



# MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the three and six months ended  
June 30, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

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*This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial conditions and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the three and six months ended June 30, 2016. The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto ("Statements") of Teranga Gold Corporation ("Teranga" or the "Company") as at and for the three and six months ended June 30, 2016, as well as, with the audited consolidated financial statements of Teranga as at and for the twelve months ended December 31, 2015. The Company's Statements and MD&A are presented in United States dollars, unless otherwise specified, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Additional information about Teranga, including the Company's Annual Information Form for the year ended December 31, 2015, as well as all other public filings, is available on the Company's website at [www.terangagold.com](http://www.terangagold.com) and on the SEDAR website ([www.sedar.com](http://www.sedar.com)).*

This report is dated as of July 28, 2016. All references to the Company include its subsidiaries unless the context requires otherwise.

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

### OVERVIEW OF THE BUSINESS

Teranga is a Canadian-based gold company listed on both the Toronto and Australian stock exchanges (TSX/ASX: TGZ) and engaged in the production, sale, exploration and development of gold. As of June 30, 2016, Teranga operated one multi-deposit mine in Senegal, West Africa where it has produced more than 1.2 million ounces since 2010. At December 31, 2015, Sabodala had 2.6 million ounces of proven and probable reserves.

As part of its strategy to create a multi-jurisdictional gold producer, with diversified production and cash flow, Teranga entered into two transactions during the second quarter 2016.

In June, Teranga announced that it had entered into an agreement to acquire Gryphon Minerals Limited ("Gryphon") for \$63 million in an all share transaction. Gryphon's key asset is the 90%-owned Banfora gold project, a fully permitted, high grade, open pit gold project located in Burkina Faso, West Africa with proven and probable reserve of 1.05 million ounces (16.7 Mt at 1.95g/t) and considerable exploration potential to further increase the reserve base. In conjunction with this acquisition, Teranga also announced that Tablo Corporation, a privately-held investment company controlled by Mr. David Mimran, a director of Teranga, intends to exercise its anti-dilution right that will result in an equity placement to preserve its 13 percent ownership (on a non-dilutive basis).

Additionally, Teranga entered into a joint venture with Miminvest SA ("Miminvest"), a privately-held company also controlled by Mr. Mimran, relating to the exploration, development and production of minerals in the Côte d'Ivoire, including permits owned by Miminvest. Groupe Mimran, a company controlled by the Mimran family, has been operating in the Côte d'Ivoire since 1963 and own the largest flour producer in the country.

Like Senegal, both Burkina Faso and Côte d'Ivoire have proven to be mining-friendly jurisdictions.

### Vision

Our vision is to become a pre-eminent mid-tier gold producer in West Africa.

### Mission

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

### Strategy

To increase long-term sustainable cash flows, we have a three-pronged strategy focused on achieving: (i) reserve growth; (ii) production growth; and (iii) margin expansion.

**(i) Reserve Growth:** The first component of our growth strategy focuses on increasing reserves through converting

resources to reserves, making large-scale discoveries and acquiring existing deposits. We continue to seek ways to leverage our unique advantage as the only gold producer with a full-scale operating mill and related infrastructure in Senegal, and for other opportunities, such as the Gryphon acquisition and the Côte d'Ivoire joint venture, to add other high quality West African gold assets to Teranga's portfolio.

**(ii) Production Growth:** The second component of our growth strategy is focused on maximizing throughput to our process facilities by increasing process capacity through high return initiatives that leverage our existing asset base. Major growth opportunities and capital projects are evaluated using a minimum after-tax internal rate of return ("IRR") target to govern our capital allocation and investment decisions.

**(iii) Margin Expansion:** The third component of our growth strategy is to improve cash margins through productivity improvements and cost savings.

Overall, our focus is on increasing profitable production to maximize free cash flow.

## FINANCIAL AND OPERATING HIGHLIGHTS

Operating Data		Three months ended June 30,			Six months ended June 30,		
		2016	2015	Change	2016	2015	Change
Gold Produced	(oz)	52,540	49,392	6%	123,267	98,034	26%
Gold Sold	(oz)	58,297	50,074	16%	125,968	106,297	19%
Average realized gold price	(\$ per oz)	1,261	1,198	5%	1,212	1,208	0%
Total cash costs <sup>1</sup>	(\$ per oz sold)	619	602	3%	591	606	(2%)
All-in sustaining costs <sup>1</sup>	(\$ per oz sold)	968	948	2%	891	891	0%

  

Financial Data		Three months ended June 30,			Six months ended June 30,		
		2016	2015	Change	2016	2015	Change
Revenue	(\$000's)	73,562	60,064	22%	152,760	128,555	19%
Profit attributable to shareholders of Teranga	(\$000's)	6,146	6,726	(9%)	13,958	19,714	(29%)
Per share	(\$)	0.02	0.02	0%	0.04	0.06	(33%)
EBITDA <sup>2</sup>	(\$000's)	26,693	24,155	11%	55,661	56,969	(2%)
Operating cash flow	(\$000's)	20,958	12,269	71%	45,101	28,900	56%
Capital expenditures (before Deferred Stripping)	(\$000's)	7,722	9,626	(20%)	19,055	12,322	55%
Capitalized deferred stripping	(\$000's)	7,555	3,197	136%	10,604	9,785	8%
Free cash flow <sup>3</sup>	(\$000's)	5,681	(554)	N/A	15,442	6,793	127%
Free cash flow per ounce sold <sup>3</sup>	(\$ per oz sold)	97	(11)	N/A	123	64	92%

<sup>1</sup> Total cash costs per ounce and all-in sustaining costs per ounce are Non-IFRS performance measures that do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this report.

<sup>2</sup> Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a Non-IFRS performance measure. Please refer to Non-IFRS Performance Measures at the end of this report.

<sup>3</sup> Free cash flow and free cash flow per ounce are defined as operating cash flow less capital expenditures.

## Second Quarter 2016 Financial & Operating Highlights

- Surpasses more than 10 million hours worked without a lost time incident at the Company's Sabodala gold operation
- Best ever production record of 52,540 ounces for second quarter and 123,267 ounces for first half of the year
- Mill throughput surpasses 1 million tonne milestone for only third time in Company's history
- All-in sustaining costs per ounce of \$968<sup>1</sup>, including all development capital and total cash costs per ounce of \$619<sup>1</sup>
- 17 percent cash margin expansion

<sup>1</sup> Total cash costs per ounce and all-in sustaining costs per ounce are Non-IFRS performance measures that do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this report.

- Net profit attributable to shareholders of \$6.1 million or \$0.02 per share
- Significant growth in free cash flow per ounce to \$97 from (\$11) in the prior year quarter
- 31 percent increase in cash balance since start of year; pro forma June 30, 2016 cash balance of \$70.2 million<sup>2</sup>
- Teranga receives United Nations Global Compact Network Canada Sustainability Award

**Second Quarter 2016 Growth Highlights**

- Successful drill programs expected to lead to several initial resource estimates by year end
- Mill optimization project is ahead of schedule and set to be fully commissioned by end of third quarter
- Announces all share offer to acquire Burkina Faso-focused Gryphon Minerals in June with follow-on 5 percent equity investment completed in July
- Expands footprint into Côte d'Ivoire with Miminvest SA, a company owned and controlled by David Mimran, a director of Teranga

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<sup>2</sup> Including Value Added Tax ("VAT") receivable from the Government of Senegal of \$12.1 million as at June 30, 2016.

## Outlook 2016

The following table outlines the Company's estimated 2016 summary production and cost guidance:

		<b>2016 Guidance</b>
<b>Operating Results</b>		
Ore mined	('000t)	2,000 - 2,500
Waste mined	('000t)	34,500 - 36,000
Total mined	('000t)	36,500 - 38,500
Grade mined	(g/t)	2.75 - 3.25
Strip ratio	waste/ore	13.00 - 15.00
Ore milled	('000t)	3,700 - 3,900
Head grade	(g/t)	1.80 - 2.00
Recovery rate	%	90 - 91
Gold produced <sup>1</sup>	(oz)	200,000 - 215,000
Total cash cost (incl. royalties) <sup>2</sup>	\$/oz sold	600 - 650
Total all-in sustaining cash cost <sup>2</sup>	\$/oz sold	900 - 975
Mining	\$/t mined	2.20 - 2.40
Mining long haul	\$/t hauled	4.00 - 4.50
Milling	\$/t milled	11.00 - 12.00
G&A	\$/t milled	4.25 - 4.50
<b>Mine Production Costs</b>	\$ millions	<b>145 - 155</b>
<b>Regional Administration Costs (included in Cost of Sales) <sup>3</sup></b>	\$ millions	<b>2</b>
<b>Capital Expenditures</b>		
Mine site sustaining	\$ millions	8 - 10
Capitalized reserve development	\$ millions	7
Project development costs	\$ millions	17 - 20
<b>Total Capital Expenditures <sup>4</sup></b>	\$ millions	<b>32 - 37</b>
<b>Exploration and Evaluation (expensed)</b>	\$ millions	<b>5</b>
<b>Corporate Administration Expense <sup>3</sup></b>	\$ millions	<b>8 - 9</b>
<b>CSR Expense <sup>3</sup></b>	\$ millions	<b>3 - 3.5</b>

Notes :

<sup>1</sup> 22,500 ounces of production are to be sold to Franco Nevada at 20% of the spot gold price.

<sup>2</sup> Total cash costs per ounce and all-in sustaining costs per ounce are non-IFRS financial measures and do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this report. All-in sustaining costs per ounce sold include total cash costs per ounce, Corporate Administration Expenses (excluding Corporate depreciation expense), Regional Administration Costs, capitalized deferred stripping, capitalized reserve development and mine site & development capital expenditures as defined by the World Gold Council.

<sup>3</sup> During first quarter 2016, the Company began to present CSR Expense and Regional Administration Costs separately from Corporate Administration Expense. The Company's 2016 guidance was updated to reflect this change in accounting presentation.

<sup>4</sup> Excludes capitalized deferred stripping costs, included in mine production costs.

This forecast financial information is based on the following material assumptions for the remainder of 2016: gold price: \$1,200 per ounce; Brent oil: \$50/barrel; Euro:USD exchange rate of 1:1

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.

The Company is on track to produce between 200,000 and 215,000 ounces of gold in 2016. With the commencement of the rainy season for the duration of the third quarter 2016, mill feed will shift to a harder blend consisting of more fresh ore feed than seen year to date to reduce material handling issues, and consequently lower mill throughput rates, before

returning to a softer blend during the fourth quarter 2016. The reduced mill throughput is expected to be partially mitigated by commissioning of a second crusher and screen during the third quarter.

