale financial assets and are revalued to prevailing market prices at each period end. Unrealized gains and losses from changes in fair value are accounted for in other comprehensive income. During the third quarter of 2017, the Company received 7,349,339 Algold shares pursuant to an option agreement. During the fourth quarter of 2017, the Company disposed of all 13,505,000 shares it held in Tawana Resources NL for net cash proceeds of \$4.0 million. A gain of \$2.5 million was recorded within Other (Income)/Expense upon disposition.

18. OTHER ASSETS

| | As at December 31, 2017 | As at December 31, 2016 |
|---------------------------------------|-------------------------|-------------------------|
| Current | | |
| Prepayments ⁽ⁱ⁾ | 4,086 | 3,110 |
| Advanced royalty ⁽ⁱⁱ⁾ | 2,857 | 2,702 |
| Derivative assets ⁽ⁱⁱⁱ⁾ | 1,659 | - |
| VAT certificates held ^(iv) | 1,084 | 2,518 |
| Total Other Current Assets | 9,686 | 8,330 |
| Non-current | | |
| Advanced royalty ⁽ⁱⁱ⁾ | 3,451 | 6,609 |
| Intangible assets | 816 | 739 |
| Derivative assets ⁽ⁱⁱⁱ⁾ | 173 | - |
| Total Other Non-Current Assets | 4,440 | 7,348 |
| Total Other Assets | 14,126 | 15,678 |

- (i) As at December 31, 2017, prepayments include \$2.9 million (2016: \$2.7 million) of advances to vendors and contractors and \$1.2 million for insurance (2016: \$0.4 million).
- (ii) As at December 31, 2017, the Company has recorded \$2.9 million in other current assets and \$3.5 million in other non-current assets as advanced royalty payments to the Government of Senegal. In total, the Company had recorded \$10.0 million in royalties related to the OJVG in 2014 and \$4.2 million in royalties 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, 2017, the Company expensed \$3.0 million as amortization of OJVG and Gora advanced royalties (2016: \$2.6 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 for further details.
- (iii) Refer to Note 13(ii) for further details.
- (iv) In Senegal, VAT certificates are liquid and 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.

19. PROPERTY, PLANT AND EQUIPMENT

| | Sabodala and Corporate | | | | | | Wahgnion | | Total |
|---|-------------------------------------|----------------------------|-------------------------|----------------|------------------|--------------------------|--|--------------------------|----------------|
| | Buildings and Property Improvements | Plant and Office Equipment | Furniture and Equipment | Motor Vehicles | Mobile Equipment | Capital Work in Progress | Property, Plant and Equipment ⁽ⁱ⁾ | Construction in Progress | |
| Cost | | | | | | | | | |
| Balance as at January 1, 2016 | 51,103 | 276,454 | 2,478 | 3,819 | 85,646 | 16,611 | - | - | 436,111 |
| Acquisition of Gryphon | - | - | - | - | - | - | 984 | - | 984 |
| Additions | 14 | 724 | 34 | - | - | 17,146 | 16 | - | 17,934 |
| Disposals | - | - | - | (117) | (173) | - | (43) | - | (333) |
| Transfer to Mine Development Expenditures | - | - | - | - | - | (5,786) | - | - | (5,786) |
| Transfer | (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 | 957 | - | 448,910 |
| Additions | 94 | 701 | 42 | - | - | 11,506 | 2,215 | 7,271 | 21,829 |
| Disposals | - | - | - | (34) | (780) | - | (123) | - | (937) |
| Transfer | 3,014 | 6,760 | 198 | 646 | 1,847 | (12,465) | - | - | - |
| Balance as at December 31, 2017 | 50,157 | 302,295 | 3,005 | 7,866 | 93,189 | 2,970 | 3,049 | 7,271 | 469,802 |
| Accumulated Depreciation | | | | | | | | | |
| Balance as at January 1, 2016 | 26,449 | 147,795 | 2,010 | 2,716 | 63,715 | - | - | - | 242,685 |
| Disposals | - | - | - | (84) | (173) | - | (20) | - | (277) |
| Depreciation expense | 1,886 | 10,131 | 267 | 964 | 7,723 | - | 132 | - | 21,103 |
| Balance as at December 31, 2016 | 28,335 | 157,926 | 2,277 | 3,596 | 71,265 | - | 112 | - | 263,511 |
| Disposals | - | - | - | (34) | (780) | - | (71) | - | (885) |
| Depreciation expense | 2,081 | 12,018 | 291 | 1,090 | 6,899 | - | 786 | - | 23,165 |
| Balance as at December 31, 2017 | 30,416 | 169,944 | 2,568 | 4,652 | 77,384 | - | 827 | - | 285,791 |
| Net book value | | | | | | | | | |
| Balance as at December 31, 2016 | 18,714 | 136,908 | 488 | 3,658 | 20,857 | 3,929 | 845 | - | 185,399 |
| Balance as at December 31, 2017 | 19,741 | 132,351 | 437 | 3,214 | 15,805 | 2,970 | 2,222 | 7,271 | 184,011 |

- (i) Wahgnion Property, Plant and Equipment includes all buildings, office furniture, plant and equipment, mobile equipment, and motor vehicles at the Wahgnion Gold Project.

Additions made to property, plant and equipment during the year ended December 31, 2017 relate primarily to additional mining and milling equipment acquired for Sabodala and construction readiness and early works programs for Wahgnion.

Depreciation of property, plant and equipment was \$23.2 million for the year ended December 31, 2017 (2016: \$21.1 million).

