Management's Discussion and Analysis of

TERANGA GOLD CORPORATION

For the years ended December 31, 2017 and 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial conditions and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the twelve months ended December 31, 2017 and 2016. This MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto ("Statements") of Teranga Gold Corporation ("Teranga" or the "Company") as at and for the twelve months ended December 31, 2017 and 2016. The Company's Statements and MD&A are presented in United States dollars, unless otherwise specified, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Additional information about Teranga, including the Company's Annual Information Form for the year ended December 31, 2016, as well as all other public filings, are available on the Company's website (www.terangagold.com) and on the SEDAR website (www.sedar.com).

This report is dated as of February 23, 2018. All references to the Company include its subsidiaries unless the context requires otherwise. On May 2, 2017, the Company completed a five-for-one share consolidation. All share and per share amounts in this MD&A reflect the effect of the consolidation.

The MD&A contains references to Teranga using the words "we", "us", "our" and similar words and the reader is referred to using the words "you", "your" and similar words.

OVERVIEW OF THE BUSINESS

Teranga is a multi-jurisdictional West African gold company focused on production and development as well as the exploration of more than 6,400 km^2 of land located on prospective gold belts. Since its initial public offering in 2010, Teranga has produced more than 1.4 million ounces of gold from its operations in Senegal, which as of June 30, 2017 had a reserve base of 2.7 million ounces of gold[1]. Focused on diversification and growth, the Company is advancing its Wahgnion Gold Project (formerly referred to as the Banfora Gold Project), as well as carrying out extensive exploration programs in three West African countries: Burkina Faso, Côte d'Ivoire and Senegal. The Company has nearly 4.0 million ounces of gold reserves[1] from its combined Sabodala Gold operations and Wahgnion Gold Project. Teranga applies a rigorous capital allocation framework for its investment decisions to execute on its growth strategy relying on a combination of cash on the balance sheet, free cash flow from operations and debt.

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

VISION

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

MISSION

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

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

STRATEGY

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

FINANCIAL AND OPERATING HIGHLIGHTS

		Three months ended December 31,			Twelve months ended December 31,		
Financial Data		**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenue	($000's)	88,280	55,774	58%	291,683	268,850	8%
Cost of sales	($000's)	(64,149)	(43,022)	49%	(222,113)	(181,528)	22%
Profit / (loss) attributable to shareholders of Teranga	($000's)	5,758	(1,286)	N/A	31,932	23,109	38%
Per share	($)	0.05	(0.01)	N/A	0.30	0.28	8%
EBITDA[1]	($000's)	26,630	17,553	52%	95,335	99,173	(4%)
Operating cash flow excluding changes in working capital other than inventories	($000's)	24,708	(1,842)	N/A	82,610	49,142	68%
Operating cash flow	($000's)	32,452	(13,627)	N/A	71,379	44,729	60%
Sustaining capital expenditures (before deferred stripping)	($000's)	3,985	7,531	(47%)	25,382	33,011	(23%)
Capitalized deferred stripping - sustaining	($000's)	7,655	4,822	59%	29,428	18,492	59%
Growth capital expenditures	($000's)	10,509	1,641	540%	24,623	1,641	1400%
		Three months ended December 31,			**Twelve months ended December 31,**		
Operating Data		**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Gold Produced	(oz)	67,934	43,987	54%	233,267	216,735	8%
Gold Sold	(oz)	68,944	46,523	48%	231,078	217,652	6%
Average realized gold price[1]	($ per oz)	1,279	1,197	7%	1,261	1,234	2%
Cost of sales per ounce	($ per oz sold)	930	925	1%	961	834	15%
Total cash costs[1]	($ per oz sold)	689	704	(2%)	721	622	16%
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)[1]	($ per oz sold)	860	1,163	(26%)	943	971	(3%)

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

FOURTH QUARTER AND YEAR TO DATE HIGHLIGHTS

Financial Highlights

- Gold revenue increased by 58 percent and 8 percent for the quarter and year respectively, compared to the prior year. The increases for both the quarter and year are due to a combination of higher sales volume and higher average realized gold prices.
- Consolidated net income attributable to shareholders was $5.8 million ($0.05 per share) for the quarter and $31.9 million ($0.30 per share) for the year. This was in comparison to a net loss of $1.3 million ($0.01 loss per share) in the prior year quarter and net income of $23.1 million ($0.28 per share) in the prior year. During the current quarter and year, higher revenues were partially reduced by higher cost of sales and expenses.
- EBITDA[1] for the fourth quarter was $26.6 million and $95.3 million for the year compared to $17.6 million in the prior year quarter and $99.2 million in the prior year. The increase during the quarter was primarily attributable to higher revenues. EBITDA[1] for the year was comparable to the prior year as increases in revenue were offset by increases in cost of sales and expenses.

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

- Cash flows from operating activities increased to $32.5 million during the quarter, compared to cash outflows of $13.6 million in the prior year period. In the prior year quarter, lower operating cash flows were primarily due to $17.2 million in royalty payments and $6.7 million in spending on Gryphon Minerals Limited ("Gryphon") acquisition costs. In the full year period, Teranga generated operating cash flows of $71.4 million, compared to $44.7 million in 2016 due to higher revenues, partly offset by an increase in working capital related to payments of 2016 income taxes (paid in arrears) in 2017.
- As at December 31, 2017, Teranga had cash and cash equivalents of $87.7 million, an increase of $14.7 million from the third quarter. The increase was attributable to the increase in revenues partially reduced by higher cost of sales resulting from higher production.
- On September 11, 2017, the Company entered into forward gold sales contracts for a total of 131,000 ounces of gold with settlements commencing October 2017 through December 2018 at a gold price of $1,336 per ounce. During the fourth quarter, the Company subsequently amended these contracts to defer quarterly settlements by a quarter, and as a result, the contracts extend through the first quarter of 2019. In January 2018, the Company entered into additional forward gold sales contracts for a total of 56,500 ounces at a gold price of $1,350 per ounce, with various settlement dates between April 2019 to September 2019. As a result, the company now has forward gold sales contracts totaling 187,500 ounces of gold with settlement dates between January 2018 and September 2019, at prices between $1,336 per ounce to $1,350 per ounce, which are anticipated to represent less than 50 percent of production over that period. A key component of the financing plan for the Wahgnion Gold Project is the anticipated cash flows from Sabodala over the course of the construction period. The execution of the forward gold sales contracts provides greater cash flow certainty from Sabodala through to September 2019.