As part of our ongoing business improvement program, during the first quarter the Company streamlined its corporate office, reducing head count and G&A expenses by approximately \$1.0 million compared to budget. Additionally, in order to align with our peers, corporate social responsibility ("CSR") costs, which totaled \$2.9 million in 2015 will now be shown as a separate line item on the financial statements. Further, regional administration costs (including Dakar office costs), which totaled \$2.5 million in 2015, will be included within cost of sales. To reflect the savings and reclassifications, we reduced our original 2016 administration cost guidance from a range of \$15 - \$16 million to between \$8 - \$9 million. CSR costs are expected to be in the range of \$3.0 - \$3.5 million and regional administration costs are expected to be approximately \$2 million.

The Company remains on track to achieve its 2016 guidance.

## REVIEW OF OPERATING RESULTS

Operating Results		Three months ended June 30,			Six months ended June 30,		
		2016	2015	Change	2016	2015	Change
Ore mined	('000t)	363	1,893	(81%)	1,268	4,139	(69%)
Waste mined - operating	('000t)	6,307	5,192	21%	13,307	8,811	51%
Waste mined - capitalized	('000t)	2,787	1,221	128%	3,448	4,062	(15%)
Total mined	('000t)	9,457	8,306	14%	18,023	17,012	6%
Grade mined	(g/t)	3.53	1.18	199%	2.55	1.17	118%
Ounces mined	(oz)	41,272	71,781	(43%)	104,085	156,160	(33%)
Strip ratio	waste/ore	25.0	3.4	635%	13.2	3.1	326%
Ore milled	('000t)	1,006	951	6%	2,058	1,812	14%
Head grade	(g/t)	1.76	1.77	(1%)	2.00	1.83	9%
Recovery rate	%	92.1	91.4	1%	93.0	92.0	1%
Gold produced <sup>1</sup>	(oz)	52,540	49,392	6%	123,267	98,034	26%
Gold sold	(oz)	58,297	50,074	16%	125,968	106,297	19%
Average realized price	\$/oz	1,261	1,198	5%	1,212	1,208	0%
Total cash costs (incl. royalties) <sup>2</sup>	\$/oz sold	619	602	3%	591	606	(2%)
All-in sustaining costs <sup>2</sup>	\$/oz sold	968	948	2%	891	891	0%
Mining	(\$/t mined)	2.25	2.40	(6%)	2.20	2.22	(1%)
Mining long haul	(\$/t hauled)	4.00	-	NA	4.47	-	NA
Milling	(\$/t milled)	10.46	12.37	(15%)	10.62	13.45	(21%)
G&A	(\$/t milled)	4.68	3.89	20%	4.34	4.41	(2%)

<sup>1</sup> Gold produced represents change in gold in circuit inventory plus gold recovered during the period.

<sup>2</sup> Total cash costs per ounce and all-in sustaining costs per ounce are non-IFRS financial measures that do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this report.

		Three months ended June 30, 2016			Six months ended June 30, 2016	
		Gora	Golouma	Masato	Gora	Golouma
Ore mined	('000t)	144	219	455	416	397
Waste mined - operating	('000t)	2,602	3,705	166	6,551	6,590
Waste mined - capitalized	('000t)	2,787	-	-	3,448	-
Total mined	('000t)	5,533	3,924	621	10,415	6,987
Grade mined	(g/t)	3.13	3.79	1.16	3.15	3.53
Ounces mined	(oz)	14,517	26,755	16,969	42,077	45,039

		Three months ended June 30, 2015		Six months ended June 30, 2015	
		Masato	Sabodala	Masato	Sabodala
Ore mined	('000t)	1,606	287	3,666	473
Waste mined - operating	('000t)	5,050	142	8,307	504
Waste mined - capitalized	('000t)	1,221	-	4,038	24
Total mined	('000t)	7,877	429	16,011	1,001
Grade mined	(g/t)	1.13	1.96	1.13	1.80
Ounces mined	(oz)	53,920	17,861	128,538	27,622

## Review of operating results for the three months ended June 30, 2016

### *Mining*

Mining activities in the second quarter were focused on Gora Phase 2 and 3, as well as, Golouma South. Overall, mining has shifted to higher grade, higher strip ratio deposits in 2016 from lower grade, lower strip ratio deposits in the prior year period. As a result, ore tonnes mined during the quarter were 81 percent lower than the prior year period, while ore grades mined were almost 200 percent higher.

At Gora, ore tonnes and grades are reconciling better than the reserve model with mining activities now taking place below historical artisanal workings. At Golouma, ore tonnes and grades are reconciling well above the reserve model.

### *Processing*

Ore milled for the three months exceeded 1 million tonnes, for only the third quarter in the Company's history, and was 6 percent higher than the prior year period with throughput rates benefiting from a blend of soft oxide ore and a lower amount of hard fresh ore feed, as well as, improved productivity with certain elements of the mill optimization now complete. With the commencement of the rainy season, mill feed for the third quarter 2016 will shift to a blend of a higher amount of hard fresh ore feed to reduce material handling issues, and consequently lower throughput rates, before returning to a softer blend during the fourth quarter 2016. In addition, throughput rates should benefit from the completion of the mill optimization later in the third quarter, about one quarter ahead of schedule.

Head grade for the three months was similar to the prior year period. Mill feed was primarily sourced from lower grade stockpiles and supplemented with high grade feed from the Golouma and Gora deposits. In the prior year period, mill feed was sourced mainly from the Masato deposit and stockpiles.

Gold production for the three months increased by 6 percent compared to the same prior year period and was a second quarter record for the Company, as result of higher mill throughput.

### *Costs – site operations*

The Company is focused on expanding cash margins by improving productivity and lowering costs. Both the mine and mill areas continue to make significant strides in lowering unit operating costs.

Total mining costs for the three months were \$21.3 million, 7 percent higher than the prior year period. The increase over the prior year period is due to a 14 percent increase in material movement compared to the year earlier period. On a unit cost basis, mining costs for the second quarter were 6 percent lower than the prior year mainly due to lower fuel prices.

Total processing costs for the second quarter decreased to \$10.5 million, 11 percent lower than the prior year period, mainly due lower fuel and reagent prices, despite a 6 percent increase in throughput. Accordingly, unit processing costs for the second quarter are a record best at \$10.46 per tonne milled and 15 percent better than the prior year period.

Total mine site general and administrative costs for the second quarter totaled \$4.7 million, \$1.0 million higher than the prior year period mainly due to timing of expenditures. On a unit basis, general and administrative costs increased by 20 percent over the prior year period mainly due to higher costs.

Total cash costs increased by 3 percent to \$619 per ounce for the second quarter compared to the prior year period, mainly due to higher inventory movement expense attributable to processing from stockpiles, partly offset by lower unit mining and processing costs.

All-in sustaining costs per ounce were 2 percent higher than the prior year period as higher growth capital expenditures related to the mill optimization project and higher capitalized deferred stripping costs were mostly offset by lower development costs.

## Review of operating results for the six months ended June 30, 2016

### *Mining*

Total tonnes mined for the six months were 6 percent higher than the prior year period due to an increase in the utilization of the mobile equipment fleet to meet the 2016 mine plan. Mining activities in the current year have been mainly focused on the lower benches of the Masato deposit completed during the first quarter and the Gora and Golouma deposits which have been active throughout the first half of the year. In the prior year period, mining was focused on the upper benches of Masato and completion of Phase 3 of the Sabodala pit. Total tonnes mined for the second half of 2016 are expected to be similar to the first half. Golouma and Gora will continue to be mined through the remainder of the year while stripping will begin at the Kerekounda deposit in the third quarter.

Ore tonnes mined for the six months were 69 percent lower compared to the prior year period, while ore grades mined were 118 percent higher, as mining has shifted to the higher grade deposits at Gora and Golouma, supplemented with oxide ore stockpiled in 2015 from Masato. While in line with the 2016 plan, total ounces mined during the six months decreased by 33 percent compared to the prior year period. For 2016, the plan is to mine about 200,000 ounces of high grade ore and stockpile a portion of that and to supplement mill feed with lower grade stockpiled ore to meet the Company's production guidance for the year.

### *Processing*

Ore tonnes milled for the six months were 14 percent higher than the prior year period and represents the highest half year throughput in the Company's history. The higher throughput rates are a result of a favourable mill feed blend and improved productivity with certain elements of the mill optimization now complete. Mill feed for the second half will be sourced from the Gora and Golouma deposits, as well as, lower grade stockpiles.

Head grade for the six months was 9 percent higher than the prior year period mainly due ore feed from the high grade Golouma and Gora deposits. In the prior year period, lower grade Masato and Sabodala were the only contributors to mill feed and average head grade was lower than the first half of 2016.

Gold production for the six months was a Company record 123,267 ounces, 26 percent higher than the prior year period, mainly due to higher mill throughput and higher head grades.

### *Costs – site operations*

Total mining costs for the six months were \$39.7 million, 5 percent higher than the prior year period due to a 6 percent increase in material movement. On a unit basis, mining costs for the six months were slightly lower than the prior period due to lower fuel prices.

Total processing costs for the six months were \$21.9 million, 10 percent lower than the prior year period, despite a 14 percent increase in mill throughput due in large part to lower fuel prices. As a result, unit processing costs decreased by 21 percent compared to the prior year period.

Total mine site general and administrative costs for the six months were \$8.9 million, 12 percent higher than the prior year period mainly due to timing of expenditures. On a unit basis, mine site general and administrative costs decreased by 2 percent over the prior year period due to an increase in tonnes milled offset by higher costs.

Total cash costs decreased by 2 percent to \$591 per ounce for the six months, compared to the prior year period, mainly due to lower processing costs and higher production.

All-in sustaining costs per ounce for the six months were in line with the prior year period as higher growth capital expenditures related to the mill optimization project and higher development capital were offset by lower total cash costs.