20. MINE DEVELOPMENT EXPENDITURES

| | Sabodala Reserve and development costs | Sabodala Deferred stripping assets | Gryphon ⁽ⁱ⁾ | Total |
|---|--|------------------------------------|------------------------|----------------|
| Cost | | | | |
| Balance as at January 1, 2016 | 304,749 | 105,750 | - | 410,499 |
| Acquisition of Gryphon | - | - | 51,228 | 51,228 |
| Additions incurred during the year | 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 | 52,595 | 504,288 |
| Additions incurred during the year | 14,318 | 31,405 | 18,916 | 64,639 |
| Balance as at December 31, 2017 | 340,259 | 157,157 | 71,511 | 568,927 |
| Accumulated depreciation | | | | |
| Balance as at January 1, 2016 | 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 |
| Depreciation expense | 16,937 | 22,555 | - | 39,492 |
| Balance as at December 31, 2017 | 142,662 | 89,442 | - | 232,104 |
| Carrying amounts | | | | |
| Balance as at December 31, 2016 | 200,216 | 58,865 | 52,595 | 311,676 |
| Balance as at December 31, 2017 | 197,597 | 67,715 | 71,511 | 336,823 |

| | As at December 31, 2017 | As at December 31, 2016 |
|---|-------------------------|-------------------------|
| Capitalized mine development additions | | |
| Deferred stripping costs | 31,405 | 20,002 |
| Capitalized mine development - Golouma South | 130 | 2,296 |
| Capitalized mine development - Golouma West | 7,740 | - |
| Capitalized mine development - Kerekounda | - | 3,035 |
| Capitalized reserve development - Sustaining (Sabodala) | 5,799 | 8,441 |
| Capitalized mine development - Growth (Wahgnion) ⁽ⁱ⁾ | 18,916 | 1,367 |
| Other | 649 | 1,634 |
| Total Capitalized Mine Development Additions | 64,639 | 36,775 |

- (i) Gryphon includes mine licenses and joint ventures from the Gryphon acquisition in 2016.
(ii) Capitalized development costs include reserve development, feasibility studies and construction readiness expenditures related to the Wahgnion Gold Project

Mine development expenditures are related to the Sabodala Gold Mine in Senegal and the Wahgnion Gold Project in Burkina Faso.

Depreciation of capitalized mine development of \$39.5 million was expensed as cost of sales for the year ended December 31, 2017 (2016: \$19.2 million).

21. DEFERRED INCOME TAX ASSETS/(LIABILITIES)

The deferred income tax assets (liabilities) balance reported on the balance sheet and relating to Sabodala Gold Operations is comprised of the following:

| | As at December 31, 2017 | As at December 31, 2016 |
|---|-------------------------|-------------------------|
| Deferred tax assets | | |
| Unrealized foreign exchange | 9,742 | 20,173 |
| Mining and property plant and equipment | 12,984 | - |
| Other | 230 | - |
| Deferred tax liabilities | | |
| Mining and property, plant, and equipment | - | (21) |
| Other | - | (67) |
| Net deferred tax assets | 22,956 | 20,085 |

The deferred income tax assets (liabilities) balance reported on the balance sheet and relating to Wahgnion Gold Project is comprised of the following:

| | As at December 31, 2017 | As at December 31, 2016 |
|---|-------------------------|-------------------------|
| Deferred tax assets | | |
| Unrealized foreign exchange | 154 | - |
| Mining and property plant and equipment | 3,381 | 1,907 |
| Deferred tax liabilities | | |
| Mining and property plant and equipment | - | (26) |
| Deferred income tax assets | 3,535 | 1,881 |

Unrecognized Deferred Tax Assets

Deferred income tax assets such as tax loss carry-forwards, property, plant and equipment, share issuance costs and transaction 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 | |
|--|---------------------------------|---------------|
| | 2017 | 2016 |
| Deferred income tax assets not recognized | | |
| Share issuance and transaction costs | 464 | 710 |
| Loss carry forwards | 21,474 | 19,121 |
| Property, plant and equipment | 892 | 809 |
| Other | 1,889 | 1,588 |
| Deferred income tax assets not recognized | 24,719 | 22,228 |

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 totaled \$439,608 at December 31, 2017.

As at December 31, 2017, the tax losses not recognized by the Company and their associated expiry dates are as follows:

| | Expiry Date | For the years ended December 31, | |
|--------------------|-------------|----------------------------------|---------------|
| | | 2017 | 2016 |
| Tax losses - gross | | | |
| Canada | 2030 - 2036 | 76,112 | 69,035 |
| Mauritius | 2017 - 2022 | 337 | 1,973 |
| Ivory Coast | 2022 | 1 | 5 |
| Australia | 2018 | 4,152 | 1,764 |
| | | 80,602 | 72,777 |

22. TRADE AND OTHER PAYABLES

| | As at December 31, 2017 | As at December 31, 2016 |
|---|-------------------------|-------------------------|
| Current | | |
| Trade payables ⁽ⁱ⁾ | 20,623 | 14,593 |
| Sundry creditors and accrued expenses | 17,152 | 17,618 |
| Government royalties ⁽ⁱⁱ⁾ | 4,462 | 2,637 |
| Amounts payable to the Republic of Senegal ^{(iii) (iv)(vii)} | 11,294 | 11,927 |
| Contingent consideration ^(vi) | 634 | 634 |
| Total Current Trade and Other Payables | 54,165 | 47,409 |
| Non-Current | | |
| Amounts payable to the Republic of Senegal ^(v) | 7,762 | 7,954 |
| Contingent Consideration ^(vi) | 2,297 | 2,930 |
| Total Other Non-Current Liabilities | 10,059 | 10,884 |
| Total Trade and Other Payables | 64,224 | 58,293 |

- (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 2,443 million XOF (2016: 1,640 million XOF). During the fourth quarter of 2016, the Company transitioned to the payment of government royalties one quarter in arrears. For the year ended December 31, 2017, royalty payments totalling \$13.4 million for the last quarter of 2016 and the first nine months of 2017 were made to the Republic of Senegal (2016: \$21.0 million paid for 2015 and the first nine months of 2016 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, 2017, \$2.1 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, 2017, \$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 Gold Mine. It is recorded at its net present value of \$7.8 million.
- (vi) The Company acquired Badr Investment Ltd.'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, 2017, \$0.6 million has been recorded as a current liability and \$2.3 million has been recorded as a non-current liability and is recorded at its net present value (2016: \$0.6 million in current liabilities and \$2.9 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, 2017, \$1.4 million remains outstanding and has been accrued as a current liability.

