

A full-page photograph of a male worker in a yellow high-visibility safety shirt with reflective stripes, blue work pants, a white hard hat, and sunglasses. He is walking towards the camera down a long, brightly lit corridor of a construction site, with wooden framing visible on the walls and floor. The background is slightly blurred, emphasizing the worker.

2018

Annual Report

TABLE OF CONTENTS

Letter to Shareholders	3
Management’s Discussion and Analysis	8
Management’s Responsibility for Financial Reporting	54
Independent Auditors’ Report	55
Consolidated Financial Statements	57
Notes to the Consolidated Financial Statements	61
Corporate Directory	100

This annual report contains certain statements that constitute forward-looking information. Please refer to the cautionary note regarding Forward-Looking Statements on page 52. All amounts are in U.S. dollars unless otherwise stated.

BUILDING

a multi-asset
mid-tier gold producer
in West Africa



2018 ACHIEVEMENTS

Sabodala Gold Operations

- ☑ Delivered 245,230 ounces of gold, exceeding production guidance at an all-in sustaining cost (excluding non-cash inventory movements and amortized advanced royalty costs) of \$940 per ounce⁽¹⁾
- ☑ Generated net cash flow of almost \$50 million⁽²⁾

Wahgnion Gold Operations

- ☑ Filed an updated NI 43-101 Technical Report
- ☑ Increased gold reserves by 450,000 ounces, extending the mine life to 13 years and improving the initial 5-year operating profile
- ☑ Advanced construction on schedule and on budget

Golden Hill Advanced Exploration Project

- ☑ Acquired the remaining interest from joint venture partner, increasing ownership to 100%
- ☑ Entered into an earn-in agreement for the adjacent property contiguous to the north
- ☑ Aggressive exploration program which produced good drill results in preparation for an initial mineral resource estimate (released February 2019)

Côte d'Ivoire Early Stage Exploration

- ☑ Good progress advancing Miminvest properties
- ☑ Commenced technical work at Afema properties

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

(2) Net cash flow is free cash flow net of financing activities. Free cash flow is a non-IFRS financial measure, please refer to the reconciliation of non-IFRS financial measures at the end of the MD&A.



LETTER TO SHAREHOLDERS

As we move ahead, focused on achieving our vision, it is important to remember both our achievements and the people behind them. 2018 was long on accomplishments. We delivered on our annual performance metrics while also making great progress towards achieving our vision of becoming a multi-asset mid-tier gold producer in West Africa.

Sabodala: Cumulative Gold Production Surpasses 1.6 Million Ounces

Sabodala, our flagship mine, achieved its third consecutive year of record gold production with per ounce cost metrics well below forecast. As a result, Sabodala generated net cash flow of almost \$50 million⁽¹⁾. The strong operating and financial results were due to our team's commitment to productivity and ongoing performance improvements.

Sabodala continues to successfully replace reserves and extend its mine life. In 2010, Sabodala had gold mineral reserves of 1.46 million ounces. Since that time, after producing 1.66 million ounces of gold, Sabodala still has a significant measured and indicated mineral resource of over 4 million ounces⁽²⁾, over half of which is gold mineral reserves⁽²⁾.

Sabodala is a long life asset with potential for further growth. One of the best opportunities we have with respect to Sabodala's resource base is the conversion of resources at Niakafiri, our largest deposit on the mine license. Currently, we are relocating the village that sits atop Niakafiri. The resettlement is well underway and the new village infrastructure is taking shape. Once complete, in the first half of 2020, we will be in a position to resume the Niakafiri drill program.

With a mine life currently in excess of 10 years remaining, Sabodala's performance and free cash flow will continue to be fundamental to the pursuit of our growth strategy.

Wahgnion: Second Gold Mine on Track for First Pour in 2019

In early 2018, we completed the financing and commenced major construction of our second gold mine, Wahgnion. To date, construction of Wahgnion, located in the southwestern portion of Burkina Faso, is on budget and running ahead of schedule. The majority of construction risks are behind us and therefore our focus has shifted to operations readiness. Our original estimate for completion was the end of 2019, however, we are currently a quarter ahead of schedule and the mine plan is being revised to accommodate an earlier than planned commissioning of the plant.

We announced construction of Wahgnion when it had an initial mineral reserve base of 1.16 million ounces. In 2018, following an infill drill program, Wahgnion's mineral reserves increased by almost 40% to 1.61 million ounces⁽³⁾.

- (1) Net cash flow is free cash flow net of financing activities. Free cash flow is a non-IFRS financial measure, please refer to the reconciliation of non-IFRS financial measures at the end of the MD&A.
- (2) Reference is to Measured and Indicated Mineral Resources only, exclusive of Inferred Mineral Resources. Please refer to pages 28-29 in the Company's Annual Information Form dated March 29, 2019 for the current full resource and reserve statements.
- (3) Please refer to pages 28-29 in the Company's Annual Information Form dated March 29, 2019 for the current full reserve statement on the Wahgnion Gold Operations.

Much like Sabodala, we believe that Wahgnion has the makings of a long life gold mine. As part of our ongoing goal to further extend Wahgnion's 13-year mine life and optimize the mine plan, we will conduct a multi-year drilling program concentrating on previously identified exploration targets, which are within trucking distance of the plant.

The addition of Wahgnion to Teranga's production assets will improve our production profile and diversify our operating and country risk. Wahgnion is expected to increase our consolidated production by 50% and double free cash flow. This free cash flow will be instrumental in funding the next phase of our growth pipeline.

Golden Hill: Potentially Our Third Gold Mine

As part of the Gryphon acquisition in 2016, which brought us Wahgnion, we also acquired 51% of a property called Golden Hill, situated in the heart of the Houndé belt in Burkina Faso. Little drilling had been completed previously on Golden Hill, however, we were excited about the prolific potential of the area and immediately commenced an exploration program.

The drill program included approximately 650 drill holes totaling more than 70,000 metres. There were numerous encouraging exploration updates throughout 2017 and 2018 and it did not take long to see the potential of Golden Hill. With an eye to the future, we acquired the remaining interest from our joint venture partner and increased our ownership to 100%.

Additionally, to leverage off of what we believe will be our next mine, we also acquired an earn-in on an adjacent property to the north. What attracted us to this property is the geology, the structure and the mineralization. It is very similar to what we have been seeing on our Golden Hill permits. The proximity of the property is also attractive – it is within trucking distance of a potential mill location at Golden Hill.

Golden Hill has advanced at rapid speed. After only 18 months of drilling, we have an early-stage initial mineral resource estimate that provides a solid base at good grade for us to build on. Next steps include further drilling as well as internal technical work. The goal this year is to move the Golden Hill project into the feasibility stage of development.

With continued exploration success, we believe that Golden Hill could ultimately be Teranga's third producing gold mine.

Côte d'Ivoire: Exploring the Underexplored

Our organic growth pipeline also includes two joint ventures with permits covering 2,600 km² of land in Côte d'Ivoire. With over one-third of the Birimian Greenstone Belt falling within the country's borders, Côte d'Ivoire has significant potential for discoveries.

Our land packages straddle well-known shear zones and trends and we are excited about the potential of this underexplored region. Results from our early-stage exploration programs in Côte d'Ivoire are promising and we look forward to updating you on our progress.

Sharing the Benefits of Responsible Mining: Making Change Happen

While we are miners at heart, sharing the benefits of responsible mining is in our DNA.

Our ultimate goal is to leave a positive legacy that will continue to benefit and shape the future of local communities. In Senegal, after ten years of working in collaboration with the local communities, the Sabodala region is now one of the healthiest in the country with health clinics, widespread anti-malaria spray programs, access to potable water, and greater food security that will benefit generations to come.

With the advent of our second mine, we have expanded our CSR focus to include the communities surrounding Wahgnion in Burkina Faso. Together with ERM, a leading global provider of environmental, health, safety, risk, and social consulting services, we are hard at work advancing livelihood restoration programs with 180 hectares acquired and allocated for farming, a 10-hectare cassava plantation, cattle drinking facilities developed to support husbandry and income generation programs developed specifically for 800 women.

Teranga is striving to make a positive material difference in the local communities and countries in which it operates.

Focused on Creating Value for Shareholders

Teranga's share price was recognized as one of the top 50 best performing stocks on the OTCQX in 2018. Despite a significant decline in the price of gold in the second half of the year, Teranga's shares ended the year up 35%, outperforming our West African peer group, the major gold indices, and the price of gold.

Clearly, Teranga has come a long way in a short time and investors are beginning to take notice. Three years ago, we were a single asset producer in one country. Today, not only are we on the verge of having two producing assets, we also have a robust organic pipeline of gold exploration projects in three countries. Teranga's pipeline has the potential to support our goal of achieving mid-tier status in the next five years. Teranga offers investors a unique combination of value and growth and is a compelling investment opportunity.

Gratitude to Our Employees and Partners

At the outset of this letter, we highlighted the importance of remembering the people who are instrumental to our success. We would like to express our deepest appreciation to all of our employees, contractors, suppliers and business partners, as well as, our host governments and the Government of Canada. On behalf of the Board and management team, we thank our fellow shareholders for their ongoing support and confidence as we continue to execute on our vision of becoming a multi-asset mid-tier gold producer in West Africa.



ALAN HILL
Chairman



RICHARD YOUNG
President & Chief Executive Officer

2019 GOALS

Sabodala Gold Operations

- Produce 215,000 to 230,000 ounces of gold at an all-in sustaining cost (excluding non-cash inventory movements and amortized advanced royalty costs) of \$825 - \$900 per ounce⁽¹⁾
- Ongoing resettlement of the village atop the Niakafiri deposit

Wahgnion Gold Operations

- Achieve first gold pour on time and on budget
- Produce 30,000 to 40,000 ounces of gold at an all-in sustaining cost (excluding non-cash inventory movements and amortized advanced royalty costs) of \$750 - \$825 per ounce⁽¹⁾

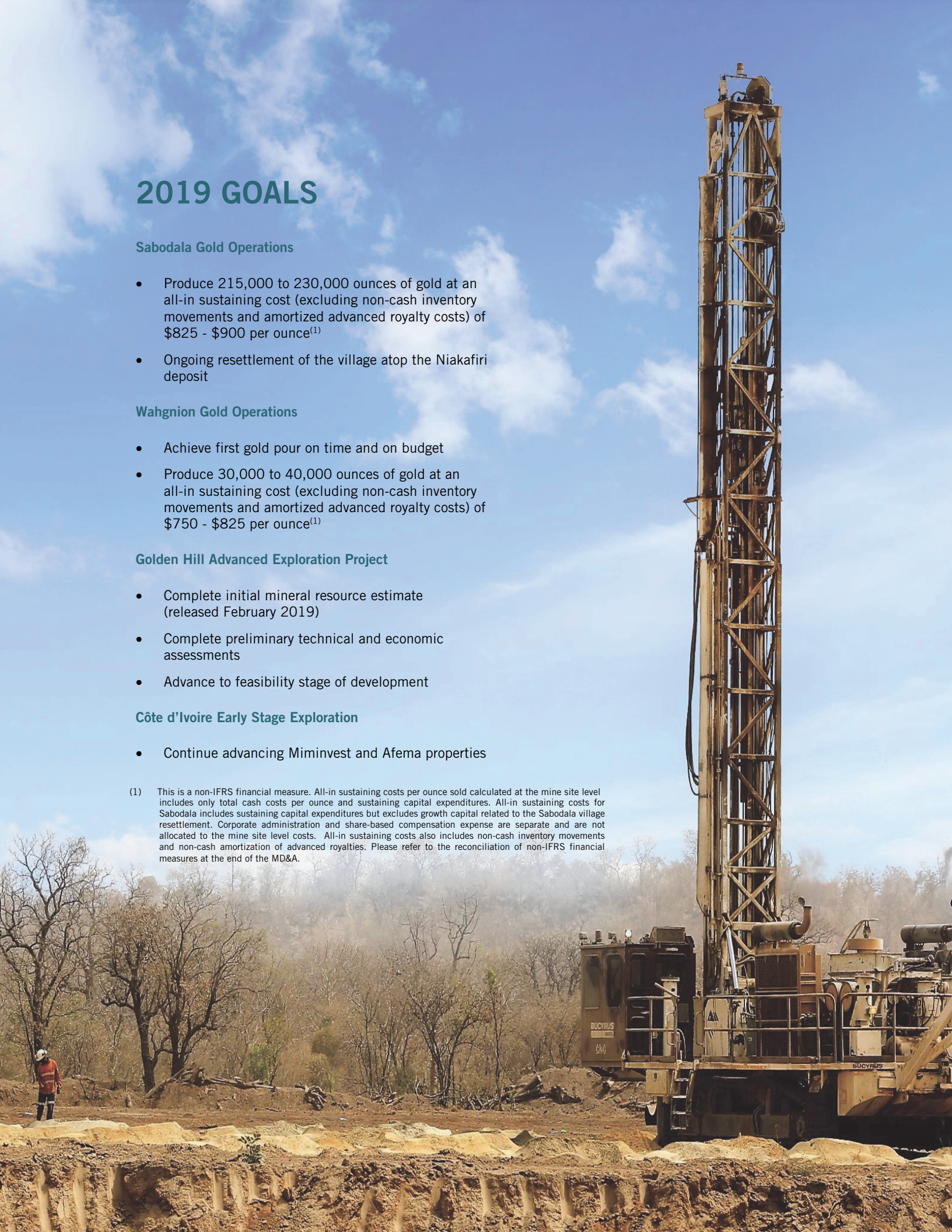
Golden Hill Advanced Exploration Project

- Complete initial mineral resource estimate (released February 2019)
- Complete preliminary technical and economic assessments
- Advance to feasibility stage of development

Côte d'Ivoire Early Stage Exploration

- Continue advancing Miminvest and Afema properties

(1) This is a non-IFRS financial measure. All-in sustaining costs per ounce sold calculated at the mine site level includes only total cash costs per ounce and sustaining capital expenditures. All-in sustaining costs for Sabodala includes sustaining capital expenditures but excludes growth capital related to the Sabodala village resettlement. Corporate administration and share-based compensation expense are separate and are not allocated to the mine site level costs. All-in sustaining costs also includes non-cash inventory movements and non-cash amortization of advanced royalties. Please refer to the reconciliation of non-IFRS financial measures at the end of the MD&A.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Business	8
Financial and Operating Highlights	9
Outlook 2019	11
Review of Operating Results	16
Review of Financial Results	19
Financial Condition Review	26
Business and Project Development	28
Exploration	30
Health and Safety	32
Corporate Social Responsibility	32
Market Review: Impact of Key Economic Trends	34
Liquidity and Cash Flow	35
Liquidity and Capital Resources Outlook	39
Financial Instruments	41
Contractual Obligations and Commitments	42
Contingent Liabilities	43
Critical Accounting Policies and Estimates	43
Non-IFRS Financial Measures	48
Reconciliation of Non-IFRS Financial Measures	49
Forward-Looking Statements	52

FINANCIAL STATEMENTS

Consolidated Statements of Comprehensive Income	57
Consolidated Statements of Financial Position	58
Consolidated Statements of Changes in Equity	59
Consolidated Statements of Cash Flows	60
Notes to the Consolidated Financial Statements	61

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2018 AND 2017

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 three and twelve months ended December 31, 2018 and 2017. 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, 2018 and 2017. The Company's Statements and MD&A are presented in United States dollars ("USD"), 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, 2017, as well as all other public filings, is available on the Company's website at www.terangagold.com and on the SEDAR website (www.sedar.com).

This report is dated as of February 22, 2019. 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 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 approximately 6,400 km² of land located on prospective gold belts. Since its initial public offering in 2010, Teranga has produced more than 1.6 million ounces of gold from its Sabodala operation in Senegal. Focused on diversification and growth, the Company is advancing construction of its second mine, Wahgnion Gold Operations ("Wahgnion"), which is located in Burkina Faso, as well as carrying out exploration programs in three West African countries: Burkina Faso, Côte d'Ivoire and Senegal. The Company had more than 4.0 million ounces of gold reserves¹ as of June 30, 2018. Teranga applies a rigorous capital allocation framework for its investment decisions and is focused on funding future organic growth plans responsibly.

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.

MISSION

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

VISION

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

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

STRATEGY

Our strategy is to maximize shareholder value by increasing long-term sustainable 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) maximizing free cash flow from our flagship Sabodala operation; (ii) increasing production with the completion of Wahgnion by the end of 2019; (iii) progressing Golden Hill, our most advanced exploration project, towards feasibility; (iv) unlocking additional value through resource conversion drill programs and exploration in Burkina Faso, Senegal and Côte d'Ivoire; and (v) funding our future growth plans responsibly.

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Data	Three months ended December 31,			Twelve months ended December 31,			
	2018	2017	Change	2018	2017	Change	
Revenue	(\$000s)	76,140	88,280	(14%)	312,628	291,683	7%
Cost of sales	(\$000s)	(59,374)	(64,149)	(7%)	(230,517)	(222,113)	4%
Gross profit	(\$000s)	16,766	24,131	(31%)	82,111	69,570	18%
Net (loss)/profit attributable to shareholders of Teranga	(\$000s)	(10,639)	5,758	N/A	11,794	31,932	(63%)
Per share	(\$)	(0.10)	0.05	N/A	0.11	0.30	(63%)
Adjusted net profit attributable to shareholders of Teranga ¹	(\$000s)	1,229	8,717	(86%)	18,075	30,106	(40%)
Per share ¹	(\$)	0.01	0.08	(86%)	0.17	0.28	(40%)
EBITDA ¹	(\$000s)	12,516	26,630	(53%)	111,855	95,335	17%
Operating cash flow before changes in working capital excluding inventories	(\$000s)	25,384	24,708	3%	96,649	82,610	17%
Operating cash flow	(\$000s)	41,784	32,452	29%	92,060	71,379	29%
Sustaining capital expenditures (excluding deferred stripping)	(\$000s)	5,727	3,985	44%	18,846	25,382	(26%)
Capitalized deferred stripping - sustaining	(\$000s)	13,526	7,655	77%	45,978	29,428	56%
Growth capital expenditures	(\$000s)	53,174	10,509	406%	137,334	24,623	458%
Cash and cash equivalents, as at	(\$000s)				46,615	87,671	(47%)

Operating Data	Three months ended December 31,			Twelve months ended December 31,			
	2018	2017	Change	2018	2017	Change	
Gold Produced	(oz)	59,442	67,934	(13%)	245,230	233,267	5%
Gold Sold	(oz)	61,696	68,944	(11%)	246,073	231,078	6%
Average realized gold price ¹	(\$ per oz)	1,232	1,279	(4%)	1,271	1,261	1%
Cost of sales per ounce	(\$ per oz sold)	962	930	3%	937	961	(3%)
Total cash costs ¹	(\$ per oz sold)	692	689	1%	660	721	(8%)
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) ¹	(\$ per oz sold)	998	860	16%	940	943	(0%)

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

FOURTH QUARTER HIGHLIGHTS

Financial Highlights

- Revenue of \$76.1 million was 14 percent lower than the prior year period due to lower ounces sold and lower average realized prices.
- Gross profit of \$16.8 million was 31 percent lower than the prior year period due to lower revenues and higher depreciation and amortization expenses.
- Net loss attributable to shareholders was \$10.6 million (\$0.10 loss per share) for the fourth quarter compared to net profit of \$5.8 million (\$0.05 per share) in the prior year period. The decrease was primarily attributable to lower gross profit of \$7.4 million, higher net losses on forward gold sales contracts of \$3.7 million and higher non-cash accretion expense of \$1.7 million mainly as a result of the adoption of IFRS 15.
- Adjusted net profit attributable to shareholders¹ was \$1.2 million (\$0.01 per share) for the fourth quarter compared to \$8.7 million (\$0.08 per share) in the prior year period. The decrease was mainly due to lower gross profit. Adjusted net profit attributable to shareholders¹ excludes gains or losses on gold forward sales contracts, accretion expense, net foreign exchange losses, the impact of foreign exchange movements on deferred taxes and other non-cash fair value changes.
- In October, the Golden Hill portion of the secured development finance facility with Taurus Funds Management Pty Ltd. (the "Taurus Facility") was increased by an additional \$10 million in order to fund the acquisition of the

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

remaining 49 percent interest in the Golden Hill and Gourma exploration projects, in Burkina Faso, from Boss Resources Limited (“Boss Resources”).

- Cash flow related to operating activities, before changes in working capital excluding inventories, increased 3 percent year-over-year to \$25.4 million.
- Cash and cash equivalents totalled \$46.6 million, a decrease of \$33.1 million from the third quarter 2018 balance of \$79.7 million, as construction activities continued to ramp up during the quarter at the Company's second mine, Wahgnion.

Operating Highlights

- Teranga finished 2018 with a solid production in the fourth quarter. Gold production for the fourth quarter totalled 59,442 ounces, which was 13 percent lower than the prior year period. The Company reported recorded gold production of 245,230 ounces for 2018, exceeding the high end of its increased production guidance range of 235,000 to 240,000 ounces for the year and achieved its third consecutive year of record production.
- Cost of sales per ounce were \$962 and \$937 for the quarter and year, respectively, with full year cost of sales below the lower end of the Company's 2018 guidance range.
- Total cash costs per ounce¹ for both the quarter and year were below the lower end of the Company's 2018 guidance. All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)¹ per ounce were \$998 and \$940 for the quarter and year, respectively, with full year costs falling below the lower end of the full year guidance range, mainly due to higher grades mined and processed.
- Total ounces mined over the last 18 months ended December 31, 2018 were approximately 26 percent better than the reserves model due to solid grade control processes and conservative resource modelling.

Growth Highlights

- At Wahgnion, first gold pour is well on track for the fourth quarter 2019. Front-end engineering and detailed design was completed in the fourth quarter. Steel fabrication was completed and has largely been delivered to site. Plant construction is on schedule, concrete pours are nearing completion, structural steel installation have commenced and the leach tanks have been installed.
- During the fourth quarter, the Company completed its acquisition of the remaining 49 percent interest in the Golden Hill and Gourma exploration projects from Boss Resources for AUD10 million (\$7.2 million). Teranga now owns a 100 percent interest in each of the Golden Hill and Gourma exploration projects.
- During the fourth quarter, the Company released an updated National Instrument 43-101 *Standards of Disclosure for Mineral Projects Technical Report* (“NI 43-101”) for the Wahgnion project reflecting the previously announced results of an updated mineral reserve estimate and feasibility study for Wahgnion. Open-pit reserves increased by almost 40 percent, or 450,000 ounces of gold, following a 33 percent increase in mineral resources announced in the second quarter 2018. The first five years production forecast was improved and Wahgnion's mine life was extended from 9 years to 13 years.
- Teranga's exploration program at the Golden Hill property in Burkina Faso, the Company's most advanced exploration project, continues to generate very good grade drill results at a number of prospects. The Company released an initial resource estimate for the Golden Hill's most advanced prospects on February 21, 2019.