## REVIEW OF FINANCIAL RESULTS

(US\$000's, except where indicated)	Three months ended June 30,			Six months ended June 30,		
	2016	2015	% Change	2016	2015	% Change
Revenue	73,562	60,064	22%	152,760	128,555	19%
Cost of sales <sup>1</sup>	(48,227)	(43,827)	10%	(100,758)	(92,600)	9%
<b>Gross profit</b>	<b>25,335</b>	<b>16,237</b>	<b>56%</b>	<b>52,002</b>	<b>35,955</b>	<b>45%</b>
Exploration and evaluation expenditures	(1,511)	(925)	63%	(2,924)	(1,734)	69%
Administration expense <sup>1</sup>	(1,976)	(2,802)	(29%)	(3,549)	(5,793)	(39%)
Corporate social responsibility expenses <sup>1</sup>	(1,065)	(736)	45%	(2,032)	(1,210)	68%
Share-based compensation	(2,601)	(1,041)	150%	(3,549)	(1,368)	159%
Finance costs	(1,266)	(748)	69%	(2,337)	(1,397)	67%
Net foreign exchange gains (losses)	(366)	391	N/A	(1,849)	1,682	N/A
Other income (expense)	(2,937)	247	N/A	(7,897)	2,030	N/A
<b>Profit before income tax</b>	<b>13,613</b>	<b>10,623</b>	<b>28%</b>	<b>27,865</b>	<b>28,165</b>	<b>(1%)</b>
Income tax expense	(5,750)	(3,584)	60%	(10,659)	(6,356)	68%
<b>Profit for the period</b>	<b>7,863</b>	<b>7,039</b>	<b>12%</b>	<b>17,206</b>	<b>21,809</b>	<b>(21%)</b>
Profit attributable to non-controlling interests	(1,717)	(313)	449%	(3,248)	(2,095)	55%
<b>Profit attributable to shareholders of Teranga</b>	<b>6,146</b>	<b>6,726</b>	<b>(9%)</b>	<b>13,958</b>	<b>19,714</b>	<b>(29%)</b>
Basic earnings per share	0.02	0.02	0%	0.04	0.06	(33%)

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

(US\$000's)	Three months ended June 30,			Six months ended June 30,		
	2016	2015	% Change	2016	2015	% Change
<b>Cost of Sales</b>						
Mine production costs - gross	37,595	35,498	6%	72,597	70,350	3%
Capitalized deferred stripping	(7,555)	(3,197)	136%	(10,604)	(9,785)	8%
Capitalized deferred stripping - non-cash	(591)	(329)	80%	(865)	(989)	-13%
	29,449	31,972	(8%)	61,128	59,576	3%
Depreciation and amortization - deferred stripping assets	413	3,049	(86%)	964	4,609	(79%)
Depreciation and amortization - property, plant & equipment and mine development expenditures	9,121	9,442	(3%)	19,512	18,774	4%
Royalties	3,846	3,007	28%	8,254	6,373	30%
Amortization of advanced royalties	717	327	119%	1,682	756	122%
Regional administration costs <sup>1</sup>	539	713	(24%)	1,051	1,286	(18%)
Inventory movements	1,574	(5,356)	N/A	2,682	(3,122)	N/A
Inventory movements - non-cash	2,568	673	282%	5,485	4,348	26%
	4,142	(4,683)	N/A	8,167	1,226	566%
<b>Total cost of sales</b>	<b>48,227</b>	<b>43,827</b>	<b>10%</b>	<b>100,758</b>	<b>92,600</b>	<b>9%</b>

<sup>1</sup>In 2016 in order to better align costs with industry peers, the Company has reclassified regional administration costs from administration expense to cost of sales for the current and prior period.

### Review of financial results for the three months ended June 30, 2016

#### Revenue

Revenue for the three months ended June 30, 2016 increased by 22 percent over the prior year period due to increased sales volume and higher average realized gold prices in the current period. Gains and losses on gold derivative contracts have been classified within other income (expense).

Spot price per ounce of gold	Three months ended June 30,		
	2016	2015	% Change
Average	\$1,260	\$1,192	6%
Low	\$1,212	\$1,165	4%
High	\$1,325	\$1,225	8%

#### *Cost of Sales*

For the three months ended June 30, 2016, total cost of sales increased by 10 percent over the prior year period to \$48.2 million primarily due to higher inventory movement expense, partly offset by lower net mine production costs and lower depreciation expense in the current period.

Mine production costs (before capitalized deferred stripping) of \$37.6 million were 6 percent higher than the prior year period. See Review of Operating Results section for additional information.

In the three months ended June 30, 2016, \$8.1 million of deferred stripping costs were capitalized relating to Gora which is amortized as the deposit is mined. The prior year period amount of \$3.5 million relates to capitalization of stripping costs at the Masato deposit.

Depreciation and amortization expense for the three months ended June 30, 2016 was \$9.5 million, \$3.0 million lower than the prior year period, mainly due to lower depreciation of deferred stripping assets. Approximately 80 percent of the Company's fixed assets are depreciated using the units of production method of depreciation. Depreciation expense in 2016 reflects reductions in the carrying value of property, plant and equipment and mine development expenditures as a result of non-cash impairment charges recorded in the fourth quarter of 2015.

For the three months ended June 30, 2016, \$4.6 million of royalties were expensed compared to \$3.3 million in the prior year period. The increase was primarily due to higher revenue in the current quarter, higher amortization of advanced royalties related to production from the former OJVG deposits and royalties related to Gora.

Inventory movements in the three months ended June 30, 2016 resulted in an increase to cost of sales of \$4.1 million compared to a decrease of \$4.7 million in the prior year period. The increase to cost of sales in the current quarter is primarily due to the processing of approximately 24,000 ounces of stockpiled ore.

#### *Exploration and evaluation*

Exploration and evaluation expenditures for the three months ended June 30, 2016 were \$1.5 million, \$0.6 million higher than the prior year period. The Company continues to take a systematic and disciplined approach to exploration. Please see the Regional Exploration section for additional information.

#### *Administration expense*

Administration expense for the three months ended June 30, 2016 were \$2.0 million, \$0.8 million lower compared to the adjusted prior year period. Lower administration expense in the current quarter is mainly due to lower corporate office costs and the impact of a 5 percent appreciation of the US dollar against the Canadian dollar, compared to the prior period.

#### *Corporate social responsibility expense*

CSR expense for the three months ended June 30, 2016 were \$1.1 million, \$0.3 million higher than the prior year period mainly due to timing of spend related to social commitments.

#### *Share-based compensation*

Share-based compensation expense for the three months ended June 30, 2016 were \$2.6 million, \$1.6 million higher than the prior year period due to expenses related to new grants of share-based awards issued in 2016 and an increase in the Company's share price during the current quarter.

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

	Six months ended June 30, 2016		As of June 30, 2016	
	Grant Units	Grant Price <sup>1</sup>	Outstanding	Total Vested <sup>2</sup>
RSUs	6,025,183	C\$0.67	8,209,859	2,358,609
DSUs	675,000	C\$0.67	1,920,000	1,395,000
Fixed Bonus Plan Units	137,500	C\$0.67	1,797,500	1,495,094

<sup>1</sup> Grant price determined using a volume weighted average trading price of the Company's shares for the 5-day period ended March 31, 2016.

<sup>2</sup> DSUs vest over a one-year period and are payable in cash upon ceasing to be a director of the Company. RSUs vest over a three year period, with 50 percent of the award vesting upon achievement of two predetermined operational criteria, and 50 percent vesting with the passage of time. Both DSUs and RSUs are payable in cash. The Company used the June 30, 2016 closing share price of C\$1.15 to value the vested DSUs and RSUs.

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2015	15,539,165	C\$2.42
Exercised	(105,721)	C\$0.64
Granted <sup>1</sup>	4,027,686	C\$0.67
Forfeited	(355,018)	C\$0.77
Balance as at June 30, 2016	19,106,112	C\$2.09

<sup>1</sup> The exercise price of new common share stock options granted during the first quarter was determined using a volume weighted average trading price of the Company's shares for the 5-day period ended March 31, 2016.

Of the 19,106,112 common share stock options issued and outstanding as at June 30, 2016, 13,649,611 are vested, 5,419,001 vest over a three-year period and 37,500 vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized based on management's best estimate of outcome of achieving desired results. Under IFRS, the accelerated method of amortization is applied to new grants of stock options and fixed bonus plan units, which results in about 70 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 three months ended June 30, 2016 were \$1.3 million, an increase of \$0.5 million compared to the prior year period, mainly due to higher interest expense and deferred financing costs on borrowings.

#### *Income tax expense*

For the three months ended June 30, 2016, the Company recorded income tax expense of \$5.8 million, comprised of current income tax expense of \$4.9 million and deferred income tax of \$0.9 million. In the prior year period, income tax expense of \$3.6 million was comprised of current income tax expense of \$2.4 million and deferred income tax expense of \$1.2 million. Higher current income tax expense in the current period was mainly due to higher gross profit.

#### *Other income (expense)*

Other expense for the three months ended June 30, 2016 was \$2.9 million compared with other income of \$0.2 million in the prior year period. Other expense in the current quarter included \$1.9 million in losses on gold derivative contracts, \$0.4 million in costs related to the proposed acquisition of Gryphon, as well as, miscellaneous non-recurring costs incurred during the period.

#### *Net profit*

Consolidated net profit attributable to shareholders for the three months ended June 30, 2016 was \$6.1 million (\$0.02 per share), compared to consolidated net profit of \$6.7 million (\$0.02 per share) in the prior year period. The decrease in profit in the current quarter is due to higher non-controlling interest expense.

### **Review of financial results for the six months ended June 30, 2016**

#### **Revenue**

Revenue for the six months ended June 30, 2016 increased by 19 percent over the prior year period due to increased sales volume. Gains and losses on gold derivative contracts have been classified within other income (expense).

<b>Spot price per ounce of gold</b>	<b>Six months ended June 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Change</b>
Average	\$1,221	\$1,206	1%
Low	\$1,077	\$1,147	(6%)
High	\$1,325	\$1,296	2%

#### *Cost of Sales*

For the six months ended June 30, 2016, total cost of sales increased by \$8.2 million over the prior year period to \$100.8 million primarily due to higher inventory movement expense and higher royalties, partly offset by lower depreciation expense in the current period.

Mine production costs (before capitalized deferred stripping) of \$72.6 million were \$2.2 million higher than the prior year period. See Review of Operating Results section for additional information.

In the six months ended June 30, 2016, \$11.5 million of deferred stripping costs were capitalized relating to Gora which is amortized as the deposit is mined. The prior year period amount of \$10.8 million relates to the capitalization of stripping costs at the Masato deposit.

Depreciation and amortization expense for the six months ended June 30, 2016 was \$20.5 million, \$2.9 million lower than the prior year period. Depreciation expense in 2016 reflects reductions in the carrying value of property, plant and equipment and mine development expenditures as a result of non-cash impairment charges recorded in December 2015.

For the six months ended June 30, 2016, \$9.9 million of royalties were expensed compared to \$7.1 million in the prior year period. The increase was primarily due to higher revenue in the current period, higher amortization of advanced royalties related to production from the former OJVG deposits and royalties related to Gora.

Inventory movements in the six months ended June 30, 2016 resulted in an increase to cost of sales of \$8.2 million compared to an increase of \$1.2 million in the prior year period. The increase to cost of sales in the current period is primarily due to the processing of approximately 38,000 ounces of stockpiled ore.