23. BORROWINGS

| | As at December 31, 2017 | As at December 31, 2016 |
|---------------------------|-------------------------|-------------------------|
| Revolving credit facility | 15,000 | 15,000 |
| Deferred financing costs | (693) | (1,156) |
| Total Borrowings | 14,307 | 13,844 |

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, 2017, \$15.0 million was drawn on the Revolver Facility (2016: \$15.0 million).

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, 2016 | 91,345 |
| Amortization of deferred revenue | (22,530) |
| Balance as at December 31, 2016 | 68,815 |
| Amortization of deferred revenue | (22,606) |
| Balance as at December 31, 2017 | 46,209 |

| | As at December 31, 2017 | As at December 31, 2016 |
|-------------------------------|-------------------------|-------------------------|
| Current | 24,206 | 21,353 |
| Non-Current | 22,003 | 47,462 |
| Total Deferred Revenue | 46,209 | 68,815 |

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 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 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, 2017, the Company delivered 22,500 ounces of gold to Franco-Nevada (2016: 22,500 ounces) and recorded revenue of \$28.3 million, consisting of \$5.7 million received in cash proceeds and \$22.6 million recorded as a reduction of deferred revenue. (2016: 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).

25. PROVISIONS

| | As at December 31, 2017 | As at December 31, 2016 |
|--|-------------------------|-------------------------|
| Current | | |
| Employee benefits ⁽ⁱ⁾ | 2,289 | 2,227 |
| Cash settled share-based compensation ⁽ⁱⁱⁱ⁾ | 2,630 | 2,752 |
| Total Current Provisions | 4,919 | 4,979 |
| Non-Current | | |
| Mine restoration and rehabilitation ⁽ⁱⁱ⁾ | 27,510 | 27,414 |
| Employee benefits ⁽ⁱ⁾ | 872 | 891 |
| Cash settled share-based compensation ⁽ⁱⁱⁱ⁾ | 1,002 | 1,189 |
| Total Non-Current Provisions | 29,384 | 29,494 |
| Total Provisions | 34,303 | 34,473 |

- (i) The current provisions for employee benefits include \$1.1 million accrued vacation and \$1.2 million long service leave entitlements for the period ended December 31, 2017 (2016 - \$1.2 million and \$1.0 million). The non-current provisions for employee benefits include \$0.9 million accrued vacation (2016 - \$0.9 million).
- (ii) The rehabilitation provision represents the present value of rehabilitation costs relating to the Sabodala Gold Mine which are expected to be incurred up to 2031. The provision has been recorded based on estimates and assumptions which management believe are a reasonable basis to estimate future liability. The estimates are reviewed regularly to take into account any material changes to the rehabilitation work required. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation work required that will reflect market conditions at the relevant time. The discount rate used in the calculation of the provision as at December 31, 2017 was 0.9 percent based on German and French 15-year bond yield rate (2016: 0.8 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. Refer to Note 34 for further details.

26. ISSUED CAPITAL

| | Number of shares | Amount |
|--|--------------------|----------------|
| Balance as at January 1, 2016 | 78,400,218 | 385,174 |
| Issued to Gryphon shareholders | 14,127,770 | 55,064 |
| Private placement issuance - October 13 | 1,934,325 | 7,541 |
| Equity offering issuance - November 21 | 6,931,000 | 27,108 |
| Private placement issuance - November 21 | 5,900,000 | 23,075 |
| Stock options exercised | 49,462 | 198 |
| Less: Share issue costs | - | (1,834) |
| Balance as at December 31, 2016 | 107,342,775 | 496,326 |
| Cancellation of fractional shares as a result of share consolidation | (1,636) | - |
| Stock options exercised | 2,763 | 7 |
| Balance as at December 31, 2017 | 107,343,902 | 496,333 |

The Company completed a five-for-one share consolidation on May 8, 2017. All figures above are presented on a post consolidation basis. Refer to Note 2(b) for further details.

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 1,934,325 Teranga common shares (the "Private Placement"). The issuance price to Tablo was C\$5.161 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 6,500,000 common shares, with an additional 431,000 common shares from a partially exercised over-allotment option, at a price of C\$5.25 per share for gross proceeds of approximately C\$36.4 million. Concurrently, the Company completed a non-brokered private placement with Tablo, to purchase 5,900,000 shares at the same price of C\$5.25 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.

Capital Risk Management

The Company manages its capital with the following objectives:

- Ensure sufficient financial flexibility to achieve both short and long-term business objectives including funding of future growth and development and exploration opportunities
- Maintain an optimal capital structure to maximize shareholder return through maximising long-term free cash flows
- Safeguarding the Company's ability to continue as a going concern.

Through the ongoing management of its capital, the Company will make adjustments to the structure of its capital based on changing economic, industry, and business conditions in the jurisdictions in which it operates in an effort to meet its objectives. In doing so, the Company may issue new shares or debt, buy back issued shares, or pay off any outstanding debt. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be:

- Equity, comprising share capital, stock options, contributed surplus and accumulated earnings, which at December 31, 2017 totalled \$649,555 (2016: \$616,933)

27. EARNINGS PER SHARE (EPS)

| | For the years ended December 31, | |
|--|----------------------------------|--------|
| | 2017 | 2016 |
| Basic EPS (US\$) | 0.30 | 0.28 |
| Diluted EPS (US\$) | 0.30 | 0.28 |
| Basic EPS: | | |
| Net profit used in the calculation of basic EPS | 31,932 | 23,109 |
| Weighted average number of common shares for the purposes of basic EPS ('000) | 107,345 | 83,336 |
| Effect of dilutive share options ('000) | 78 | 405 |
| Weighted average number of common shares outstanding for the purpose of diluted EPS ('000) | 107,423 | 83,741 |

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 3.1 million and 2.3 million shares relating to share options that were anti-dilutive for the years ended December 31, 2017 and December 31, 2016, respectively.