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

OUTLOOK 2019

The following table outlines the Company's performance compared to the 2018 summary production and cost guidance:

	Year Ended December 31, 2018		
	2018 Actual	Third quarter 2018 Guidance	
Sabodala Operating Results			
Total mined	('000t)	37,268	37,000 – 39,500
Grade mined	(g/t)	3.62	2.50 – 3.00
Strip ratio	waste/ore	18.4	16.5 – 18.5
Ore milled	('000t)	4,069	4,200 – 4,400
Head grade	(g/t)	2.03	1.70 – 1.90
Recovery rate	%	92.3	90.0 – 91.5
Gold produced ^A	(oz)	245,230	235,000 –
Cost of sales per ounce sold	\$/oz sold	937	950 – 1,025
Total cash costs per ounce sold ^B	\$/oz sold	660	700 – 750
All-in sustaining costs ^C	\$/oz sold	1,006	1,000 – 1,075
Non-cash inventory movements and amortized advanced royalty costs ^C	\$/oz sold	(66)	(50)
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) ^C	\$/oz sold	940	950 – 1,025
Mining	(\$/t mined)	2.57	2.25 – 2.50
Mining long haul	(\$/t hauled)	2.59	2.50 – 3.50
Milling	(\$/t milled)	12.95	11.00 – 12.50
General and Administration	(\$/t milled)	5.30	4.25 – 4.50
Mine Production Costs	\$ millions	175.2	162.0 – 172.0
Sabodala Capital Expenditures			
Sustaining capital	\$ millions	9.6	10.0 – 15.0
Site development costs ^D	\$ millions	9.2	10.0 – 15.0
Total Sabodala Capital Expenditures ^E	\$ millions	18.8	20.0 – 30.0
Growth Capital Expenditures			
Wahgnion early works ^F	\$ millions	29.2	~30.0
Wahgnion construction ^G	\$ millions	107.6	140.0 – 160.0
Total Growth Capital Expenditures	\$ millions	136.8	170.0 – 190.0
Corporate and Other			
Corporate administration expense	\$ millions	13.6	11.0 – 13.0
Regional administration costs	\$ millions	1.9	~2.0
Community social responsibility expense	\$ millions	3.7	4.0 – 5.0
Exploration and evaluation ^H	\$ millions	14.7	~15.0
Notes to Guidance Table Above:			
A. 22,500 ounces of Sabodala gold production was to be sold to Franco-Nevada Corporation (“Franco-Nevada”) at 20% of the spot gold price.			
B. Total cash costs 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 presented in this table is calculated at the asset level and as such includes only total cash costs per ounce and sustaining capital expenditures. Corporate administration and share-based compensation expense is presented separately in this table and is not allocated to the individual assets. All-in sustaining costs also include non-cash inventory movements and non-cash amortization of advanced royalties.			
D. Site development costs include village resettlement costs for the Sabodala village.			
E. Excludes capitalized deferred stripping costs, included in mine production costs.			
F. Early works expenditures for 2018 included anticipated expenditures for the construction of Wahgnion prior to initial drawdown under the Taurus Facility which was executed in May 2018.			
G. Wahgnion construction expenditures included anticipated expenditures for Wahgnion post completion of the Taurus Facility.			
H. Exploration and evaluation costs included both expensed exploration, primarily attributable to exploration work on exploration permits, and capitalized reserve development, which is work performed on mine licenses.			
This forecast financial information was based on the following material assumptions for the remainder of 2018: gold price: \$1,250 per ounce; light fuel oil price \$0.87/L; heavy fuel oil price \$0.60/L; Euro:USD exchange rate of 1:1.17.			
Other important assumptions: any political events were not expected to impact operations, including movement of people, supplies and gold shipments; grades and recoveries was expected to remain consistent with the life-of-mine plan to achieve the forecast gold production; and no unplanned delays in or interruption of scheduled production.			

The following table outlines the Company's estimated 2019 summary production and cost guidance:

		2019 Guidance
Sabodala Operating Results		
Total mined	('000t)	37,000 – 39,500
Ore mined	('000t)	3,000 – 3,500
Grade mined	(g/t)	1.50 – 2.00
Strip ratio	waste/ore	9.5 – 12.0
Ore milled	('000t)	4,100 – 4,300
Head grade	(g/t)	1.80 – 2.00
Recovery rate	%	89.0 – 91.0
Gold produced ^A	(oz)	215,000 – 230,000
Cost of sales per ounce sold	\$/oz sold	1,050 – 1,125
Total cash costs per ounce sold ^B	\$/oz sold	725 – 775
All-in sustaining costs ^C	\$/oz sold	900 – 975
Non-cash inventory movements and amortized advanced royalty costs ^C	\$/oz sold	(75)
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) ^C	\$/oz sold	825 – 900
Mining	(\$/t mined)	2.50 – 2.75
Mining long haul	(\$/t hauled)	1.50 – 2.00
Milling	(\$/t milled)	12.00 – 13.00
General and administration	(\$/t milled)	4.50 – 5.00
Mine Production Costs	\$ millions	165 – 180
Capital Expenditures		
Sustaining Capital ^F	\$ millions	10 – 15
Resettlement Capital	\$ millions	15 – 20
Total Capital Expenditures	\$ millions	25 – 35
Wahgnion Operating Results		
Total mined	('000t)	6,800 – 7,200
Ore mined	('000t)	500 – 650
Grade mined	(g/t)	1.80 – 2.00
Ore milled	('000t)	500 – 650
Head grade	(g/t)	1.80 – 2.00
Recovery rate	%	~ 90.0
Gold produced ^A	(oz)	30,000 – 40,000
Cost of sales per ounce sold	\$/oz sold	1,175 – 1,250
All-in sustaining costs ^C	\$/oz sold	1,050 – 1,125
Non-cash inventory movements and amortized advanced royalty costs ^C	\$/oz sold	(300)
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) ^C	\$/oz sold	750 – 825
Wahgnion Capital Expenditures		
Construction	\$ millions	115 – 120
Pre-Operating Costs	\$ millions	~ 30
Total Wahgnion Capital Expenditures	\$ millions	145 – 150
Corporate and Other		
Corporate administration expense	\$ millions	13 – 14
Share-based compensation expense ^D	\$ millions	3.5 – 4.5
Regional administration costs	\$ millions	2 – 3
Community social responsibility expense	\$ millions	4 – 5
Exploration and evaluation ^E	\$ millions	5 – 15

Consolidated		
Gold produced	(oz)	245,000 – 270,000
Cost of sales per ounce sold	\$/oz sold	1,050 – 1,125
All-in sustaining costs ^c	\$/oz sold	1,000 – 1,100
Non-cash inventory movements and amortized advanced royalty costs ^c	\$/oz sold	(100)
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) ^c	\$/oz sold	900 – 1,000
<p>Notes to Guidance Table Above:</p> <p>A. 22,500 ounces of Sabodala gold production are to be sold to Franco-Nevada at 20% of the spot gold price. All Wahgnion gold production is subject to a gold offtake payment agreement with Taurus Funds ("Offtake Agreement") (see <i>Financial Instruments</i> section for more details).</p> <p>B. Total cash costs per ounce sold is a non-IFRS financial measure and does not have a standard meaning under IFRS.</p> <p>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 calculated at the mine site level includes only total cash costs per ounce and sustaining capital expenditures. All-in sustaining costs for Sabodala includes sustaining capital expenditures but excludes growth capital related to the Sabodala village resettlement. Corporate administration and share-based compensation expense are presented separately in this table and are not allocated to the mine site level costs. All-in sustaining costs presented on a consolidated basis includes corporate administration and share-based compensation expense. All-in sustaining costs also includes non-cash inventory movements and non-cash amortization of advanced royalties.</p> <p>D. Share-based compensation expense assumes a constant share price of C\$4.00 per Teranga share.</p> <p>E. 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.</p> <p>F. Excludes capitalized deferred stripping costs, included in mine production costs.</p> <p>This forecast financial information is based on the following material assumptions for the remainder of 2019: gold price: \$1,250 per ounce; Brent Crude Oil: \$62 per barrel; Euro:USD exchange rate of 1:1.15.</p> <p>Other important assumptions: any political events are not expected to impact operations, including movement of people, supplies and gold shipments; grades and recoveries is expected to remain consistent with the life-of-mine plan to achieve the forecast gold production; and no unplanned delays in or interruption of scheduled production.</p>		

2019 Guidance Analysis

Estimates of future production, cost of sales, cash costs¹, all-in sustaining costs¹ and all-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)¹ are based on mine plans that reflect the expected method by which we will mine reserves at each site. Actual gold production and associated costs may vary from these estimates due to a number of operational and non-operational risk factors. Since the Wahgnion project is presently in the construction stage and is not expected to start commissioning until later this year, guidance for annual plant throughput and gold production in 2019 is subject to standard risk factors associated with project construction and start up challenges experienced with a new operating mine.

Sabodala

The Company's mine plan for Sabodala is designed to maximize free cash flows¹. Free cash flows¹ from our Sabodala mine will be used to fund the Company's growth strategy, including funding through to completion of construction of the Company's second mine, Wahgnion. At Sabodala, mining activities during 2019 will include mining of five deposits: Golouma West, Sabodala Phase 4, Kerekounda, Maki Medina and Koulouqwinde. Golouma West will be mined throughout 2019 and will comprise approximately 50 percent of total tonnes mined and more than 75 percent of total ounces mined. Sabodala Phase 4 will start out the year mining at higher elevations at high-strip ratios before reaching the lower benches and lower-strip ratios towards the end of the year. The high-grade Kerekounda and Koulouqwinde deposits will complete mining activities in the first half of 2019 while the Maki Medina deposit is scheduled to commence mining activities during the fourth quarter. Total tonnes mined are expected to be similar to the 37.3 million tonnes mined in 2018 at between 37.0 and 39.5 million tonnes in 2019. Ore tonnes mined will be almost twice as much compared to 2018 but at lower ore grades due to completion of mining activities at Gora in 2018.

Mill throughput is expected to increase slightly with ongoing optimization activities at the semi-autogenous grinding ("SAG") and ball mill circuit to between 4.1 and 4.3 million tonnes, compared to 4.1 million tonnes in 2018. Mill grades are expected to be slightly lower than 2018 at between 1.80 and 2.00 grams per tonne as higher grade material is supplemented with lower grade stockpiled material.

Gold production at Sabodala is expected to be between 215,000 and 230,000 ounces, with slightly higher production during the first quarter compared to the remaining three quarters. Gold production at Sabodala is anticipated to be approximately 10 percent lower than 2018 as the Company looks to maintain a balance between providing cash flow

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

necessary to complete Wahgnion's development, while also retaining a high-grade stockpile to support quarterly and annual production targets, as has been done in recent years.

Total production costs at Sabodala are expected to be in the range of \$165 to \$180 million in 2019, similar to 2018.

Sustaining capital expenditures in 2019 for the Sabodala mine are expected to be similar to 2018 at between \$10 and \$15 million, as well as an additional \$15 to \$20 million required to continue relocation and construction activities of the Sabodala village. Sustaining capital expenditures exclude capitalized deferred stripping costs included in total production costs.

Cost of sales are expected to be in the range of \$1,050 to \$1,125 per ounce. Total cash costs¹ are expected to be in the range of \$725 to \$775 per ounce.

All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)¹ for Sabodala, which exclude allocations of corporate administration and share-based compensation expense, are expected to be between \$825 to \$900 per ounce, similar to 2018.

Wahgnion

The Wahgnion development project is progressing well and is being managed by an owner's management team with responsibility for delivering site infrastructure, which includes tailings, mine site services, and initiation of mine operations. Mining activities have been ongoing since August 2018, with material sourced from the Nangolo and Nogbele North pits. The early start of the mining production has provided construction material for the tailings storage facility, allow the Nangolo pit to be used as a water storage starting in mid-2019, and build-up of an ore stockpile for the start of production.

Management is preparing the commissioning schedule for plant production ramp-up to nameplate capacity after mechanical completion. With the project well on track, management is preparing a new mine plan for 2019 to mine more material than planned in last year's technical report to accommodate an earlier than planned commissioning of the plant. Based on current progress of construction, production ramp up through the fourth quarter 2019 is expected to exceed the original estimate in last year's technical report.

Assuming an earlier commissioning of the plant and a ramp up in production exceeding original estimates, gold production at Wahgnion is anticipated to commence during the fourth quarter with gold production expected to range from 30,000 to 40,000 ounces for 2019. Cost of sales are expected to be between \$1,175 and \$1,250 per ounce and all-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)¹, excluding allocations of corporate overhead and share-based compensation expense, are expected to be between \$750 and \$825 per ounce.

The remaining construction capital to be spent at Wahgnion is anticipated to be \$115 to \$120 million. Total construction capital for the project remains largely in line with the estimates outlined in the feasibility study, other than some unfavourable variances for fuel and foreign exchange, which are moderately impacting equipment, labour and material costs. The majority of the project contingency remains unused.

Operating cost of mining, and other costs incurred prior to commencement of production is estimated to be approximately \$30 million. The increase to pre-production operating costs from the feasibility study is due to costs related to staffing for operations prior to commencement of production and operating activities ahead of full commissioning.

Corporate and Other

Administrative costs for 2019 are expected to be in the range of \$13 to \$14 million, similar to 2018. Most of the Company's administration costs are denominated in Canadian dollars. Share-based compensation expense is expected to be in the range of \$3.5 and \$4.5 million. The actual amount expensed is dependent on movements in the Company's share price.

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

Regional office costs, including the Dakar, Ouagadougou and Abidjan offices, are expected to total approximately \$2.0 to \$3.0 million, slightly higher than in 2018, mainly due to higher expensed Ouagadougou office costs, which in 2018 had been capitalized as part of Wahgnion's development costs.

Corporate social responsibility costs are expected to increase by up to \$0.5 million to between \$4.0 and \$5.0 million reflecting activities deferred from 2018 to 2019.

The Company's exploration and evaluation budget is expected to be in the range of \$5 to \$15 million for 2019, and is considered discretionary in order to preserve cash flow to complete the development of Wahgnion, should it be required.

Consolidated

With the anticipated commencement of production operations at Wahgnion, consolidated gold production is expected to be higher than 2018 at between 245,000 and 270,000 ounces at consolidated cost of sales between \$1,050 and \$1,125 per ounce and all-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)¹ between \$900 and \$1,000 per ounce, which includes administration and share-based compensation expense.

Sensitivity

	2019 Assumption	Hypothetical Change	Impact on all-in sustaining costs	Impact on cash flow
Gold revenue	\$1,250/oz	\$100/oz	n/a	\$22.5M
Gold price effect on royalties	\$1,250/oz	\$100/oz	\$6/oz	\$1.3M
Fuel cost based on Brent oil price	\$62/bbl	10%	\$18/oz	\$4.6M
EUR exchange rate	1.15:1	10%	\$37/oz	\$9.1M

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

REVIEW OF OPERATING RESULTS

Sabodala Gold Operations

Operating Results		Three months ended December 31,			Twelve months ended December 31,		
		2018	2017	% Change	2018	2017	% Change
Ore mined	('000t)	532	712	(25%)	1,921	2,101	(9%)
Waste mined - operating	('000t)	5,110	6,773	(25%)	18,893	23,520	(20%)
Waste mined - capitalized	('000t)	5,298	2,813	88%	16,454	11,865	39%
Total mined	('000t)	10,940	10,298	6%	37,268	37,486	(1%)
Grade mined	(g/t)	2.22	4.10	(46%)	3.62	3.48	4%
Ounces mined	(oz)	37,832	93,865	(60%)	223,349	235,262	(5%)
Strip ratio	(waste/ore)	19.6	13.5	45%	18.4	16.8	10%
Ore milled	('000t)	1,028	1,077	(5%)	4,069	4,221	(4%)
Head grade	(g/t)	1.95	2.11	(7%)	2.03	1.87	9%
Recovery rate	(%)	92.0	93.1	(1%)	92.3	92.1	0%
Gold produced ¹	(oz)	59,442	67,934	(13%)	245,230	233,267	5%
Gold sold	(oz)	61,696	68,944	(11%)	246,073	231,078	6%
Average realized price ²	(\$/oz)	1,232	1,279	(4%)	1,271	1,261	1%
Cost of sales per ounce	(\$/oz sold)	962	930	3%	937	961	(3%)
Total cash costs ²	(\$/oz sold)	692	689	1%	660	721	(8%)
All-in sustaining costs ²	(\$/oz sold)	1,105	938	18%	1,006	1,024	(2%)
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) ²	(\$/oz sold)	998	860	16%	940	943	(0%)
Mining	(\$/t mined)	2.27	2.46	(8%)	2.57	2.36	9%
Mining long haul	(\$/t hauled)	1.44	3.16	(54%)	2.59	2.97	(13%)
Milling	(\$/t milled)	13.36	11.36	18%	12.95	11.34	14%
G&A	(\$/t milled)	6.18	4.70	31%	5.30	4.26	24%

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 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 Financial Measures at the end of this MD&A.

		Three months ended December 31, 2018					Twelve months ended December 31, 2018						
		Golouma					Golouma						
		West	Kerekounda	Sabodala	Kouloukwinde	Total	West	Gora	South	Kerekounda	Sabodala	Kouloukwinde	Total
Ore mined	('000t)	282	70	100	80	532	945	344	72	380	100	80	1,921
Waste mined - operating	('000t)	2,724	733	1,060	593	5,110	8,818	1,677	17	6,728	1,060	593	18,893
Waste mined - capitalized	('000t)	1,070	-	4,228	-	5,298	8,158	-	-	-	8,296	-	16,454
Total mined	('000t)	4,076	803	5,388	673	10,940	17,921	2,021	89	7,108	9,456	673	37,268
Grade mined	(g/t)	1.95	5.33	0.77	2.20	2.22	2.21	8.05	2.98	4.27	0.77	2.20	3.62
Ounces mined	(oz)	17,721	11,991	2,461	5,659	37,832	67,157	89,044	6,888	52,140	2,461	5,659	223,349

		Three months ended December 31, 2017					Twelve months ended December 31, 2017					
		Golouma		Golouma			Golouma		Golouma		Total	
		West	Gora	South	Kerekounda	Total	West	Gora	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,			Twelve months ended December 31,		
		2018	2017	% Change	2018	2017	% Change
Total mined (as above)	('000t)	10,940	10,298	6%	37,268	37,486	(1%)
Capitalized pre-stripping	('000t)	-	-	N/A	-	2,604	(100%)
Total mined (including pre-strip tonnes)	('000t)	10,940	10,298	6%	37,268	40,090	(7%)

Operating results for the three months ended December 31, 2018

Mining

In the three months ended December 31, 2018, mining activities were focused primarily on Sabodala Phase 4, Golouma West, Kerekounda and Koulouqwinde. In the three months ended December 31, 2017, mining activities were focused on Golouma West, Gora Phase 3, Kerekounda and Golouma South. Total tonnes mined in the fourth quarter 2018 were 6 percent higher than the prior year comparative period, representing a new record, due primarily to a ramp up at Sabodala Phase 4 with the application of two shovels under favourable mining conditions, improved productivity at Golouma West and the increased usage of excavators in mining.

Ore tonnes mined were 25 percent lower in the fourth quarter 2018 compared with the fourth quarter 2017 due primarily to the completion of mining activities at Gora Phase 3 in July 2018, a reduced mining rate at depth at Kerekounda and a high strip ratio during the early stages of Sabodala Phase 4. Mined ore grades were 46 percent lower in the fourth quarter 2018 compared with the fourth quarter 2017 due primarily to the completion of the relatively high grade Gora and Golouma South pits in the third and second quarters, respectively.

Total ounces mined over the 18 months ended December 31, 2018 were approximately 26 percent higher than estimated in the reserves models due to ongoing dilution control, ore recovery processes and conservative resource modelling.

Processing

Ore tonnes milled decreased by 5 percent in the fourth quarter 2018 compared with the prior year period due primarily to the completion of a significant crushing circuit maintenance program and a higher proportion of harder rock in the mill feed in the current year period.

Head grade decreased by 7 percent in the fourth quarter 2018 compared with the prior year period due primarily to a lower proportion of high grade ore sourced from Gora, partially offset by higher grade ore sourced from Kerekounda at depth.

Gold production decreased by 13 percent to 59,442 ounces in the fourth quarter 2018 compared with the prior year period due primarily to lower average head grades, ore tonnes milled and recovery rates.

Costs – site operations

Total mining costs (excluding long haul costs) decreased by 3 percent to \$24.8 million in the fourth quarter 2018 compared with the prior year period due primarily to favourable mining conditions resulting in reduced fleet maintenance costs, favourable currency movements and lower explosives costs due to a reduction in blasted tonnes. Accordingly, lower total mining costs (excluding long haul costs) combined with a 6 percent increase in tonnes mined during the fourth quarter 2018 resulted in an 8 percent decrease in unit costs compared with the prior year period. Total long haul costs decreased by 64 percent to \$0.6 million in the fourth quarter 2018 compared with the prior year period due primarily to the completion of mining at the Gora satellite deposit.

Total processing costs increased by 12 percent to \$13.7 million in the fourth quarter 2018 compared with the prior year period due primarily to the impact of higher fuel prices and the completion of power station and crushing circuit maintenance programs during the fourth quarter 2018. Accordingly, on a unit cost basis, processing costs increased by 18 percent in the fourth quarter 2018 compared with the prior year period due to higher total processing costs and a 5 percent decrease in tonnes milled.

Total mine site general and administrative costs increased by 26 percent to \$6.4 million in the fourth quarter 2018 compared with the prior year period due primarily to non-cash supplies inventory obsolescence provision recorded during the quarter partially offset by favourable currency movements and lower consulting costs. On a unit cost basis, mine site general and administrative costs increased by 31 percent in the fourth quarter 2018 compared with the prior year period due to a 5 percent decrease in tonnes milled and higher total general and administrative costs.

Total cost of sales per ounce sold increased by 3 percent to \$962 per ounce in the fourth quarter 2018 compared with the prior year period due primarily to an 11 percent decrease in the volume of gold ounces sold and higher depreciation and amortization expense, mostly offset by lower mine operation expenses.

Total cash costs¹ for the fourth quarter 2018 were \$692 per ounce, an increase of 1 percent compared with the prior year period due primarily to higher mine production costs and net inventory movements, and a decrease in the volume of gold ounces sold partially offset by higher capitalized deferred stripping costs and lower royalties.

All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)¹ for the fourth quarter 2018 were \$998 per ounce, an increase of 16 percent compared with the prior year period. The increase was due primarily to an 11 percent decrease in gold ounces sold.

Operating results for the twelve months ended December 31, 2018

Gold production in 2018 was a record 245,230 ounces, exceeding the high end of the Company's increased full year production guidance range of 235,000 to 240,000 ounces. Gold production increased by 5 percent in 2018 compared with the prior year.

Mining

In the twelve months ended December 31, 2018, mining activities were focused primarily on Golouma West, Sabodala Phase 4, Kerekounda, the final benches of Gora Phase 3 and Koulouqwinde. In the comparative twelve months ended December 31, 2017, mining activities were focused on Gora, Kerekounda, Golouma West and Golouma South. Excluding pre-stripping tonnes, total tonnes mined in 2018 were 1 percent lower than the prior year. Including 2.6 million tonnes of pre-stripping waste capitalized in 2017 at Golouma West, total tonnes mined decreased by 7 percent in 2018 compared with the prior year.

Despite the increase in mining activities in the fourth quarter 2018, due to a focus on higher productivity areas within the Sabodala and Golouma West pits, total tonnes mined for the full year 2018 decreased compared with the prior year. The lower material movement was due to: i) lower mechanical availability for the shovels than expected during the first nine months of 2018; ii) during the first half of the year, mining activities were focused on narrower benches near the bottom of the Gora Phase 3 and Golouma South pits, which required the use of smaller equipment, resulting in lower shovel productivity; and iii) during the third quarter, mining activities were impacted by difficult ground conditions resulting from a significant increase in rainfall relative to the same prior year period.

Ore tonnes mined were 9 percent lower in 2018 compared with 2017 in large part due to lower material movement during 2018. Mined ore grades were 4 percent higher in 2018 compared with 2017 due primarily to the final high grade benches at Gora Phase 3 and positive grade reconciliations at Golouma West and Kerekounda.

Processing

Ore tonnes milled decreased by 4 percent in 2018 compared with the prior year due primarily to a higher proportion of hard rock in the mill feed and the impact of increased rainfall on the crushing circuit during the third quarter 2018.

Head grade increased by 9 percent in 2018 compared with the prior year due primarily to a greater proportion of high grade ore sourced from Kerekounda and Gora.

Gold production increased by 5 percent to a record 245,230 ounces in 2018 compared with the prior year due primarily to higher average head grades and recovery rates, partially offset by lower ore tonnes milled during the year.

Costs – site operations

Total mining costs (excluding long haul costs) increased by 8 percent to \$95.9 million in 2018 compared with the prior year due primarily to the capitalization of \$6.7 million in pre-production stage mining costs associated with the Golouma West pit in 2017. Also negatively impacting total mining costs were lower shovel productivity in the narrow lower benches of Gora Phase 3 in 2018, higher fuel costs and the impact of unfavourable currency movements compared to the prior year period. Accordingly, higher total mining costs (excluding long haul costs) combined with a 1 percent decrease in tonnes mined during 2018 resulted in a 9 percent increase in unit costs compared with the prior year. Total long haul costs decreased by 16 percent to \$4.7 million in 2018 compared with the prior year due primarily to the completion of mining at the Gora satellite deposit.

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

Total processing costs increased by 10 percent to \$52.7 million in 2018 compared with the prior year due primarily to the impact of higher fuel prices, unfavourable currency movements and increased power consumption resulting from the processing of harder ore. Accordingly, on a unit cost basis, processing costs increased by 14 percent in 2018 compared with the prior year due to higher total processing costs and a 4 percent decrease in tonnes milled in 2018.

Total mine site general and administrative costs increased by 17 percent to \$21.6 million in 2018 compared with the prior year due primarily to unfavourable currency movements, higher surface taxes payable on the Company's operating pits in 2018 and a non-cash supplies inventory obsolescence provision. Accordingly, on a unit cost basis, mine site general and administrative costs increased by 24 percent in 2018 compared with the prior year due to higher total general and administrative costs and a 4 percent decrease in tonnes milled.