#### *Exploration and evaluation*

Exploration and evaluation expenditures for the six months ended June 30, 2016 were \$2.9 million, \$1.2 million higher than the prior year period. The Company continues to take a systematic and disciplined approach to exploration. Please see the Regional Exploration section for additional information.

#### *Administration expense*

Administration expense for the six months ended June 30, 2016 was \$3.5 million, \$2.2 million lower than the adjusted prior year period. Lower administration expense in the current period is mainly due to lower corporate office costs and the impact of a 7 percent appreciation of the US dollar against the Canadian dollar, compared to the prior period.

#### *Corporate social responsibility expense*

CSR expense for the six months ended June 30, 2016 was \$2.0 million, \$0.8 million higher than the prior year period mainly due to timing of spend related to social commitments.

#### *Share-based compensation*

Share-based compensation expense for the six months ended June 30, 2016 was \$3.5 million, \$2.2 million higher than the prior year period due to expenses related to new grants of share-based awards issued during 2015 and first quarter 2016, and an increase in the Company's share price during the current year period.

#### *Finance costs*

Finance costs for the six months ended June 30, 2016 was \$2.3 million, \$0.9 million higher than the prior year period mainly due to higher interest expense on borrowings.

#### *Net foreign exchange gains (losses)*

Net foreign exchange losses of \$1.8 million were realized by the Company in the six months ended June 30, 2016 primarily due to realized and unrealized foreign exchange losses recorded primarily during the first quarter 2016 as the Euro appreciated relative to the US dollar.

*Income tax expense*

For the six months ended June 30, 2016, the Company recorded income tax expense of \$10.7 million, comprised of current income tax expense of \$10 million and deferred income tax expense of \$0.7 million. In the prior year period, an income tax expense of \$6.4 million was comprised of current income tax of \$2.4 million and deferred income tax of \$4.0 million. The Company became subject to a 25 percent corporate income tax rate calculated on profits in Senegal effective May 2, 2015.

*Other income (expense)*

Other expense for the six months ended June 30, 2016 was \$7.9 million compared with other income of \$2.0 million in the prior year. Other expense in the current period included \$2.9 million in losses on gold derivative contracts, \$2.5 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 ("OJVG"), as well as, miscellaneous non-recurring costs incurred during the period. Other income in the prior year period relates to realized gains on gold forward contracts.

*Net profit*

Consolidated net profit attributable to shareholders for the six months ended June 30, 2016 was \$14.0 million (\$0.04 per share), compared to consolidated net profit of \$19.7 million (\$0.06 per share) in the prior year period. The decrease in profit in the current year is due to higher income taxes and non-controlling interest expense.

## REVIEW OF QUARTERLY FINANCIAL RESULTS

	2016		2015		2014			
	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Revenue	73,562	79,198	58,235	37,830	60,064	68,491	76,553	56,711
Average realized gold price (\$/oz)	1,261	1,169	1,099	1,112	1,198	1,217	1,199	1,269
Cost of sales	48,227	52,531	49,266	33,018	43,827	48,773	38,198	52,891
Net earnings (loss) <sup>1</sup>	6,146	7,812	(71,824)	1,568	6,726	12,987	27,693	(1,524)
Net earnings (loss) per share (\$)¹	0.02	0.02	(0.19)	0.00	0.02	0.04	0.08	(0.00)
Operating cash flow	20,958	24,143	9,755	(8,221)	12,269	16,631	30,677	13,822
Ore mined ('000t)	363	905	1,859	1,750	1,893	2,246	2,666	1,272
Waste mined - operating ('000t)	6,307	7,000	4,612	4,958	5,192	3,619	5,594	4,201
Waste mined - capitalized ('000t)	2,787	661	726	713	1,221	2,841	490	524
Total mined ('000t)	9,457	8,566	7,197	7,421	8,306	8,706	8,750	5,997
Grade Mined (g/t)	3.53	2.16	1.37	1.15	1.18	1.17	1.47	1.71
Ounces Mined (oz)	41,272	62,813	82,057	64,807	71,781	84,379	126,334	69,805
Strip ratio (waste/ore)	25.0	8.5	2.9	3.2	3.4	2.9	2.3	3.7
Ore processed ('000t)	1,006	1,052	919	691	951	861	1,009	903
Head grade (g/t)	1.76	2.23	1.86	1.62	1.77	1.90	2.44	1.89
Gold recovery (%)	92.1	93.7	93.4	91.8	91.4	92.6	90.1	88.5
Gold produced¹ (oz)	52,540	70,727	51,292	32,956	49,392	48,643	71,278	48,598
Gold sold (oz)	58,297	67,672	52,939	33,982	50,074	56,223	63,711	44,573
Total cash costs per ounce sold² (including Royalties)	619	567	668	712	602	609	598	781
All-in sustaining costs per ounce sold² (including Royalties)	968	824	969	1,191	948	841	711	954
Mining (\$/t mined)	2.2	2.1	2.8	2.5	2.4	2.1	2.6	3.1
Mining long haul (\$/t hauled)	4.0	5.1	5.3	5.5	-	-	-	-
Milling (\$/t mined)	10.5	10.8	13.3	16.5	12.4	14.6	13.9	16.0
G&A (\$/t mined)	4.7	4.0	5.0	5.7	3.9	5.0	4.3	4.5

<sup>1</sup>The first quarter 2015 includes the impact of restating the deferred income tax expenses related to temporary timing differences.

<sup>2</sup>Total cash costs per ounce and all-in sustaining costs per ounce are non-IFRS financial measures and do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this report.

Our revenues over the last several quarters reflect the variation in quarterly production and a trend of spot gold prices that have fluctuated around recent low levels in the current metal commodity cycle while production costs have been declining due to lower input costs, favourable foreign currency movements and operational efficiencies. This trend has translated into fluctuating net earnings and operating cash flow levels depending on the price of gold and production levels each quarter.

Net loss recorded during the fourth quarter 2015 includes a non-cash impairment charge. Net earnings recorded during the fourth quarter 2014 were higher than other quarters mainly due to reversal of non-cash inventory write-downs recorded during the second and third quarters 2014, which resulted in the respective net losses realized during those periods.

Operating cash flows during the first quarter 2016 and fourth quarter 2014 were higher mainly due to higher gold production and sales, and lower during the third quarter 2015 due to lower gold production and sales.

## BUSINESS AND PROJECT DEVELOPMENT

### Burkina Faso

#### Offer to Acquire Gryphon Minerals Limited

On June 19, 2016, we announced that Teranga had entered into a Scheme Implementation Agreement (the "Implementation Agreement") pursuant to which Teranga will acquire Gryphon Minerals Limited ("Gryphon").

The acquisition (the "Acquisition") will be effected by way of a scheme of arrangement under the Australian Corporations Act 2001 (the "Arrangement") pursuant to which Teranga will acquire the entire issued share capital of Gryphon. Under the Arrangement, each share of Gryphon (a "Gryphon Share") will be exchanged for 0.169 (the "Exchange Ratio") of: (i) a CHESS Depository Interest of Teranga (a "Teranga CDI"), which trades on the Australian Securities Exchange (the "ASX") or, if elected, (ii) a common share of Teranga (a "Teranga Share"), which trades on the Toronto Stock Exchange (the "TSX"). The total consideration offered for all of the outstanding shares of Gryphon is valued at approximately \$63 million, based on the closing price of a Teranga Share on the TSX on June 17, 2016. In conjunction with the Acquisition, Tablo Corporation, Teranga's largest shareholder with an approximate 13 percent ownership (calculated on a non-dilutive basis), intends to exercise its anti-dilution right that will result in an equity placement in Teranga of approximately \$9 million, based on the trading price of a Teranga Share at the time the acquisition was announced.

Gryphon's key asset is the 90 percent-owned Banfora gold project ("Banfora"), a fully permitted, high grade, open pit gold project located in Burkina Faso, West Africa, a mining-friendly jurisdiction. Banfora currently has a measured and indicated gold mineral resource of 2.98 million ounces (67.1Mt at 1.39g/t) and an inferred gold mineral resource of 0.66 million ounces (15.9Mt at 1.30g/t) (0.5 g/t lower cut off)<sup>(a)</sup>.

In January 2013 Gryphon announced a proven and probable reserve of 1.05 million ounces (16.7 Mt at 1.95g/t) contained within a series of open pit deposits as part of a Feasibility Study on a 2Mtpa CIL operation. The reserve estimate is inclusive of the January 2013 resource of 39.7 Mt @ 2.1 g/t (0.9 g/t lower cut off)<sup>(b)</sup>. There is potential to add reserves in each of these deposits, and through a number of exploration targets located on Gryphon's highly prospective land package, each of which is within trucking distance of the proposed mill.

The Arrangement is conditional upon approval by 75 percent of the number of votes cast, and 50 percent of the number of Gryphon shareholders present and voting, at the meeting of Gryphon shareholders and is also subject to Australian and Burkina Faso regulatory approvals/consents, Australian Court, and third party approvals, together with certain other conditions customary for a transaction of this nature. The Acquisition is not subject to any further due diligence or financing conditions. A meeting of Gryphon shareholders to consider the Arrangement is expected to be held later in the year and the Arrangement is expected to be implemented shortly thereafter.

The Implementation Agreement also contains customary deal protection mechanisms, including no shop and no talk provisions, matching and notification rights in the event of a competing proposal and a mutual reimbursement fee payable by Gryphon or Teranga in specified circumstances.

A copy of the Implementation Agreement has been filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Australian Securities Exchange at [www.asx.com.au](http://www.asx.com.au).

The Directors of Gryphon unanimously recommend that Gryphon shareholders vote in favour of the proposed Arrangement, in the absence of a superior proposal for Gryphon and subject to an independent expert opinion that the Arrangement is in the best interests of Gryphon shareholders. On the same basis, each director of Gryphon intends to vote all Gryphon shares, which they control, at the time of the Gryphon shareholder meeting to approve the Arrangement, in favour of the Arrangement.

On July 20, 2016, Teranga subscribed for 21.2 million fully paid ordinary shares of Gryphon for total consideration of approximately A\$4.4 million (\$3.4 million) (the "Placement"). The Placement price of A\$0.206 per Gryphon share, which is equivalent to Teranga's offer price for one Gryphon share as part of the proposed acquisition of Gryphon, represents a premium to Gryphon's closing share price on July 19, 2016. As a result of the Placement, Teranga owns 5 percent of Gryphon's issued shares. The capital from the Placement will be used to immediately start the resource conversion drill program and plant optimization studies required to complete a fully optimized and de-risked feasibility study by the first half of 2017 and to update the relocation action plan, and tailings storage facility design required as a result of the decision to move forward with a carbon-in-leach plant.