Operating Highlights

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

Growth Highlights

- Following a competitive selection process, Teranga executed a project finance mandate with a leading institution which will further fund the development of the Wahgnion Gold Project in Burkina Faso. In February 2018, technical due diligence was completed following site visits. Legal due diligence is ongoing and is expected to be completed in the coming weeks, after which Teranga anticipates receiving a commitment letter for a senior project debt facility (the "Facility") for net new financing of $150 million. The Company anticipates closing the Facility in the second quarter 2018.

- On August 30, 2017, the Company filed an updated National Instrument 43-101 *Standards of Disclosure for Mine Projects* ("NI 43-101") technical report for Sabodala ("Sabodala Technical Report") reflecting an increase in gold reserves by more than 400,000 ounces to a total of 2.7 million ounces as at June 30, 2017 and improved Sabodala's five-year production and operating cash flow profile. Between 2018 and 2022, Sabodala's gold production is expected to increase by 20 percent from the prior NI 43-101 estimate, to more than one million ounces[1] and generate a total of $230 million in free cash flow[2]. The increase in production was attributable to new reserves at Niakafiri, as well as an improved mine plan profile.

- On October 20, 2017, the Company filed the first NI 43-101 technical report for the Wahgnion Gold Project in Burkina Faso, which was completed by Roscoe Postle Associates Inc. ("Wahgnion Technical Report"). This positive feasibility study underpinning the Wahgnion Technical Report was based on initial gold reserves of 1.2 million ounces, which generates a 15 percent internal rate of return at $1,250 per ounce of gold. The Wahgnion Gold Project has been advancing on all fronts since the announcement of the feasibility study results. The owner's construction management team has been assembled and project civils and site infrastructure have commenced. Plant construction has been awarded to Lycopodium Ltd. ("Lycopodium") with an engineering, procurement and construction management based arrangement. Resettlement negotiations are also nearing completion. A reserve update based on an extensive 73,000 metre infill drilling campaign completed in late 2017 is expected in mid-2018.

- In November 2017, the Company announced positive drill results at the Ma Prospect as well as the addition of the Jackhammer Hill Prospect. Combined with the Peksou and Nahiri Prospects, the Company now has four centrally-located, advanced exploration prospects on the Golden Hill property in Burkina Faso. The Company is rapidly advancing this project to evaluate the potential scale and grades leading towards an initial resource in 2018.

- On December 13, 2017, the Company entered into a memorandum of understanding with Sodim Limited ("Sodim"), a private investment company, to acquire a controlling interest in the exploration and development of the Afema land package in Côte d'Ivoire ("Afema"). The Afema land package is located in southwest Côte d'Ivoire and covers more than 1,400 km^2, consisting of the Afema mining license and three exploration permits – Ayame, Mafere and Aboisso. Under the terms of the memorandum of understanding, the Company maintains its 51 percent interest in the Afema mining lease and Afema permits through the completion of a three-year $11.0 million exploration and community relations work program, increasing its interest to 70 percent on the Afema mining license through the delivery of a positive economic evaluation of potential mining on the Afema land package and Teranga's commitment to fund its 70 percent interest in the project through construction. On January 25, 2018 the amended Afema mining convention was signed and delivered by the Ministry of Mines of Côte d'Ivoire. The Company is currently working towards a definitive agreement between Sodim and Teranga for the Afema land package. Pursuant to the Company's joint venture agreement with Miminvest SA ("Miminvest"), a 3 percent royalty is payable to Miminvest in connection with Teranga's share of production or product emanating from the Afema mining lease as the land package was considered an exploration property.

- On December 15, 2017, the Company commenced trading in the United States on the OTC Markets Group ("OTCQX") market. The new platform enables the Company to broaden its exposure to U.S. retail and institutional shareholders and provide U.S. shareholders with timely news and information to help them better analyze, value and trade our securities.

---

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

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

Outlook 2018

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

		Year Ended December 31		
		2017 Original Guidance	**2017 Actual**	**2018 Guidance**
Operating Results				
Ore mined	('000t)	2,000 – 2,500	2,101	2,000 – 2,500
Waste mined	('000t)	35,000 – 37,000	35,385	35,000 – 37,000
Total mined	('000t)	37,000 – 39,500	37,486	37,000 – 39,500
Grade mined	(g/t)	2.50 – 3.00	3.48	2.50 – 3.00
Strip ratio	waste/ore	15.5 – 17.5	16.8	16.5 – 18.5
Ore milled	('000t)	4,000 – 4,300	4,221	4,200 – 4,400
Head grade	(g/t)	1.70 – 1.90	1.87	1.70 – 1.90
Recovery rate	%	90.0 – 91.5	92.1	90.0 – 91.5
Gold produced [A]	(oz)	205,000 – 225,000	233,267	210,000 – 225,000
Cost of sales per ounce sold	$/oz sold	950 – 1,025	961	950 – 1,025
Total cash cost per ounce sold [B]	$/oz sold	725 – 775	721	700 – 750
All-in sustaining costs [C]	$/oz sold	1,000 – 1,075	1,024	1,000 – 1,075
Cash / (non-cash) inventory movements and amortized advanced royalty costs [C]	$/oz sold	(100)	(81)	(50)
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) [C]	$/oz sold	900 – 975	943	950 – 1,025
Mining	($/t mined)	2.25 – 2.50	2.36	2.25 – 2.50
Mining long haul	($/t hauled)	2.50 – 3.50	2.97	2.50 – 3.50
Milling	($/t milled)	11.00 – 12.00	11.34	11.00 – 12.50
General and Administration	($/t milled)	4.25 – 4.50	4.26	4.25 – 4.50
Mine Production Costs	$ millions	155.0 – 165.0	161.2	162.0 – 172.0
Corporate Administration Expense	$ millions	10.0 – 11.0	10.7	11.0 – 13.0
Regional Administration Costs	$ millions	3.0	2.0	~2.0
Community Social Responsibility Expense	$ millions	3.5 – 4.0	2.9	4.0 – 5.0
Exploration and Evaluation [D]	$ millions	20.0 – 25.0	24.9	~15.0
Sabodala Capital Expenditures				
Mine site sustaining	$ millions	10.0 – 15.0	10.7	10.0 – 15.0
Site development costs [E]	$ millions	2.0	8.6	10.0 – 15.0
Total Sabodala Capital Expenditures [F]	$ millions	12.0 – 17.0	19.3	20.0 – 30.0
Growth Capital Expenditures (Wahgnion)				
Feasibility study	$ millions	3.0	2.4	N/A
Construction readiness / early works [G]	$ millions	5.0 – 8.0	15.8	~30.0
Total Growth Capital Expenditures	$ millions	8.0 – 11.0	18.2	~30.0