Total cost of sales per ounce sold decreased by 3 percent to \$937 per ounce in 2018 compared with the prior year due primarily to a 6 percent increase in the volume of gold ounces sold and lower mine operation expenses, partially offset by higher depreciation and amortization expense.

Total cash costs¹ for 2018 were \$660 per ounce, a decrease of 8 percent compared with the prior year due primarily to an increase in the volume of gold ounces sold, an increase in capitalized deferred stripping costs and a decrease in net inventory movements, partially offset by higher mine production costs.

All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)¹ for 2018 were \$940 per ounce, a slight decrease compared with the prior year. The decrease was due primarily to an increase in the volume of gold ounces sold and lower mine operation expenses between years, mostly offset by higher capitalized deferred stripping costs, administrative and share-based compensation expenses.

REVIEW OF FINANCIAL RESULTS

(US\$000s)	Three months ended December 31,			Twelve months ended December 31,		
	2018	2017	% Change	2018	2017	% Change
Revenue	76,140	88,280	(14%)	312,628	291,683	7%
Mine operation expenses	(43,216)	(48,166)	(10%)	(164,349)	(168,689)	(3%)
Depreciation and amortization	(16,158)	(15,983)	1%	(66,168)	(53,424)	24%
Cost of sales	(59,374)	(64,149)	(7%)	(230,517)	(222,113)	4%
Gross profit	16,766	24,131	(31%)	82,111	69,570	18%
Exploration and evaluation expenditures	(4,544)	(5,928)	(23%)	(13,160)	(12,373)	6%
Administration expenses	(4,594)	(3,941)	17%	(13,618)	(10,702)	27%
Corporate social responsibility expenses	(1,028)	(615)	67%	(3,700)	(2,906)	27%
Share-based compensation	(1,158)	(935)	24%	(4,851)	(2,580)	88%
Finance costs	(3,772)	(1,241)	204%	(15,783)	(3,907)	304%
Net foreign exchange gains/(losses)	262	(491)	N/A	(2,680)	(4,632)	(42%)
Other (expense)/income	(8,040)	(1,612)	399%	8,458	4,496	88%
(Loss)/profit before income tax	(6,108)	9,368	N/A	36,777	36,966	(1%)
Income tax expense	(4,140)	(3,410)	21%	(23,312)	(2,436)	857%
Net (loss)/profit for the period	(10,248)	5,958	N/A	13,465	34,530	(61%)
Net profit attributable to non-controlling interests	(391)	(200)	96%	(1,671)	(2,598)	(36%)
Net (loss)/profit attributable to shareholders of Teranga	(10,639)	5,758	N/A	11,794	31,932	(63%)
Basic (loss)/earnings per share	(0.10)	0.05	N/A	0.11	0.30	(63%)

(US\$000s)	Three months ended December 31,			Twelve months ended December 31,		
	2018	2017	% Change	2018	2017	% Change
Mine operation expenses						
Mine production costs	45,562	44,742	2%	175,179	161,155	9%
Royalties	4,590	5,895	(22%)	19,809	19,180	3%
Regional administration costs	508	689	(26%)	1,868	1,996	(6%)
	50,660	51,326	(1%)	196,856	182,331	8%
Capitalized deferred stripping	(13,526)	(7,655)	77%	(45,978)	(29,428)	56%
Inventory movements	6,082	4,495	35%	13,471	15,786	(15%)
	(7,444)	(3,160)	136%	(32,507)	(13,642)	138%
Total mine operation expenses	43,216	48,166	(10%)	164,349	168,689	(3%)

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

(US\$000s)	Three months ended December 31,			Twelve months ended December 31,		
	2018	2017	% Change	2018	2017	% Change
Depreciation and amortization expenses						
Depreciation and amortization - property, plant and equipment and mine development expenditures	9,380	10,730	(13%)	43,264	39,152	11%
Depreciation and amortization - deferred stripping assets	5,159	10,016	(48%)	27,118	22,555	20%
	14,539	20,746	(30%)	70,382	61,707	14%
Inventory movements - depreciation	2,369	(4,333)	N/A	(1,486)	(6,306)	(76%)
Capitalized deferred stripping - depreciation	(750)	(430)	74%	(2,728)	(1,977)	38%
	1,619	(4,763)	N/A	(4,214)	(8,283)	(49%)
Total depreciation and amortization expenses	16,158	15,983	1%	66,168	53,424	24%

Financial Results for the three months ended December 31, 2018

Revenue

Revenue for the three months ended December 31, 2018 decreased by 14 percent over the prior year period due to an 11 percent decrease in ounces sold and a 4 percent decrease in average realized prices compared to the prior year period.

Spot price per ounce of gold	Three months ended December 31,		
	2018	2017	% Change
Average	\$1,226	\$1,276	(4%)
Low	\$1,186	\$1,241	(4%)
High	\$1,279	\$1,303	(2%)
Average Realized	\$1,232	\$1,279	(4%)

Mine Operation Expenses

For the three months ended December 31, 2018, mine operation expenses, before capitalized deferred stripping and inventory movements, decreased by 1 percent over the prior year period to \$50.7 million primarily due lower royalties expense from lower gold sales, a decrease in hauling costs due to completion of mining at Gora and favourable currency movements. The decrease was partially offset by higher fuel prices, major planned maintenance of the processing plant and supplies inventory obsolescence provision.

The amount of mining costs capitalized as deferred stripping costs will fluctuate from period to period depending on whether mining is above or below the life-of-phase strip ratio in a particular pit. During the fourth quarter, mining activities were above the life-of-phase strip ratios at the Golouma West and Sabodala deposits resulting in 5.3 million tonnes, or \$13.5 million of deferred stripping costs, being capitalized in the current period. In the prior year period, mining activities were above the life-of-phase strip ratio at the Kerekounda and Golouma West deposits resulting in 2.8 million tonnes, or \$7.7 million of deferred stripping costs, being 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. 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.

Inventory movements in the fourth quarter resulted in an increase to mine operation expenses of \$6.1 million compared to \$4.5 million in the prior year period, as a result of the drawdown and processing of low grade ore stockpiles during the periods.

Depreciation and amortization expenses

Total depreciation and amortization expense for the fourth quarter was \$16.2 million, or \$0.2 million higher than the prior year period. Depreciation and amortization expense for property, plant and equipment and mine development expenditures decreased due to lower gold ounces produced during the quarter. Depreciation and amortization of deferred stripping assets decreased by \$4.9 million mainly due to the end of mining activities at Gora partially offset by an increase in gold ounces mined from the Golouma West and Kerekounda pits compared to the prior year period. Depreciation related to inventory movements resulted in an increase of \$2.4 million, as a result of a decrease of stockpiled ounces in inventory. In the prior year period, depreciation related to inventory movements resulted in a decrease of \$4.3 million due to a build-up of stockpiled ounces in inventory.

Exploration and evaluation

Exploration and evaluation expenditures for the fourth quarter were \$4.5 million, \$1.4 million lower than the prior year period. Refer to the *Exploration* section for additional details.

Administration expense

Administration expense for the fourth quarter was \$4.6 million, \$0.7 million higher than the prior year period. Higher administration expense in the current period is mainly due to increased personnel costs due to the growth of the Company beyond the Sabodala Gold operations in Senegal, and other miscellaneous corporate support costs.

Share-based compensation

Share-based compensation expense for the fourth quarter was \$1.2 million, \$0.2 million higher than the prior year period due to an increase in the Company's share price during the current quarter.

Finance costs

Finance costs for the fourth quarter were \$3.8 million, \$2.5 million higher than the prior year period mainly due to a \$2.1 million non-cash accretion expense related to the gold stream liability from the streaming arrangement with Franco-Nevada Corporation ("Franco-Nevada") as a result of adopting IFRS 15 prospectively in 2018. As a consequence of the adoption of IFRS 15, the Company will continue to record non-cash accretion expense at a rate of approximately 9 percent on the gold stream liability for as long as the gold stream liability remains outstanding. For additional details, please see the *Critical Accounting Policies and Estimates* section of this MD&A. During the fourth quarter 2018, the Company expensed \$1.0 million of interest and amortization of deferred financing costs related to the Taurus Facility. An additional \$3.2 million of interest and amortization of deferred financing costs related to the Taurus Facility directly attributable to the development of Wahgnion has been capitalized.

Net foreign exchange gains/(losses)

Net foreign exchange gains of \$0.3 million were recorded during the fourth quarter 2018 compared to net foreign exchange losses of \$0.5 million in the prior year period. The increase was due to strengthening of the US dollar against the Euro compared to weakening of the US dollar against the Euro in the prior year period.

Other expenses

Other expenses for the fourth quarter was \$8.0 million compared to \$1.6 million in the prior year period. The increase in other expenses was mainly due to unrealized losses on forward gold sales contracts of \$9.9 million due to the increase in gold prices during the fourth quarter 2018, partially offset by realized gains on forward gold sales contracts of \$2.8 million compared to unrealized losses of \$3.5 million in the prior year period. The prior year period also included a \$2.5 million gain on sale of marketable securities.

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 accordance with local statutory requirements, 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.

Effective January 1, 2018, Teranga's West African entities in Senegal, Burkina Faso and Côte d'Ivoire converted to new accounting standards under the Organization for the Harmonization of Business Law in Africa ("SYSCOHADA"). The new SYSCOHADA standards bring West African accounting standards and principles in greater alignment to IFRS. As a result, certain transitional changes impacted current and deferred income taxes for the three and twelve months ended December 31, 2018.

For the three months ended December 31, 2018, the Company recorded income tax expense of \$4.1 million, comprised of current income tax expense of \$0.5 million and a deferred income tax expense of \$3.6 million. In the prior year period, the Company recorded income tax expense of \$3.4 million, comprised of current income taxes expense of \$3.7 million net of a recovery of deferred income tax of \$0.3 million. Lower current income tax expense in the current quarter was mainly due to higher depreciation expense resulting from the conversion to SYSCOHADA. The higher depreciation costs resulted in lower net asset values leading to higher deferred taxes in the current period.

Net (loss)/profit

Consolidated net loss attributable to shareholders was \$10.6 million (\$0.10 loss per share) for the fourth quarter 2018 compared to net profit of \$5.8 million (\$0.05 per share) in the prior year period. The decrease was primarily attributable to lower gross profits of \$7.4 million as a result of lower gold sales, higher losses on gold forward sales contracts of \$3.7 million, non-cash accretion expense of \$2.1 million as a result of the adoption of IFRS 15, higher interest and deferred financing costs of \$0.6 million as a result of the Taurus Facility partially offset by decrease in exploration expenses of \$1.4 million.

Adjusted net profit attributable to shareholders¹ was \$1.2 million (\$0.01 per share) for the fourth quarter 2018 compared to \$8.7 million (\$0.08 per share) in the prior year period. The decrease was mainly due to lower gross profit, as a result of lower gold sales. Adjusted net profit attributable to shareholders¹ excludes gains and losses on gold forward sales contracts, accretion expense, net foreign exchange gains/(losses), the impact of foreign exchange movements on deferred taxes and other non-cash fair value changes.

Financial Results for the twelve months ended December 31, 2018

Revenue

Revenue for the twelve months ended December 31, 2018 increased by 7 percent over the prior year period due to a 6 percent increase in ounces sold and 1 percent higher average realized prices compared to the prior year period.

Spot price per ounce of gold	Twelve months ended December 31,		
	2018	2017	% Change
Average	\$1,268	\$1,257	1%
Low	\$1,178	\$1,151	2%
High	\$1,355	\$1,346	1%
Average Realized	\$1,271	\$1,261	1%

Mine operation expenses

For the twelve months ended December 31, 2018, mine operation expenses, before capitalized deferred stripping and inventory movements, increased by 8 percent over the prior year period to \$196.9 million, primarily due to unfavourable currency movements, higher fuel prices and capitalization of pre-production stage mining costs associated with the Golouma West pit in the first nine months of 2017.

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

The amount of mining costs capitalized as deferred stripping costs will fluctuate from period to period depending on whether mining is above or below the life-of-phase strip ratio in a particular pit. During the year, mining activities were above the life-of-phase strip ratios at the Sabodala and Golouma West deposits resulting in 16.5 million tonnes, or \$46.0 million of deferred stripping costs being capitalized in the current period. In the prior year period, mining activities were above the life-of-phase strip ratio at the Kerekounda, Gora and Golouma West deposits resulting in 11.9 million tonnes or \$29.4 million of deferred stripping costs being capitalized in the prior year period. The increase in unit mining costs further increased the value of capitalized deferred stripping costs compared to the prior year period. Costs capitalized are amortized to the income statement as the deposit is mined.

Inventory movements in the twelve months ended December 31, 2018 resulted in an increase to mine operation expenses of \$13.5 million compared to \$15.8 million in the prior year period. The decrease in inventory movements compared to the prior year period was primarily due to a decrease in net drawdowns of stockpiled ounces as stockpiled ore was processed.

Depreciation and amortization expenses

Total depreciation and amortization expense for the twelve months ended December 31, 2018 was \$66.2 million, \$12.7 million higher than the prior year period. Depreciation and amortization expense of property, plant, and equipment and mine development expenditures increased, as a result of a higher asset depreciation base and more ounces produced. Depreciation and amortization of deferred stripping assets increased by \$4.6 million mainly related to the incremental impact of Golouma West going into production in September 2017 and higher gold ounces mined from Kerekounda, partially offset by a decrease in amortization of previously capitalized deferred stripping costs at Gora and Golouma South as mining activities decreased in these pits compared to the prior year period. Depreciation related to inventory movements decreased by \$4.8 million as a result of higher unit amortization and a decrease in drawdown of stockpiled ounces in inventory in 2018 compared to the prior year period.

Exploration and evaluation

Exploration and evaluation expenditures for the twelve months ended December 31, 2018 were \$13.2 million, \$0.8 million higher than the prior year period. Refer to the *Exploration* section for additional details.

Administration expense

Administration expense for the twelve months ended December 31, 2018 was \$13.6 million, \$2.9 million higher than the prior year period. Higher administration expense in the current period was mainly due to increased personnel costs due to the growth of the Company beyond the Sabodala Gold operations in Senegal and other miscellaneous corporate support costs, as well as the reversal of an over-accrual in the prior year period.

Share-based compensation

Share-based compensation expense for the twelve months ended December 31, 2018 was \$4.9 million, \$2.3 million higher than the prior year period due to an increase in the Company's share price during 2018 compared to a decrease in the Company's share price in the prior year period.

The Company granted 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 RSU's, DSU's and fixed bonus plan units:

	Twelve months ended December 31, 2018		As of December 31, 2018	
	Grant Units	Grant Price ¹	Outstanding	Total Vested ²
RSUs	821,000	C\$4.19	1,467,014	969,665
DSUs	193,000	C\$4.19	756,998	676,581
Fixed Bonus Plan Units	-	-	323,500	322,732

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 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, except for RSUs granted on March 29, 2018 and future grants, which vest as to 25 percent in thirds over a three-year period, 50 percent in thirds upon satisfaction of annual production and costs targets and 25 percent in thirds upon satisfaction of matching the average performance of the VanEck Vectors Junior Gold Miners ETF ("GDJX"). Both DSUs and RSUs are payable in cash. The Company used the December 31, 2018 closing share price of C\$4.03 to value the vested DSUs and RSUs.

The following table summarizes stock option awards to employees of the Company:

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2017	4,454,491	C\$9.20
Exercised	(242,867)	C\$3.25
Granted ¹	1,321,000	C\$4.22
Forfeited	(324,738)	C\$6.34
Balance as at December 31, 2018	5,207,886	C\$8.39

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 immediately preceding the day on which the option is granted.

Of the 5,207,886 common share stock options issued and outstanding as at December 31, 2018, 3,704,864 are vested and 315,022 vest over a three-year period, and 1,188,000 vest over a four-year period. Under IFRS, the graded method of amortization is applied to new grants of stock options and fixed bonus plan units, which results in approximately 52 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, 2018 were \$15.8 million, \$11.9 million higher than the prior year period mainly due to a \$9.0 million adjustment to record non-cash accretion expense of the gold stream liability from the Franco-Nevada streaming arrangement as a result of adopting IFRS 15 prospectively in 2018, an increase in bank charges of \$1.3 million and additional borrowing costs of \$1.8 million as a result of the Taurus Facility.

During the twelve months ended December 31, 2018, interest incurred and amortization of deferred financing costs related to the Taurus Facility recorded as expense were \$2.3 million. An additional \$7.1 million of interest incurred and amortization of deferred financing costs related to the Taurus Facility directly attributable to the development of Wahgnion has been capitalized.

As a result of the adoption of IFRS 15, the Company continues to record non-cash accretion expense at a rate of approximately 9 percent on the gold stream liability for so long as the gold stream liability remains outstanding. For additional details, please see the *Critical Accounting Policies and Estimates* section of this MD&A.

Net foreign exchange losses

Net foreign exchange losses of \$2.7 million were recorded in 2018 by the Company compared to \$4.6 million in the period year period. The decrease was mainly due to larger movements during the prior year period between the US dollar and the Euro compared to the current year.

Other income

Other income for the twelve months ended December 31, 2018 was \$8.5 million compared to \$4.5 million in the prior year period. The increase in other income was mainly due to gains on forward gold sales contracts of \$7.5 million and a decrease in the fair value of the share warrant liability of \$1.1 million in 2018. The prior year period also included a \$1.2 million milestone payment received pursuant to an option agreement with Algold Resources Ltd and \$2.5 million gain on sale of marketable securities.

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 accordance with local statutory requirements, 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 twelve months ended December 31, 2018, the Company recorded income tax expense of \$23.3 million, comprised of current income tax expense of \$13.0 million and deferred income tax expense of \$10.3 million. In the prior year period, an income tax expense of \$2.4 million was comprised of a current income tax expense of \$6.9 million and a recovery of deferred income taxes of \$4.5 million. Higher current income tax expense in the current period was mainly due to higher profit subject to tax combined with realized and unrealized foreign exchange gains, due to movement of the US dollar against the local currency, partially offset by higher depreciation as a result of conversion to SYSCOHADA. Higher deferred income tax expense was mainly due to unrealized foreign exchange gains recognized in the current period for tax purposes as well as lower net book value of assets as a result of higher depreciation. In the prior year period, unrealized foreign exchange losses lowered both current and deferred taxes.

Net profit

Consolidated net profit attributable to shareholders was \$11.8 million (\$0.11 per share) for the twelve months ended December 31, 2018 compared to \$31.9 million (\$0.30 per share) in the prior year period. The decrease was primarily attributable to an increase in income tax expense of \$20.9 million, as an increase in gross profit of \$12.5 million from higher revenues and gains on gold forward sales contracts of \$7.5 million was partially offset by non-cash accretion expense of \$8.9 million, from the adoption of IFRS 15, and marginally higher expenses.

Adjusted net profit attributable to shareholders¹ was \$18.1 million (\$0.17 per share) for 2018 compared to \$30.1 million (\$0.28 per share) in the prior year period. The decrease was mainly attributable to higher income tax expense and finance costs, partially offset by higher gross profits as a result of higher revenues. Adjusted net profit attributable to shareholders¹ excludes gains and losses on gold forward sales contracts, accretion expense, net foreign exchange losses, the impact of foreign exchange movements on deferred taxes and other non-cash fair value changes.

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

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

	As at December 31, 2018	As at December 31, 2017
Balance Sheet		
Cash and cash equivalents	46,615	87,671
Trade and other receivables	9,079	5,484
Inventories	151,713	160,662
Deferred tax assets	16,196	26,491
Marketable securities	324	964
Other assets ¹	715,960	534,960
Total assets	939,887	816,232
Trade and other payables	75,094	54,165
Borrowings	87,097	14,307
Provisions	42,568	34,303
Gold stream liability	88,762	46,209
Gold offtake payment liability	13,699	-
Share warrant liability	1,969	-
Current income tax liabilities	13,124	7,634
Other liabilities	10,447	10,059
Total liabilities	332,760	166,677
Total equity	607,127	649,555

¹ Includes Property, Plant and Equipment, Other Current Assets and Other Non-Current Assets.

Balance Sheet Review

Cash

The Company's cash balance at December 31, 2018 was \$46.6 million, \$41.1 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 \$9.1 million includes \$2.8 million and \$3.0 million in Senegalese and Burkinabe value added tax ("VAT") recoverable, respectively.

In February 2016, the Company received an exemption for the payment and collection of refundable Senegalese VAT. This exemption is governed by an amendment to the Company's mining convention and expires on May 2, 2022. The Senegalese VAT receivable at the end of December 31, 2018 primarily relates to Senegalese VAT amounts paid prior to May 2017.

Burkinabe VAT represents amounts paid within 24 months prior to commencement of operations at Wahgnion. On December 20, 2017, the Company received an exoneration from Burkinabe VAT directly related to mining services during the construction phase from the Burkinabe government on Wahgnion.

Other Assets

Other assets increased by \$181.0 million to \$716.0 million as at December 31, 2018. The increase was largely attributable to additions to property, plant and equipment of \$251.7 million, mainly a result of the Company's on-going construction of Wahgnion and \$14.4 million from the acquisition of the Afema project, partially offset by depreciation expense of \$72.1 million, and an increase in gold hedge derivative assets of \$2.6 million.

Borrowings

Borrowings increased by \$72.8 million to \$87.1 million as at December 31, 2018. The increase was attributable to a \$112.2 million drawdown of the Taurus Facility, net of \$25.1 million of deferred financing costs. The balance at December 31, 2017 consisted of the \$15.0 million under a revolving credit facility with Société Générale S.A. ("Revolver Facility"), net of \$0.7 million in deferred financing costs. In May 2018, the Revolver Facility was repaid and the associated deferred financing costs were recorded as expenses of the current period (see *Liquidity and Capital Resources Outlook* section for more details).

	As at December 31, 2018	As at December 31, 2017
Revolver credit facility		
Principal outstanding	-	15,000
Deferred financing costs	-	(693)
Total Revolver Credit Facility	-	14,307
Secured development finance facility		
Principal outstanding	112,200	-
Deferred financing costs	(25,103)	-
Total Secured Development Finance Facility	87,097	-
Total Borrowings	87,097	14,307

Deferred financing costs detail:

	As at December 31, 2018	As at December 31, 2017
Financing costs	12,278	2,321
Fair value of gold offtake payment liability	14,015	-
Share warrants issued	3,105	-
Accumulated amortization of deferred financing costs	(4,295)	(1,628)
Total deferred financing costs	25,103	693

Gold Stream Liability

During the twelve months ended December 31, 2018, the Company delivered 22,500 ounces of gold to Franco-Nevada and recorded revenue of \$28.2 million, consisting of \$5.7 million received in cash proceeds and \$22.5 million recorded as a reduction of gold stream liability. As a result of adopting IFRS 15, a cumulative adjustment to re-measure the gold stream liability of \$56.1 million was recognized on January 1, 2018 with a corresponding decrease in opening retained earnings. The adoption of IFRS 15 also resulted in a non-cash \$9.0 million expense during the twelve months ended December 31, 2018 related to the accretion of the gold stream liability from the passage of time.

Gold Offtake Payment Liability

In conjunction with the Taurus Facility, the Company entered into the Offtake Agreement on May 31, 2018 (see *Financial Instruments* section for more details). The balance of \$13.7 million at December 31, 2018 represents the fair value of the Offtake Agreement at the end of the reporting period. The Company has estimated the fair value of the Offtake Agreement using a discounted cash flow model based on Wahgnion's life of mine production up to the first 1,075,000 ounces of gold, a discount rate of 9.0 percent and the average spread between gold spot price per ounce and the lowest gold price per ounce during the preceding eight days for each trading day in the past ten-year period. Amounts owing to Taurus Funds will be settled in cash; Taurus Funds does not take physical delivery of gold ounces sold at any time.

Share Warrant Liability

In conjunction with the Taurus Facility, the Company granted two million units of unlisted four-year share warrants to Taurus Funds on April 16, 2018. Each warrant allows the holder to acquire one common share of the Company at an exercise price of C\$5.22 (see *Financial Instruments* section for more details). At December 31, 2018, the share warrants have been fair valued at \$2.0 million, using the Black-Scholes option pricing model.

Current income tax liabilities

Current income tax liabilities increased by \$5.5 million to \$13.1 million as at December 31, 2018. The increase was largely attributable to a provision for current income tax payable of \$13.0 million, which was partially offset by \$7.5 million settlement of prior year's tax payable in cash and redemption of VAT certificates.

In November 2018, Sabodala received qualified status under an "export free enterprise" investment program in Senegal, which provides certain benefits to Sabodala, including lower rates for customs duties, business taxes and potentially lower income tax rates provided Sabodala continues to export more than 80 percent of its gold production. This status is valid until October 2021.