28. COMMITMENTS FOR EXPENDITURES

As at December 31, 2017, 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⁾ | 46.2 | 22.5 | 23.7 | - | - |
| Purchase obligations for supplies and services ⁽ⁱⁱⁱ⁾ | 2.2 | 2.2 | - | - | - |
| Sustaining capital commitments ^(iv) | 1.3 | 1.3 | - | - | - |
| Growth capital commitments ^(v) | 27.1 | 27.1 | - | - | - |
| Afema Investment ^(vi) | 18.5 | 7.5 | 11.0 | - | - |
| Total | 110.3 | 60.6 | 49.7 | - | - |

- (i) In 2015, the Company secured a \$30 million Revolver Facility of which \$15 million was drawn at December 31, 2017.
- (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 million. The commitment estimate assumes a gold price of \$1,250 per ounce.
- (iii) Purchase obligations for supplies and services - includes commitments related to maintenance and explosives services contracts.
- (iv) Sustaining capital commitments - purchase obligations for capital expenditures at Sabodala, which include only those items where binding commitments have been entered into.
- (v) Growth capital commitments - purchase obligations for capital expenditures at the Wahgnion Gold Project, which include only those items where binding commitments have been entered into.
- (vi) On December 7, 2017, the Company entered into a memorandum of understanding with Sodim for the exploration and development of the Afema land package in Côte d'Ivoire, for total cash consideration of \$10.0 million, payable over four instalments. The first payment of \$2.5 million was paid in January 2018; a second payment of \$2.5 million will be due upon the execution of the final agreement and the receipt of the amended convention and exploration permits from the government; a third payment of \$2.5 million will be payable January 2019; and, a fourth payment of \$2.5 million upon delivery of a confirmation study or updated feasibility study with Teranga's confirmation of its decision to proceed with the Afema Gold Project. Under the terms of the memorandum of understanding, the Company maintains its 51 percent interest in the Afema mining lease and Afema permits through the completion of a three-year \$11.0 million exploration and community relations work program, increasing its interest to 70 percent on the Afema mining license through the delivery of a positive economic evaluation of potential mining on the Afema land package and Teranga's commitment to fund its 70 percent interest in the project through construction. Pursuant to the Company's existing joint venture agreement with Miminvest SA, a 3 percent royalty is payable to Miminvest in connection with Teranga's share of production or product emanating from the Afema mining lease as the land package was considered an exploration property.

SABODALA GOLD OPERATIONS ("SGO"), SABODALA MINING COMPANY ("SMC"), WAHGNION GOLD OPERATIONS SA ("WGO") AND THE OROMIN JOINT VENTURE GROUP LTD. ("OJVG") OPERATING COMMITMENTS

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

- Pursuant to the Company's Senegal 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 Senegal Mining Concession, \$1.5 million is payable in 2018, and \$1.2 million annually thereafter 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, 2017 \$7.8 million was accrued which is the discounted value of the \$15.0 million future payment.
- \$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.
- On May 1, 2016 SGO entered into a commitment with local communities around its Gora deposit to provide annual social assistance funding. An amount of \$400 thousand is payable in 2018 and \$200 thousand annually thereafter, until 2021.
- \$250 thousand is payable annually, until 2019, to the Ministry of Environment pursuant to a forestry protocol with the Government of Senegal.
- Pursuant to the Company's Burkina Faso Mining Concession, a sliding net smelter royalty of 3 to 5 percent of gold sales, based on the daily spot price of gold, is payable to the government of Burkina Faso.
- In addition, pursuant to the 2015 Burkina Faso Mining Code, 1 percent of monthly turnover (before tax) is to be contributed to the mining fund for local development.

29. CONTINGENT LIABILITIES

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.

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, 2017 \$2.1 was accrued as a current liability.

30. EXPLORATION LICENSES AND JOINTLY CONTROLLED OPERATIONS AND ASSETS

The Company has exploration licenses and is a joint venturer in the following jointly controlled operations and assets:

| Name of venture | Principal activity | Interest 2017 % |
|---|---------------------------------------|-----------------------|
| Sabodala Mining Company | | |
| Bransan (New) ⁽ⁱ⁾ | Gold Exploration | 100 |
| Sounkounkou (New) ⁽ⁱ⁾⁽ⁱⁱ⁾ | Gold Exploration | 100 |
| Boss Gold Sarl ⁽ⁱⁱⁱ⁾ | | |
| Boutouanou ^(iv) | Gold Exploration - Jointly Controlled | 51 |
| Diabatou ^(iv) | 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 ^(v) | | |
| Dierisso | Gold Exploration | 100 |
| Nianka | Gold Exploration | 100 |
| Nogbele | Gold Exploration | 100 |
| Zeguedougou | Gold Exploration | 100 |
| Teranga Exploration (Ivory Coast) Sarl ^(vi) | | |
| Dianra | Gold Exploration | 100 |
| Guitry | Gold Exploration | 100 |
| Mahapleu | Gold Exploration | 100 |
| Tissalé | Gold Exploration | 100 |
| Sangaredougou | Gold Exploration | 100 |

- (i) Sabodala Mining Company has received confirmation from Senegal's Ministry of Industry and Mines that its application has been received and is in process of formal approval.
- (ii) The joint venture partner of the exploration permit has elected a 1.5 percent net smelter royalty on all currently identified targets within the original Sounkounkou permit and 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 percent interest upon delivery of a bankable feasibility study regarding a potential deposit within any of the permits comprising the joint ventures. In addition, upon attaining a 70 percent equity interest, Teranga has the option to acquire a further 10 percent interest upon payment of AUD \$2.5 million dollars within sixty days of delivery of the relevant feasibility study. Within sixty days of Teranga's decision, Boss Resources Limited (the venture's 49 percent shareholder) 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.
- (iv) As at December 31, 2017, 4 out of the 6 exploration permits held by Boss Gold Sarl were current. Boss Gold Sarl has filed applications with the relevant Burkinabe authorities to renew the expired permits.
- (v) Sanembaore Sarl holds a one percent net smelter royalty on Wahgnion production.
- (vi) A 3 percent net smelter royalty is owing to Miminvest SA pursuant to the terms of an existing agreement.