Next steps are anticipated to be: complete the acquisition of Gryphon (October 2016); update and optimize the 2Mtpa CIL Feasibility Study (6 months); file NI 43-101 Technical Report (H1 2017); subject to it meeting our hurdle rates, seek Board approval for construction (H2 2017); commence construction (H2 2017); first gold pour at Banfora (H1 2019).

## **Côte d'Ivoire**

### **Entered Joint Venture with Miminvest**

The Company entered into a joint venture agreement with Miminvest SA 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 David Mimran. It holds four existing exploration permits, representing 1,380 km<sup>2</sup> in Côte d'Ivoire. David Mimran, in addition to being CEO of Miminvest, is CEO of Grands Moulins d'Abidjan and Grands Moulins de Dakar, one of the largest producers of flour and agri-food in West Africa and is also a director of Teranga.

Under the terms of the Joint Venture, which will be wholly owned and funded by Teranga, Miminvest will transfer into the Joint Venture its permits and in exchange retain a net smelter royalty interest of 3% and will provide ongoing in-country strategic advice. Furthermore, the Joint Venture will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest Permits.

The Joint Venture represents an opportunity to increase Teranga's optionality and expand the Company's footprint in West Africa with David Mimran, a strong local partner with whom we have worked closely. While there have been many discoveries in mining-friendly Côte d'Ivoire, it is considered to be a prolific untapped frontier for gold. The combined Teranga / Gryphon technical team has significant expertise, a track record of success and in-depth knowledge of the geology of Côte d'Ivoire, making this a logical next step in our West Africa growth plan.

## **Senegal**

### **Sabodala**

#### **Golouma Development**

Mining at the satellite Golouma South pit commenced in January 2016. Temporary infrastructure to support mine operating activities, including a 10 km access road, was completed prior to mining. Permanent mine support facilities for equipment maintenance, and technical support for the Golouma area were completed during the second quarter.

#### **Mill Optimization**

A mill optimization project was launched in mid-2015, which will add a second primary jaw crusher, screen and conveyor assembly to tie into our existing facility when it is completed. Originally planned for completion in the fourth quarter of 2016, the schedule has been accelerated for full commissioning expected before the end of the third quarter.

Upon completion, the mill optimization is expected to increase throughput by up to 15 percent on an annualized basis for fresh ore; however, there may be potential to increase throughput further based on optimization of the grinding circuit once steady state has been achieved. In addition to higher production, unit processing costs are expected to decrease by approximately 5 percent.

The project has been in full construction during the quarter, with completion of the civil works, near completion of the structural and electrical areas, and initial commissioning for the conveyors and screening station. The schedule has been accelerated with commissioning and full ramp up during the third quarter of 2016, a quarter ahead of schedule. To date, the project is estimated to be below the budget of \$20 million.

Approximately \$2.8 million was spent during second quarter 2016, for a total project-to-date spend of approximately \$14.4 million of the \$20 million budgeted, with the remainder of costs expected to be incurred through the balance of the third quarter.

#### **Exploration Highlights**

Two exploration prospects on the Mine Lease; Goumbati West and Golouma North, continue to yield encouraging results from the ongoing 2016 exploration programs which will culminate in initial resource estimates for both of these advanced prospects in the third quarter with further drilling expected throughout the remainder of 2016. Elsewhere within the Mining Lease, a positive first-pass drill program at Maleko was completed during the second quarter.

In addition, there are a number of Regional Exploration targets that, although not quite as advanced as the Mine Lease prospects, have also returned favourable trenching and drilling results. Of these Regional Prospects, detailed work at Marougou Main has culminated in a favourable geologic model that identifies the controlling components of the gold mineralization. An initial resource estimate at this advanced prospect will be completed in the third quarter. An aggressive, multi-drill, follow-up program is anticipated at Marougou Main as well as the surrounding prospects for the fourth quarter of 2016.



Systematic exploration of the various targets and prospects throughout the Doughnut area (Honey, Jam, Cinnamon) has provided considerable encouragement, all of which will lead to follow-up trenching and drilling campaigns on a number of fronts in the fourth quarter of 2016.

A more detailed geologic summary of the second quarter 2016 exploration results is available on the Company's website at [www.terangagold.com](http://www.terangagold.com) under "Exploration".

### **Sabodala Mine License Reserve Development**

The objective of this multi-year development program is to add higher grade material earmarked for the mill and to add lower grade for a potential heap leach pad.

#### *Goumbati West Prospect*

The Goumbati West prospect is situated 2.5 km southwest of the Maki Medina Deposit approximately 14 km south-southwest of the Sabodala Mill, within the regional north-northeast trending Masato-Niakafiri Structural Corridor. During the fourth quarter 2015 and the first quarter 2016 diamond drill holes and trenching targeted a quartz vein system associated with gold mineralization at surface with positive results.

In the second quarter 2016, 14 diamond drill holes totaling 1,800 metres and one trench totaling 150 metres continued to yield favourable results, summarized in Table 1. The gold mineralized zone at Goumbati West has now been traced in trenching over 1.5 km and intersected in diamond drill holes over a strike length of 750 metres with assays pending for an additional 150 metres along strike (900 metres total) and intercepts at depths ranging from 11-35 metres below surface. This zone remains open along strike in both directions and at depth. The full assay results are available on the Company's website at [www.terangagold.com](http://www.terangagold.com) under "Exploration".

Additional diamond drilling and reverse circulation (RC) drilling will be undertaken in the third quarter 2016. These ongoing programs will continue to test the open ended strike and depth extensions to the Goumbati West mineralized zone as well as evaluating possible high grade shoots. An initial resource estimate will be undertaken for Goumbati West in the third quarter.

In addition to the ongoing diamond drilling program at Goumbati West, an extensive, shallow-depth, RC drilling program will be undertaken along a set of drill profiles crossing a broad, 400 X 500 metre circular-shaped, gold-in-soil geochemical anomaly lying immediately to the west of Goumbati West.

Table 1: Goumbati West Drilling Highlights

Hole #	UTM28N East	UTM28N North	Azimuth/Dip	Interval (m)	Intercept Values (g/t Au) *
GBWDD0002	810212	1450713	105 / - 50	17 - 20	3.0 m @ 2.35g/t
GBWDD0003	810161	1450649	105 / - 50	28 - 30	2.0 m @ 11.46 g/t
MDD16-0006	810227	1450753	105 / - 50	18 - 21	3.0 m @ 1.23 g/t
MDD16-0007	810178	1450684	105 / - 50	24 - 28	4.0 m @ 2.00 g/t
				31 - 32	1.0 m @ 1.97 g/t
MDD16-0008	810146	1450609	105 / - 50	26 - 30	4.0 m @ 12.42g/t inclu 1.0 m @ 48.9 g/t
MDD16-0009	809987	1450119	105 / - 50	21 - 25	4.0 m @ 1.16g/t inclu 1.0 m @ 2.05 g/t
MDD16-0010	810025	1450229	105 / - 50	13 - 20	7.0 m @ 2.90 g/t
MDD16-0025	809979	1450156	105 / - 50	28 - 31	3.0 m @ 1.18 g/t
MDD16-0026	810026	1450264	105 / - 50	24 - 26	2.0 m @ 3.13 g/t
MDD16-0027	810040	1450302	105 / - 50	24 - 30	6.0 m @ 2.48g/t inclu 1.0 m @ 8.81 g/t
MDD16-0036	810183	1450639	105/-50	27 - 30	3 m@0.70 g/t, incl. 1m@1.11g/t
MDD16-0037	810057	1450340	105/-50	20 - 22	2 m @1.48 g/t
MDD16-0038	810070	1450376	105/50	6.0 - 11.0	5 m @1.90 g/t, incl. 2 m @3.17 g/t
MDD16-0041	810112	1450492	105/-50	60 - 61	1 m@3.85 g/t
MDD16-0042	810124	1450526	105/-50	52 - 53	1 m@2.13 g/t
MDD16-0043	809974	1450080	105/-50	25 - 29	4 m @1.81 g/t
MDD16-0044	809966	1450124	105/-50	35 - 41	6 m @1.31 g/t

\* Intervals calculated using a 0.5 g/t Au cut-off and a 2 m maximum internal dilution.

Bold text indicates diamond drill holes completed in the current quarter, light text reflects holes drilled in the first quarter with assay results received in the second quarter.

### Golouma North Prospect

The Golouma North prospect is located approximately 1 km north-northeast of the northernmost Golouma pit and 0.5 km northwest of the Kerekounda deposit.

During the second quarter 2016, an expanded drilling program and additional trenching were undertaken to test for extensions along strike to the northeast and southwest, as well as to test depth extensions to the mineralization identified in 2015 and the first quarter drilling and trenching programs. In the second quarter, 12 diamond drill holes were completed totaling 1,300 metres together with 1 trench totaling 180 metres. The trenching and drilling programs have had encouraging results, summarized in Table 2. The mineralized zones are associated with 3 spatially close shear directions. Most of the gold is associated with a NNE shear that is up to 20 metres wide, extends at least 250 metres along strike and is open to the north while two other gold bearing shears trending ENE and NW cross into the main NNE shear. Along strike SSW from the Golouma North Prospect, the main NNE shear reappears at intervals of 200-300 metres (Zone B) and 500-800 metres (Zone C) and these two zones also host gold mineralization. The full assay results are available on the Company's website at [www.terangagold.com](http://www.terangagold.com) under "Exploration".

The drilling program will continue in the third quarter 2016 with additional holes planned to test the extent and potential for high grade ore shoots in the main NNE shear and along strike in Zones B and C. This drilling will also test the potential in the other ENE and NW shear directions. An initial resource estimate will be undertaken at Golouma North in the third quarter.