REVIEW OF QUARTERLY FINANCIAL RESULTS

(US\$000s, except where indicated)	2018				2017			
	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Revenue	76,140	64,196	86,050	86,242	88,280	61,041	72,040	70,322
Average realized gold price (\$/oz) ¹	1,232	1,209	1,301	1,326	1,279	1,277	1,260	1,226
Cost of sales	59,374	51,676	59,997	59,470	64,149	49,225	54,281	54,458
Net profit / (loss)	(10,639)	7,866	11,586	2,981	5,758	10,370	9,640	5,592
Net earnings / (loss) per share ²	(0.10)	0.07	0.11	0.03	0.05	0.10	0.09	0.05
Operating cash flow	41,784	17,371	19,181	13,719	32,452	10,235	7,434	21,258

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.

² On May 8, 2017, the Company completed a five-for-one consolidation of common shares of the Company.

Our revenues over the last several quarters reflect the variation in quarterly production and fluctuations in gold price. Cost of sales were driven by production volumes and were also influenced by fuel costs, foreign currency movements and operational efficiencies. Operating cash flow levels fluctuate depending on the price of gold and production levels each quarter. The decrease in revenue during the third quarters 2018 and 2017 were primarily related to the rainy season in West Africa, which typically has a negative impact on processing throughput rates due to the necessity of processing a higher proportion of harder rock.

Net loss recorded during the fourth quarter 2018 was mainly due to net losses on gold forward sales contracts of \$7.1 million.

Higher operating cash flows in the fourth quarter 2017 were mainly due to higher gold ounces sold. The decrease in operating cash flows in the second quarter 2017 was mainly due to the timing of income tax payments related to 2016.

BUSINESS AND PROJECT DEVELOPMENT

Wahgnion Gold Project

Resource and Reserve Update

The Company improved the Wahgnion's economics following completion of the infill drill program designed to convert inferred resources to indicated resources and reserves. Based on drill results from a 73,000 metre infill drill program completed in 2017, the updated combined measured and indicated mineral resource is now 50.5 million tonnes at a grade of 1.51 g/t for 2.44 million contained ounces of gold.

The updated gold reserves are 31.1 million tonnes at a grade of 1.61 g/t for 1.6 million ounces and is derived from four deposits (Nogbele, Fourkoura, Samavogo, and Stinger) within the Wahgnion mine license. The updated mineral reserve estimate and feasibility study represents an increase of approximately 40 percent in gold reserves compared to the previous study. The update also extends the mine life from 9 to 13 years and improves the first five-year production and cost profiles.

Teranga released an updated mineral reserve estimate and feasibility study for the Wahgnion development project on October 31, 2018.

Construction and Development Update

First gold pour is well on track for the fourth quarter 2019, in line with the NI 43-101 technical report released on October 31, 2018. Total construction capital remains largely in line with the estimates outlined in the feasibility study, other than some unfavourable variances for fuel and foreign exchange, which are moderately impacting equipment, labour and material costs. The majority of the project contingency remains unused. Construction is being managed by an owner's management team with responsibility for delivering site infrastructure, which includes tailings, mine site services, and initiation of mine operations. Lycopodium Limited is responsible for the plant construction under the engineering, procurement, and construction management ("EPCM") arrangement.

Key project achievements are:

- Over 2.5 million hours worked without a lost time incident.
- Development is on schedule with approximately \$132 million spent to date of a total commitment value of \$209 million, representing approximately 82 percent of total project costs.
- The project is at peak construction with over 1,700 workers on site (including local casual labour). As the project schedule nears the final phases of construction and commissioning, planning focus has shifted to operations readiness that includes the final stages operations personnel hiring and promoting existing staff, including placing priority on key positions post construction.
- Engineering and drafting was completed in the fourth quarter and all civil, structural and mechanical drawings have been issued for construction.
- Steel fabrication was completed and has been largely delivered to site.
- Plant construction is on schedule with delivery of most process equipment already on site (including generator sets, the SAG and ball mills), concrete pours are nearing completion, structural steel installation have commenced and all carbon-in-leach tanks are installed.
- Construction of the tailings storage facility has neared completion. The outer embankments have been completed, liner installation is approximately 35 percent complete and construction of the internal decant access ramp will commence when fresh rock is available in the second quarter 2019.
- The main camp area and essential services are now complete, with near completion of the mine services areas, site infrastructure and administration buildings.
- Power station concrete work is over 80 percent complete, the generator sets have been installed and structural steel has commenced for the pipe racks, building frame and fuel storage facilities.
- Construction of resettlement sites continued through the quarter with completion of multiple dwellings and successful resettlement of families. Construction remains ongoing in two separate settlement areas; completion of the first area is expected in the first quarter 2019 while completion of the second area is expected to be completed in the second quarter 2019.

Management is preparing the commissioning schedule for plant production ramp-up to nameplate capacity after mechanical completion. With the project well on track, management is preparing a new mine plan for 2019 to mine more material than planned in last year's technical report to accommodate an earlier than planned commissioning of the plant. Based on current progress of construction, production ramp up through the fourth quarter 2019 is expected to exceed the original estimate in last year's technical report.

Afema Project

The Afema project is located in southeast Côte d'Ivoire and covers more than 1,400 km², consisting of the Afema mining license ("Afema ML") and three exploration permits – Ayame, Maferé and Aboisso (collectively, the "Afema Permits").

On January 25, 2018, the Company, Sodim Limited ("Sodim") and the Government of Côte d'Ivoire concluded an amendment to the existing mining convention applicable to the Afema ML ("Amended Convention"). Pursuant to the Amended Convention, and the Government of Côte d'Ivoire's agreement to extend initial construction timelines under the initial convention, the Company, as operator of the Afema project, must deliver an economic evaluation on an initial Afema project within 15 months of the Amended Convention ("Economic Evaluation"). Upon delivery of the Economic Evaluation, the Company and Sodim have up to 12 months to commence construction and up to 36 months to deliver initial production.

On March 22, 2018, the Company entered into an agreement with Sodim to acquire the Afema ML and Afema Permits. Under the terms of the agreement, the Company maintains its interest in the Afema ML 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 ML through the delivery of a confirmation study, feasibility study or updated feasibility study on the Afema project and Teranga's commitment to fund its 70 percent interest in the proposed project through construction. Upon reaching this point, Sodim can either elect to either (i) maintain its 30 percent equity interest on a fully participatory basis, (ii) maintain a 5 percent interest on a free carry basis, or (iii) receive a 3 percent net smelter returns royalty on the Afema project. As at December 31, 2018, the Company was on track in meeting its commitments under the work program to retain its 51 percent interest and continues to work towards the completion of an economic and technical study of a project within the Afema ML.

Teranga expects to solely fund and manage the exploration programs and technical studies under the Afema project. Management is in the process of assessing previous work within the original Afema ML, including an update of the previously defined oxide resources, analysis of the historical metallurgical test work and an initial review of the baseline environmental work. Management expects a determination of potential for future Canadian Institute of Mining and Metallurgy compliant resources through a resource delineation program and a potential processing solution for the oxide ore during 2019.

Agreement with ACC Resources Limited

In 2018, the Company signed an agreement with ACC Resources Limited and ACC Ressources Sarl to establish a shared exploration entity within the Dossi permit area in Burkina Faso. Teranga will endeavour to determine the technical and economic viability of processing ore identified and anticipated to be identified from target areas leveraging the anticipated infrastructure to be developed in connection with the positive completion of a feasibility study for its adjacent Golden Hill exploration and development project in Burkina Faso. The Dossi permit is contiguous with the northernmost part of the three Golden Hill exploration permits.

EXPLORATION

Exploration highlights during fourth quarter 2018 included the Company announcing more encouraging drill results from Golden Hill in Burkina Faso and continuing the advancement of both the Afema ML and Afema Permits in Côte d'Ivoire.

Burkina Faso

Wahgnion Mine License Reserve Development

The second phase of grade control drilling at the Nogbele deposit was initiated in December 2018 with 128 reverse circulation holes comprising 3,867 metres completed during the fourth quarter of 2018. Nogbele grade control drilling will continue into early 2019.

Very positive milestones were attained in 2018 including the revised resource estimate which resulted in a 33 percent increase in measured and indicated resources to the current estimate of 2.44 Mozs (50.5 MTonnes grading 1.51 g/t Au) and the subsequent 40 percent increase in the Wahgnion gold reserves to the current estimate of 1.61 Mozs (31.07 MTonnes grading 1.61 g/t Au).

The Company announced the increase in gold reserves for Wahgnion and released an updated NI 43-101 technical report reflecting a revised resource estimation, updated gold reserves, as well as a new mine plan for Wahgnion on October 31, 2018. For further details, please refer to the Teranga Gold Corporation news releases dated September 24, 2018 and October 31, 2018.

Golden Hill Property

During the fourth quarter 2018, the Company continued the advanced exploration program at Golden Hill with further diamond core and reverse circulation drilling at the Ma Main and Ma North prospects. A total of 47 diamond core holes comprising 6,639 metres were completed at the Ma Main (30 holes totalling 4,227 metres) and Ma North prospects (17 holes totalling 2,412 metres). In addition, the Company completed 14 reverse circulation holes comprising 1,866 metres at the Ma Main prospect.

In addition, during the fourth quarter, the Company announced positive drilling results at the Ma Main, Ma North and Jackhammer Hill prospects. For further details, please refer to the Teranga Gold Corporation news release dated December 4, 2018.

Drilling activity continued at a very rapid pace in 2018 with a total of 303 diamond core holes (38,485 metres) and 52 reverse circulation holes (5,263 metres) completed at a number of advanced prospects at Golden Hill. Positive results from the advanced exploration drilling program completed thus far at nine Golden Hill prospects has enabled release of

an initial resource estimate for the project's most advanced prospects. On February 21, 2019, the Company announced an early-stage initial resource estimate for Golden Hill (effective November 30, 2018) comprised of 6.4 million tonnes at a grade of 2.02 g/t in the indicated category for 415,000 ounces and 11.95 million tonnes grading at 1.68 g/t in the inferred category for 644,000 ounces of gold.

During the year, the Company issued a total of seven news releases outlining results from the positive drilling campaign at Golden Hill. A cumulative table of all available drill results, comprising all drilled prospect areas, is located on the Company's website at www.terangold.com under "Exploration".

Côte d'Ivoire

In addition to its interest in the Afema project (inclusive of a 1,400 km² land package comprised of the Afema ML and Afema Permits), the Company holds, by way of an exploration agreement, three greenfield exploration tenements totalling nearly 1,200 km² in Côte d'Ivoire.

Afema ML Property

During the fourth quarter 2018, the Company continued with geological and structural evaluations focusing on oxide-mineralization expansion opportunities along the Afema Shear Zone as well as both the separate and distinct Niamienlessa and Woulo Woulo structural trends. Preliminary field exploration programs continued at a series of historic and new target areas throughout the Afema ML.

Initial drilling began in the fourth quarter with 12 reverse circulation holes totalling 453 metres completed at the Aniuri and Asupiri prospects and 19 mechanical trenches (1,056 metres) were excavated, mapped and sampled.

In addition, the stream sediment bulk leach extractable gold ("BLEG") sampling program was initiated across the Afema ML.

The 2018 exploration program has achieved many of its goals including data accumulation, revised resource estimation, preliminary metallurgical evaluation, initiation of excavator trenching and reverse circulation resource-focused drilling.

Afema Regional Properties (Ayame, Mafere, Aboisso)

During the fourth quarter 2018, the Company initiated a property-wide stream sediment BLEG sampling program to cover all three exploration permits.

Guitry Property

The primary exploration target at the Guitry property is an extensive gold-in-soil geochemical anomaly covering an approximate 3 kilometre by 7 kilometre area. Results from the first ever drill program at Guitry, designed to evaluate the central 1,000 metre strike extent within the extensive gold-in-soil anomaly, included: 24 metres grading 2.02 g/t Au (GUACO08), 4 metres grading 5.80 g/t Au (GUACO15) and 20 metres grading 6.37 g/t Au (GUACO18).

The Company initiated a mechanical trenching program late in the fourth quarter of 2018. Completion of the mechanical trenching program, with plans to follow-up favourable results with reverse circulation and diamond core drilling, will be undertaken in 2019.

Sangaredougou Property

In the fourth quarter 2018, the Company completed a ground magnetics geophysical survey, an infill and step-out soil sampling program and started a hand-pitting program within the current geochemically anomalous gold-in-soil trends.

The Company plans further hand-pitting, mechanical trenching and follow-up drilling in 2019.

Dianra Property

During the fourth quarter 2018, a series of hand pits were excavated across a favourable northeast to southwest trending structural zone hosting a high priority gold-in-soil geochemical anomaly with an approximate 6 kilometre strike length.

The Company plans a mechanical trenching exploration program and follow-up drilling in 2019.

HEALTH AND SAFETY

Sabodala

Health and safety remains the principal priority at Sabodala and all personnel are involved on the 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. Furthermore, advanced supervisor safety training was started along with supervisor forums to assist supervisors on key skills to become an effective leader. The Company also initiated a wellness program to raise awareness on issues impacting health and well-being, including the health benefits of physical activity, healthy eating, smoking cessation, responsible alcohol use and positive mental health.

In 2019, the focus will be consequence management training and appointing risk champions to manage risk changes. The ergonomic and occupational hygiene program is expected to be initiated by the second quarter 2019 and safety representative development continues to move forward.

Wahgnion

Wahgnion continues to uphold Teranga's reputation for safety performance and the belief that safety is our responsibility. During 2018, Wahgnion had reached multiple milestones without incurring a single Lost Time Injury ("LTI"). During the fourth quarter 2018, Wahgnion achieved 2 million hours free of LTIs and has continued to surpass this milestone into 2019.

As construction activities wind down and operational activities ramp up through the latter part of 2019, safe work education of the operational team will be a primary focus.

CORPORATE SOCIAL RESPONSIBILITY

Teranga's Corporate Social Responsibility ("CSR") program continues to set a high standard for socially responsible mining. As a proud supporter and participant in the 2030 United Nations Sustainable Development Goals program, Teranga specifically focuses on four areas: eradicating hunger, providing quality education, creating good jobs and economic growth and consummating partnerships for goals.

Senegal

Community Relations

In 2018, Teranga continued its community investment program working with the funding of numerous projects in and around the Sabodala mine site, spending a total of \$1.2 million on social programs during the year. Major highlights of the Sabodala community investment program include the following:

- **Food and Income Generation:** developed a new market garden in Khossanto, a community located 20 km from the Sabodala mine, donated eight sets of equipment for agricultural transformation (mills, grinders, and peelers) as part of the program's focus on female empowerment, and drilled numerous bore holes for cattle drinking points.
- **Education:** constructed three classrooms and provided funding of 90 bursary programs for children to attend high school.
- **Hygiene and Sanitation:** constructed two maternity wards, drilled several boreholes to provide access to clean water for local communities and, in collaboration with a regional organization, initiated a program to finance free medical treatment in the Sabodala village and the regional capital city of Kedougou. Through this initiative, more than 1,200 people consulted with a doctor and benefitted from treatment and medication.
- **Sport and Culture:** financed the pilgrimage of 18 village chiefs and Imams of the communities around Sabodala to Mecca.

The Gora fund, designed to assist the local communities in developing new sustainable economic activities, was active throughout the year including funding the purchase of a bus to provide transportation throughout the region, and the provision of grain mills for the women. The Gora fund will continue to support the local communities over the next several years well beyond the closure of the Gora pit in the third quarter of 2018.

Sabodala Village Resettlement

In 2018, resettlement activities ramped up significantly, with the support of the international consultancy firm, ERM Group, Inc. ("ERM"). During the year, negotiations with the communities led to an agreement on housing design, resettlement site locations and compensation. Construction of the new resettlement site began during the second half of 2018 and as community buildings are nearing completion, construction of private residences has begun. The Sabodala village resettlement is expected to be completed by mid-2020.

Currently the Sabodala village sits atop Niakafiri, the largest deposit on the Sabodala mine license. Once the resettlement is complete in mid-2020, the Company will resume infill drilling and mining activities at the Niakafiri deposit.

Burkina Faso

Community Relations

Teranga is taking its strong social program in Senegal and replicating its approach in Burkina Faso, the home of its soon to be second mine, Wahgnion.

In 2018, we expanded the Wahgnion community relations program and strengthened our relationships with the local communities and administration. We also created and implemented the Wahgnion community relations framework, which provides a roadmap for the long-term success of our social programs in Burkina Faso. This framework includes formal plans relating to stakeholder engagement, local employment, local procurement, social investment and social closure guidelines.

As part of the framework process, Teranga implemented a local pre-selection committee for unskilled labor, composed of community representatives, which have recruited more than 550 people for the Wahgnion project. In addition, the Company signed an agreement to fund a commune development plan, a government planning document on socio-economic development of the area. This plan will be entirely funded by Teranga and is expected to be completed in late 2019. It will define the priorities of the commune for the next five years and establish the foundation for Teranga's community investment priorities in the area.

In 2018, Teranga contributed \$120,000 to finance school equipment, a community ambulance, road rehabilitation efforts, as well as, a number of smaller community initiatives. In 2019, Teranga will continue to pursue community investments and will be retaining a local consultant to perform a local procurement study to identify the key opportunities in the area.

Wahgnion Area Resettlement

In 2018, Wahgnion area resettlement activities ramped up with the support of ERM. All elements of resettlement compensation including housing design, new relocation sites and compensation were negotiated concurrently with all affected communities. The framework for all villages to be resettled, irrespective of timing of relocation, has been agreed upon. The first two resettlement sites, Songha (51 households) and Zievogo (43 households), are under construction, with 17 households resettled. All community buildings and private residences are expected to be completed by mid-2019. Additional communities will be resettled over the course of the next five years, in advance of mining activities in those areas.

Livelihood restoration activities are well underway with the payment of financial compensations for the first lands acquired, the replacement of 150 hectares of land and several accompanying programs, including financial literacy training. Other initiatives include new crop projects, such as cassava farming, transformation of agricultural products for women (such as cassava flour) and market gardening. The construction of the first communal irrigated plot is underway and should be ready for the 2019 agricultural season. In 2019, relocation activities will advance in accordance with the mine plan.

Golden Hill

At Golden Hill, Teranga's advanced exploration project about 250 km east of Wahgnion, the Company will increase the scope of its community relations activities with a full-time recruit and launch stakeholder engagement activities.

Côte d'Ivoire

Community Relations

In 2018, we began our community development activities in Côte d'Ivoire. On the Afema project, a consultant was retained to perform a social assessment of the area and the needs for community investment. Several community investment projects were completed, including the funding of health supplies to support local clinics. Furthermore, a number of cultural events were sponsored.

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 2018, the average London PM fix price of gold was \$1,268 per ounce, with gold trading between a range of \$1,178 and \$1,355 per ounce. This compares to an average of \$1,257 during 2017, with a low of \$1,151 per ounce and a high of \$1,346 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, the relative strength of the U.S. dollar, the supply of and demand for gold and macroeconomic factors such as the level of interest rates and inflation expectations. The Company has entered into gold forward contracts to provide greater certainty of cash flows from the Company's Sabodala mine as construction activities at Wahgnion continues.

On December 19, 2018, the U.S. Federal Reserve raised its benchmark interest rate by a quarter of a percentage point, to a range of 2.25 percent to 2.50 percent. This marked the fourth interest rate increase in 2018 and for the ninth time since the 2008 to 2009 financial crisis. The U.S. Federal Reserve has raised rates with steady regularity as the U.S. economy has remained strong.

A mix of factors, including a global economic slowdown, a trade war between the U.S. and China, mild inflation, and volatile stock markets has led the U.S. Federal Reserve to consider slowing its rate increases in 2019 to avoid weakening the economy. It is expected that the U.S. Federal Reserve will adjust its rate policy to the latest economic data and be more flexible. After the two rate increases that the U.S. Federal Reserve now envisions for 2019, it foresees one final increase by 2020, which would raise the benchmark rate to 3.1 percent. By 2021, four U.S. Federal Reserve officials envision reversing course and decreasing rates to help stimulate the economy. Gold prices has benefitted from the macroeconomic and geopolitical developments late in 2018, with gold prices gaining 5 percent in December to end 2018 at \$1,281 per ounce.

Overall, we anticipate 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 expectations for U.S. monetary policy.

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, our priority is to execute on our strategy of maximizing shareholder value through effective management of our Sabodala gold mine, completion of the Wahgnion 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 \$38.9 million in 2018 or approximately 24 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 operations. In 2018, operations consumed approximately 32 million litres of heavy fuel oil ("HFO"). This equated to a cost of approximately \$0.164 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 21.2 million litres of LFO in 2018. 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. The average Brent crude price was \$71 per barrel in 2018, reaching a high of \$86 per barrel and dropping to below \$55 per barrel. Worldwide crude oil prices are expected to average \$61 per barrel in 2019 according to the Short-term Energy Outlook by the U.S. Energy Information Administration while banks see Brent crude prices averaging \$68 to \$73 per barrel in 2019. The key drivers behind the anticipated increase

are the Organization of the Petroleum Exporting Countries, Russia and other producers launching new production cuts that aim to remove 1.2 million barrels of crude oil per day from worldwide markets, as well as production cuts in Canada due to deficiencies in storage and distribution infrastructure. Pipeline bottlenecks are also impacting U.S. crude oil production growth. New pipelines expected in the second half of 2019 is expected to bring oil from the Permian Basin to markets putting downward pressure on crude oil prices. The biggest factor to crude oil prices remains a trade war between the U.S. and China. An economic slowdown in China could also have a negative impact on energy markets as Asia drives global oil consumption.

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.

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 Sabodala has approximately 40 to 50 percent Euro currency exposure via the West African CFA Franc, which is pegged directly to the Euro currency. Overall, the Euro weakened from to 1.25 to 1.13 against the USD as the U.S. Federal Reserve raised interest rates despite the European Central Bank winding down its quantitative easing policy, and the U.S. economy stayed firm despite stock market volatility towards the end of 2018. Furthermore, European economic indicators indicate a weak growth outlook in Eurozone economic activity.