31. CONTROLLED ENTITIES

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

| | Country of Incorporation | Percentage owned 2017 |
|---|--------------------------|--------------------------|
| Controlled entities consolidated | | |
| Teranga Gold B.V.I. Corporation | British Virgin Islands | 100.0 |
| Sabodala Gold (Mauritius) Limited | Mauritius | 100.0 |
| Teranga Gold (Ivory Coast) Corporation | Canada | 100.0 |
| Teranga Gold (Australia) Pty Ltd. (formerly Gryphon Minerals Ltd) | Australia | 100.0 |
| Subsidiaries of Sabodala Gold (Mauritius) Limited: | | |
| Sabodala Mining Company SARL | Senegal | 100.0 |
| Sabodala Gold Operations SA | Senegal | 90.0 |
| Subsidiaries of Teranga Gold B.V.I. Corporation: | | |
| Oromin Joint Venture Group Limited | British Virgin Islands | 56.5 |
| Subsidiaries of Teranga Gold (Australia) Pty Ltd. | | |
| Gryphon Minerals Burkina Faso Pty Ltd. | Australia | 100.0 |
| Gryphon Minerals West Africa Pty Ltd. | Australia | 100.0 |
| Boss Minerals Pty Ltd. | Australia | 51.0 |
| Askia Gold Pty Ltd. | Australia | 51.0 |
| Subsidiary of Gryphon Minerals Burkina Faso Pty Ltd. | | |
| Loumana Holdings Ltd. | Mauritius | 100.0 |
| Subsidiary of Gryphon Minerals West Africa Pty Ltd. | | |
| Gryphon Minerals Burkina Faso Sarl | Burkina Faso | 100.0 |
| Subsidiary of Boss Minerals Pty Ltd | | |
| Boss Minerals Sarl | Burkina Faso | 100.0 |
| Subsidiary of Askia Gold Pty Ltd. | | |
| Boss Gold Sarl | Burkina Faso | 100.0 |
| Subsidiary of Loumana Holdings Ltd. | | |
| Wahgnion Gold Operations SA | Burkina Faso | 89.8 |
| Subsidiary of Teranga Gold (Ivory Coast) Corporation | | |
| Teranga Exploration (Ivory Coast) Sarl | Ivory Coast | 100.0 |

32. CASH FLOW INFORMATION

a. Change in working capital

| | For the years ended December 31, | |
|---|----------------------------------|----------------|
| | 2017 | 2016 |
| Changes in working capital other than inventory | | |
| Increase in trade and other receivables | (1,769) | (715) |
| Decrease in other assets | 2,978 | 6,224 |
| Decrease in trade payables and other | (5,128) | (22,171) |
| Decrease in provisions | (88) | (568) |
| (Decrease)/Increase in current income taxes payable | (7,224) | 12,817 |
| Net Change in Working Capital Other Than Inventory | (11,231) | (4,413) |

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.

33. 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, 2017 and 2016, 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, 2017 and 2016:

| | As at December 31, 2017 | As at December 31, 2016 |
|---|-------------------------|-------------------------|
| Financial assets: | | |
| Cash and cash equivalents | 87,671 | 95,188 |
| Loans and receivables | | |
| Trade and other receivables | 5,484 | 9,882 |
| Financial derivative assets | 1,832 | - |
| Other assets | | |
| Available-for-sale financial assets | 964 | 1,171 |
| Financial liabilities: | | |
| Other financial liabilities at amortized cost | | |
| Trade and other payables | 67,856 | 62,234 |
| Current income tax liabilities | 7,634 | 19,834 |
| Borrowings | 14,307 | 13,844 |

The Company's financial assets (excluding those acquired in the Gryphon acquisition and Côte d'Ivoire assets) 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.

The Company may, at its discretion, use forward or derivative contracts to manage its exposure to changes in 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.

To mitigate foreign exchange risk, the Company may consider options to manage its exposures in the future. No foreign exchange contracts were entered into in 2017.

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

| | Financial Assets | | Financial Liabilities | |
|-----------------|-------------------|-------------------|-----------------------|-------------------|
| | December 31, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| CFA Franc (XOF) | 19,894 | 8,646 | 56,222 | 59,745 |
| EUR | 562 | 11,149 | 967 | 709 |
| CAD | 4,391 | 3,248 | 6,198 | 6,272 |
| AUD | 431 | 402 | 990 | 2,485 |
| Other | - | 1 | 41 | 27 |

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 percent appreciation of the US dollar against the applicable foreign currencies would have resulted in the following gains/(losses) at December 31, 2017:

| | Financial Assets | | Financial Liabilities | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | As at December 31, 2017 | As at December 31, 2016 | As at December 31, 2017 | As at December 31, 2016 |
| 10% Strengthening of functional currency | | | | |
| CFA Franc (XOF) Impact | | | | |
| Gain or (loss) | (1,989) | (865) | 5,622 | 5,975 |
| EUR Impact | | | | |
| Gain or (loss) | (56) | (1,115) | 97 | 71 |
| CAD Impact | | | | |
| Gain or (loss) | (439) | (325) | 620 | 627 |
| AUD Impact | | | | |
| Gain or (loss) | (43) | (40) | 99 | 249 |

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 Company ensures that there is sufficient available capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company evaluates on an ongoing basis opportunities to hedge its interest rate exposure on its long-term debt.

The following table illustrates the classification of the Company's financial instruments which are exposed to interest rate risk as at December 31, 2017 and 2016:

| | As at December 31, 2017 | As at December 31, 2016 |
|------------------------------|-------------------------|-------------------------|
| Financial assets | | |
| Cash and cash equivalents | 87,671 | 95,188 |
| Financial liabilities | | |
| Borrowings | 14,307 | 13,844 |

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, 2017 | As at December 31, 2016 | As at December 31, 2017 | As at December 31, 2016 |
| Profit or (loss) | 419 | 331 | (75) | (75) |

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.