Table 2: Golouma North Exploration Drilling Highlights

Hole #	UTM28N East	UTM28N North	Azimuth/Dip	Interval (m)	Intercept Values (g/t Au) *
GONDD0001	814851	1454896	170 / - 50	4 - 21	13.0 m @ 1.61 g/t
				20 - 21	1.0 m @ 3.01 g/t
GONDD0002	814792	1454757	135 / - 50	20 - 24	4.0 m @ 1.68 g/t
MDD16-0002	814768	1454784	135 / - 50	52 - 54	2.0 m @ 1.59 g/t inclu 1.0 m @ 2.57 g/t
MDD16-0003	814798	1454812	135 / - 50	23 - 26	3.0 m @ 2.69 g/t
				80 - 81	1.0 m @ 3.24 g/t
MDD16-0004	814823	1454841	135 / - 50	12.0 - 15.0	3.0 m @ 1.16 g/t
MDD16-0005	814887	1454964	135 / - 50	96 - 99	3.0 m @ 8.24 g/t inclu 1.0 m @ 12.5 g/t
				103 - 106	3.0 m @ 2.63 g/t
				113 - 115	2.0 m @ 1.83 g/t
MDD16-0016	814851	1454923	135 / - 50	84 - 86	2.0 m @ 2.15g/t inclu 1.0 m @ 3.5 g/t
				93 - 95	2.0 m @ 3.31 g/t
				101 - 102	1.0 m @ 7.41 g/t
MDD16-0017	814825	1454897	135 / - 50	43 - 51	8.0 m @ 2.41 g/t
				54 - 55	1.0 m @ 1g/t
MDD16-0019	814767	1454785	135 / - 50	23 - 26	3.0 m @ 1.68 g/t
				36 - 39	3.0 m @ 4.38 g/t inclu 1.0 m @ 11.7 g/t
MDD16-0021	814757	1454755	135 / - 50	91 - 92	1.0 m @ 1.36 g/t
MDD16-0022	814794	1454871	135 / - 50	43 - 44	1.0 m @ 1.46 g/t
MDD16-0023	814909	1454927	135 / - 50	18 - 24	6.0 m @ 0.68 g/t inclu 1.0 m @ 1.21 g/t
* Intervals calculated using a 0.5 g/t Au cut-off and a 2 m maximum internal dilution.					
Bold text indicates diamond drill holes completed in the current quarter, light text reflects holes drilled in the first quarter with assay results received in the second quarter.					

#### Other Mine Lease Prospects

Currently, there are additional Mine Lease prospects at an early stage of exploration including the Maleko, Koulouqwinde, Kinemba and Niakafiri Southeast prospects.

At Maleko, 8 diamond drilling holes totaling 1,200 metres were drilled during the second quarter 2016 to follow up on a broad, 500 metre long, northwest-southeast trending gold-in-soil anomaly identified during earlier geochemical soil sampling. Assay results from this initial program have yielded encouraging results, as shown in Table 3. Further follow-up drilling is planned for the fourth quarter 2016. The full assay results are available on the Company's website at [www.terangagold.com](http://www.terangagold.com) under "Exploration".

Table 3: Maleko Drilling Highlights

Hole #	UTM28N East	UTM28N North	Azimuth	Interval (m)	Intercept Values (g/t Au) *
MDD16-0028	821766	1462966	230	27 - 28	1 m @1.29 g/t
MDD16-0029	821652	1462876	50	71 - 76	5 m @1.22 g/t
				80 - 83	3 m @1.65 g/t
MDD16-0030	821622	1462849	50	48 - 50	2 m @3.28g/t, incl. 1 m@6.01 g/t
MDD16-0032	821337	1462898	90	100 - 101	1 m @1.48 g/t
MDD16-0033	821327	1463032	230	16 - 18	2 m @1.79 g/t
				46 - 47	1 m @1.67 g/t
				57 - 58	1 m @7.79g/t
				84 - 86	2 m @ 1.43 g/t
				113 - 114	1 m @1.64 g/t
MDD16-0034	821312	1462917	50	50 - 53	3 m @1.36 g/t
				81 - 83	2 m @1.72 g/t
				100 - 107	7 m @1.03g/t, incl 1 m @5.06 g/t
MDD16-0035	821348	1463049	230	39 - 40	1 m @1.11g/t
				43 - 44	1 m @1.49 g/t
				106 - 107	1 m @3.74 g/t
				138 - 139	1 m @1.66 g/t

\* Intervals calculated using a 0.5 g/t Au cut-off and a 2 m maximum internal dilution.

Bold text indicates diamond drill holes completed in the current quarter, light text reflects holes drilled in the first quarter with assay results received in the second quarter.

At Koulouqwinde, 7 trenches totaling 1,400 metres were completed in the second quarter 2016 as part of a follow up of a 400 metre long zone, parallel to the northeast-southwest trending regional shear structures, with coincident gold-in-soil anomalies. Assay results were of a low tenor and do not warrant further investigation.

At Kinemba, 4 trenches totaling 245 metres were excavated in the second quarter to test north-northeast to south-southwest strike extensions to the mineralization identified in earlier drill programs. The trenches were unable to penetrate a thick laterite cover and as a consequence a limited reverse circulation drilling program is planned for later this year.

At Niakafiri Southeast, a reverse circulation drill program is planned to commence in the third quarter 2016 which will test the south-southeast extension of the known Niakafiri Southeast mineralization.

## REGIONAL EXPLORATION

For 2016, the Company has been focused on four regional targets including Marougou, Nienienko, the Doughnut and Branson prospects.

### *Marougou Main Prospect*

The Marougou Main prospect, originally defined by termite mound soil geochemistry, is situated 35 km northwest of the Sabodala Mill. The Marougou Main prospect was further defined by RAB drilling, followed by reverse circulation (RC) drilling in 2013. Diamond drilling and trenching programs completed in the fourth quarter 2015 and first and second quarter of 2016 indicate that gold mineralization is developed over a strike length of 1.7 km. At least four individual zones of gold mineralization are indicated to occur along strike lengths up to 1.4 km with multiple higher grade lenses extending 100 to 250 metre in strike. During the second quarter of 2016, 17 trenches totaling 1,600 metres were excavated and 10 diamond drill holes totaling 1,100 metres were drilled to confirm the trends of the gold mineralization in all four zones. Favourable results from the second quarter exploration program have provided evidence to support a geologic model that identifies and explains the controls on the gold mineralization at Marougou Main. The gold mineralization is associated with quartz veining hosted in massive medium to coarse grained immature altered sediments bound by steeply-dipping, well-bedded sediments. The mineralized zones trend north-northeast and dip predominantly at 35° west.

The results received to date are encouraging, and are summarized in Table 4. A detailed assessment of the structural

and mineralization trends has been completed which determines the overall potential of the Marougou Main prospect. This detailed evaluation will assist with follow-up drilling programs throughout the Marougou area in the fourth quarter 2016.

The initial resource calculation will be completed for Marougou Main in the third quarter of 2016. An aggressive follow-up drilling program is being planned for the fourth quarter of 2016 to further validate the geologic model and test for extensions to the mineralization identified thus far.

The full assay results are available on the Company's website at [www.terangagold.com](http://www.terangagold.com) under "Exploration".

Table 4: Marougou Main Drilling Highlights

Hole #	UTM29N East	UTM29N North	Azimuth/Dip	Interval (m)	Intercept Values (g/t Au) *
MARDD0007	195881	1468547	120 / -55	45.0 - 50.0	5.0 m @ 1.38g/t
				114.0 - 117.0	3.0 m @ 1.27g/t
				140.0 - 145.0	5.0 m @ 1.16g/t
RDD16-0016	195480	1468119	120 / -55	51.0 - 59.0	<b>8.0 m @ 1.23g/t; incl. 2.0 m @ 2.71g/t</b>
RDD16-0017	195549	1468078	120 / -55	16.0 - 22.0	<b>6.0 m @ 2.24g/t</b>
RDD16-0018	195854	1468583	120 / -55	6.0 - 7.0	<b>1.0 m @ 2.73g/t</b>
				166.0 - 179.0	<b>13.0 m @ 1.8g/t; incl. 7.0 m @ 2.64g/t</b>
RDD16-0019	195923	1468542	120 / -55	32.0 - 38.0	<b>6.0 m @ 1.83g/t; incl. 3.0 m @ 2.91g/t</b>
RDD16-0020	196029	1469180	120 / -55	0.0 - 6.0	<b>6.0 m @ 1.04g/t; incl. 2.0 m @ 1.47g/t</b>
RDD16-0024	195349	1467949	120 / -55	33.0 - 38.0	<b>5.0 m @ 1.62g/t</b>

\* Intervals calculated using a 0.5 g/t Au cut-off and 2 m maximum internal dilution.  
Bold text indicates diamond drill holes completed in the current quarter, light text reflects holes drilled in the first quarter with assay results received in the second quarter.

#### Nienienko Main Prospect

The Nienienko Main prospect is located 45 km north-northeast of the Sabodala Mill. Gold mineralization is primarily associated with flat lying, near-surface, white and smoky quartz veins developed within locally brecciated granodiorite, granite, and andesitic units. Gold mineralization has been traced in trenches excavated over a distance of 1,200 metres and coincides with a termite geochemical gold anomaly extending over a minimum 2,500 metres strike length.

In the second quarter 2016 an RC drilling program of 137 shallow holes totaling 3,350 metres tested the parts of the flat lying, near-surface, quartz-breccia vein system at Nienienko Main. Further follow up investigations of possible northeast extensions to the mineralization will be undertaken in the fourth quarter 2016 along with evaluation for an initial resource classification.

#### Other Prospects

Other early stage exploration prospects which are currently being investigated include:

- Nienienko - Leoba, situated 5.0 km southwest of the Nienienko Main prospect, where trenching and a three-hole diamond drilling program were completed in the first quarter 2016. Encouraging assay results were received during the second quarter for one of the three diamond drill holes as well as for some of the trenches. Further follow up drilling will be undertaken in the fourth quarter 2016.
- Nienienko - Kodadian, where three diamond drill holes were completed in the first quarter 2016. Assay results received were of a low tenor with no further follow up planned.
- Doughnut - Diegoun North Cinnamon, where detailed soil sampling and trenching programs were completed in the second quarter 2016. In addition, an initial three-hole diamond drilling program totaling 575 metres and 9 trenches of 1,900 metres were both completed in the second quarter 2016. Encouraging assay results have been received from these programs which will be followed up with further drilling and trenching in the fourth quarter 2016.
- Doughnut - Diegoun North Honey, where detailed soil sampling and trenching programs were completed in the second quarter 2016. A 5-hole diamond drill program of 1,085 metres and 500 metres of trenching were

also completed in the second quarter 2016. Encouraging assay results have been received from these programs which will be followed up with further drilling and trenching in the fourth quarter 2016.

- Doughnut – Diegoun North Jam where detailed soil sampling and trenching programs were completed in the second quarter with follow up diamond drilling programs planned. 5 trenches totaling 650 metres were completed during the second quarter 2016. Encouraging assay results have been received from the trenching program where mineralized zones of up to 10 metres wide and 200 metre strike length have been identified. Similarly, these zones will be followed up with further drilling and trenching in the fourth quarter 2016.
- Marougou - Marougou West, where a large scale trenching program of 4 trenches totaling 1,170 metres was completed in the second quarter 2016 which aimed to evaluate a large termite anomaly extending more than a kilometre along strike. Assay results indicated only low grade mineralization restricted to narrow quartz veins. No further work is planned for this area for the remainder of the year.
- Marougou - Marougou North and Marougou South where a trenching program is planned in the fourth quarter 2016.
- Marougou - Tourokhoto, where evaluation of soil anomalies, and re-interpretation of past RC and diamond drilling results are underway.
- KA, where an additional 5 trenches totaling 530 metres were completed in the second quarter 2016. A limited RC drill program is being considered for the fourth quarter 2016.
- Zone ABC – Gora Extension where a detailed soil sampling program commenced in the second quarter with further trenching and drilling programs planned for the fourth quarter 2016.
- Bransan - a detailed soil sampling and trenching program to cover possible north-northeast, strike extension of the main Masato-Niakafiri Gold Corridor is planned for the third quarter, with potential for follow up future diamond drilling programs late in fourth quarter 2016.