All the Company's operations are located in West Africa where the CFA Franc is the local currency used. As a result, costs will continue to be exposed to foreign exchange rate movements. We monitor currency exposure on an ongoing basis. We had previously hedged a portion of its exposure to the Euro using forward contracts, however we currently do not have any currency hedges in place. We 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\$000s)	Three months ended December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
Cash Flow				
Operating activities before changes in working capital excluding inventories	25,384	24,708	96,649	82,610
Changes in non-cash working capital excluding inventories	16,400	7,744	(4,589)	(11,231)
Operating	41,784	32,452	92,060	71,379
Investing	(79,726)	(18,159)	(215,296)	(75,836)
Financing	6,709	(289)	80,140	(3,808)
Effect of exchange rates on cash holdings in foreign currencies	(1,901)	707	2,040	748
Change in cash and cash equivalents during the period	(33,134)	14,711	(41,056)	(7,517)
Cash and cash equivalents - beginning of period	79,749	72,960	87,671	95,188
Cash and cash equivalents - end of period	46,615	87,671	46,615	87,671

(US\$000s)	Three months ended December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
Changes in working capital excluding inventory				
(Increase)/decrease in trade and other receivables	(195)	97	(5,367)	(1,769)
(Increase)/decrease in other assets	(890)	2,132	741	2,978
Increase/(decrease) in trade payables and other	17,098	1,852	(7,372)	(5,128)
(Decrease)/increase in provisions	(85)	(3)	106	(88)
Increase/(decrease) in current income taxes payable	472	3,666	7,303	(7,224)
Net change in working capital excluding inventory	16,400	7,744	(4,589)	(11,231)

Sources and Uses of Cash

Cash Flow - Details (US\$000's)	Three months ended December 31, 2018				Consolidated
	Sabodala	Corporate	Wahgnion	Exploration	Cash Flow
Operating	35,012	600	9,707	(3,535)	41,784
Investing	(19,253)	-	(53,231)	(7,242)	(79,726)
- Expenditures for mine development - sustaining	(16,291)	-	-	-	
- Expenditures for property, plant and equipment - sustaining	(2,962)	-	-	-	
- Expenditures for mine development - growth	-	-	(8,041)	-	
- Expenditures for property, plant and equipment - growth	-	-	(45,133)	-	
- Acquisition of intangibles	-	-	(57)	-	
- Investment in Boss Gold and Boss Minerals	-	-	-	(7,242)	
Financing	-	6,709	-	-	6,709
- Proceeds from drawdown of borrowings	-	10,000	-	-	
- Financing costs paid	-	(869)	-	-	
- Interest paid on borrowings	-	(2,422)	-	-	
Effect of exchange rates on cash holdings in foreign currencies	576	80	(2,557)	-	(1,901)
Change in cash and cash equivalents during the period	16,335	7,389	(46,081)	(10,777)	(33,134)

Cash Flow - Details (US\$000's)	Three months ended December 31, 2017				Consolidated
	Sabodala	Corporate	Wahgnion	Exploration	Cash Flow
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 intangibles	1	(14)	-	-	
- Proceeds from sale of marketable securities	-	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

Twelve months ended December 31, 2018					
Cash Flow - Details (US\$000's)	Sabodala	Corporate	Wahgnion	Exploration	Consolidated Cash Flow
Operating	105,720	(8,129)	9,424	(14,955)	92,060
Investing	(63,966)	(1,171)	(137,300)	(12,859)	(215,296)
- Expenditures for mine development - sustaining	(54,572)	(552)	-	-	
- Expenditures for property, plant and equipment - sustaining	(9,312)	(293)	-	-	
- Expenditures for mine development - growth	-	-	(23,138)	-	
- Expenditures for property, plant and equipment - growth	-	-	(113,837)	(454)	
- Investment in marketable securities	-	(77)	-	-	
- Expenditures for intangibles	(82)	(249)	(325)	-	
- Investment in Afema Project	-	-	-	(5,303)	
- Cash from in Afema Project	-	-	-	140	
- Investment in Boss Gold and Boss Minerals	-	-	-	(7,242)	
Financing	(301)	80,441	-	-	80,140
- Proceeds from drawdown of borrowings	-	112,200	-	-	
- Repayment of borrowings	-	(15,000)	-	-	
- Financing costs paid	-	(12,278)	-	-	
- Proceeds from stock options exercised	-	609	-	-	
- Interest paid on borrowings	(301)	(5,090)	-	-	
Effect of exchange rates on cash holdings in foreign currencies	3,926	514	(2,400)	-	2,040
Change in cash and cash equivalents during the year	45,379	71,655	(130,276)	(27,814)	(41,056)

Twelve months ended December 31, 2017					
Cash Flow - Details (US\$000's)	Sabodala	Corporate	Wahgnion	Exploration	Consolidated Cash Flow
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)	(53)	
- Investment in marketable securities	-	(393)	-	-	
- Expenditures for intangibles	(223)	(76)	-	-	
- Proceeds from sale of marketable securities	-	3,990	-	-	
Financing	(3,815)	7	-	-	(3,808)
- Proceeds from 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 year	40,470	(11,242)	(28,674)	(8,071)	(7,517)

During the three and twelve months ended December 31, 2018, Sabodala generated net cash of \$16.3 million and \$45.4 million, respectively, compared to \$31.1 million and \$40.5 million in the comparative periods, respectively. The Company expects Sabodala to continue to generate free cash flow, which is expected to be used to fund expenditures of the corporate office, the Company's exploration budget for 2019 and, together with funds available under the Taurus Facility, contribute towards the development of Wahgnion. Higher cash used in the exploration segment during the current year was mainly due to \$7.2 million paid to acquire the remaining 49 percent interest in the Golden Hill and Gourma projects in the fourth quarter of 2018, \$5.3 million paid to acquire a 51 percent interest in the Afema project in the first quarter of 2018, with the remainder primarily for exploration at Golden Hill.

Operating Cash Flow

Cash provided by operations for the three months ended December 31, 2018 increased to \$25.4 million before net changes in working capital other than inventories, compared to \$24.7 million in the prior year quarter. Net cash provided by operating activities, after changes in working capital, increased to \$41.8 million compared to \$32.5 million in the prior year quarter. The increase in operating cash flow was primarily due to decreased payments to suppliers partially offset by lower revenues compared to the prior year period.

Cash provided by operations for the twelve months ended December 31, 2018 increased to \$96.6 million before net changes in working capital other than inventories, compared to \$82.6 million in the prior year period. Net cash provided by operating activities, after changes in working capital, increased to \$92.1 million compared to \$71.4 million in the prior year period. The increase in operating cash flow was primarily due to higher revenues and lower income taxes paid of \$9.3 million partially offset by higher royalties paid and increased payments to suppliers.

Investing Cash Flow

(US\$000s)	Three months ended December 31, Twelve months ended December 31,			
	2018	2017	2018	2017
Investing Activities				
Sustaining Capital (Sabodala)				
Mine site capital expenditure - sustaining	2,952	2,552	9,230	10,660
Mine site capital expenditure - project	10	135	371	705
Development capital	3,212	333	8,236	7,904
Capitalized reserve development (mine site exploration)	(447)	965	1,009	6,113
Sustaining Capital Expenditures, before Deferred Stripping	5,727	3,985	18,846	25,382
Capitalized deferred stripping	13,526	7,655	45,978	29,428
Total Sustaining Capital Expenditures	19,253	11,640	64,824	54,810
Growth Capital				
Feasibility	-	340	-	2,446
Reserve development	-	2,440	543	6,417
Construction readiness	-	2,484	-	10,409
Early works	-	5,245	29,158	5,351
Construction	50,622	-	97,198	-
Capitalized Wahgnion operational costs	2,552	-	10,435	-
Total Growth Capital Expenditures	53,174	10,509	137,334	24,623
Acquisition of intangibles	57	-	656	-
Investment in marketable securities	-	-	77	393
Proceeds from sale of marketable securities	-	(3,990)	-	(3,990)
Investment in Boss Gold and Boss Minerals	7,242	-	7,242	-
Investment in Afema Project	-	-	5,303	-
Cash acquired from Afema Project	-	-	(140)	-
Investing Activities	79,726	18,159	215,296	75,836

Net cash used in investing activities for the three months ended December 31, 2018 was \$79.7 million, \$61.6 million higher than the prior year period, mainly due to expenditures for Wahgnion, capitalized deferred stripping costs related to Golouma West and Sabodala and acquisition of the remaining 49 percent interest in the Golden Hill and Gourma projects. The prior year period included \$4.0 million received from the disposal of marketable securities.

Net cash used in investing activities for the twelve months ended December 31, 2018 was \$215.3 million, \$139.5 million higher than the prior year period, mainly due to expenditures for Wahgnion, acquisition of the remaining 49 percent interest in the Golden Hill and Gourma projects, acquisition of the Afema project, and capitalized deferred stripping costs related to Golouma West and Sabodala partially offset by lower sustaining capital expenditures. The prior year period included \$4.0 million received from the disposal of marketable securities.

Financing Cash Flow

Net cash flow from financing activities in the three months ended December 31, 2018 was \$6.7 million and included the drawdown of \$10.0 million from the amended Taurus Facility to fund the acquisition of the remaining 49 percent interest in the Golden Hill and Gourma projects and \$3.3 million of interest and commitments fees paid related to the Taurus Facility.

Net cash flow from financing activities in the twelve months ended December 31, 2018 was \$80.1 million and included the total drawdowns of \$112.2 million from the Taurus Facility, repayment of the \$15.0 million Revolver Facility and financing and interest costs paid of \$17.7 million mainly related to the Taurus Facility.

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) maximizing free cash flow from our flagship Sabodala operation; (ii) increasing production with the completion of Wahgnion by the end of 2019; (iii) progressing Golden Hill, our most advanced exploration project, towards feasibility; (iv) unlocking additional value through resource conversion drill programs and exploration in Burkina Faso, Senegal and Côte d'Ivoire; and (v) funding our future growth plans responsibly.

(i) Optimizing Our Sabodala Operation

Our ability to generate free cash flow from operations as forecast is a function of our ability to execute on our mine plan at Sabodala and the price of gold. At Sabodala, the mine plan was re-sequenced in 2017 to bring the development of the Niakafiri open pit deposit forward and to defer underground development. The resettlement of the Sabodala village is in progress. Overall, these changes are expected to increase the amount of free cash flow generated over the next 5 years.

(ii) Increasing Production Through The Timely Completion of Wahgnion On Budget

In 2017, Teranga's board approved construction of Wahgnion. With the Taurus Facility in place, the Company commenced major construction activities earlier in the year, with the goal of reaching first gold pour by the end of 2019. During the fourth quarter, the Company spent \$53 million on construction related activities. Since commencement of the Wahgnion project, Teranga has invested approximately \$142 million in construction expenditures at the Wahgnion project.

(iii) Targeted Exploration Programs

Based on the success of the exploration programs in Burkina Faso and Senegal, the reserve development and exploration budget for 2019 is expected to be approximately \$5-15 million. Furthermore, the Taurus Facility includes \$25 million to be used towards future advancement of a feasibility study for Golden Hill. The Company has also invested in exploration projects in the region with the recent acquisitions of the Afema project in Côte d'Ivoire, the Dossi permit area located adjacent to the Golden Hill property in Burkina Faso, and the remaining 49 percent interest in the Golden Hill and Gourma exploration projects in Burkina Faso.

We have the following sources of liquidity:

- i. *Cash Balance.* As at December 31, 2018, we had a consolidated cash balance of \$46.6 million.
- ii. *Cash Flows from Sabodala (unhedged).* Using a \$1,250 per ounce gold price, we expect Sabodala to generate \$88 million¹ in free cash flows² over 2018 and 2019, and \$230 million¹ in free cash flows² between 2018 and 2022 (exclusive of Sabodala Gold Hedges below).
- iii. *Sabodala Gold Hedges.* During the third quarter of 2017 and first quarter of 2018, the Company entered into forward gold sales contracts for about 50 percent of anticipated production over seven quarters at an average gold price of \$1,340 per ounce. Using a gold price assumption of \$1,250 per ounce, this hedge program provides \$17.0³ million in additional free cash flow² to the amount noted above for Sabodala from January 2018 through to September 2019.

¹ The 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.

² This is a non-IFRS financial measure. Please refer to the reconciliation of non-IFRS financial measures at the end of this MD&A.

³ The Company executed forward gold sales contracts totalling 187,500 ounces of gold commencing January 1, 2018 through December 31, 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 settled 26,500 ounces of gold in each of the four quarters of 2018 as well as scheduled 26,500 ounces of gold for settlement in the 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.

iv. *Wahgnion Financing.* On April 16, 2018, the Company concluded an agreement with various funds managed by Taurus Funds in respect of the Taurus Facility¹. The Taurus Facility included the following:

- \$165 million to be used towards funding the development of Wahgnion and to repay all of the Company's current outstanding bank debt, totalling \$15 million drawn on its Revolver Facility ("Wahgnion Tranche");
- \$25 million to be used toward future advancement of a feasibility study for Golden Hill ("Golden Hill Tranche"); and
- \$10 million equipment lease facility carve out for which the Company received a Commitment Letter from Caterpillar Financial Services Corporation ("CAT") on August 23, 2018. The equipment lease facility with CAT was subsequently increased to \$12.5 million. The Company expects to execute the equipment lease facility agreement by the end of the first quarter 2019.

In October 2018, the Golden Hill Tranche of the Taurus Facility was increased by an additional \$10 million to fund the acquisition of the remaining 49 percent interest in the Golden Hill and Gourma projects from Boss Resources. With Wahgnion well on schedule, and potentially being ahead of schedule, the Company has, in principle, agreed with Taurus Funds an amendment to the Taurus Facility whereby the Golden Hill Tranche will be temporarily repurposed and available for Wahgnion's development costs. Drawdowns, if any, under the Golden Hill Tranche are to be repaid no later than September 30, 2019, at which point the Golden Hill Tranche reverts back to its original purpose. The Company expects to execute the amendment to the Taurus Facility by the end of the first quarter 2019. In connection with this amendment, the Company plans to issue to Taurus Funds an aggregate of 150,000 units of unlisted four-year warrants to acquire Teranga's common shares at an exercise price that is the greater of: (i) Teranga's volume-weighted average share price ("VWAP") on the Toronto Stock Exchange ("TSX") for the five trading days prior to the date of execution of the amendment to the Taurus Facility; and (ii) 120 percent of the Teranga's VWAP on the TSX for the 20 trading days prior to the date of execution of the amendment to the Taurus Facility. Additional warrants will be issued only upon drawdown of the repurposed Golden Hill Tranche.

All drawdowns of funds under the Taurus Facility are subject to satisfaction of customary conditions precedent, including a funding ratio of Wahgnion project costs funded by the Company as compared to project costs funded by the Taurus Facility. In the event that the Company is unable to meet its share of project costs under this funding ratio, the Company would be required to procure additional funds through: (i) the temporary repurpose of the Golden Hill Tranche; (ii) equity; (iii) subordinated financial indebtedness; or (iv) any other equity instrument approved by Taurus Funds. Should the Company be unsuccessful in drawing down on some or all of the funds, planned development activities may be postponed or cancelled. On May 7, 2018, the Company satisfied all conditions precedent for its first drawdown under the Taurus Facility. The first drawdown under the Wahgnion Tranche was \$70 million, \$15 million of which was used to repay the Revolver Facility. On September 5, 2018, the Company completed a second drawdown under the Wahgnion Tranche of \$32.2 million. On October 2, 2018, the Company drew down \$10 million under the Golden Hill Tranche. As at December 31, 2018, the Company is in compliance with all covenants under the Taurus Facility. On February 20, 2019, the Company completed a third drawdown under the Wahgnion Tranche of \$34.6 million.

v. *External Financing.* As results from ongoing exploration programs in Côte d'Ivoire, including the economic evaluation of the Afema project, and/or other growth opportunities that become available, the Company may consider an external financing to supplement cash flow from operations as required. This external financing may be in the form of external equity or subordinated indebtedness. There is no assurance that a financing alternative chosen by management will be available to the Company, on favourable terms or at all.

The Company's liquidity is impacted by several macro-economic factors, which include, but are not limited to, gold market prices, interest rates, foreign exchange rates and corporate tax policies in the jurisdictions we operate. Other contributing factors to our liquidity include the cost of inputs to our Wahgnion capital project and operating requirements for our Sabodala mine.

¹ For material terms of the Taurus Facility, refer to March 12, 2018 new release at www.terangagold.com.

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.

As at December 31, 2018, the Company has outstanding forward gold sales contracts with Macquarie for a total of 81,500 ounces of gold at an average gold price of approximately \$1,347 per ounce, settling 25,000 ounces settling in first quarter 2019, 26,500 ounces settling in second quarter 2019 and finally 30,000 ounces settling in third quarter 2019. As a result, the Company has hedged about 50 percent of anticipated Sabodala production over the next three quarters at gold prices averaging approximately \$1,347 per ounce to provide improved revenue certainty during construction of Wahgnion.

In conjunction with the Taurus Facility, the Company granted two million unlisted four-year share warrants to Taurus Funds on April 16, 2018. Each warrant allows the holder to acquire one common share of the Company at an exercise price of C\$5.22. As the currency of the exercise price of the warrants is different from the Company's functional currency, the share warrants have been classified as a derivative financial liability for accounting purposes. As a result, the share warrants are recorded at fair value at the end of each reporting period. Upon exercise, the warrant liability will be reclassified to share capital. Should the warrants expire unexercised, the associated warrant liability will be recorded as other income in the consolidated statements of comprehensive income. There is no circumstance under which the Company would be required to pay any cash upon exercise or expiry of the warrants. At December 31, 2018, the share warrants have been fair valued at \$2.0 million, using the Black-Scholes option pricing model.

In conjunction with the Taurus Facility, the Company entered into the Offtake Agreement with Taurus Funds on May 31, 2018. Under the terms of the Offtake Agreement, Taurus Funds is entitled to an amount, in cash, equal to the difference between the actual spot sales price per ounce and the lowest a.m. and p.m. London Bullion Market Association gold price per ounce during the eight business days preceding the sale date for all Wahgnion gold ounces produced and sold, up to 1,075,000 ounces. Sales proceeds received by Teranga will be reduced by any amounts owed to Taurus Funds under the Offtake Agreement. Taurus Funds does not take actual delivery of gold ounces sold at any time.

The Offtake Agreement was classified as a derivative financial liability as the amount due to Taurus Funds is variable and determined based on the price spread between the spot price of gold on the date of sale and the lowest spot price of gold over periods of time in the future. As a result, the gold offtake payment liability is recorded at fair value at the end of each reporting period. The Company has estimated the fair value of the Offtake Agreement using a discounted cash flow model based on the Wahgnion life of mine production up to the first 1,075,000 ounces of gold. As at May 31, 2018, the estimated fair value of the Offtake Agreement was \$14.0 million, which was recognized as a deferred financing cost. As at December 31, 2018, the estimated fair value was \$13.7 million.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31, 2018, 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
Debt ⁽ⁱ⁾	112.2	-	112.2	-	-
Franco-Nevada gold stream ⁽ⁱⁱ⁾	137.9	22.5	38.1	18.6	58.7
Purchase obligations for supplies and services ⁽ⁱⁱⁱ⁾	2.4	2.4	-	-	-
Sustaining capital commitments ^(iv)	5.0	3.1	1.9	-	-
Growth capital commitments ^(v)	69.5	69.5	-	-	-
Afema investment ^(vi)	11.2	5.2	6.0	-	-
Operating lease commitments	7.6	2.5	2.5	0.9	1.7
Total	345.8	105.2	160.7	19.5	60.4

⁽ⁱ⁾ On April 16, 2018, the Company entered into the Taurus Facility. As at December 31, 2018, \$102.2 million was drawn on the Wahgnion Tranche and \$10 million was drawn on the Golden Hill Tranche.

⁽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 in Senegal, 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. During 2018, two payments totalling \$5.0 million was paid. The third instalment of \$2.5 million will be paid in 2019. A fourth payment of \$2.5 million will be payable upon delivery of a confirmation study or updated feasibility study with Teranga's confirmation of its decision to proceed with the Afema project. Under the terms of the memorandum of understanding, the Company maintains its 51 percent interest in the Afema ML 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 ML 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, \$1.2 million is payable annually for community projects and infrastructure to support local communities surrounding the Company's operations and social development of local authorities in the surrounding Kedougou region.
- In addition to the Company's corporate social responsibility spending, Teranga has agreed to establish a social development fund which includes making a payment of \$15.0 million to the Republic of Senegal at the end of the mine operational life. As at December 31, 2018, \$8.1 million was accrued which is the discounted value of the \$15.0 million future payment.

- \$0.4 million is payable annually for training of Senegalese Directorate of Mines and Geology officers and Mines Ministry and \$30,000 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 \$0.2 million is payable for each year of operations. Any amounts not paid is carried forward to future years.
- \$0.3 million 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.

Offtake Obligation

- Under the Offtake Agreement, Taurus Funds is entitled to an amount, in cash, equal to the difference between the actual spot sales price per ounce and the lowest a.m. and p.m. London Bullion Market Association gold price per ounce during the eight business days preceding the sale date for all Wahgnion gold ounces produced and sold, up to 1,075,000 ounces.

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, 2018, \$1.9 million was accrued as a current liability.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

New standards, interpretations and amendments thereof, adopted by the Company in the current year

Adoption of 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 ("FVOCI")) and a single, forward-looking expected loss impairment model. The adoption date for IFRS 9 was January 1, 2018.

Upon adoption, investments in publicly traded equity securities held by the Company have been classified as FVOCI. These investments are recorded at fair value and changes in the fair value of these investments are recognized permanently in other comprehensive income.

The following table shows the original measurement categories under IAS 39, *Financial Instruments: Recognition and Measurement*, and the new measurement categories under IFRS 9 as at January 1, 2018, for each class of the Company's financial assets and financial liabilities.

	Measurement Category ⁽ⁱ⁾	
	IAS 39	IFRS 9
Financial Assets		
Cash and cash equivalents	Loans and receivables	Amortized costs
Trade and other receivables	Loans and receivables	Amortized costs
Financial derivative assets	Fair value through profit or loss	Fair value through profit or loss
Marketable securities	Available for sale assets	FVOCI
Financial liabilities		
Trade and other payables	Amortized costs	Amortized costs
Borrowings	Amortized costs	Amortized costs
Gold offtake payment liability	n/a	Fair value through profit or loss
Share warrant liability	n/a	Fair value through profit or loss

(i) There were no adjustments to the carrying amounts of the financial instruments as a result of the change in classification from IAS 39 to IFRS 9.

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

The Company adopted IFRS 15 as at January 1, 2018 on a modified retrospective basis in accordance with the transitional provisions of IFRS 15. Results for reporting periods beginning after January 1, 2018 are presented under IFRS 15, while prior reporting period amounts have not been restated and continue to be reported under IAS 18 – *Revenue*.

The Company has determined that the gold streaming arrangement with Franco-Nevada falls within the scope of IFRS 15 as it constitutes a contract with a customer to deliver an uncertain quantity of gold ounces in the future. The upfront payment constitutes a gold stream liability whereby the performance obligation is 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 in exchange for an up-front deposit of \$135 million. Under the arrangement, 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.

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 gold stream 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, the Company 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 per ounce). This discount rate is not subsequently changed for changes in timing, price or quantities of deliveries, and is applied to the gold stream 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 per ounce), being the estimated stand-alone selling price of the deliveries as determined at contract inception (after separating the SFC). The outstanding gold stream 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 and the remaining gold stream liability is remeasured using the revised production profile combined with the original estimated discount rate, and original estimated forward prices. A re-measurement of the remaining gold stream liability will result in a cumulative catch-up adjustment to revenue recorded on satisfied performance obligations and will be recorded as either revenue or a reversal of revenue in the period of the change in the remaining gold stream liability.

The effect of initially applying IFRS 15 resulted in the following cumulative adjustment as at January 1, 2018:

- Increase to gold stream liability of \$56.1 million
- Decrease to retained earnings of \$56.1 million

Future accounting policies not yet adopted

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-on-balance sheet 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. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained.

The Company has adopted the standard on its effective date of January 1, 2019 based on a modified retrospective approach. The cumulative impact of adoption will be recognized as at January 1, 2019 and comparatives will not be restated. The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within twelve months as of the date of initial application and lease contracts for which the underlying asset is of low-value. The Company has certain minor camp accommodation and storage leases that are considered as low-value.

In 2018, the Company progressed in implementation of IFRS 16. This work consisted of reviewing contracts, aggregating data to support the evaluation of the accounting impacts and performing preliminary calculations of the impact to the financial statements. At this stage, the Company expects the main impacts of IFRS 16 will relate to office leases and mobile fleet contracts. Based on the work completed to date, the Company estimates that it will record the following cumulative impact to the financial statements, effective January 1, 2019 (these results are preliminary and are subject to change):

- Increase to Property, Plant and Equipment (right-of-use assets) of \$5.0 million - \$6.0 million
- Increase to Lease Liabilities of \$5.0 million - \$6.0 million

Upon implementation of IFRS 16, the main impacts are expected to be as follows:

- Assets and liabilities will increase as some leases currently classified as operating leases will be recognized on the balance sheet.
- There will be a reduction in mine operation or administration expenses and an increase in finance costs as operating lease costs are replaced with depreciation and lease interest expense.
- The classification between cash flow from operating activities and cash flow from financing activities will change.
- Commonly used financial ratios and performance metrics for the Company, using existing definitions, will be impacted including net debt, EBITDA, and operating cash flows.

The amounts recognized as assets and liabilities under IFRS 16 are subject to the following judgements, assumptions and estimates:

- Judgement as to whether the contracts contain leases as defined under the new standard;
- Assumptions used to calculate the discount rate; and
- Estimation of the lease term.

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued the International Financial Reporting Interpretations Committee Interpretation 23 (“IFRIC 23”) which clarifies application of the recognition and measurement requirement in IAS 12, *Income Taxes*. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by a tax authority. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of applying IFRIC 23 to the consolidated financial statements. The Company will apply IFRIC 23 from its effective date.

Accounting 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 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.

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.

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 costs 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 profits 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 profits. Consequently, this measure is not representative of all of the Company's cash expenditures. In addition, the calculation of all-in sustaining costs and all-in costs does not include depreciation expense as it does not reflect the impact of expenditures incurred in prior periods. Therefore, it is not indicative of the Company's overall profitability.

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

"Total cash costs per ounce", "all-in sustaining costs per ounce" and "all-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)" are intended to provide additional information only and do not have any standardized definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measures are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate these measures differently. The following tables reconcile these non-IFRS financial measures to the most directly comparable IFRS measure.

"Average realized price" is a financial measure with no standard meaning under IFRS. Management uses this measure to better understand the price realized in each reporting period for gold and silver sales. Average realized price is calculated on revenue and ounces sold to all customers, except Franco-Nevada, as gold ounces sold to Franco-Nevada is recognized in revenue at 20 percent of the prevailing gold spot price on the date of delivery and 80 percent at \$1,250 per ounce. 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 accretion expense), interest income and depreciation and amortization from net profits. 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.