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.

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, 2017 | | | | | | |
| Non-interest bearing | - | 39,182 | - | 12,096 | 7,793 | - |
| Variable interest rate instruments | 5.92% | - | - | - | 15,000 | - |
| Fixed interest rate instruments | 3.08% | 2,093 | - | - | - | - |
| Fixed interest rate instruments | 7.50% | - | 634 | - | 2,508 | - |
| Fixed interest rate instruments | 5.00% | - | - | - | - | 15,000 |
| Total | | 41,275 | 634 | 12,096 | 25,301 | 15,000 |
| 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 |

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, 2017 | | As at December 31, 2016 | |
|------------------------------|-------------------------|------------|-------------------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | |
| Financial derivative assets | 1,832 | 1,832 | - | - |
| Financial liabilities | | | | |
| Borrowings | 14,307 | 13,732 | 13,844 | 12,914 |

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

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

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

| | As at December 31, 2017 | | | As at December 31, 2016 | | |
|---------------------------------------|-------------------------|---------------|------------|-------------------------|---------------|------------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 87,671 | - | - | 95,188 | - | - |
| Available-for-sale financial assets | 964 | - | - | 1,171 | - | - |
| Financial derivative assets | - | 1,832 | - | - | - | - |
| Total | 88,635 | 1,832 | - | 96,359 | - | - |
| Financial Liabilities | | | | | | |
| Borrowings | - | 14,307 | - | - | 13,844 | - |
| Cash settled share-based compensation | 3,511 | - | 121 | 3,777 | - | 164 |
| Total | 3,511 | 14,307 | 121 | 3,777 | 13,844 | 164 |

34. SHARE BASED COMPENSATION

The share-based compensation expense for the year ended December 31, 2017 totaled \$2.6 million (2016: \$4.4 million).

On May 8, 2017, the incentive stock option plan was amended and restated effective immediately to adjust the number of common shares available for grant thereunder to reflect the five-for-one consolidation of the Company's issued and outstanding shares (refer to Note 2(b) for further details). The following tables and numbers of stock options, FBUs, RSUs, and DSUs have been retroactively restated to reflect the change.

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 common 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.

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, 2016 | 3,107,833 | C\$12.07 |
| Granted during the year | 828,364 | C\$3.39 |
| Forfeited during the year | (97,629) | C\$4.65 |
| Exercised during the year | (49,462) | C\$3.23 |
| Balance as at December 31, 2016 | 3,789,106 | C\$10.48 |
| Granted during the year | 891,488 | C\$4.16 |
| Forfeited during the year | (223,340) | C\$10.91 |
| Exercised during the year ⁽ⁱ⁾ | (2,763) | C\$3.33 |
| Balance as at December 31, 2017 | 4,454,491 | C\$9.20 |
| Number of options exercisable - December 31, 2016 | 2,944,279 | |
| Number of options exercisable - December 31, 2017 | 3,488,194 | |

(i) The weighted average share price at the time of the option exercises was C\$4.50.

During the years ended December 31, 2017 and 2016, a total of 891,488 and 828,364 common share stock options, respectively, were granted to officers and employees. The exercise price of new stock options granted were determined using a volume weighted average trading price of the Company's shares for the 5-day period ended on the grant date.

The following stock options were outstanding as at December 31, 2017:

| Option series | Number | Grant date | Expiry date | Exercise price (C\$) | FV at grant date (C\$) |
|-------------------------------|-----------|------------|-------------|----------------------|------------------------|
| Granted on November 26, 2010 | 1,064,000 | 26-Nov-10 | 26-Nov-20 | 15.00 | 5.95 |
| Granted on December 3, 2010 | 240,000 | 03-Dec-10 | 03-Dec-20 | 15.00 | 5.95 |
| Granted on February 9, 2011 | 85,000 | 09-Feb-11 | 09-Feb-21 | 15.00 | 4.95 |
| Granted on April 27, 2011 | 5,000 | 27-Apr-11 | 27-Apr-21 | 15.00 | 4.00 |
| Granted on June 14, 2011 | 16,000 | 14-Jun-11 | 14-Jun-21 | 15.00 | 4.70 |
| Granted on August 13, 2011 | 72,000 | 13-Aug-11 | 13-Aug-21 | 15.00 | 4.10 |
| Granted on December 20, 2011 | 209,000 | 20-Dec-11 | 20-Dec-21 | 15.00 | 3.05 |
| Granted on February 24, 2012 | 100,000 | 24-Feb-12 | 24-Feb-22 | 15.00 | 1.83 |
| Granted on February 24, 2012 | 29,000 | 24-Feb-12 | 24-Feb-22 | 15.00 | 6.32 |
| Granted on June 5, 2012 | 10,000 | 05-Jun-12 | 05-Jun-22 | 15.00 | 0.85 |
| Granted on September 27, 2012 | 120,000 | 27-Sep-12 | 27-Sep-22 | 15.00 | 4.65 |
| Granted on October 9, 2012 | 120,000 | 09-Oct-12 | 06-Oct-22 | 15.00 | 5.05 |
| Granted on October 31, 2012 | 16,000 | 31-Oct-12 | 31-Oct-22 | 15.00 | 2.60 |
| Granted on October 31, 2012 | 20,000 | 31-Oct-12 | 31-Oct-22 | 15.00 | 0.90 |
| Granted on December 3, 2012 | 40,000 | 03-Dec-12 | 03-Dec-22 | 15.00 | 3.05 |
| Granted on June 3, 2013 | 24,000 | 03-Jun-13 | 03-Jun-23 | 15.00 | 0.20 |
| Granted on May 1, 2014 | 10,000 | 01-May-14 | 01-May-24 | 15.00 | 0.50 |
| Granted on March 31, 2015 | 450,000 | 31-Mar-15 | 31-Mar-20 | 3.20 | 1.75 |
| Granted on March 31, 2015 | 218,501 | 31-Mar-15 | 31-Mar-20 | 3.20 | 1.50 |
| Granted on March 31, 2016 | 698,547 | 31-Mar-16 | 31-Mar-21 | 3.33 | 1.75 |
| Granted on August 2, 2016 | 18,225 | 02-Aug-16 | 11-Aug-21 | 5.34 | 3.20 |
| Granted on September 12, 2016 | 4,606 | 12-Sep-16 | 12-Sep-21 | 6.28 | 2.85 |
| Granted on March 7, 2017 | 464,997 | 07-Mar-17 | 07-Mar-22 | 4.20 | 1.50-1.90 |
| Granted on March 29, 2017 | 407,991 | 29-Mar-17 | 29-Mar-22 | 4.15 | 1.75-2.10 |
| Granted on June 16, 2017 | 3,000 | 16-Jun-17 | 16-Jun-22 | 3.34 | 1.36-1.57 |
| Granted on July 17, 2017 | 5,000 | 17-Jul-17 | 17-Jul-22 | 3.43 | 1.46-1.69 |
| Granted on September 11, 2017 | 3,624 | 11-Sep-17 | 11-Sep-22 | 3.34 | 1.32-1.53 |