Notes to Guidance Table Above:

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

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

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

D. Exploration and evaluation costs includes both Expensed Exploration, primarily attributable to exploration work on exploration permits, and Capitalized Reserve Development, which is work performed on Mine Licenses. For a breakdown of this spend for 2018, please see the Exploration section of this MD&A.

E. Site development costs for 2018 include village relocation costs for the Sabodala village.

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

G. Construction readiness / early works expenditures for 2018 includes anticipated expenditures for the construction of the Wahgnion Gold Project prior to completion of a debt facility agreement.

This forecast financial information is based on the following material assumptions for 2018: gold price: $1,250 per ounce; light fuel oil price $0.87/L; heavy fuel oil price $0.50/L; Euro:USD exchange rate of 1:1.17

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

2018 Guidance Analysis

The Company's mine plan for Sabodala is designed to maximize free cash flows[1] for 2018. Free cash flows from our Sabodala mine will be used to fund the Company's growth strategy, including construction of the Company's second mine, Wahgnion. Mining activities during 2018 will continue to focus on the higher grade and higher strip ratio deposits at Golouma West, Kerekounda, Golouma South and Gora. Golouma South and Gora will complete mining activities during the first half of 2018. The completion of Gora will be followed by closure and rehabilitation activities. Mining activities will recommence at Sabodala Phase 4, the last phase of Sabodala, during the second quarter 2018. Total tonnes mined are expected to be similar to the 37.5 million tonnes mined (excluding 2.6 million capitalized pre-stripping tonnes) in 2017 at between 37.0 and 39.5 million tonnes in 2018. Ore tonnes and grade mined are expected to be similar to 2017.

Mill throughput is expected to increase with the operation of the second primary crusher and ongoing optimization activities at the SAG and ball mill circuit to between 4.2 and 4.4 million tonnes, compared to 4.2 million tonnes in 2017. Mill grades are expected to be similar to 2017 at between 1.7 and 1.9 grams per tonne as higher grade material is supplemented with lower grade stockpiled material.

The Company expects to produce between 210,000 and 225,000 ounces of gold in 2018. The quarterly production profile is expected to be reasonably consistent throughout the year. The Company has built up a high-grade stockpile to support quarterly and annual production targets.

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

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

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

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

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

Sustaining capital expenditures in 2018 for the Sabodala mine are expected to be similar to 2017 at between $10 and $15 million, as well as an additional $10 to $15 million required to commence relocation of the Sabodala village. Sustaining capital expenditures exclude capitalized deferred stripping costs included in total production costs. This amount is similar to the Sabodala Technical Report, however a decision to accelerate the relocation of the Sabodala village has been made to provide earlier access to Niakafiri, resulting in higher overall capital expenditures at Sabodala. Growth capital expenditures includes construction readiness / early works capital for the Wahgnion Gold Project. In

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

total, approximately $30 million is expected to be spent in 2018 on construction readiness / early works activities and project construction costs prior to finalization of the debt facility (see Liquidity and Capital Resources section for more details).

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

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

Sensitivity

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

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

REVIEW OF OPERATING RESULTS

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

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

[2] Average realized price, total cash costs per ounce, all-in sustaining costs per ounce, and all-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) per ounce are non-IFRS financial measures that do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this MD&A.

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

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

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

Operating results for the three months ended December 31, 2017

Mining

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

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

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

Processing

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

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

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

Costs – site operations

Total mining costs for the fourth quarter were $25.4 million, 10 percent higher than the prior year period mainly attributable to a 6 percent increase in material movement, higher fuel prices and unfavorable currency movements. On a unit cost basis, mining costs for the fourth quarter were 3 percent higher than the prior year period due to an increase in material movement partially offsetting the higher costs. Total long-haul costs for the fourth quarter were $1.7 million, $0.6 million higher than the prior year period mainly due to an increase in ore tonnes hauled from satellite deposits in the current year period.

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

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

Total cash costs[1] decreased by 2 percent to $689 per ounce for the fourth quarter compared to the prior year period.

---

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

Total cost of sales of $930 per ounce for the fourth quarter was in line with the prior year period. Higher amortization of deferred stripping assets was offset by lower total cash costs.

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

Operating results for the twelve months ended December 31, 2017

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

Mining

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

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

Processing

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

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

Costs – site operations

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

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

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

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

Total cash costs[1] for the year were $721 per ounce, below the low end of the Company's guidance range of $725 - $775 per ounce but 16 percent higher than the prior year, due to higher production costs and higher inventory movement expense, partly offset by higher capitalized stripping costs.

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

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

REVIEW OF FINANCIAL RESULTS

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

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

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

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

Financial Results for the three months ended December 31, 2017

Revenue

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

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

Mine Operation Expenses

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

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

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

Inventory movements for the three months ended December 31, 2017 resulted in an increase to mine operation expenses of $4.5 million compared to a decrease to mine operation expenses of $5.7 million in the prior year period. During the current year period, the Company increased operating costs despite an increase in the number of ounces in stockpiles. This was mainly due to a record number of ounces mined combined with higher deferred stripping cost during the current quarter, which resulted in a decrease in the dollar value of stockpiles on the balance sheet. In the prior year period, the higher per ounce cost additions to the stockpile increased the overall value of stockpile even though there was no movement in stockpiled gold ounces.