All drill hole assay data for the Company's regional exploration programs, including drill hole locations and location maps, are available on the Company's website at [www.terangagold.com](http://www.terangagold.com) under "Exploration".

## FINANCIAL CONDITION REVIEW

### Summary Balance Sheet

(US\$000's)	As at June 30, 2016	As at December 31, 2015
<b>Balance Sheet</b>		
Cash and cash equivalents	58,138	44,436
Trade and other receivables	14,026	15,701
Inventories	156,140	164,427
Deferred tax assets	22,386	23,098
Other assets	455,171	448,554
<b>Total assets</b>	<b>705,861</b>	<b>696,216</b>
Trade and other payables	61,037	62,545
Borrowings	13,668	13,450
Provisions	33,942	30,824
Deferred revenue	80,259	91,345
Other liabilities	20,941	19,783
<b>Total liabilities</b>	<b>209,847</b>	<b>217,947</b>
<b>Total equity</b>	<b>496,014</b>	<b>478,269</b>

#### Balance Sheet Review

##### Cash

The Company's cash balance at June 30, 2016 was \$58.1 million, \$13.7 million higher than the balance at the start of the year, primarily due to cash flow provided by operations of \$45.1 million partly offset by capital expenditures of \$29.7

million during the first half of 2016. As at June 30, 2016, \$15.0 million was drawn from the \$30 million Revolver Facility. Including VAT recoverable from the Republic of Senegal, the Company's pro forma cash balance at June 30, 2016 was \$70.2 million.

#### *Trade and Other Receivables*

The trade and other receivables balance of \$14.0 million includes \$12.1 million in VAT recoverable which is expected to be refunded over the balance of 2016. In February 2016, the Company received an exemption for the payment and collection of refundable VAT. This exemption is governed by an amendment to our mining convention and is enforceable for the next 6 years, expiring on May 2, 2022.

#### *Deferred Revenue*

During the six months ended June 30, 2016, the Company delivered 11,250 ounces of gold to Franco-Nevada and recorded revenue of \$13.9 million, consisting of \$2.3 million received in cash proceeds, \$0.5 million in accounts receivable and \$11.1 million recorded as a reduction of deferred revenue.

### Liquidity and Cash Flow

#### Cash Flow

(US\$000's)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
<b>Cash Flow</b>				
Operating	20,958	12,269	45,101	28,900
Investing	(15,277)	(12,823)	(29,659)	(22,107)
Financing	(627)	-	(1,053)	(4,235)
Effect on exchange rates on holdings in foreign currencies	(414)	-	(687)	1
Change in cash and cash equivalents during the period	4,640	(554)	13,702	2,559
<b>Cash and cash equivalents - beginning of period</b>	<b>53,498</b>	<b>38,923</b>	<b>44,436</b>	<b>35,810</b>
<b>Cash and cash equivalents - end of period</b>	<b>58,138</b>	<b>38,369</b>	<b>58,138</b>	<b>38,369</b>
Free cash flow <sup>1</sup>	5,681	(554)	15,442	6,793
Free cash flow per ounce sold <sup>1</sup>	97	(11)	123	64

<sup>1</sup> Free cash flow and free cash flow per ounce are defined as operating cash flow less capital expenditures.

#### Operating Cash Flow

(US\$000's)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
<b>Changes in working capital other than inventory</b>				
Increase in trade and other receivables	(1,147)	(2,670)	(5,051)	(2,837)
Decrease/(increase) in other assets	5,477	111	6,937	(609)
Decrease in trade and other payables	(2,518)	(770)	(1,916)	(10,874)
Decrease in provisions	(533)	-	(618)	(1)
Increase /(decrease) in current income taxes payable	(2,014)	2,411	1,670	2,411
<b>Net change in working capital other than inventory</b>	<b>(735)</b>	<b>(918)</b>	<b>1,022</b>	<b>(11,910)</b>

Cash provided by operations for the three months ended June 30, 2016 was \$21.0 million compared to \$12.3 million in the prior year period. The increase in operating cash flow was primarily due to higher EBITDA, lower VAT balances outstanding and lower government royalties paid during the second quarter 2016 compared to the prior year period, partly offset by higher income and other taxes paid during the current quarter.

Cash provided by operations for the six months ended June 30, 2016 was \$45.1 million compared to \$28.9 million in the prior year period. The increase in operating cash flow was primarily due to higher revenues and lower government royalties paid during the year compared to the prior year period, partly offset by higher income and other taxes paid during the year.

#### Investing Cash Flow

(US\$000's)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
<b>Investing activities</b>				
Mine site capex - sustaining	2,574	1,475	3,563	2,108
Mine site capex - project	3,190	966	8,392	1,060
Development capital	308	6,396	3,896	6,837
Capitalized reserve development (mine site exploration)	1,650	789	3,204	2,317
<b>Capital Expenditures, before Deferred Stripping</b>	<b>7,722</b>	<b>9,626</b>	<b>19,055</b>	<b>12,322</b>
Capitalized deferred stripping	7,555	3,197	10,604	9,785
<b>Capital Expenditures</b>	<b>15,277</b>	<b>12,823</b>	<b>29,659</b>	<b>22,107</b>

Net cash used in investing activities for the three months ended June 30, 2016 was \$15.3 million, \$2.5 million higher than the prior year period. The increase in investing cash flows was due to higher capital expenditures related to project costs for the mill optimization project, higher deferred stripping costs related to the Gora pit and higher sustaining and capitalized reserve development costs, partly offset by lower development capital. In the prior year period, higher development capital related to the development of Gora.

Net cash used in investing activities for the six months were \$29.7 million, \$7.6 million higher than the prior year period. The increase in investing cash flows was primarily due to higher capital expenditures related to project costs for the mill optimization project, partly offset by lower development capital.

### Financing Cash Flow

Net cash flow used in financing activities for the three months ended June 30, 2016 was \$0.6 million, related to interest and financing costs paid on borrowings, compared to \$nil in the prior year period.

Net cash flow used in financing activities for the six months was \$1.1 million, related to interest and financing costs paid on borrowings, compared to \$4.2 million in the prior year period. Financing activities in the prior year period included the repayment of borrowings during the first quarter 2015.

### LIQUIDITY AND CAPITAL RESOURCES OUTLOOK

In June 2016, the Company completed an extension of its \$30.0 million Revolver Facility with Société Générale. The Revolver Facility now matures on June 30, 2019, with the available amount decreasing to \$15.0 million on June 30, 2018. The Revolver Facility carries an interest rate of LIBOR plus 4.65 percent with any unused facility amounts subject to a commitment fee of 1.65 percent. All financial covenants remain unchanged from the original facility. As at June 30, 2016, \$15.0 million was drawn on the Revolver Facility for working capital needs.

Our primary sources of liquidity are the Company's cash position at June 30, 2016, which was \$58.1 million, cash flow from operations and the Revolver Facility. Including the VAT recoverable from the Government of Senegal, on a pro forma basis, the Company's cash balance at June 30, 2016 would be approximately \$70.2 million.

The key factors impacting our financial position and the Company's liquidity include the following:

- the Company's ability to generate free cash flow from operating activities (please refer to the 2016 Outlook on page 5);
- expected capital expenditure requirements (please refer to the 2016 Outlook on page 5); and
- the gold price.

Notwithstanding, our cash position is highly dependent on the key factors noted above, and while we expect we will generate sufficient cash flow from operations combined with our Revolver Facility to fund our current growth initiatives, we may explore other value preservation alternatives that provide additional financial flexibility to ensure that we maintain sufficient liquidity. Such alternatives may include hedging strategies for gold, fuel and currencies. Using a \$1,200 per ounce gold price for the balance of the year, the Company expects to generate free cash flow in 2016.



## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **FINANCIAL INSTRUMENTS**

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

In February 2016, after an increase in the gold spot price, the Company entered into gold forward contracts with Société Générale to deliver 28,000 ounces with settlement dates from March to August 2016 at an average price of \$1,201 per ounce. As at June 30, 2016, there were 10,000 ounces remaining under gold forward sales contracts at an average price of \$1,213 per ounce.

At the end of February 2016, the Company entered into zero cost collars with Macquarie Bank. The agreements provide a guaranteed floor price of \$1,150 per ounce and also provide exposure to the gold price up to an average of \$1,312 per ounce. These agreements cover 15,000 ounces of production between October and December 2016.

## **CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

The Company has entered into various operating and capital purchase obligations related to the mill optimization project and as at June 30, 2016, total future purchase obligations related to this project was approximately \$2.6 million.

## **CONTINGENT LIABILITIES**

### *Royalty payments*

Government royalties are accrued based on the mine head value of the gold and related substances produced at a rate of 5 percent of sales payable on an annual basis. During the three and six months ended June 30, 2016, the Company paid \$2.1 million related to approximately 50 percent of first quarter 2015 royalties. At June 30, 2016, \$16.6 million of government royalties related to 2015 and 2016 have been accrued. In 2016, the Company intends to make payments of 2015 royalties using VAT refund certificates received from the Government of Senegal, which can be applied directly against royalties and income taxes owed by the Company to the Government of Senegal.

### *Outstanding tax assessments*

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

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Certain accounting estimates 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. The following is a summary of significant updates to these estimates, since the discussion of these estimates in our 2015 annual MD&A.

### *Production start date*

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

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

When a mine development project moves into the production stage, the capitalization of certain mine construction costs

ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements or mineable reserve development. It is also at this point that depreciation/amortization commences. During the first quarter 2016, the Golouma pit commenced production upon ore release in late January 2016.

## **NON-IFRS FINANCIAL MEASURES**

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

Beginning in the second quarter of 2013, we adopted an "all-in sustaining costs" measure and an "all-in 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 and all-in costs will be 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. These new measures will also be 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. The "all-in costs" includes additional costs which reflect the varying costs of producing gold over the life-cycle of a mine.

"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. The WGC definition of all-in costs adds to all-in sustaining costs including capital expenditures attributable to projects or mine expansions, exploration and study costs attributable to growth projects, and community and permitting costs not related to current operations. Both all-in sustaining and all-in 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.