As at December 31, 2017, approximately 6.3 million (2016: 6.9 million) options were available for issuance under the Plan.

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

Of the 4,454,491 common share stock options issued and outstanding as at December 31, 2017, 3,488,194 are vested and 966,297 vest over a three-year period. The fair value of options that vest upon achievement of milestones will be recognized based on management's assessment of the likelihood of reaching those milestones. As at December 31, 2017, the weighted average remaining contractual term of outstanding stock options exercisable was 3.3 years.

As at December 31, 2017, 2,180,000 and 2,274,491 share options had a contractual life of ten years and five years at issuance, respectively.

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, | |
|--|----------------------------------|-----------------|
| | 2017 | 2016 |
| Grant date share price | C\$3.12-C\$4.15 | C\$3.65-C\$6.35 |
| Weighted average fair value of awards | C\$1.81 | \$1.81 |
| Exercise price ⁽ⁱ⁾ | C\$3.12-C\$4.20 | C\$3.33-\$6.28 |
| Range of risk-free interest rates | 0.82% - 1.61% | 0.52%-0.60% |
| Volatility of the expected market price of share ⁽ⁱⁱ⁾ | 64% - 69% | 67%-71% |
| Expected life of options (years) | 2.8 - 3.8 | 3.0 |
| Dividend yield | 0% | 0% |
| Forfeiture rate | 3%-14% | 5% |

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

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 TSX on the business day prior to the date of exercise, less the exercise price. Units may be exercised at any time from the date of vesting to the date of their expiry subject to the terms of the Plan. Units are not transferable or assignable.

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

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

As at December 31, 2017, there were 359,500 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 359,500 Units outstanding as at December 31, 2017, 272,000 Units have an exercise price of C\$3.00, 60,000 Units have exercise price of C\$0.64 and 27,500 Units have an exercise price of C\$0.67. The total outstanding Units have fair values of C\$0.44 per Unit at December 31, 2017. The total fair value of the Units at December 31, 2017 was \$0.1 million (December 31, 2016: \$0.2 million).

The estimated fair values of the Units are amortized over the period in which the Units vest. Of the 359,500 Units issued, 342,781 Units were vested at December 31, 2017 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, | |
|--|----------------------------------|------------------|
| | 2017 | 2016 |
| Share price at the end of the period | C\$2.99 | C\$4.10 |
| Weighted average fair value of vested awards | C\$0.44 | C\$0.70 |
| Exercise price ⁽ⁱ⁾ | C\$3.20-C\$15.00 | C\$3.20-C\$15.00 |
| Range of risk-free interest rates | 1.67%-1.79% | 0.73%-1.11% |
| Volatility of the expected market price of share ⁽ⁱⁱ⁾ | 64% | 65% |
| Expected life of options (years) | 2.0-4.0 | 2.0-4.0 |
| 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) Volatility was determined using the 3-year average historical volatility of the Company's share price.

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 2017, 856,460 RSUs were granted at a price of C\$4.14 per unit and 102,293 RSUs were forfeited (2016: 6,140,338 RSUs granted, 1,029,223 forfeited). As of December 31, 2017 a total of 1,606,201 RSU's were outstanding of which 1,040,323 units were vested. As at December 31, 2017, \$1.4 million of current RSU liability and \$0.9 million of non-current RSU liability have been recorded in the consolidated financial statement of financial position (2016: \$1.7 million and \$1.0 million in current and non-current RSU liability respectively).

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 180,000 DSUs during the year ended December 31, 2017 at a price of C\$4.18 per unit. Of the 563,998 DSUs outstanding at December 31, 2017, 518,988 DSUs were vested and no units were cancelled. As at December 31, 2017, \$1.2 million of current DSU liability has been recorded in the consolidated financial statement of financial position (2016: \$1.1 million).

35. SEGMENT INFORMATION

Teranga's Chief Operating Decision Maker ("CODM"), reviews the operating results, assesses the performance and makes capital allocation decisions at the following levels: Sabadola Gold Mine in Senegal; Corporate entities; Wahgnion Gold Project in Burkina Faso; and exploration projects in Senegal, Burkina Faso and Côte d'Ivoire. The following table provides the Company's operating results and summary asset information by segment.