Depreciation and amortization expenses

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

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

Exploration and evaluation

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

Administration expense

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

Corporate social responsibility expenses

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

Share-based compensation

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

Finance costs

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

Net foreign exchange losses

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

Other income/expenses

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

Income tax expense

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

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

Net profit

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

Financial Results for the twelve months ended December 31, 2017

Revenue

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

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

Mine Operation Expenses

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

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

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

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

Depreciation and amortization expenses

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

Exploration and evaluation

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

Administration expense

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

Share-based compensation

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

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

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

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

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

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

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

[2] Directors have the option to elect to receive their Director compensation in the form of DSUs. These DSUs vest as they are granted. All remaining DSUs that are granted vest on the first anniversary of the grant date. RSUs vest over a three year period, with 50 percent of the award vesting upon achievement of two predetermined operational criteria, and 50 percent vesting with the passage of time. Both DSUs and RSUs and are payable in cash. The Company used the December 31, 2017 closing post-consolidation share price of C$2.99 to value the vested DSUs and RSUs.

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

Finance costs

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

Net foreign exchange losses

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

Other income/expenses

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

Income tax expense

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

Net profit

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

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

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

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

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

Balance Sheet Review

Cash

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

Trade and Other Receivables

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

Inventories

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

Other Assets

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

Available for Sale Financial Assets

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

Deferred Revenue

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

Other Liabilities

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

2016 Comparative Figures

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

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

REVIEW OF QUARTERLY FINANCIAL RESULTS

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

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

Our revenues over the last several quarters reflect the variation in quarterly production and fluctuations in gold price. Cost of sales are driven by production volumes and are also influenced by fuel costs, foreign currency movements, operational efficiencies and inventory movements. The largest component of inventory movement costs relates to changes in ore stockpiles. Increases in the number of ounces in stockpiles results in a reduction of operating costs as mining costs are capitalized to inventory on the balance sheet while decreases to ore in stockpiles, as stockpiled ore is processed, increase operating costs as historic costs are amortized to the income statement. Operating cash flow levels fluctuate depending on the price of gold and production levels each quarter.

Operating cash flows during the fourth quarter 2016 were negative mainly due to royalty payments of $17.2 million made during the quarter. Previously, royalties related to the prior year were paid in the third quarter of the following year. The Company has now moved to paying royalties one quarter in arrears.

BUSINESS AND PROJECT DEVELOPMENT

Wahgnion Gold Project Update

Reserve Update

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

The current gold reserves base of approximately 1.2 million ounces is derived from four deposits (Nogbele, Fourkoura, Samavogo, and Stinger) within the Wahgnion mine license. Beyond the initial four deposits included in the feasibility study, Teranga has initiated a multi-year exploration program on over a dozen other priority targets on its regional exploration land package, all within trucking distance of the proposed mill site.

Construction and Development Update

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

Afema

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

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

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

EXPLORATION

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

Burkina Faso

Wahgnion Mine License Reserve Development

Nogbele Deposit, Stinger Deposit, Samavogo Deposit, Fourkoura Deposit

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

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

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

Wahgnion Regional Exploration

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

Golden Hill Property

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

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

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

Gourma Property

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

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

Senegal

Sabodala Mine Lease Reserve Development

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

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

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

Senegal Regional Exploration[1]

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

Côte d'Ivoire Exploration Highlights

The Company holds, by way of an exploration agreement, five greenfield exploration tenements totaling nearly 1,838 km^2 in Côte d'Ivoire. Including Afema, the Company has budgeted $3.5 million for 2018 exploration activities in Côte d'Ivoire.

Guitry Property

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

Sangaredougou Property

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

HEALTH AND SAFETY

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

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

CORPORATE SOCIAL RESPONSIBILITY

Teranga's award-winning Corporate Social Responsibility ("CSR") program continues to set a high standard for socially

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

responsible mining, with strong emphasis on long-term economic and social development partnerships with the communities around its mine. Teranga is replicating this successful sustainability framework in Burkina Faso with the development of the Wahgnion Gold Project.

Senegal

In 2017, Teranga continued its emphasis on capacity building and benefits sharing within its Senegalese regional communities. At Gora, the community fund management committee continued to perform in partnership with local leaders from six villages to oversee the funding and execution of community programs. Created by Teranga, this project-specific fund was established to support alternative livelihoods, employment generation and other long-term benefits for the Gora communities, which previously relied on artisanal mining activity. In 2017, the fund supported the provision of a modern 63-seat bus, the donation of several peanut mills to targeted communities, the rehabilitation of the Djegoune market garden and the construction and equipment of a hen house in Diakhaling. In total, $1.4 million were committed through the Social and Gora fund in 2017.

Teranga also continued its partnership with SODEFITEX, the largest in-country textile producer, in its support of 500 cotton farmers as part of the large-scale cotton textile industry "White Gold for Life" program launched by Teranga in partnership with the government and local companies. Teranga continued to sponsor Foundation Paul Gerin Lajoie for the vocational training. The funding will enable the foundation to provide toolkits to 52 young women and men in the regions of Tambacounda and Kédougou that completed the training program and have obtained the required professional certification. Local procurement investments continued in connection with several mining consumables and services contracts tendered within the Kédougou region, and additional training to 12 regional companies focused on capacity building within and beyond the mining industry.

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

Burkina Faso

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

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

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

MARKET REVIEW – IMPACT OF KEY ECONOMIC TRENDS

Gold Price

The price of gold is the largest factor in determining our profitability and cash flow from operations. During 2017, the average London PM fix price of gold was $1,257 per ounce, with gold trading between a range of $1,151 and $1,346 per ounce. This compares to an average of $1,251 during 2016, with a low of $1,077 per ounce and a high of $1,366 per ounce.