Starting in 2018, the Company adopted “adjusted net profit attributable to shareholders” and “adjusted basic earnings per share” as new non-IFRS financial measures. These non-IFRS financial measures are used by management and investors to measure the underlying operating performance of the Company. Presenting these measures from period to period is expected to help management and investors evaluate earnings trends more readily in comparison with results from prior periods.

The Company calculates “adjusted net profit attributable to shareholders” as net (loss)/profit attributable to shareholders adjusted to exclude specific items that are significant, but not reflective of the underlying operations of the Company, including: the impact of unrealized and realized foreign exchange gains and losses, gains and losses on derivative instruments, accretion expense on long-term obligations, impairment provisions and reversals thereof, and other unusual or non-recurring items. Commencing the second quarter 2018, the Company also excluded the impact of foreign exchange movements on deferred taxes and other non-cash fair value changes from adjusted net profit attributable to shareholders as management does not believe these factors to be reflective of the underlying performance of the Company.

“Adjusted basic earnings per share” is calculated using the weighted average number of shares outstanding under the basic method of earnings per share as determined under IFRS.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

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

(US\$000s, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
Gold produced ¹ (oz)	59,442	67,934	245,230	233,267
Gold sold (oz)	61,696	68,944	246,073	231,078
Cash costs per ounce sold				
Mine operation expenses	43,216	48,166	164,349	168,689
Less: Regional administration costs	(508)	(689)	(1,868)	(1,996)
Total cash costs	42,708	47,477	162,481	166,693
Total cash costs per ounce sold	692	689	660	721
Cost of sales per ounce sold				
Cost of sales	59,374	64,149	230,517	222,113
Total cost of sales per ounce sold	962	930	937	961
All-in sustaining costs				
Total cash costs	42,708	47,477	162,481	166,693
Administration expenses ²	5,048	4,600	15,290	12,580
Share-based compensation	1,158	935	4,851	2,580
Capitalized deferred stripping	13,526	7,655	45,978	29,428
Capitalized reserve development	(447)	965	1,009	6,113
Mine site sustaining capital	6,174	3,006	17,837	19,256
All-in sustaining costs	68,167	64,638	247,446	236,650
All-in sustaining costs per ounce sold	1,105	938	1,006	1,024
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)				
All-in sustaining costs	68,167	64,638	247,446	236,650
Amortization of advanced royalties	(515)	(867)	(2,745)	(3,003)
Inventory movements - non-cash	(6,082)	(4,495)	(13,471)	(15,786)
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)	61,570	59,276	231,230	217,861
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) per ounce	998	860	940	943

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 financial measure that does not have a standard meaning under IFRS. Teranga defines free cash flow as 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\$000s)	Three months ended December 31, Twelve months ended December 31,			
	2018	2017	2018	2017
Net (loss)/profit for the period	(10,248)	5,958	13,465	34,530
Add: finance costs (before accretion expense)	1,700	863	6,060	3,042
Less: finance income	(38)	(44)	(74)	(192)
Adjust: income tax expense	4,140	3,410	23,312	2,436
Add: depreciation and amortization	16,962	16,443	69,092	55,519
Earnings before interest, taxes, depreciation and amortization	12,516	26,630	111,855	95,335

4. Adjusted net profit and adjusted basic net earnings per share are calculated as follows:

(US\$000s)	Three months ended December 31, Twelve months ended December 31,			
	2018	2017	2018	2017
Net (loss)/profit attributable to shareholders	(10,639)	5,758	11,794	31,932
Adjustments (net of tax) for:				
Loss/(gains) on derivative instruments	7,149	3,488	(9,299)	(1,832)
Accretion expense	2,077	340	9,646	778
Acquisition	-	-	-	52
Net foreign exchange losses	422	497	3,008	4,536
Impact of foreign exchange on deferred taxes	1,847	(1,366)	4,379	(5,360)
Change in fair value of share w warrant liability	137	-	(1,136)	-
Change in fair value of gold offtake payment liability	236	-	(317)	-
Adjusted net profit attributable to shareholders	1,229	8,717	18,075	30,106
Basic (loss)/earnings per share	(0.10)	0.05	0.11	0.30
Adjusted basic earnings per share	0.01	0.08	0.17	0.28

OUTSTANDING SHARE DATA

At December 31, 2018, the Company had 107,586,769 outstanding shares.

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2018, there were transactions totaling \$50 thousand between the Company and an entity controlled by Alan R. Hill, the Company's Chairman, for consulting services.

The Company has an exploration agreement with Miminvest SA ("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 is expected to provide ongoing in-country strategic advice. Furthermore, the entity will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest permits.

SHAREHOLDINGS

Teranga's 90 percent shareholding in SGO, the company operating the Sabodala gold mine, is held 89.5 percent through a Mauritian 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. On death or resignation, a share individually held would be transferred to another representative of SGML or added to its current 89.5 percent shareholding according to the circumstances at the time.

Teranga's 90 percent shareholding in Wahgnion Gold Operations SA, the company developing Wahgnion, is held 89.8 percent through a Mauritian holding company, Loumana Holdings Ltd. ("Loumana"), and the remaining 0.2 percent by individuals nominated by Loumana to be on the board of directors in order to meet the minimum shareholding requirements under Burkinabe law. On death or resignation, a share individually held would be transferred to another representative of Loumana or added to its current 89.8 percent shareholding according to the circumstances at the time.

CEO/CFO CERTIFICATION

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

The Company's CEO and CFO certify that, as at December 31, 2018, 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. There has been no change in the Company's design of the ICFR that occurred during the three and twelve months ended December 31, 2018, which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

The Company has limited the scope of the design of ICFR and DC&P to exclude the controls, policies and procedures of the entities acquired as part of the Afema project acquisition. The balance sheet and operating results of the entities are included in the consolidated financial statements of Teranga for the three and twelve months ended December 31, 2018, following the acquisition on March 22, 2018. The scope limitation is in accordance with Section 3.3 of NI 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings, which allows an issuer to limit its design of ICFR and DC&P to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates. Summary financial information of the Afema project in the consolidated financial statements were as follows:

(US\$000's)	
Current assets - as at December 31, 2018	676
Non-current assets - as at December 31, 2018	14,414
Current liabilities - as at December 31, 2018	(1,259)
Net loss - three months ended December 31, 2018	1,044
Net loss - twelve months ended December 31, 2018	1,794

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, 2018 and filed for the year ended December 31, 2017. 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, war or other forms of civil unrest, economic, social or political instability, terrorism, hostage taking, 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, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities. Wherever possible, words such as "objective to", "likely", "intend to", "potential", "belief", "believe", "expects", "estimates", "plans", "anticipated", "ability" and similar expressions or statements that certain actions, events or results "should", or "will" have been used to identify such forward-looking information. Specific forward-looking statements in this MD&A include forecasting 2019 gold production, cost guidance and anticipated timing for first gold pour and ramp up to nameplate production at Wahgnion. 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, such forward-looking statements are based upon assumptions, opinions and analysis that management believes 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, the ability to resettle the community within anticipated timeline, 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 are more fully described in Teranga's Annual Information Form dated March 29, 2018, 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 and Wahgnion 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, Wahgnion and Golden Hill's 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.

Teranga's Burkina Faso exploration programs were managed by Peter Mann, FAusIMM. Mr. Mann was 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 mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Qualified Person" under NI 43-101. 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 RC and diamond core samples are assayed at the BIGS Global Laboratory in Ouagadougou, Burkina Faso. 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 31, 2018) pursuant to National Instrument 43-101 - Standards of Disclosure for Mineral Projects (the "Technical Reports"), or fourth quarter 2018 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 AUDITOR'S REPORT

To the Shareholders of Teranga Gold Corporation

We have audited the consolidated financial statements of Teranga Gold Corporation and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis for the year ended December 31, 2018
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Don Linsdell.

(signed) Ernst & Young LLP

Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants
February 21, 2019
Toronto, Canada

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	For the years ended December 31,	
		2018	2017
Revenue	7	312,628	291,683
Mine operation expenses	8	(164,349)	(168,689)
Depreciation and amortization	9	(66,168)	(53,424)
Cost of sales		(230,517)	(222,113)
Gross profit		82,111	69,570
Exploration and evaluation expenditures		(13,160)	(12,373)
Administration expenses	10	(13,618)	(10,702)
Corporate social responsibility expenses		(3,700)	(2,906)
Share-based compensation	34	(4,851)	(2,580)
Finance costs	11	(15,783)	(3,907)
Net foreign exchange losses		(2,680)	(4,632)
Other income	12	8,458	4,496
		(45,334)	(32,604)
Profit before income tax		36,777	36,966
Income tax expense	13	(23,312)	(2,436)
Net profit for the year		13,465	34,530
Net profit attributable to:			
Shareholders		11,794	31,932
Non-controlling interests		1,671	2,598
Net profit for the year		13,465	34,530
Other comprehensive (loss) /income for the year			
Change in fair value of marketable securities, net of tax		(717)	2,455
Reclassification to income, net of tax		-	(2,764)
Other comprehensive loss for the year		(717)	(309)
Total comprehensive income for the year		12,748	34,221
Total comprehensive income attributable to:			
Shareholders		11,077	31,623
Non-controlling interests		1,671	2,598
Total comprehensive income for the year		12,748	34,221
Earnings per share from operations attributable to the shareholders of the Company during the year			
- basic earnings per share	27	0.11	0.30
- diluted earnings per share	27	0.11	0.30
The accompanying notes are an integral part of these consolidated financial statements			

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	2018	2017
Current assets			
Cash and cash equivalents		46,615	87,671
Trade and other receivables	14	9,079	5,484
Inventories	15	65,608	57,024
Marketable securities	16	324	964
Other current assets	17	10,945	9,686
Total current assets		132,571	160,829
Non-current assets			
Inventories	15	86,105	103,638
Property, plant and equipment	18	700,464	520,834
Deferred income tax assets	19	16,196	26,491
Other non-current assets	17	4,551	4,440
Total non-current assets		807,316	655,403
Total assets		939,887	816,232
Current liabilities			
Trade and other payables	20	75,094	54,165
Current income tax liabilities		13,124	7,634
Gold stream liability	24	14,860	24,206
Provisions	25	7,240	4,919
Total current liabilities		110,318	90,924
Non-current liabilities			
Borrowings	21	87,097	14,307
Gold offtake payment liability	22	13,699	-
Share warrant liability	23	1,969	-
Gold stream liability	24	73,902	22,003
Provisions	25	35,328	29,384
Other non-current liabilities	20	10,447	10,059
Total non-current liabilities		222,442	75,753
Total liabilities		332,760	166,677
Equity			
Issued capital	26	497,257	496,333
Foreign currency translation reserve		(998)	(998)
Other components of equity		5,800	18,299
Retained earnings		78,533	122,835
Equity attributable to shareholders		580,592	636,469
Non-controlling interests		26,535	13,086
Total equity		607,127	649,555
Total equity and liabilities		939,887	816,232

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

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,	
		2018	2017
Issued capital			
Beginning of year		496,333	496,326
Exercise of stock options	34	924	7
End of year		497,257	496,333
Foreign currency translation reserve			
Beginning of year		(998)	(998)
End of year		(998)	(998)
Other components of equity			
Beginning of year		18,299	17,514
Equity-settled share-based compensation expense		790	1,094
Investment revaluation reserve on change in fair value of marketable securities, net of tax		(717)	(309)
Acquisition of non-controlling interest in Boss Gold and Boss Minerals	6b	(12,572)	-
End of year		5,800	18,299
Retained earnings			
Beginning of year		122,835	90,903
Adjustment due to IFRS 15	24	(56,096)	-
Profit attributable to shareholders		11,794	31,932
End of year		78,533	122,835
Non-controlling interests			
Beginning of year		13,086	13,188
Acquisition of Afema	6a	6,448	-
Non-controlling interest - portion of profit for the year		1,671	2,598
Acquisition of non-controlling interest in Boss Gold and Boss Minerals	6b	5,330	-
Dividend payment to the Government of Senegal		-	(2,700)
End of year		26,535	13,086
Total equity as at December 31		607,127	649,555

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	For the years ended December 31,	
		2018	2017
Cash flows related to operating activities			
Net profit for the year		13,465	34,530
Add (deduct) items not affecting cash:			
Depreciation of property, plant and equipment	18	27,475	23,165
Depreciation of capitalized mine development costs	18	44,605	39,492
Inventory movements - depreciation	9	(1,486)	(6,306)
Capitalized deferred stripping - depreciation	9	(2,728)	(1,977)
Amortization of advanced royalties		2,746	3,003
Unrealized gains on derivative instruments		(2,553)	(1,832)
Amortization of intangibles		396	220
Amortization of deferred financing costs		1,893	463
Accretion expenses	11	9,723	865
Share-based compensation	34	4,851	2,580
Amortization of gold stream liability	24	(22,500)	(22,606)
Deferred income tax expense/(recovery)	13	10,295	(4,525)
Gain on sale of marketable securities	12	-	(2,469)
Unrealized gains on revaluation of share warrant liability	12	(1,136)	-
Unrealized gains on revaluation of gold offtake payment liability	12	(317)	-
Interest on borrowings		1,485	1,131
Decrease in inventories		10,435	16,876
Cash flows related to operating activities before changes in working capital excluding inventories		96,649	82,610
Changes in working capital excluding inventories	32	(4,589)	(11,231)
Net cash provided by operating activities		92,060	71,379
Cash flows related to investing activities			
Expenditures for property, plant and equipment		(123,896)	(18,145)
Expenditures for mine development		(78,262)	(60,989)
Expenditures for intangibles		(656)	(299)
Acquisition of non-controlling interest in Afema Project		(5,303)	-
Cash acquired from Afema		140	-
Investment in marketable securities		(77)	(393)
Investment in Boss Gold and Boss Minerals	6b	(7,242)	-
Proceeds from sale of marketable securities		-	3,990
Net cash used in investing activities		(215,296)	(75,836)
Cash flows related to financing activities			
Drawdown of finance facility	21	112,200	-
Repayment of borrowings	21	(15,000)	-
Financing costs paid		(12,278)	-
Proceeds from stock options exercised		609	7
Interest paid on borrowings		(5,391)	(1,115)
Dividend payment to the Government of Senegal		-	(2,700)
Net cash provided by (used in) financing activities		80,140	(3,808)
Effect of exchange rates on cash holdings in foreign currencies		2,040	748
Net decrease in cash and cash equivalents		(41,056)	(7,517)
Cash and cash equivalents at the beginning of year		87,671	95,188
Cash and cash equivalents at the end of year		46,615	87,671
Taxes paid in Cash		5,942	15,202

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: TGCDF).

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 21, 2019.

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.

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".

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.

Where 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. Proceeds from sales of gold produced prior to achieving commercial production is recognized as revenues in the income statement.

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. Capitalized mining costs relating to a pit are depreciated on a UOP basis over the pit-specific proven and probable gold reserves. 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. Capitalized exploration and evaluation expenditures costs will be amortized using the UOP method over the estimated proven and probable reserves once the asset is in a location and condition necessary for it to be capable of operating in a manner intended the Company.

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. Provisions

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

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

n. Restoration and Rehabilitation

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

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

o. Income Tax

Current income tax

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

Deferred income tax

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

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

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

p. Financial Instruments

On January 1, 2018, the Company adopted IFRS 9 Financial Instruments ("IFRS 9"), which replaced IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"), on a retrospective basis using certain available transitional provisions. In accordance with the transitional provisions, the comparative information for prior periods have not been restated and the information presented for 2017 reflects the requirements of IAS 39 rather than IFRS 9.

The nature and effect of the changes to IFRS 9 are as follows:

Financial Instrument Classification and Measurement

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities.

IFRS 9 provides a revised model for the classification and measurement of financial assets that eliminates the previous categories of financial assets under IAS 39 of "available-for-sale", "held-to-maturity", or "loans and receivables." Under IFRS 9, on initial recognition, a financial asset is classified as and measured at: amortized cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized

permanently in other comprehensive income with no reclassification to profit or loss. The election is available on an investment-by-investment basis.

All financial assets not classified as amortized cost or FVOCI are classified as and measured at FVTPL. This includes all derivative assets. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Under IFRS 9, the Company has classified and measured its financial assets as described below:

- Cash and cash equivalents, restricted cash and short-term investments are classified as and measured at amortized cost. Previously under IAS 39, these assets were classified and measured at amortized cost.
- Trade receivables and certain other assets are classified as and measured at amortized cost. Previously under IAS 39, these assets were classified as loans and receivables and measured at amortized cost.
- Long-term investments in equity securities, where the Company cannot exert significant influence, are designated as financial assets at FVOCI and are measured at fair value. Previously under IAS 39, the investments were classified as available-for-sale and measured at FVOCI. On transition to IFRS 9, the Company continues to designate its long-term investments as FVOCI.
- Trade payables, accrued liabilities and long-term debt are classified as and measured at amortized cost.
- Derivative assets and liabilities include derivative financial instruments that do not qualify as hedges, or are not designated as hedges, and are classified as FVTPL.

The adoption of IFRS 9 did not result in a change in the carrying values of any of the Company's financial instruments on the transition date.

Impairment of Financial Assets

IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets classified as and measured at amortized cost, contract assets and investments in debt instruments measured at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The adoption of the ECL model under IFRS 9 did not have an impact on the carrying values of any of the Company's financial assets on the transition date.

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.

q. Marketable Securities

Investments may be classified as a marketable security based on their highly liquid nature and because such 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.

r. 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 revalued 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 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 FBUs are granted. The fair value of the FBUs is adjusted by the estimate of the number of FBUs 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 FBUs is charged to the consolidated statements of comprehensive income and revalued at the end of each reporting period based on the Black-Scholes valuation.

s. Revenue

Gold and silver bullion sales

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

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

Gold streaming arrangement

Effective January 1, 2018, the Company adopted IFRS 15 and applied the standard on the gold streaming arrangement with Franco-Nevada Corporation. Refer to Notes 4 and 24 for further details.

Interest income

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

t. Royalties

Royalties

Royalties, whether paid to the government of a country in which Teranga operates 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.

u. Earnings per Share

Basic earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of 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

a. New standards, interpretations and amendments thereof, adopted by the Company in the current year

IFRS 9, Financial Instruments

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 (FVOCI) and a single, forward-looking expected loss impairment model. The adoption date for IFRS 9 was January 1, 2018.

Upon adoption, investments in publicly traded equity securities held by the Company have been classified as FVOCI. These investments are recorded at fair value and changes in the fair value of these investments are recognized permanently in other comprehensive income.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018, for each class of the Company's financial assets and financial liabilities.

	Measurement Category ⁽ⁱ⁾	
	IAS 39	IFRS 9
Financial Assets		
Cash and cash equivalents	Loans and receivables	Amortized costs
Trade and other receivables	Loans and receivables	Amortized costs
Financial derivative assets	FVTPL	FVTPL
Marketable securities	Available for sale assets	FVOCI
Financial liabilities		
Trade and other payables	Amortized costs	Amortized costs
Borrowings	Amortized costs	Amortized costs
Gold offtake payment liability	n/a	FVTPL
Share warrant liability	n/a	FVTPL

(i) There were no adjustments to the carrying amounts of the financial instruments as a result of the change in classification from IAS 39 to IFRS 9.

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

The Company adopted IFRS 15 as at January 1, 2018 on a modified retrospective basis in accordance with the transitional provisions of IFRS 15. Results for reporting periods beginning after January 1, 2018 are presented under IFRS 15, while prior reporting period amounts have not been restated and continue to be reported under IAS 18 – Revenue.

The Company has determined that the gold streaming arrangement with Franco-Nevada Corporation ("Franco-Nevada") falls within the scope of IFRS 15 as it constitutes a contract with a customer to deliver an uncertain quantity of gold ounces in the future. The upfront payment constitutes a gold stream liability whereby the performance obligation is 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 in exchange for an up-front deposit of \$135 million. Under the arrangement, 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.

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 gold stream 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, the Company 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 per ounce). This discount rate is not subsequently changed for changes in timing, price or quantities of deliveries, and is applied to the gold stream 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 per ounce), being the estimated stand-alone selling price of the deliveries as determined at contract inception (after separating the SFC). The outstanding gold stream 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 and the remaining gold stream liability is remeasured using the revised production profile combined with the original estimated discount rate, and original estimated forward prices. A re-measurement of the remaining gold stream liability will result in a cumulative catch-up adjustment to revenue recorded on satisfied performance obligations and will be recorded as either revenue or a reversal of revenue in the period of the change in the remaining gold stream liability.

The effect of initially applying IFRS 15 resulted in the following cumulative adjustment as at January 1, 2018:

- Increase to gold stream liability of \$56.1 million
- Decrease to retained earnings of \$56.1 million

b. Future accounting policies not yet adopted

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 Leases which superseded IAS 17 Leases and related interpretations. The new standard provides a single-on-balance sheet 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. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained.

The Company has adopted the standard on its effective date of January 1, 2019 based on a modified retrospective approach. The cumulative impact of adoption will be recognized as at January 1, 2019 and comparatives will not be restated. The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within twelve months as of the date of initial application and lease contracts for which the underlying asset is of low-value. The Company has certain minor camp accommodation and storage leases that are considered as low-value.

In 2018, the Company progressed in the implementation of IFRS 16. This work consisted of reviewing contracts, aggregating data to support the evaluation of the accounting impacts and performing preliminary calculations of the impact to the financial statements. At this stage, the Company expects the main impacts of IFRS 16 will relate to office leases and mobile fleet contracts. Based on the work completed to date, the Company estimates that it will record the following cumulative impact to the financial statements, effective January 1, 2019 (these results are preliminary and are subject to change):

- Increase to Property, Plant and Equipment (right-of-use assets) of \$5.0 million - \$6.0 million
- Increase to Lease Liabilities of \$5.0 million - \$6.0 million

Upon implementation of IFRS 16, the main impacts are expected to be as follows:

- Assets and liabilities will increase as some leases currently classified as operating leases will be recognized on the balance sheet.
- There will be a reduction in mine operation or administration expenses and an increase in finance costs as operating lease costs are replaced with depreciation and lease interest expense.

- The classification between cash flow from operating activities and cash flow from financing activities will change.
- Commonly used financial ratios and performance metrics for the Company, using existing definitions, will be impacted including net debt, EBITDA, and operating cash flows.

The amounts recognized as assets and liabilities under IFRS 16 are subject to the following judgements, assumptions and estimates:

- Judgement as to whether the contracts contain leases as defined under the new standard;
- Assumptions used to calculate the discount rate; and
- Estimation of the lease term.

IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23")

In June 2017, the IASB issued the International Financial Reporting Interpretations Committee Interpretation 23 ("IFRIC 23") which clarifies application of the recognition and measurement requirement in IAS 12 Income Taxes ("IAS 12"). IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by a tax authority. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of applying IFRIC 23 to the consolidated financial statements. The Company will apply IFRIC 23 from its effective date.

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 ACQUISITION

a. Acquisition of Afema

On March 22, 2018, the Company entered in to an agreement with Sodim Limited ("Sodim"), the owner of all of the issued and outstanding shares of Taurus Gold Afema Holdings Limited ("Afema"), and acquired 51 percent of Afema, which owns an interest in the Afema Gold project through the 90 percent controlled Afema Gold SA, for an initial cash consideration of \$5.0 million, with an additional \$2.5 million to be paid in 2019.

Pursuant to the agreement, a further \$2.5 million is payable upon the delivery of a confirmation study, feasibility study or updated feasibility study which shall include anticipated pre-production capital expenditures and the Company's written confirmation of its decision to proceed with the development of any Afema Project. Upon this, the Company's participating interest will increase to 70 percent and Sodim can elect to maintain its 30 percent equity interest on a fully participatory basis or convert it to a 5 percent equity interest on a free carrying basis or to a 3 percent net smelter royalty on the Afema project.

Management has determined that the acquisition of Afema, along with its mining license and exploration permits, was a purchase of assets and assumption of liabilities and did not qualify as a business combination under IFRS 3, *Business Combinations*. The value assigned to the assets acquired and liabilities assumed were based upon the fair value of consideration given at the date of acquisition and transaction costs were capitalized as part of the purchase consideration.

The Company has elected to measure the non-controlling interests as their proportionate share of the fair value of net identifiable assets acquired and liabilities assumed.

Consideration for the acquisition was \$7.8 million.

b. Acquisition of Boss Gold and Boss Minerals

On October 2, 2018, the Company completed its acquisition of the remaining 49 percent interest in the Golden Hill and Gourma exploration projects, owned by Boss Minerals Sarl ("Boss Minerals") and Boss Gold Sarl ("Boss Gold") (together, the "Boss Entities"), respectively, from Boss Resources Limited ("Boss Resources") for total consideration of AUD 10 million (US\$7.2 million). Upon closing, Teranga owned 100 percent interest in each of the Golden Hill and Gourma exploration projects.