The Company's operating revenues are solely attributable to the Sabadola Gold operations in Senegal.

| | Year ended December 31, 2017 | | | | |
|--|------------------------------|-----------------|--------------|-----------------|------------------|
| | Sabadola | Corporate | Wahgnion | Exploration | Total |
| Revenue | 291,683 | - | - | - | 291,683 |
| Mine operation expenses | (168,689) | - | - | - | (168,689) |
| Depreciation and amortization | (53,424) | - | - | - | (53,424) |
| Cost of sales | (222,113) | - | - | - | (222,113) |
| Gross profit | 69,570 | - | - | - | 69,570 |
| Exploration and evaluation expenditures | - | - | - | (12,373) | (12,373) |
| Administration expenses | - | (10,702) | - | - | (10,702) |
| Corporate social responsibility expenses | (2,564) | (342) | - | - | (2,906) |
| Share-based compensation | - | (2,580) | - | - | (2,580) |
| Finance costs | (3,352) | (554) | (1) | - | (3,907) |
| Net foreign exchange (losses)/gains | (4,473) | (243) | (147) | 231 | (4,632) |
| Other income | 64 | 3,631 | 801 | - | 4,496 |
| Operating (expenses)/income | (10,325) | (10,790) | 653 | (12,142) | (32,604) |
| Profit/(loss) before income tax | 59,245 | (10,790) | 653 | (12,142) | 36,966 |
| Income tax (expense)/recovery | (4,074) | - | 1,638 | - | (2,436) |
| Net profit/(loss) | 55,171 | (10,790) | 2,291 | (12,142) | 34,530 |

| | Year ended December 31, 2016 | | | | |
|--|------------------------------|-----------------|--------------|----------------|------------------|
| | Sabadola | Corporate | Wahgnion | Exploration | Total |
| Revenue | 268,850 | - | - | - | 268,850 |
| Mine operation expenses | (137,486) | - | - | - | (137,486) |
| Depreciation and amortization | (44,042) | - | - | - | (44,042) |
| Cost of sales | (181,528) | - | - | - | (181,528) |
| Gross profit | 87,322 | - | - | - | 87,322 |
| Exploration and evaluation expenditures | - | - | - | (4,760) | (4,760) |
| Administration expenses | - | (8,973) | - | - | (8,973) |
| Corporate social responsibility expenses | (2,559) | (1,054) | - | - | (3,613) |
| Share-based compensation | - | (4,405) | - | - | (4,405) |
| Finance costs | (3,267) | (1,096) | - | - | (4,363) |
| Net foreign exchange (losses)/gains | (2,383) | 30 | (202) | (34) | (2,589) |
| Other expenses | (4,532) | (2,479) | (390) | - | (7,401) |
| Operating expenses | (12,741) | (17,977) | (592) | (4,794) | (36,104) |
| Profit/(loss) before income tax | 74,581 | (17,977) | (592) | (4,794) | 51,218 |
| Income tax expense | (22,976) | - | (351) | - | (23,327) |
| Net profit/(loss) | 51,605 | (17,977) | (943) | (4,794) | 27,891 |

Selected non-current asset balances are detailed below:

| | As at December 31, 2017 | | | | Total |
|-------------------------------|-------------------------|-----------|----------|-------------|---------|
| | Sabodala | Corporate | Wahgnion | Exploration | |
| Property, plant and equipment | 171,358 | 3,125 | 8,869 | 659 | 184,011 |
| Mine development expenditures | 260,132 | 5,116 | 71,511 | 64 | 336,823 |
| Total non-current assets | 562,231 | 8,501 | 83,914 | 757 | 655,403 |

| | As at December 31, 2016 | | | | Total |
|-------------------------------|-------------------------|-----------|----------|-------------|---------|
| | Sabodala | Corporate | Wahgnion | Exploration | |
| Property, plant and equipment | 180,496 | 3,120 | 845 | 938 | 185,399 |
| Mine development expenditure | 254,553 | 4,464 | 52,595 | 64 | 311,676 |
| Total non-current assets | 583,470 | 7,694 | 55,324 | 1,146 | 647,634 |

36. 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, 2017 and 6 members during the year ended December 31, 2016. The remuneration during the years ended December 31, 2017 and 2016 is as follows:

| | Short term benefits | | | Cash settled share based payments - value vested during the period | Equity settled share based payments - value vested during the period | Total |
|---|---------------------|-------------------|---------------------------|--|--|--------------|
| | Salary and Fees | Non-Cash Benefits | Cash Bonus ⁽ⁱ⁾ | RSUs | Options | |
| For the year ended December 31, 2017 | | | | | | |
| Compensation | 1,852 | 14 | 768 | 1,028 | 502 | 4,164 |
| For the year ended December 31, 2016 | | | | | | |
| Compensation | 1,586 | 13 | 71 | 956 | 312 | 2,938 |

(i) The amount is based on the cash payment made during the year and relate to the prior year.

37. RELATED PARTY TRANSACTIONS

a. Transactions with key management personnel

During the year ended December 31, 2017, there were transactions totaling \$0.1 million between the Company and director-related entities.

b. Exploration agreement with Miminvest SA

In 2017, Teranga paid Miminvest \$0.5 million for all direct and reasonable costs associated with exploration work related to permits transferred in 2016.

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.

38. SUBSEQUENT EVENTS

Gold contracts

The following table shows the presold ounces of gold and forward gold sales contracts the Company entered into in January 2018:

| | Settlement Dates | Total Ounces | Settlement Price |
|---------------------|----------------------|--------------|------------------|
| Pre-sold ounces | January - March 2018 | 18,000 | \$1,320-\$1,321 |
| Deliverable forward | January - March 2018 | 22,000 | \$1,321-\$1,323 |
| Forward contract | April - Sept, 2019 | 56,500 | \$1,350 |

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

Registered Corporate Office

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Auditor

Ernst & Young LLP
Chartered Accountants
Toronto, Ontario, Canada

Legal Counsel

Stikeman Elliott LLP
Toronto, Ontario, Canada

Registrar and Transfer Agent

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Toronto, Ontario, Canada M5J 2Y1
Tel: + 1-800-564-6253

Stock Exchange Listings

Toronto Stock Exchange: TGZ
OTC Markets Group "OTCQX" Market: TGCDF

Common Shares Issued and Outstanding

107,343,902 (as at December 31, 2017)



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