The price of gold is subject to volatile price movements over short periods of time and is affected by numerous industry and macro-economic factors that are beyond our control including, but not limited to, currency exchange rate fluctuations and the relative strength of the U.S. dollar, the supply of and demand for gold and macroeconomic factors such as the level of interest rates and inflation expectations. In late 2017 and 2018, the Company entered into gold forward contracts to provide greater certainty of cash flows from the Company's Sabodala mine as we look to develop our next mine in Burkina Faso.

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

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

While the gold market is affected by fundamental global economic changes, we are also aware that the market is strongly impacted by expectations, both positive and negative. We appreciate that institutional commentary can affect such expectations. As such, the priority of Teranga is to execute on our strategy of maximizing shareholder value through effective management of our Sabodala Gold Mine and prudent capital allocation in connection with our development and exploration programs.

Oil Price

Fuel costs related to power generation and operation of the mobile fleet are the single largest cost to the Sabodala mine. Fuel purchased to operate the power plant and mobile equipment fleet totaled approximately $35.2 million in 2017 or approximately 20 percent of gross mine production costs.

The Sabodala operation is located in remote, southeastern Senegal and it is necessary to generate our own power. Six, 6-megawatt Wartsila generator engines provide power for the operations. In 2017, operations consumed approximately 32 million litres of heavy fuel oil ("HFO"). This equated to cost of approximately $0.136 per kilowatt hour, which is less than the cost of grid electricity in industrialized Senegal. Sabodala's mobile fleet runs on light fuel oil ("LFO") and the operations consumed approximately 23.4 million litres of LFO in 2017. We source our HFO and LFO from an international fuel supplier with a local distribution network in Senegal.

Our main benchmark for fuel prices is Brent crude oil, which increased by 18 percent in 2017. Both crude oil and natural gas prices varied significantly during the year and oil prices are forecasted to trade higher in 2018. Overall, demand growth for crude looks to be firm while supply has remained tight as the organization for oil producing countries' recent supply cuts were lower than expected. Geopolitical tensions in Iran, the Middle East and Venezuela could provide a risk premium to oil price as they present the possibility of supply disruptions.

The government in Senegal sets prices for various types of fuels consumed in the country, and they review these prices every 4 weeks. Price stabilization levies are applied in times of low market prices. In December 2015, the Company successfully negotiated the removal of these levies, which were inflating our prices in Senegal relative to market oil prices by 20 to 30 percent.

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

Currency

A significant portion of operating costs and capital expenditures of the Sabodala Gold Mine's operations are denominated in currencies other than U.S. dollars. Historical accounts payable records demonstrate that the Company has between 40 and 50 percent Euro currency exposure via the West African CFA Franc, which is pegged directly to the Euro currency. Overall, financial markets have suffered from a series of global political events in 2017 but the Euro currency has strengthened significantly over the US dollar, increasing from 1.05 to over 1.20.

Two major events are expected to dominate the Eurozone currency bloc in 2018 including the Italian general election in May, and developments around the European Central Bank's quantitative easing scheme. That said, the Euro currency is expected to outperform the U.S. dollar in the near term. All of the Company's current production comes from its operation in Senegal, therefore costs will continue to be exposed to foreign exchange rate movements. The Company monitors currency exposure on an ongoing basis. The Company had previously hedged a portion of its exposure to the Euro using forward contracts, and currently does not have any currency hedges in place. With the Company's projects in Burkina Faso and Côte d'Ivoire, the Company's operating costs and capital will also have portions denominated in currencies other than the U.S. dollar. Management will regularly assess currency exposures and may consider entering into hedge programs should the price and terms be acceptable.

Liquidity and Cash Flow

Cash Flow

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

Sources and Uses of Cash

	Three months ended December 31, 2017				
Cash Flow - Sources and Uses (US$000's)	**Sabodala**	**Corporate**	**Wahgnion**	**Exploration**	**Consolidated 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 investing in shares	-	-	-	-	
- Expenditures for intangibles	*1*	*(14)*	-	-	
- Proceeds from sale of available for sale financial assets	-	*3,990*	-	-	
Financing	**(289)**	**-**	**-**	**-**	**(289)**
- Interest paid on borrowings	*(289)*	-	-	-	
Effect of exchange rates on cash holdings in foreign currencies	**634**	**73**	**-**	**-**	**707**
Change in cash and cash equivalents during the period	**31,109**	**(494)**	**(13,358)**	**(2,546)**	**14,711**

Cash Flow - Sources and Uses (US$000's)	Year ended December 31, 2017 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)*	*(513)*	
- Expenditures for investing in shares	-	*(393)*	-	-	
- Proceeds from sale of available for sale financial assets	-	*3,990*	-	-	
- Expenditures for intangibles	*(223)*	*(76)*	-	-	
Financing	**(3,815)**	**7**	**-**	**-**	**(3,808)**
- Proceeds on stock options exercised	-	*7*	-	-	
- Dividend payment to the Government of Senegal	*(2,700)*	-	-	-	
- Interest paid on borrowings	*(1,115)*	-	-	-	
Effect of exchange rates on cash holdings in foreign currencies	**581**	**167**	**-**	**-**	**748**
Change in cash and cash equivalents during the period	**40,470**	**(11,242)**	**(28,674)**	**(8,071)**	**(7,517)**

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

Operating Cash Flow

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

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

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

Investing Cash Flow

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

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

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

Financing Cash Flow

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

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

LIQUIDITY AND CAPITAL RESOURCES OUTLOOK

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

(i) Optimizing Our Sabodala Operation

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

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

The Teranga board approved construction of the Wahgnion Gold Project, subject to completion of its financing plan. In total approximately $30 million is expected to be spent on construction readiness / early works activities and project construction costs prior to finalization of the anticipated senior project debt facility.