Changes in the Company's ownership in subsidiaries that do not result in a loss of control are recorded as equity transactions. As a result of the acquisition of the remaining 49 percent interest in the Boss Entities, a debit of \$12.6 million was recognized directly in equity, which was the sum of the consideration paid of \$7.2 million and a \$5.4 million deficit representing Boss Resources' 49 percent non-controlling interest which was derecognized on October 2, 2018.

7. REVENUE

	For the years ended December 31,	
	2018	2017
Gold sales - spot price ⁽ⁱ⁾	289,794	291,335
Silver sales	334	348
Gold stream arrangement ⁽ⁱⁱ⁾	22,500	-
Revenue ⁽ⁱⁱⁱ⁾	312,628	291,683

(i) 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.

(ii) The Company realized revenues from the drawdown of the gold stream liability to Franco-Nevada equivalent to 80 percent of \$1,250 per ounce of gold. Refer to Note 24 for further details.

(iii) If IFRS 15 had not been adopted for 2018, revenue for the year ended December 31, 2018 would have been \$313.0 million. Refer to Notes 4 and 24 for further details.

For the year ended December 31, 2018, 223,573 ounces of gold were sold at an average price of \$1,271 per ounce, excluding 22,500 ounces delivered to Franco-Nevada (2017: 208,578 ounces of gold were sold at an average realized price of \$1,261 per ounce, excluding 22,500 ounces delivered to Franco-Nevada).

The Company made sales to customers in 2018 and in 2017 as follows:

	For the years ended December 31,	
	2018	2017
Customer 1	145,266	149,976
Customer 2	137,925	113,449
Customer 3	28,207	28,258
Customer 4	1,230	-
Total Revenue	312,628	291,683

8. MINE OPERATION EXPENSES

	For the years ended December 31,	
	2018	2017
Mine production costs	175,179	161,155
Royalties ⁽ⁱ⁾	19,809	19,180
Regional administration costs	1,868	1,996
Capitalized deferred stripping	(45,978)	(29,428)
Inventory movements	13,471	15,786
Total Mine Operation Expenses	164,349	168,689

(i) Includes royalties to Axmin Inc. on account of their 1.5 percent net smelter royalty on the Gora deposit. During the year ended December 31, 2018, the Company incurred \$1.5 million of Axmin royalties (2017: \$1.6 million).

9. DEPRECIATION AND AMORTIZATION

	For the years ended December 31,	
	2018	2017
Depreciation and amortization - property, plant and equipment and mine development expenditures	43,264	39,152
Depreciation and amortization - deferred stripping assets	27,118	22,555
Inventory movements - depreciation	(1,486)	(6,306)
Capitalized deferred stripping - depreciation	(2,728)	(1,977)
Total Depreciation and Amortization	66,168	53,424

10. ADMINISTRATION EXPENSES

	For the years ended December 31,	
	2018	2017
Corporate office	11,090	8,855
Legal and other	1,865	1,428
Audit fees	467	301
Depreciation	196	118
Total Administration Expenses	13,618	10,702

11. FINANCE COSTS

	For the years ended December 31,	
	2018	2017
Accretion expense ⁽ⁱ⁾	9,723	865
Interest and deferred financing costs on borrowings	3,388	1,594
Stocking fees	741	761
Bank charges	1,931	620
Other	-	67
Total Finance Costs⁽ⁱ⁾	15,783	3,907

- (i) For the year ended December 31, 2018, the amount includes \$9.0 million of accretion expense on the gold stream liability (2017: \$nil). If IFRS 15 had not been adopted prospectively for 2018, total finance costs for year ended December 31, 2018 would have been \$6.8 million. Refer to Notes 4 and 24 for further details.

12. OTHER (INCOME)/EXPENSES

	For the years ended December 31,	
	2018	2017
Unrealized gains on derivative instruments ⁽ⁱ⁾	(2,553)	(1,832)
Realized gains on derivative instruments ⁽ⁱ⁾	(6,746)	-
Change in fair value of share warrant liability ⁽ⁱⁱ⁾	(1,136)	-
Change in fair value of gold offtake payment liability ⁽ⁱⁱⁱ⁾	(317)	-
Government of Senegal payments ^(iv)	-	(569)
Business and other taxes ^(v)	1,315	1,152
Option Agreement - Milestone Payment ^(vi)	-	(1,150)
Gain on sale of marketable securities ^(vii)	-	(2,469)
Interest income and other expense	979	372
Total Other Income	(8,458)	(4,496)

- (i) 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 2017, 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. In 2018, an additional 56,500 ounces of forward contracts at a price of \$1,350 per ounce were entered into and remained outstanding as at December 31, 2018. A total of 106,000 ounces of gold had been settled in 2018 under these contracts.
- (ii) Refer to Note 23 for further details.
- (iii) Refer to Note 22 for further details.
- (iv) During 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.
- (v) Senegalese business taxes which are calculated based on the gross value of fixed assets of the preceding year.
- (vi) During the second quarter 2017, the required milestones from an option agreement with Algold Resources Ltd ("Algold") were met and the Company recorded income of C\$1.5 million (\$1.2 million) and received 7,349,339 Algold shares.
- (vii) Refer to Note 16 for further details.

13. 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.

Effective January 1, 2018, Teranga's West African entities in Senegal, Burkina Faso and Côte d'Ivoire converted to new accounting standards under the Organization for the Harmonization of Business Law in Africa ("SYSCOHADA"). The new SYSCOHADA standards bring West African accounting standards and principles in greater alignment to IFRS. As a result, certain of transitional changes impacted current and deferred income taxes for the year ended December 31, 2018.

For the year ended December 31, 2018, the Company recorded income tax expense of \$23.3 million, comprised of current income tax expense of \$13.0 million and a deferred income tax expense of \$10.3 million (2017: \$2.4 million expense, comprised of current income tax expense of \$6.9 million and a deferred income tax recovery of \$4.5 million).

	For the years ended December 31	
	2018	2017
Current tax expense	13,017	6,962
Deferred tax expense / (recovery)	10,295	(4,526)
	23,312	2,436

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	
	2018	2017
Income before income taxes	36,761	36,966
Statutory tax rates	26.5%	26.5%
Income tax expense computed at statutory tax rates	9,742	9,796
Impact of foreign tax rates	2,478	808
Non-deductible items	3,153	888
Adjustment for prior years	(102)	(667)
Tax credits	(64)	(64)
Change in foreign exchange rates	4,251	(13,745)
Unrecognized deferred tax assets	3,854	5,420
Provision for income taxes	23,312	2,436

14. TRADE AND OTHER RECEIVABLES

	As at December 31, 2018	As at December 31, 2017
Current		
Value added tax ("VAT") recoverable ⁽ⁱ⁾	5,874	4,378
Other receivables ⁽ⁱⁱ⁾	3,205	1,106
Total Trade and Other Receivables	9,079	5,484

- (i) 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 and Burkina Faso. Non-recoverable VAT is expensed to net profit. In February 2016, the Company received an exemption for the payment and collection of refundable VAT from government of Senegal. This exemption is governed by an amendment to our mining convention and expires on May 2, 2022. The balance at the end of December 31, 2018 primarily relates to VAT amounts paid prior to May 2017 in Senegal, and VAT amounts paid within 24 months prior to commencement of operations at Wahgnion in Burkina Faso. On December 20, 2017, the Company received exoneration from VAT directly related to mining services during the construction phase from the Burkinabe government for the Wahgnion Gold Project.
- (ii) Other receivables primarily include: \$1.8 million receivables from suppliers for services, materials and utilities used at the Sabodala Gold Mine and Wahgnion Gold Operations, a \$0.1 million receivable related to the sale of exploration rights (2017: \$0.1 million), \$0.8 million of sales tax refunds as at December 31, 2018 (2017: \$0.1 million) and a receivable from Sodim of \$0.5 million (2017: \$nil).

15. INVENTORIES

	As at December 31, 2018 ⁽ⁱ⁾	As at December 31, 2017
Current		
Gold bullion	2,704	2,929
Gold in circuit	3,885	5,451
Ore stockpile	26,801	16,356
Total gold inventories	33,390	24,736
Diesel fuel	2,014	1,891
Materials and supplies	29,526	28,581
Goods in transit	678	1,816
Total other inventories	32,218	32,288
Total current inventories	65,608	57,024
Non-current		
Ore stockpile	86,105	103,638
Total Inventories	151,713	160,662

(i) 2018 balances includes the following related to the Wahgnion Gold Project: \$2.4 million of current ore stockpile, \$0.3 million of other inventory and \$0.7 million of non-current ore stockpile.

16. MARKETABLE SECURITIES

	Amount
Balance at January 1, 2017	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
Marketable securities acquired	77
Change in fair value of marketable securities during the year	(662)
Foreign exchange loss	(55)
Balance as at December 31, 2018	324

The Company holds publicly traded equity securities that are classified as marketable securities 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 first quarter of 2018, the Company purchased 1,000,000 Sarama Resources Ltd. shares. 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. In 2017, a gain of \$2.5 million was recorded within Other (Income)/Expense upon disposition.

17. OTHER ASSETS

	As at December 31, 2018	As at December 31, 2017
Current		
Prepayments ⁽ⁱ⁾	5,043	4,086
Advanced royalty ⁽ⁱⁱ⁾	1,184	2,857
Derivative assets ⁽ⁱⁱⁱ⁾	4,385	1,659
VAT certificates held ^(iv)	333	1,084
Total Other Current Assets	10,945	9,686
Non-current		
Advanced royalty ⁽ⁱⁱ⁾	2,378	3,451
Prepayments for non-current assets	1,226	-
Intangible assets	947	816
Derivative assets ⁽ⁱⁱⁱ⁾	-	173
Total Other Non-Current Assets	4,551	4,440
Total Other Assets	15,496	14,126

- (i) As at December 31, 2018, prepayments include advances to vendors and contractors in Senegal of \$2.7 million and \$1.4 million in Burkina Faso (2017: \$2.9 million Senegal) and \$0.9 million for insurance (2017: \$1.2 million).
- (ii) As at December 31, 2018, there is \$1.2 million in other current assets and \$2.4 million in other non-current assets as advanced royalty payments to the Government of Senegal. In total, the Company had recorded \$10.0 million related to the Oromin Joint Venture Group ("OJVG") in 2014 and \$4.2 million related to the Gora deposit in the first quarter of 2015. The advanced royalties are expensed to net profit based on actual production from the former OJVG and Gora deposits. During the year ended December 31, 2018, the Company expensed \$2.7 million, as amortization of the OJVG and Gora advanced royalties (2017: \$3.0 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.
- (iii) Refer to Note 12(i) for further details.
- (iv) VAT certificates are highly 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.

18. PROPERTY, PLANT AND EQUIPMENT

	Land, building, plant and equipment			Mine development costs subject to depreciation	Mine development costs not yet subject to depreciation ^{(i)(ii)(iv)}	Total
	Sabodala and Corporate	Wahgnion	Wahgnion Construction in Progress			
Cost						
Balance as at January 1, 2017	447,953	957	-	451,693	52,595	953,198
Additions	12,343	2,215	7,271	45,723	18,916	86,468
Disposals	(814)	(123)	-	-	-	(937)
Balance as at December 31, 2017	459,482	3,049	7,271	497,416	71,511	1,038,729
Additions	9,854	14,146	128,249	60,052	39,421	251,722
Disposals	(57)	-	-	-	-	(57)
Balance as at December 31, 2018	469,279	17,195	135,520	557,468	110,932	1,290,394
Accumulated depreciation						
Balance as at January 1, 2017	263,399	112	-	192,612	-	456,123
Depreciation expense	22,379	786	-	39,492	-	62,657
Disposals	(814)	(71)	-	-	-	(885)
Balance as at December 31, 2017	284,964	827	-	232,104	-	517,895
Depreciation expense	25,876	1,599	-	44,605	-	72,080
Disposals	(45)	-	-	-	-	(45)
Balance as at December 31, 2018	310,795	2,426	-	276,709	-	589,930
Net book value						
Balance as at December 31, 2017 ⁽ⁱⁱ⁾	174,518	2,222	7,271	265,312	71,511	520,834
Balance as at December 31, 2018 ⁽ⁱⁱ⁾	158,484	14,769	135,520	280,759	110,932	700,464

- (i) Mine development costs not yet subject to depreciation includes mine licenses and costs associated with the Afema acquisition in the first quarter of 2018.
- (ii) Balance as at December 31, 2018 includes \$150.3 million (2017: \$9.5 million) of construction and \$96.5 million (2017: \$71.5 million) of mine development costs associated with Wahgnion, \$438.1 million (2017: \$438.3 million) of costs associated with Sabodala, \$14.4 million (2017: \$nil) of costs associated with Afema and \$1.1 million (2017: \$1.5 million) of cost associated with other projects.
- (iii) Total borrowing costs capitalized as a component of mine development as at December 31, 2018 was \$3.1 million (2017 – \$nil).
- (iv) As the Wahgnion Gold project is currently under construction, development expenditures are not currently subject to depreciation.

	Year ended December 31, 2018	Year ended December 31, 2017
Capitalized mine development additions		
Deferred stripping costs	48,824	31,405
Capitalized mine development - Golouma South	-	130
Capitalized mine development - Golouma West	-	7,408
Capitalized mine development - Niakafiri	8,817	332
Capitalized reserve development - Sustaining (Sabodala)	647	5,799
Capitalized mine development - Growth (Wahgnion) ⁽ⁱ⁾	25,060	18,916
Capitalized mining license - Afema	14,361	-
Other	1,764	649
Total Capitalized Mine Development Additions	99,473	64,639

- (i) Capitalized development costs include reserve development, feasibility studies, construction readiness and early works expenditures related to the Wahgnion Gold Project.

Depreciation of property, plant and equipment for the year ended December 31, 2018 was \$27.5 million (2017: \$23.2 million). Depreciation of capitalized mine development for the year ended December 31, 2018 was \$44.6 million and was expensed as cost of sales (2017: \$39.5 million).

19. 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:

	2018	2017
Deferred tax assets		
Unrealized foreign exchange	9,049	9,742
Mining and property, plant, and equipment	4,417	12,984
Other	286	230
Net deferred tax assets	13,752	22,956

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

	2018	2017
Deferred tax assets		
Unrealized foreign exchange	237	154
Mining and property, plant, and equipment	2,207	3,381
Deferred tax assets	2,444	3,535

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	
	2018	2017
Deferred income tax assets not recognized		
Share issuance and transaction costs	286	464
Loss carry forwards	21,738	21,474
Property, plant and equipment	1,051	892
Other	2,206	1,889
Deferred income tax assets not recognized	25,280	24,719

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 \$499,305 at December 31, 2018.

As at December 31, 2018, the tax losses not recognized by the Company and their associated expiry dates are as follows:

	Expiry Date	For the years ended December 31	
		2018	2017
Tax losses - gross			
Canada	2030 - 2038	81,606	76,112
Mauritius	2019 - 2023	220	337
Côte d'Ivoire	2022	-	1
Australia	Indefinite	225	4,152
		82,051	80,602

20. TRADE AND OTHER PAYABLES

	As at December 31, 2018	As at December 31, 2017
Current		
Trade payables ⁽ⁱ⁾	26,427	20,623
Sundry creditors and accrued expenses	34,317	17,152
Government royalties ⁽ⁱⁱ⁾	3,930	4,462
Amounts payable to the Republic of Senegal ^{(iii) (iv)}	9,886	11,294
Contingent consideration ^(v)	534	634
Total Current Trade and Other Payables	75,094	54,165
Non-Current		
Amounts payable to the Republic of Senegal ^(v)	8,150	7,762
Contingent consideration ^(v)	2,297	2,297
Total Other Non-Current Liabilities	10,447	10,059
Total Trade and Other Payables	85,541	64,224

- (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 2,256 million XOF (2017: 2,443 million XOF). For the year ended December 31, 2018, royalty payments totalling \$16.0 million relating to the fourth quarter 2017 and the first nine months of 2018 were made to the Republic of Senegal (2017: \$13.4 million paid relating to fourth quarter 2016 and the first nine months of 2017).
- (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, 2018, \$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, 2018, \$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. It is recorded at its net present value of \$8.2 million. The change in the period is solely due to the accretion of the liability.

- (vi) The Company acquired Badr Investment Ltd's ("Badr") 13 percent carried interest in the OJVG for cash consideration of \$7.5 million and further contingent consideration which will be based on realized gold prices and increases to the former OJVG's mining reserves through 2020, of which \$3.8 million was accrued upon finalization of the purchase price allocation in 2014. In June 2018, the Company made an advance payment of \$0.1 million to Badr. As at December 31, 2018, \$0.5 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 (2017: \$0.6 million in current liabilities and \$2.3 million in non-current liabilities).

21. BORROWINGS

	As at December 31, 2018	As at December 31, 2017
Principal outstanding	-	15,000
Deferred financing costs	-	(693)
Total Revolver Credit Facility	-	14,307
Secured development finance facility		
Principal outstanding	112,200	-
Deferred financing costs	(25,103)	-
Total Secured Development Finance Facility	87,097	-
Total Borrowings	87,097	14,307
Deferred financing costs detail:		
	As at December 31, 2018	As at December 31, 2017
Financing costs	12,278	2,321
Fair value of gold offtake payment liability - Note 22	14,015	-
Share warrants issued - Note 23	3,105	-
Accumulated amortization of deferred financing costs	(4,295)	(1,628)
	25,103	693

a. Revolver Credit Facility

In June 2016, the Company completed an extension of its \$30.0 million revolver facility with Société Générale S.A. ("Revolver Facility"). The Revolver Facility was expected to mature on September 30, 2019, with the available amount decreasing to \$15.0 million on June 30, 2018. The Revolver Facility carried an interest rate of LIBOR plus 4.65 percent with any unused facility amounts subject to a commitment fee of 1.6 percent.

In May 2018, the Revolver Facility was repaid in full and terminated. Unamortized deferred financing cost of \$0.5 million were written off upon extinguishment of the Revolver Facility.

b. Secured Development Finance Facility

On April 16, 2018, the Company entered into a secured development finance facility ("Facility") with Taurus Funds. The Facility consists of two tranches to fund the development and advancement of the Company's projects in Burkina Faso. The first tranche consists of \$165 million to be used to fund the development of the Wahgnion Gold Project ("Wahgnion Tranche") and to repay all of the Company's outstanding debt drawn on the Revolver Facility. The second tranche consists of \$25 million to be used towards the advancement of a feasibility study for the Golden Hill Project ("Golden Hill Tranche"). The Golden Hill Tranche was increased by an additional \$10 million to \$35 million in October 2018 (see Note 6b). All subsequent drawdowns on the Golden Hill Tranche are subject to meeting conditions precedent.

Both tranches bear an interest rate of 8.75 percent per annum on the drawn amount, paid quarterly in arrears. Early repayment is permitted at any time without penalty. Principal repayments on the Wahgnion Tranche are due quarterly commencing on March 31, 2020 with the balance due on December 31, 2022. The principal repayment of the Golden Hill Tranche is due on December 31, 2022. A commitment fee of 2.5 percent on undrawn balances is due quarterly in arrears.

As part of the Facility, the Company granted 2 million share warrants to Taurus Funds on April 16, 2018. Each warrant allows the holder to acquire common shares of the Company at an exercise price of C\$5.22. The fair value of these warrants on the date of grant was \$3.1 million and was recognized as a deferred financing cost (Note 23).

As at December 31, 2018, \$102.2 million was drawn on the Wahgnion Tranche and \$10 million was drawn on the Golden Hill Tranche.

22. GOLD OFFTAKE PAYMENT LIABILITY

In conjunction with the Facility, the Company entered into a gold offtake payment agreement with Taurus Funds (“Gold Offtake Agreement”) on May 31, 2018. Under the terms of the Gold Offtake Agreement, Taurus Funds is entitled to an amount equal to the difference between the actual spot sales price per ounce and the lowest a.m. and p.m. London Bullion Market Association gold price per ounce during the eight business days preceding the sale date for gold ounces produced and sold from the Wahgnion Gold Project, up to 1,075,000 ounces. Sales proceeds received by Teranga will be reduced by any amounts owed to Taurus Funds under the Gold Offtake Agreement. Taurus Funds does not take physical delivery of gold ounces.

The Company has the option to terminate the agreement by paying Taurus Funds the net present value (applying an 8.75 percent annual discount rate, and assuming gold deliveries on a straight line basis for the first 9.5 years of mine life commences from the date of first production) of \$20 per ounce multiplied by the number of outstanding gold ounces remaining under the Gold Offtake Agreement.

The Gold Offtake Agreement was classified as a derivative financial liability as the amount due to Taurus Funds is variable and determined based on the price spread between the spot price of gold on the date of sale and the lowest spot price of gold over periods of time in the future. As a result, the gold offtake payment liability is recorded at fair value at the end of each reporting period. The Company has estimated the fair value of the gold offtake payment liability using a discounted cash flow model based on the Wahgnion Gold Project’s life-of-mine production. Key inputs used in the discounted cash flow model at each period were:

	As at December 31, 2018	On inception date
Number of gold ounces outstanding	1,075,000	1,075,000
Maximum per ounce price spread between spot gold price and lowest price of the 8 preceding days	20.0	20.0
Discount rate	9.0%	9.2%

As at May 31, 2018, the estimated fair value of the gold offtake payment liability was \$14.0 million and was recognized as a deferred financing cost (Note 21). As at December 31, 2018, the estimated fair value was \$13.7 million.

23. SHARE WARRANT LIABILITY

The Company granted 2 million share warrants to Taurus Funds on April 16, 2018. Each warrant allows the holder to acquire one common share of the Company at an exercise price of C\$5.22, with an expiry date of April 15, 2022.

The currency of the exercise price of the warrants is different from the Company’s functional currency and as a result the share warrants have been classified as a derivative financial liability. Changes in fair value of the financial liability are recognized as other income (expense) at the end of each reporting period. Upon exercise, the warrant liability will be reclassified to share capital. Should the warrants expire unexercised, the associated warrant liability will be recorded as other income in the consolidated statements of comprehensive income. There is no circumstance under which the Company would be required to pay any cash upon exercise or expiry of the warrants.

A reconciliation of the change in the fair values of the share warrant liability is presented below:

	Number of warrants	Share warrant liability
Balance as at December 31, 2017	-	-
Granted during the year	2,000,000	3,105
Change in fair value of share warrant liability	-	(1,136)
Balance as at December 31, 2018	2,000,000	1,969

Fair value of warrants were calculated using the Black-Scholes option pricing model with the following assumptions:

	As at December 31, 2018	As at grant date
Valuation date share price	C\$4.03	C\$4.49
Weighted average fair value of share warrants	C\$1.34	C\$1.95
Exercise price	C\$5.22	C\$5.22
Risk-free interest rate	1.85%	1.90%
Expected share market volatility ⁽ⁱ⁾	57%	61%
Expected life of warrants (years)	3.3	4.0
Dividend yield	0%	0%
Number of warrants exercisable	2,000,000	2,000,000

(i) Volatility was determined using historical volatility, based on the expected life of the warrants, of the Company's share price.

24. GOLD STREAM LIABILITY

On January 15, 2014, the Company completed a streaming transaction with Franco-Nevada. The Company is required to deliver 22,500 ounces of gold annually 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 accounting purposes, the agreement is considered a contract for the future delivery of gold ounces at the contracted price. The up-front payment of \$135 million payment is accounted for as a prepayment of undelivered ounces under the contract and is recorded as a gold stream liability.

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 gold stream liability balance is drawn down based on the contracted price under IFRS 15. The gold stream liability is revalued based on estimates of expected deliveries from priced at \$1,250 per ounce of gold. Any future changes in timing, quantities and gold price assumptions will result in an update to the liability balance.

During the year ended December 31, 2018, the Company delivered 22,500 ounces of gold to Franco-Nevada (2017: 22,500 ounces) and recorded revenue of \$28.2 million, consisting of \$5.7 million received in cash proceeds and \$22.5 million recorded as a reduction of gold stream liability (2017: revenue of \$28.3 million, consisting of \$5.7 million received in cash proceeds and \$22.6 million recorded as a reduction of gold stream liability).

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

	Amount
Balance as at January 1, 2017	68,815
Amortization of gold stream liability	(22,606)
Balance as at December 31, 2017	46,209
Cumulative adjustment due to IFRS 15 ⁽ⁱⁱ⁾	56,096
Accretion of gold stream liability	8,957
Amortization of gold stream liability	(22,500)
Balance as at December 31, 2018 ⁽ⁱ⁾	88,762

	As at December 31, 2018	As at December 31, 2017
Current	14,860	24,206
Non-Current	73,902	22,003
Total Gold stream liability⁽ⁱ⁾	88,762	46,209

- (i) If IFRS 15 had not been adopted, the current gold stream liability and the total gold stream liability as at December 31, 2018 would both have been \$23.4 million. Refer to Note 4a for further details.
- (ii) Refer to Note 4a.