(iii) Targeted Exploration Programs

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

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

i. *Cash Balance.* As at December 31, 2017, we had a consolidated cash balance of $87.7 million.

ii. *Available for Sale Securities*. As at December 31, 2017, we had available for sale securities with a market value of $1.0 million.

iii. *Cash Flows from Sabodala (unhedged).* Using a $1,250 per ounce gold price, we expect Sabodala to generate $88 million in free cash flows[1] over 2018 and 2019 and $230 million in free cash flows[1] between 2018 and 2022.

iv. *Sabodala Gold Hedges.* The Company entered into forward gold sales contracts which provide greater cash flow certainty from Sabodala through to September 30, 2019. Using a gold price assumption of $1,250 per ounce, this hedge program provides $17.0 million in additional free cash flow from Sabodala through to September 30, 2019.

v. *Wahgnion Financing.* In November 2017, following a competitive selection process, Teranga executed a project finance mandate with a leading lending institution (the "Institution") targeting a new financing facility of $150 million, which will further fund the development of the Company's Wahgnion Gold Project. In February 2018, technical due diligence was completed following site visits in both Senegal and Burkina Faso. Legal due diligence is ongoing and is expected to be completed in the coming weeks, after which the Company anticipates receiving a commitment letter from the Institution, confirming the terms and amount of the Facility, with a targeted financial close in the second quarter 2018. Proceeds of this Facility will, in part, repay the $15 million drawn under the Société Générale Revolver Facility of $30 million. Additional details, will be made available once the commitment letter has been received by the Company.

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

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

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

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

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

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

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

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

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

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

[7] See the Wahgnion Feasibility Study.

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

The Company manages its exposure to financial risks, including liquidity risk, credit risk, currency risk, market risk, interest rate risk and price risk through a risk mitigation strategy. The Company generally does not acquire or issue derivative financial instruments for trading or speculation.

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

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

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31, 2017, the Company had the following payments due on contractual obligations and commitments:

Payments Due By Period (US$ millions)	Total	< 1 year	1-3 years	4-5 years	>5 years
Revolving Line of Credit [i]	15.0	-	15.0	-	-
Franco-Nevada gold stream [ii]	46.2	22.5	23.7	-	-
Purchase obligations for supplies and services [iii]	2.2	2.2	-	-	-
Sustaining capital commitments [iv]	1.3	1.3	-	-	-
Growth capital commitments [v]	27.1	27.1	-	-	-
Afema Investment [vi]	18.5	7.5	11.0	-	-
Total	**110.3**	**60.6**	**49.7**	**-**	**-**

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

[ii] On January 15, 2014, the Company completed a gold stream transaction with Franco-Nevada Corporation. The Company is required to deliver 22,500 ounces annually over the first six years followed by 6 percent of production from the Company's existing properties, including those of the OJVG, thereafter, in exchange for a deposit of $135.0 million. The commitment estimate assumes a gold price of $1,250 per ounce.

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

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

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

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

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

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

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

- Pursuant to the completion of the acquisition of the OJVG, the Company is required to make initial payments totaling $10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the exploration licenses converted to mine licenses when the ore is processed through the Sabodala mill. The initial payment is to be used to finance social projects in the mine site region, which are determined by the Republic of Senegal and will be paid either directly to suppliers for the completion of specific projects or to specified ministries of the Republic of Senegal. An additional payment will become payable when the actual cumulative production from the OJVG, net of mining royalties, multiplied by the Company's weighted average gold prices, multiplied by 1 percent, exceeds the initial payments.

- Pursuant to the Company's Senegal Mining Concession, $1.5 million is payable in 2018, and $1.2 million annually thereafter for community projects and infrastructure to support local communities surrounding the Company's operations and social development of local authorities in the surrounding Kedougou region.

- In addition to the Company's corporate social responsibility spending, Teranga has agreed to establish a social development fund which includes making a payment of $15.0 million to the Republic of Senegal at the end of the mine operational life. As at December 31, 2017 $7.8 million was accrued which is the discounted value of the $15.0 million future payment.

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

- On May 1, 2016 SGO entered into a commitment with local communities around its Gora deposit to provide annual social assistance funding. An amount of $400 thousand is payable in 2018 and $200 thousand annually thereafter, until 2021.

- $250 thousand is payable annually, until 2019, to the Ministry of Environment pursuant to a forestry protocol with the Government of Senegal.

- Pursuant to the Company's Burkina Faso Mining Concession, a sliding net smelter royalty of 3 to 5 percent of gold sales, based on the daily spot price of gold, is payable to the government of Burkina Faso.

- In addition, pursuant to the 2015 Burkina Faso Mining Code, 1 percent of monthly turnover (before tax) is to be contributed to the mining fund for local development.

CONTINGENT LIABILITIES

Outstanding tax assessments

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

Reserve payment

A reserve payment is payable to the Republic of Senegal, calculated on the basis of $6.50 for each ounce of new reserves until December 31, 2012 and 1 percent of the trailing twelve-month gold price for each ounce of new reserve beyond December 31, 2012 on the Sabodala mine license. As at December 31, 2017 $2.1 million was accrued as a current liability.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Ore reserves

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

Production start date

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

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

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

Stripping Costs in the production phase of a surface mine

Management assesses the costs associated with stripping activities in the production phase of surface mining. Deferred stripping is defined as the excess waste material moved above the average strip ratio to provide access to further quantities of ore that will be mined in future periods, which are estimated by management.

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

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

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

Depreciation

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

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

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

Class of Property, Plant and Equipment	Method	Years
Buildings and property improvements	UOP	n/a
Plant and equipment	UOP	n/a
Office furniture and equipment	Straight-line	3 - 8 years
Motor vehicles	Straight-line	5 years
Mobile equipment	Straight-line	5 – 8 years

The assets' residual values, depreciation method and useful lives are reviewed and adjusted, if appropriate, at each reporting date. Capital work in progress is not depreciated.

Mine restoration and rehabilitation provision

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

Impairment of non-current assets

Non-current assets are tested for impairment if there is an indicator of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset. Cash flows are discounted by an appropriate discount rate to determine the net present value. Impairment assessments are conducted at the level of cash generating units ("CGUs"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company classifies our Sabodala Gold Mine, Wahgnion Gold Project and exploration projects as separate CGUs.

Taxes

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

Contingencies

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

Determination of purchase price allocation

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

NON-IFRS FINANCIAL MEASURES

The Company provides some non-IFRS financial measures as supplementary information that management believes may be useful to investors to explain the Company's financial results.

Beginning in the second quarter of 2013, we adopted an “all-in sustaining costs” measure consistent with the guidance issued by the World Gold Council (“WGC”) on June 27, 2013. The Company believes that the use of all-in sustaining costs is helpful to analysts, investors and other stakeholders of the Company in assessing its operating performance, its ability to generate free cash flow from current operations and its overall value. This measure is helpful to governments and local communities in understanding the economics of gold mining. The “all-in sustaining costs” is an extension of existing “cash cost” metrics and incorporate costs related to sustaining production.

“Total cash cost per ounce sold” is a common financial performance measure in the gold mining industry but has no standard meaning under IFRS. The Company reports total cash costs on a sales basis. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure, along with sales, is considered to be a key indicator of a Company's ability to generate operating earnings and cash flow from its mining operations.

Total cash costs figures are calculated in accordance with a standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is considered the accepted standard of reporting cash cost of production in North America. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measure of other companies.

The WGC definition of all-in sustaining costs seeks to extend the definition of total cash costs by adding corporate general and administrative costs, reclamation and remediation costs (including accretion and amortization), exploration and study costs (capital and expensed), capitalized stripping costs and sustaining capital expenditures and represents the total costs of producing gold from current operations. All-in sustaining costs exclude income tax payments, interest costs, costs related to business acquisitions and items needed to normalize earnings. Consequently, this measure is not representative of all of the Company's cash expenditures. In addition, the calculation of all-in sustaining costs and all-in costs does not include depreciation expense as it does not reflect the impact of expenditures incurred in prior periods. Therefore, it is not indicative of the Company's overall profitability.

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

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

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

"Average realized price" is a financial measure with no standard meaning under IFRS. Management uses this measure to better understand the price realized in each reporting period for gold and silver sales. Average realized price excludes from revenues unrealized gains and losses on non-hedge derivative contracts. The average realized price is intended to provide additional information only and does not have any standardized definition under IFRS; it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate this measure differently.

"Earnings before interest, taxes, depreciation and amortization" ("EBITDA") is a non-IFRS financial measure, which excludes income tax, finance costs (before unwinding of discounts), interest income, depreciation and amortization, and non-cash impairment charges from net earnings. EBITDA is intended to provide additional information to investors and analysts and do not have any standardized definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Management believes that EBITDA is a valuable indicator of our ability to generate liquidity by producing operating cash flow to: fund working capital needs, service debt obligations, and fund capital expenditures.

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

RECONCILIATION OF NON-IFRS MEASURES

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

(US$000's, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	2017	2016
Gold produced[1] (oz)	67,934	43,987	233,267	216,735
Gold sold (oz)	68,944	46,523	231,078	217,652
Cash costs per ounce sold				
Mine operation expenses	48,166	33,465	168,689	137,486
Less: Regional administration costs	(689)	(699)	(1,996)	(2,105)
Total cash costs	**47,477**	**32,766**	**166,693**	**135,381**
Total cash costs per ounce sold	**689**	**704**	**721**	**622**
Cost of sales per ounce sold				
Cost of sales	**64,149**	**43,022**	**222,113**	**181,528**
Total cost of sales per ounce sold	**930**	**925**	**961**	**834**
All-in sustaining costs				
Total cash costs	47,477	32,766	166,693	135,381
Administration expenses[2]	4,600	4,236	12,580	10,991
Share-based compensation	935	(538)	2,580	4,405
Capitalized deferred stripping	7,655	4,822	29,428	18,492
Capitalized reserve development	965	2,923	6,113	7,138
Mine site sustaining capital	3,006	4,608	19,256	25,874
All-in sustaining costs	**64,638**	**48,817**	**236,650**	**202,281**
All-in sustaining costs per ounce sold	**938**	**1,049**	**1,024**	**929**
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)				
All-in sustaining costs	64,638	48,817	236,650	202,281
Amortization of advanced royalties	(867)	(357)	(3,003)	(2,557)
Inventory movements - cash	(4,495)	5,658	(15,786)	11,655
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)	**59,276**	**54,118**	**217,861**	**211,379**
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) per ounce	**860**	**1,163**	**943**	**971**

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

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

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

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

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

OUTSTANDING SHARE DATA

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

TRANSACTIONS WITH RELATED PARTIES

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

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

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

SHAREHOLDINGS

Teranga's 90 percent shareholding in SGO, the company operating the Sabodala gold mine, is held 89.5 percent through a Mauritius holding company, Sabodala Gold Mauritius Limited ("SGML"), and the remaining 0.5 percent by individuals nominated by SGML to be on the board of directors in order to meet the minimum shareholding requirements under Senegalese law. Upon death or resignation, a share individually held would be transferred to another representative of SGML or added to its current 89.5 percent shareholding according to the circumstances at the time.

SHARE CAPITAL

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

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

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

CEO/CFO CERTIFICATION

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

The Company's CEO and CFO certify that, as at December 31, 2017, the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

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

RISKS AND UNCERTAINTIES

The Company identified a number of risk factors to which it is subject to in its Annual Information Form dated March 29, 2017 and filed for the year ended December 31, 2016. These various financial and operational risks and uncertainties continue to be relevant to an understanding of our business, and could have a significant impact on profitability and levels of operating cash flow. These risks and uncertainties include, but are not limited to: fluctuations in metal prices (principally the price of gold), capital and operating cost estimates, borrowing risks, production estimates, need for additional financing, uncertainty in the estimation of mineral reserves and mineral resources, the inherent danger of mining, infrastructure risk, insured and uninsured risks, environmental risks and regulations, government regulation, ability to obtain and renew licenses and permits, foreign operations risks, title to properties, competition, dependence on key personnel, currency, repatriation of earnings, adverse changes to taxation laws, West African political risks, risk of a disease outbreak impacting our West African workforce and stock exchange price fluctuations.