25. PROVISIONS

	As at December 31, 2018	As at December 31, 2017
Current		
Mine restoration and rehabilitation ⁽ⁱ⁾	370	-
Employee benefits ⁽ⁱⁱ⁾	2,815	2,289
Cash settled share-based compensation ⁽ⁱⁱⁱ⁾	4,055	2,630
Total Current Provisions	7,240	4,919
Non-Current		
Mine restoration and rehabilitation ⁽ⁱ⁾	33,735	27,510
Employee benefits ⁽ⁱⁱ⁾	798	872
Cash settled share-based compensation ⁽ⁱⁱⁱ⁾	795	1,002
Total Non-Current Provisions	35,328	29,384
Total Provisions	42,568	34,303

- (i) 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 and the Wahgnion Gold Project which are expected to be incurred up to 2033. The non-current provision includes \$27.5 million for Sabodala Gold Mine and \$6.2 million for the Wahgnion Gold Project (2017: \$27.5 million Sabodala Gold Mine). The provision has been recorded based on estimates and assumptions which management believe are a reasonable basis to estimate the 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.
- (ii) The current provisions for employee benefits include \$1.1 million accrued vacation and \$1.7 million long service leave entitlements for the period ended December 31, 2018 (2017: \$1.1 million and \$1.2 million). The non-current provisions for employee benefits include \$0.8 million of accrued vacation (2017: \$0.9 million).
- (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, 2017	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
Stock options exercised	242,867	924
Balance as at December 31, 2018	107,586,769	497,257

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, 2018 totalled \$607,127 (2017: \$649,555)

27. EARNINGS PER SHARE (EPS)

	For years ended December 31,	
	2018	2017
Basic EPS	0.11	0.30
Diluted EPS	0.11	0.30
Net profit used in the calculation of basic EPS	11,794	31,932
Weighted average number of common shares for the purposes of basic EPS ('000)	107,425	107,345
Effect of dilutive share options ('000)	234	78
Weighted average number of common shares outstanding for the purpose of diluted EPS ('000)	107,659	107,423

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 3.0 million and 3.1 million shares relating to share options that were anti-dilutive for the years ended December 31, 2018 and December 31, 2017, respectively.

28. COMMITMENTS FOR EXPENDITURES

As at December 31, 2018, 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
Debt ⁽ⁱ⁾	112.2	-	112.2	-	-
Franco-Nevada gold stream ⁽ⁱⁱ⁾	137.9	22.5	38.1	18.6	58.7
Purchase obligations for supplies and services ⁽ⁱⁱⁱ⁾	2.4	2.4	-	-	-
Sustaining capital commitments ^(iv)	5.0	3.1	1.9	-	-
Growth capital commitments ^(v)	69.5	69.5	-	-	-
Afema Investment ^(vi)	11.2	5.2	6.0	-	-
Operating lease commitments	7.6	2.5	2.5	0.9	1.7
Total	345.8	105.2	160.7	19.5	60.4

- (i) On April 16, 2018, the Company entered into the Taurus Facility. As at December 31, 2018, \$102.2 million was drawn on the Wahgnion Tranche and \$10 million was drawn on the Golden Hill Tranche.
- (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 in Senegal, 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. During 2018, two payments totalling \$5.0 million was paid. The third instalment of \$2.5 million will be paid in 2019. A fourth payment of \$2.5 million will be payable upon delivery of a confirmation study or updated feasibility study with Teranga's confirmation of its decision to proceed with the Afema project. Under the terms of the memorandum of understanding, the Company maintains its 51 percent interest in the Afema mine license 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 mine 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, \$1.2 million is payable annually for community projects and infrastructure to support local communities surrounding the Company's operations and social development of local authorities in the surrounding Kedougou region.
- In addition to the Company's corporate social responsibility spending, Teranga has agreed to establish a social development fund which includes making a payment of \$15.0 million to the Republic of Senegal at the end of the mine operational life. As at December 31, 2018, \$8.1 million was accrued which is the discounted value of the \$15.0 million future payment.
- \$0.4 million is payable annually for training of Senegalese 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 \$0.2 million is payable for each year of operations. Any amounts not paid is carried forward to future years.
- \$0.3 million 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.

Offtake obligation

- Under the Offtake Agreement, Taurus Funds is entitled to an amount, in cash, equal to the difference between the actual spot sales price per ounce and the lowest a.m. and p.m. London Bullion Market Association gold price per ounce during the eight business days preceding the sale date for all Wahgnion gold ounces produced and sold, up to 1,075,000 ounces.

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.

The Company operates in various countries in West Africa and may be subject to assessments by the regulatory authorities in each of those countries, which can be complex and subject to interpretation. Assessments may relate to matters such as income and other taxes, duties and other matters. The Company exercises informed judgment to interpret the provisions of applicable laws and regulations as well as their application and administration by regulatory authorities to reasonably determine and pay the amounts due. From time to time, the Company may undergo a review by the regulatory authorities and in connection with such reviews, disputes may arise with respect to the Company's interpretations about the amounts due and paid.

As at December 31, 2018, the Company did not have any material provisions for tax assessments. The Company believes the ultimate resolution of any assessments will not have a material adverse effect on the financial position of the Company.

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, 2018, \$1.9 million was accrued as a current liability.

30. EXPLORATION LICENSES AND JOINTLY CONTROLLED OPERATIONS AND ASSETS

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

Name of venture	Principal activity	Interest 2018 %
Sabodala Mining Company Sarl		
Bransan ⁽ⁱ⁾	Gold Exploration	100
Sounkounkou ⁽ⁱ⁾⁽ⁱⁱ⁾	Gold Exploration	100
Boss Gold Sarl⁽ⁱⁱⁱ⁾		
Boutouanou ^(iv)	Gold Exploration	100
Diabatou ^(iv)	Gold Exploration	100
Foutouri	Gold Exploration	100
Kankandi	Gold Exploration	100
Tyara	Gold Exploration	100
Tyabo	Gold Exploration	100
Boss Minerals Sarl⁽ⁱⁱⁱ⁾		
Baniri	Gold Exploration	100
Intiedougou	Gold Exploration	100
Mougue	Gold Exploration	100
Gryphon Minerals Burkina Faso Sarl^(v)		
Dierisso II	Gold Exploration	100
Nianka II	Gold Exploration	100
Nogbele II	Gold Exploration	100
Zeguedougou II	Gold Exploration	100
Nogbele Sud	Gold Exploration	100
Teranga Exploration (Ivory Coast) Sarl^(vi)		
Dianra	Gold Exploration	100
Guitry	Gold Exploration	100
Mahapleu	Gold Exploration	100
Tiassalé	Gold Exploration	100
Sangaredougou	Gold Exploration	100
Taurus Gold CI Sarl^{(vii)(viii)}		
Aboisso	Gold Exploration - Jointly Controlled	51
Ayame	Gold Exploration - Jointly Controlled	51
Maferé	Gold Exploration - Jointly Controlled	51

- (i) The decrees evidencing issuance of these exploration permits were delivered to Sabodala Mining Company Sarl from Senegal's Ministry of Mines and Geology on April 20, 2018.
- (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) On October 2, 2018, the Company concluded a transaction to acquire the outstanding interest in both the Golden Hill and Gourma properties, resulting in Teranga's 100 percent ownership in these properties (see Note 6b).
- (iv) As at December 31, 2018, 4 out of the 6 exploration permits held by Boss Gold Sarl were current. An application to the Burkina Faso Minister of Mines for an exceptional renewal of the expired permits was filed by Boss Gold Sarl on April 30, 2018.
- (v) Sanembaore Sarl holds a 1 percent net smelter royalty on Banfora production.

- (vi) A 3 percent net smelter royalty is owing to Miminvest SA ("Miminvest") pursuant to the terms of a joint venture agreement.
- (vii) A 1 percent net smelter royalty is owing to an Ivorian State controlled entity, SODEMI, pursuant to a mining development agreement. An additional net smelter royalty of 3 percent is applicable only with respect to Teranga's equity ownership interest in the Taurus Gold CI Sarl permits under the terms of the agreement with Miminvest. Pursuant to its agreement with Sodim Limited dated March 22, 2018, Teranga also retains a right to acquire a 70 percent interest in all of the aforementioned permits upon delivery of a technical study confirming Teranga's commitment to move forward with the development of a mine on any of these permits.
- (viii) Interest in Taurus Gold CI Sarl was inherited as part of the acquisition of Taurus Gold Afema Holdings Ltd. on January 8, 2018.

31. CONTROLLED ENTITIES

The significant mining and exploration entities of Teranga that have non-controlling interests are listed below.

	Country of Incorporation	Effective Percentage Ownership Owned
		2018
Sabodala Gold Operations SA	Senegal	90.0
Wahgnion Gold Operations SA	Burkina Faso	89.8
Afema Gold SA	Côte d'Ivoire	51.0
Taurus Gold CI Sarl	Côte d'Ivoire	51.0

32. CASH FLOW INFORMATION

	For the years ended December 31,	
	2018	2017
Changes in working capital excluding inventory		
Increase in trade and other receivables	(5,367)	(1,769)
Decrease in other assets	741	2,978
Decrease in trade payables and other	(7,372)	(5,128)
Increase/(Decrease) in provisions	106	(88)
Increase/(Decrease) in current income taxes payable	7,303	(7,224)
Net Change in Working Capital Excluding Inventory	(4,589)	(11,231)

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, 2018 and 2017, the Company's financial instruments consisted of cash and cash equivalents, trade and other receivables, marketable securities, derivative financial instruments, trade and other payables, borrowings and share warrants.

The following table illustrates the classification of the Company's financial instruments, as at December 31, 2018 and 2017:

	As at December 31, 2018	As at December 31, 2017
Financial assets:		
Cash and cash equivalents	46,615	87,671
Measured at amortized cost		
Trade and other receivables	9,079	5,484
Measured at fair value through profit or loss		
Financial derivative assets	4,385	1,832
Measured at fair value through other comprehensive income		
Marketable securities	324	964
Financial liabilities:		
Measured at amortized cost		
Trade and other payables	90,391	67,856
Current income tax liabilities	13,124	7,634
Borrowings	87,097	14,307
Measured at fair value through profit or loss		
Gold offtake payment liability	13,699	-
Share warrant liability	1,969	-

Sabodala's and Teranga's financial assets, excluding those related to the Wahgnion and Afema related entities, have been pledged as collateral for the gold stream arrangement with Franco-Nevada. The Company's Wahgnion related entities' assets have been pledged as collateral for the finance Facility with Taurus Funds.

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 2018.

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

	Financial Assets		Financial Liabilities	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
CFA Franc (XOF)	25,352	19,894	44,873	56,222
EUR	378	562	2,726	967
CAD	1,123	4,391	10,119	6,198
AUD	60	431	107	990
Other	1	-	596	41

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, 2018:

	Financial Assets		Financial Liabilities	
	As at December 31, 2018	As at December 31, 2017	As at December 31, 2018	As at December 31, 2017
10% Strengthening of functional currency				
CFA Franc (XOF) Impact				
Gain or (loss)	(2,535)	(1,989)	4,487	5,622
EUR Impact				
Gain or (loss)	(38)	(56)	273	97
CAD Impact				
Gain or (loss)	(112)	(439)	1,012	620
AUD Impact				
Gain or (loss)	(6)	(43)	11	99

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 following table illustrates the classification of the Company's financial instruments which are exposed to interest rate risk as at December 31, 2018 and 2017:

	As at of December 31, 2018	As at of December 31, 2017
Financial assets		
Cash and cash equivalents	46,615	87,671
Financial liabilities		
Borrowings	87,097	14,307

The Company's interest rate on its borrowing is calculated at 8.75 percent margin on the Facility with Taurus Funds.

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, 2018	As at December 31, 2017	As at December 31, 2018	As at December 31, 2017
Profit or (loss)	391	419	(374)	(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 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, including government entities, 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.

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, 2018						
Non-interest bearing	-	60,745	3,930	12,649	7,793	-
Fixed interest rate instruments	8.75%	-	-	-	112,200	-
Fixed interest rate instruments	3.08%	2,093	-	-	-	-
Fixed interest rate instruments	7.50%	-	-	534	2,298	-
Total		62,838	3,930	13,183	122,291	-
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

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 marketable securities 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, 2018		As at December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Trade and other receivables	9,079	9,079	5,484	5,484
Financial liabilities				
Trade and other payables	90,391	90,391	67,856	67,856
Borrowings	104,217	138,067	14,307	13,732

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, 2018			As at December 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets						
Cash and cash equivalents	46,615	-	-	87,671	-	-
Marketable securities	324	-	-	964	-	-
Financial derivative assets	-	4,385	-	-	1,832	-
Total	46,939	4,385	-	88,635	1,832	-
Financial Liabilities						
Gold offtake payment liability	-	13,699	-	-	-	-
Share warrant liability	-	1,969	-	-	-	-
Cash settled share-based compensation	4,725	-	125	3,511	-	121
Total	4,725	15,668	125	3,511	-	121

34. SHARE BASED COMPENSATION

The share-based compensation expense for the year ended December 31, 2018 totaled \$4.9 million (2017: \$2.6 million).

a. Incentive Stock Option Plan

The Incentive Stock Option Plan (the "Plan") authorizes the Directors to grant options to purchase shares of the Company to directors, officers, employees and consultants of the Company and its subsidiaries.

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

Each employee share option is convertible into one 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 reconciles the share options outstanding at the beginning and end of the year:

	Number of options	Weighted average exercise price
Balance as at January 1, 2017	3,789,106	C\$10.48
Granted during the period	891,488	C\$4.16
Forfeited during the period	(223,340)	C\$10.91
Exercised during the period ⁽ⁱ⁾	(2,763)	C\$3.33
Balance as at December 31, 2017	4,454,491	C\$9.20
Granted during the period	1,321,000	C\$4.22
Forfeited during the period	(324,738)	C\$6.34
Exercised during the period ⁽ⁱⁱ⁾	(242,867)	C\$3.25
Balance as at December 31, 2018	5,207,886	C\$8.39
Number of options exercisable - December 31, 2017	3,488,194	
Number of options exercisable - December 31, 2018	3,704,864	

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

(ii) The weighted average share price at the time of the options exercised was C\$5.19.

The following stock options were outstanding as at December 31, 2018:

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 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	64,000	24-Feb-12	24-Feb-22	15.00	1.83
Granted on February 24, 2012	45,000	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 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 March 31, 2015	390,000	31-Mar-15	31-Mar-20	3.20	1.75
Granted on March 31, 2015	125,223	31-Mar-15	31-Mar-20	3.20	1.50
Granted on March 31, 2016	586,164	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 March 7, 2017	441,665	07-Mar-17	07-Mar-22	4.20	1.50-1.90
Granted on March 29, 2017	339,609	29-Mar-17	29-Mar-22	4.15	1.75-2.10
Granted on July 17, 2017	5,000	17-Jul-17	17-Jul-22	3.43	1.46-1.69
Granted on March 29, 2018	1,127,000	29-Mar-18	29-Mar-24	4.19	1.86-2.37
Granted on April 26, 2018	20,000	26-Apr-18	26-Apr-24	4.78	2.12-2.73
Granted on May 7, 2018	6,000	07-May-18	07-May-24	5.01	2.24-2.80
Granted on May 17, 2018	10,000	17-May-18	17-May-24	5.26	2.34-2.94
Granted on June 21, 2018	10,000	21-Jun-18	21-Jun-24	5.33	2.20-2.84
Granted of September 4, 2018	8,000	04-Sep-18	04-Sep-24	3.88	1.47-1.81
Granted of September 17, 2018	3,000	17-Sep-18	17-Sep-24	3.90	1.48-1.82
Granted of November 1, 2018	4,000	01-Nov-18	01-Nov-24	3.61	1.71-1.97

As at December 31, 2018, approximately 6.1 million (2017: 6.3 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 was three years, except for the options granted on March 29, 2018 and future grants, which vest over four 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 5,207,886 common share stock options issued and outstanding as at December 31, 2018, 3,704,864 are vested and 315,022 vest over a three-year period, and 1,188,000 vest over a four-year period. As at December 31, 2018, the weighted average remaining contractual term of outstanding stock options exercisable was 2.3 years.

As at December 31, 2018, 2,114,000, 1,905,886 and 1,188,000 share options had a contractual life of ten, five and six years at issuance, respectively.

Fair value of stock options granted

The grant date fair value of options granted during the nine months ended December 31, 2018 was calculated using the Black-Scholes option pricing model with the following assumptions:

	For the years ended December 31,	
	2018	2017
Grant date share price	C\$3.64- C\$5.37	C\$3.12-C\$4.15
Weighted average fair value of awards	C\$2.25	C\$1.81
Exercise price ⁽ⁱ⁾	C\$3.61- C\$5.33	C\$3.12-C\$4.20
Range of risk-free interest rates	1.88%-2.40%	0.82%-1.61%
Expected share market price volatility ⁽ⁱⁱ⁾	56%-65%	64%-69%
Expected life of options (years)	3.3-5.0	2.8-3.8
Dividend yield	0%	0%
Forfeiture rate	3%-14%	3%-14%

(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 for the historical grants up to December 31, 2017 and 4-year average historical volatility of the Company's share price for the options granted on March 29, 2018 and future grants.

b. Fixed Bonus Plan

The Fixed Bonus Plan authorizes the directors to grant Fixed Bonus Plan Units ("FBUs") to officers and employees of the Company and its subsidiaries in lieu of participating in the Stock Option Plan. Each FBU 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. FBUs may be exercised at any time from the date of vesting to the date of their expiry subject to the terms of the plan. FBUs are not transferable or assignable.

The exercise price of each FBU 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 FBU was granted.

The vesting of the FBUs is determined by the board of directors at the date of grant. The term of FBUs granted under the plan is at the discretion of the board of directors, provided that such term cannot exceed ten years from the date that the FBUs are granted.

As at December 31, 2018, there were 323,500 FBUs 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 323,500 FBUs outstanding as at December 31, 2018, 236,000 FBUs have an exercise price of C\$15.00, 60,000 FBUs have an exercise price of C\$3.20 and 27,500 FBUs have an exercise price of C\$3.33. The total outstanding FBUs

have fair values of C\$0.53 per FBU at December 31, 2018. The total fair value of the FBUs at December 31, 2018 was \$0.1 million (December 31, 2017: \$0.1 million).

The estimated fair values of the FBUs are amortized over the period in which the FBUs vest. Of the 323,500 FBUs outstanding, 322,732 FBUs were vested at December 31, 2018 with the remaining FBUs to be fully vested by March 31, 2019.

Fair value of FBUs granted

The FBUs were revalued using Black-Scholes option pricing model with the following assumptions:

	For the years ended December 31,	
	2018	2017
Share price at the end of the period	C\$4.03	C\$2.99
Weighted average fair value of vested awards	C\$0.53	C\$0.44
Exercise price ⁽ⁱ⁾	C\$3.20-C\$15.00	C\$3.20-C\$15.00
Range of risk-free interest rates	1.86%	1.51%-1.79%
Expected share market price volatility ⁽ⁱⁱ⁾	62%	64%
Expected life of FBUs (years)	1.2-3.2	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. Restricted Stock Units

The Company introduced a RSU plan for employees in 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, except for the RSUs granted on March 29, 2018 and future grants, which vest as to 25 percent in thirds over a three-year period, 50 percent in thirds upon satisfaction of annual production and costs targets and 25 percent in thirds upon satisfaction of matching the average performance of the VanEck Vectors Junior Gold Miners ETF ("GDXJ").

During the twelve months of 2018, 821,000 RSUs were granted at a price of C\$4.19 per unit and 211,866 RSUs were forfeited (2017: 856,460 RSUs granted, 102,293 forfeited). As of December 31, 2018, a total of 1,467,014 RSU's were outstanding of which 969,665 units were vested. As at December 31, 2018, \$2.0 million of current RSU liability and \$0.7 million of non-current RSU liability have been recorded in the consolidated financial statement of financial position (2017: \$1.4 million and \$0.9 million in current and non-current RSU liability respectively).

d. Deferred Stock Units

The Company introduced a DSU Plan for non-executive directors in 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 193,000 DSUs during the year ended December 31, 2018 at a price of C\$4.19 per unit. Of the 756,998 DSUs outstanding at December 31, 2018, 676,581 DSUs were vested and no units were cancelled. As at December 31, 2018, \$2.1 million of current DSU liability has been recorded in the consolidated financial statement of financial position (2017: \$1.2 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: Sabodala gold mine in Senegal; Corporate entities; Wahgnion Gold Project in Burkina Faso; and exploration projects in Senegal, Burkina Faso, and Côte d'Ivoire (including Afema). 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 Sabodala Gold operations in Senegal.

	Year ended December 31, 2018				
	Sabodala	Corporate	Wahgnion	Exploration	Total
Revenue	312,628	-	-	-	312,628
Mine operation expenses	(164,349)	-	-	-	(164,349)
Depreciation and amortization	(66,168)	-	-	-	(66,168)
Cost of sales	(230,517)	-	-	-	(230,517)
Gross profit	82,111	-	-	-	82,111
Exploration and evaluation expenditures	-	-	-	(13,160)	(13,160)
Administration expenses	-	(13,618)	-	-	(13,618)
Corporate social responsibility expenses	(3,386)	(314)	-	-	(3,700)
Share-based compensation	-	(4,851)	-	-	(4,851)
Finance costs	(3,648)	(9,680)	(2,224)	(231)	(15,783)
Net foreign exchange (losses)/gains	(2,205)	(301)	(427)	253	(2,680)
Other (expenses)/income	(2,083)	9,917	624	-	8,458
Operating expenses	(11,322)	(18,847)	(2,027)	(13,138)	(45,334)
Profit/(losses) before income tax	70,789	(18,847)	(2,027)	(13,138)	36,777
Income tax expense	(22,222)	-	(1,090)	-	(23,312)
Net profit/(loss)	48,567	(18,847)	(3,117)	(13,138)	13,465

	Year ended December 31, 2017				
	Sabodala	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

Selected non-current asset balances are detailed below:

	As at December 31, 2018				Total
	Sabodala	Corporate	Wahgnion	Exploration	
Property, plant and equipment	157,063	349	150,018	1,343	308,773
Mine development expenditure	278,390	-	98,833	14,432	391,691
Total non-current assets	537,526	612	254,097	15,784	807,316

	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 expenditure	260,132	5,116	71,511	64	336,823
Total non-current assets	562,231	8,501	83,914	757	655,403

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 years ended December 31, 2018 and 2017. The remuneration during the years ended December 31, 2018 and 2017 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, 2018						
Compensation	1,777	13	1,030	825	348	3,993
For the year ended December 31, 2017						
Compensation	1,852	14	768	1,028	502	4,164

(i) These amounts are based on cash payments 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, 2018, there were transactions totaling \$50 thousand between the Company and an entity controlled by Alan R. Hill, the Company's Chairman, for consulting services.

b. Exploration Agreement with Miminvest

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.

CORPORATE DIRECTORY

Board of Directors

Alan R. Hill	Chairman
Richard Young	President and CEO
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 CEO
Paul Chawrun	Chief Operating Officer
Navin Dyal	Chief Financial Officer
David Savarie	Vice President, General Counsel & Corporate Secretary
David Mallo	Vice President, Exploration
Leily Omoumi	Vice President, Corporate Development*
Trish Moran	Head of Investor Relations

Registered Office

77 King Street West, TD North Tower
Suite 2110, P.O. Box 128
Toronto, Ontario, Canada M5K 1H1
T: +1 416-594-0000 F: +1 416-594-0088
E: investor@terangagold.com
www.terangagold.com

Senegal Office

2K Plaza Suite B4, 1er Etage
Sis Route du Méridien Président, Almadies
BP 38385 Dakar Yoff
T: +221 338 642 525
F: +224 338 642 526

Ouagadougou Office

Avenue Gérard Kango Ouedraogo
Ouaga 2000
01 BP 1334
Ouagadougou, Burkina Faso
T: +226 2537 5199

Auditor

Ernst & Young LLP
Chartered Accountants
Toronto, Ontario, Canada

Legal Counsel

Stikeman Elliot LLP
Toronto, Ontario, Canada

Share Registry

Computershare Trust Company of Canada
T: +1 800 564 6253

Stock Exchange Listing

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

*Effective March 2019

BUILDING

a multi-asset
mid-tier gold producer
in West Africa





www.terangagold.com