CORPORATE DIRECTORY

Directors

Alan Hill	Chairman
Richard Young	President and CEO
William Biggar	Non-Executive Director
Jendayi Frazer	Non-Executive Director
Edward Goldenberg	Non-Executive Director
Christopher Lattanzi	Non-Executive Director
David Mimran	Non-Executive Director
Alan Thomas	Non-Executive Director
Frank Wheatley	Non-Executive Director

Senior Management

Richard Young	President and CEO
Paul Chawrun	Chief Operating Officer
Navin Dyal	Chief Financial Officer
David Savarie	General Counsel & Corporate Secretary
Sepanta Dorri	Vice President, Corporate and Stakeholder Development
David Mallo	Vice President, Exploration
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 2A1
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 la Route du Meridien President
Dakar Almadies
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

Share Registry

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

Stock Exchange Listing

Toronto Stock Exchange, TSX symbol: **TGZ**
OTC Markets Group Inc., OTCQX symbol: **TGCDF**

FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"), which reflects management's expectations regarding Teranga's future growth opportunities, results of operations, performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and other opportunities. Wherever possible, words such as "plans", "expects", "does not expect", "scheduled", "trends", "indications", "potential", "estimates", "predicts", "anticipate", "to establish" or "does not anticipate", "believe", "intend", "ability to" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might", "will", or are "likely" to be taken, occur or be achieved, have been used to identify such forward looking information. Specific forward-looking statements include, without limitation, all disclosure regarding possible events, conditions or results of operations, future economic conditions and anticipated courses of action. Although the forward-looking statements contained in this MD&A reflect management's current beliefs based upon information currently available to management and based upon what management believes to be reasonable assumptions, Teranga cannot be certain that actual results will be consistent with such forward-looking information. Such forward-looking statements are based upon assumptions, opinions and analysis made by management in light of its experience, current conditions and its expectations of future developments that management believe to be reasonable and relevant but that may prove to be incorrect. These assumptions include, among other things, the ability to obtain any requisite governmental approvals, the accuracy of mineral reserve and mineral resource estimates, gold price, exchange rates, fuel and energy costs, future economic conditions, anticipated future estimates of free cash flow, and courses of action. Teranga cautions you not to place undue reliance upon any such forward-looking statements.

The risks and uncertainties that may affect forward-looking statements include, among others: the inherent risks involved in exploration and development of mineral properties, including government approvals and permitting, changes in economic conditions, changes in the worldwide price of gold and other key inputs, changes in mine plans and other factors, such as project execution delays, many of which are beyond the control of Teranga, as well as other risks and uncertainties which are more fully described in Teranga's Annual Information Form dated March 30, 2017, and in other filings of Teranga with securities and regulatory authorities which are available at www.sedar.com. Teranga does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Nothing in this MD&A should be construed as either an offer to sell or a solicitation to buy or sell Teranga securities. All references to Teranga include its subsidiaries unless the context requires otherwise.

QUALIFIED PERSONS STATEMENT

The technical information contained in this MD&A relating to the Sabodala open pit mineral reserve estimates is based on, and fairly represents, information compiled by Mr. Stephen Ling, P. Eng who is a member of the Professional Engineers Ontario. Mr. Ling is a full time employee of Teranga and is not "independent" within the meaning of NI 43-101. Mr. Ling has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Qualified Person" under NI 43-101 Standards of Disclosure for Mineral Projects. Mr. Ling has consented to the inclusion in this MD&A of the matters based on his compiled information in the form and context in which it appears in this MD&A.

The technical information contained in this MD&A relating to Sabodala mineral resource estimates is based on, and fairly represents, information compiled by Ms. Patti Nakai-Lajoie. Ms. Nakai-Lajoie, P. Geo., is a Member of the Association of Professional Geoscientists of Ontario. Ms. Nakai-Lajoie is a full time employee of Teranga and is not "independent" within the meaning of NI 43-101. Ms. Nakai-Lajoie has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a "Qualified Person" under NI 43-101 Standards of Disclosure for Mineral Projects. Ms. Nakai-Lajoie has consented to the inclusion in this MD&A of the matters based on her compiled information in the form and context in which it appears in this MD&A.

The technical information contained in this MD&A relating to the Sabodala underground ore reserves estimates is based on, and fairly represents, information compiled by Jeff Sepp, P. Eng., of Roscoe Postle Associates Inc. ("RPA"), who is a member of the Professional Engineers Ontario. Mr. Sepp is "independent" within the meaning of NI 43-101. Mr. Sepp has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a "Qualified Person" under NI 43-101 Standards of Disclosure for Mineral Projects. Mr. Sepp has consented to the inclusion in this MD&A of the matters based on his compiled information in the form and context in which it appears in this MD&A.

The technical information contained in this MD&A relating to the Wahgnion open pit mineral reserve estimates is based on, and fairly represents, information compiled by Mr. Glen Ehasoo, P. Eng., of RPA, who is a member of the Association of Professional Engineers and Geoscientists of British Columbia. Mr. Ehasoo is "independent" within the meaning of NI 43-101. Mr. Ehasoo has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Qualified Person" under NI 43-101 Standards of Disclosure for Mineral Projects. Mr. Ehasoo has consented to the inclusion in this MD&A of the matters based on his compiled information in the form and context in which it appears in this MD&A.

The technical information contained in this MD&A relating to Wahgnion mineral resource estimates is based on, and fairly represents, information compiled by Mr. David Ross, P.Geo., of RPA, who is a Member of the Association of Professional Geoscientists of Ontario. Mr. Ross is "independent" within the meaning of NI 43-101. Mr. Ross has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Qualified Person" under NI 43-101 Standards of Disclosure for Mineral Projects. Mr. Ross has consented to the inclusion in this MD&A of the matters based on his compiled information in the form and context in which it appears in this MD&A.

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

Teranga's disclosure of mineral reserve and mineral resource information is governed by NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as may be amended from time to time by the CIM ("CIM Standards"). There can be no assurance that those portions of mineral resources that are not mineral reserves will ultimately be converted into mineral reserves.

Teranga confirms that it is not aware of any new information or data that materially affects the information included in the technical reports for the Sabodala Project (August 30, 2017) and the Wahgnion Project (October 20, 2017) pursuant to National Instrument 43-101 - Standards of Disclosure for Mineral Projects (the "Technical Reports"), or year end 2017 results, market announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements concerning the Technical Reports continue to apply and have not materially changed.