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

"Average realized price" is a financial measure with no standard meaning under IFRS. Management uses this measure to better understand the price realized in each reporting period for gold and silver sales. Average realized price 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.

"Total depreciation and amortization per ounce sold" is a common financial performance measure in the gold mining industry but has no standard meaning under IFRS. 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.

Earnings before interest, taxes, depreciation and amortization" is a non-GAAP financial measure, which excludes income tax, finance costs (before unwinding of discounts), interest income and depreciation and amortization 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.

**Total cash costs per ounce sold, all-in sustaining costs per ounce sold, all-in costs per ounce sold and total depreciation per ounce sold are calculated as follows:**

(US\$000's, except where indicated)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
<b>Cash costs per ounce sold</b>				
Gold produced <sup>1</sup> (oz)	52,540	49,392	123,267	98,034
Gold sold (oz)	58,297	50,074	125,968	106,297
<b>Cash costs per ounce sold</b>				
Cost of sales <sup>2</sup>	48,227	43,827	100,758	92,600
Less: depreciation and amortization	(9,534)	(12,490)	(20,476)	(23,383)
Add: non-cash inventory movement	(2,569)	(673)	(5,485)	(4,348)
Add: non-cash capitalized deferred stripping	590	329	864	989
Less: regional administration costs	(540)	(713)	(1,052)	(1,286)
Less: other adjustments	(117)	(116)	(184)	(172)
<b>Total cash costs</b>	<b>36,057</b>	<b>30,164</b>	<b>74,425</b>	<b>64,400</b>
<b>Total cash costs per ounce sold</b>	<b>619</b>	<b>602</b>	<b>591</b>	<b>606</b>
<b>All-in sustaining costs</b>				
Total cash costs	36,057	30,164	74,425	64,400
Administration expenses <sup>2</sup>	4,552	3,759	7,055	6,950
Regional administration costs	540	713	1,052	1,286
Capitalized deferred stripping	7,555	3,197	10,604	9,785
Capitalized reserve development	1,650	789	3,204	2,317
Mine site capital	6,072	8,837	15,851	10,005
<b>All-in sustaining costs</b>	<b>56,426</b>	<b>47,459</b>	<b>112,189</b>	<b>94,743</b>
<b>All-in sustaining costs per ounce sold</b>	<b>968</b>	<b>948</b>	<b>891</b>	<b>891</b>
<b>All-in costs</b>				
All-in sustaining costs	56,426	47,459	112,189	94,743
Social community costs not related to current operations	1,065	736	2,030	1,210
Exploration and evaluation expenditures	1,511	925	2,924	1,734
<b>All-in costs</b>	<b>59,002</b>	<b>49,121</b>	<b>117,143</b>	<b>97,687</b>
<b>All-in costs per ounce sold</b>	<b>1,012</b>	<b>981</b>	<b>930</b>	<b>919</b>
Depreciation and amortization	9,534	12,490	20,476	23,383
Non - cash inventory movement	2,569	673	5,485	4,348
<b>Total depreciation and amortization</b>	<b>12,103</b>	<b>13,143</b>	<b>25,961</b>	<b>27,731</b>
<b>Total depreciation and amortization per ounce sold<sup>2</sup></b>	<b>208</b>	<b>262</b>	<b>206</b>	<b>260</b>

<sup>1</sup> Gold produced represents change in gold in circuit inventory plus gold recovered during the period.

<sup>2</sup> Administration expenses include share based compensation and exclude Corporate depreciation expense.

**Earnings before interest, taxes, depreciation and amortization calculated as follows:**

(US\$000's)	Three months ended June 30, 2016		Six months ended June 30,	
	2016	2015	2016	2015
<b>Profit for the period</b>	7,863	7,039	17,206	21,809
Add: finance costs	957	301	1,803	891
Less: finance income	(6)	(16)	(13)	(29)
Add: income tax expense	5,750	3,584	10,659	6,356
Add: depreciation and amortization	12,129	13,247	26,006	27,942
<b>Earnings before interest, taxes, depreciation and amortization</b>	<b>26,693</b>	<b>24,155</b>	<b>55,661</b>	<b>56,969</b>

**OUTSTANDING SHARE DATA**

The Company's fully diluted share capital as at the report date was:

<b>Outstanding</b>	<b>June 30, 2016</b>
Ordinary shares	392,106,812
Stock options granted at an exercise price of C\$3.00 per option	11,667,500
Stock options granted at an exercise price of C\$0.64 per option	3,642,506
Stock options granted at an exercise price of C\$0.67 per option	3,796,106
<b>Fully diluted share capital</b>	<b>411,212,924</b>

**TRANSACTIONS WITH RELATED PARTIES**

During the three and six months ended June 30, 2016, there were transactions totaling \$26 thousand and \$35 thousand, respectively, between the Company and a director-related entity.

The Company entered into a joint venture agreement with Miminvest SA 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 David Mimran, a director and the largest shareholder of Teranga.

Under the terms of the Joint Venture, which will be wholly owned and funded by Teranga, Miminvest will transfer into the Joint Venture its permits and in exchange retain a net smelter royalty interest of 3 percent and will provide ongoing in-country strategic advice. Furthermore, the Joint Venture will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest Permits.

**SHAREHOLDINGS**

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

**CEO/CFO CERTIFICATION**

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

The Company's CEO and CFO certify that, as at June 30, 2016, the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed to provide reasonable assurance regarding the reliability of

financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The control framework the Company's CEO and CFO used to design the Company's ICFR is The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework established in 1992. There is no material weakness relating to the design of ICFR. There has been no change in the Company's design of the ICFR that occurred during the three and six months ended June 30, 2016 which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

On May 14, 2013, COSO issued an updated Internal Control – Integrated Framework ("2013 COSO Framework") which superseded the 1992 COSO Framework. The Company performed an assessment identifying differences between the two COSO frameworks and will develop and execute the transition plan in 2016. At present, management does not expect implementation of the 2013 COSO Framework to have a material effect on the Company's ICFR. The Company is planning to certify compliance with the 2013 COSO framework in the fourth quarter of 2016.

Until transition to the 2013 COSO framework is complete, we will continue to use the 1992 framework in connection with our assessment of internal control over financial reporting.

## **RISKS AND UNCERTAINTIES**

The Company identified a number of risk factors to which it is subject to in its Annual Information Form filed for the year ended December 31, 2015. These various financial and operational risks and uncertainties continue to be relevant to an understanding of our business, and could have a significant impact on profitability and levels of operating cash flow. These risks and uncertainties include, but are not limited to: fluctuations in metal prices (principally the price of gold), capital and operating cost estimates, borrowing risks, production estimates, need for additional financing, uncertainty in the estimation of mineral reserves and mineral resources, the inherent danger of mining, infrastructure risk, hedging activities, insured and uninsured risks, environmental risks and regulations, government regulation, ability to obtain and renew licenses and permits, foreign operations risks, title to properties, competition, dependence on key personnel, currency, repatriation of earnings and stock exchange price fluctuations.

## **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, COO  
Navin Dyal, CFO  
David Savarie, General Counsel & Corporate Secretary  
Sepanta Dorri, Vice President Corporate and Stakeholder Development  
David Mallo, Vice President Exploration  
Aziz Sy, General Manager, Senegal  
Nico Uys, Operations Manager, Sabodala

### **Registered Office**

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Dakar Almadies  
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F: +224 338 642 526

#### **Auditor**

Ernst & Young LLP

#### **Share Registries**

Canada: Computershare Trust Company of Canada  
T: +1 800 564 6253  
Australia: Computershare Investor Services Pty Ltd  
T: 1 300 850 505

#### **Stock Exchange Listings**

Toronto Stock Exchange, TSX symbol: TGZ  
Australian Securities Exchange, ASX symbol: TGZ

### **FORWARD LOOKING STATEMENTS**

*This release contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Teranga, or developments in Teranga's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include, without limitation, all disclosure regarding possible events, conditions or results of operations, future economic conditions and courses of action, the proposed plans with respect to mine plan, anticipated 2016 results, mineral reserve and mineral resource estimates, anticipated life of mine operating and financial results, the timing of completion of the Arrangement and Acquisition, and the timing of completion of construction of the Banfora project, related thereto. Such 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. These assumptions include, among other things, the ability to obtain any requisite Senegalese governmental approvals, the accuracy of mineral reserve and mineral resource estimates, gold price, exchange rates, fuel and energy costs, future economic conditions and courses of action. Teranga cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. 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 the Company's Annual Information Form dated March 30, 2016, and in other company filings with securities and regulatory authorities which are available at [www.sedar.com](http://www.sedar.com). Teranga does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Nothing in this report should be construed as either an offer to sell or a solicitation to buy or sell Teranga securities.*

### **TERANGA GOLD COMPETENT PERSONS STATEMENT**

*The technical information contained in this document relating to the mineral reserve estimates for Sabodala, the stockpiles, Masato, Golouma and Kerekounda is based on, and fairly represents, information compiled by Mr. William Paul Chawrun, P. Eng who is a member of the Professional Engineers Ontario, which is currently included as a "Recognized Overseas Professional Organization" in a list promulgated by the ASX from time to time. Mr. Chawrun is a full-time employee of Teranga and is a "qualified person" as defined in NI 43-101 and a "competent person" as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Chawrun has sufficient experience relevant to the style of mineralization and type of deposit under*

consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Chawrun has consented to the inclusion in this Report of the matters based on his compiled information in the form and context in which it appears in this Report.

The technical information contained in this Report relating to mineral resource estimates for Niakafiri, Gora, Niakafiri West, Soukhoto, and Diadiako is based on, and fairly represents, information compiled by Ms. Nakai-Lajoie. Ms. Patti Nakai-Lajoie, P. Geo., is a Member of the Association of Professional Geoscientists of Ontario, which is currently included as a "Recognized Overseas Professional Organization" in a list promulgated by the ASX from time to time. Ms. Nakai-Lajoie is a full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101. Ms. Nakai-Lajoie has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Nakai-Lajoie is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Ms. Nakai-Lajoie has consented to the inclusion in this Report of the matters based on her compiled information in the form and context in which it appears in this Report.

The technical information contained in this Report relating to mineral resource estimates for Sabodala, Masato, Golouma, Kerekounda, and Somigol Other are based on, and fairly represents, information compiled by Ms. Nakai-Lajoie. Ms. Patti Nakai-Lajoie, P. Geo., is a Member of the Association of Professional Geoscientists of Ontario, which is currently included as a "Recognized Overseas Professional Organization" in a list promulgated by the ASX from time to time. Ms. Nakai-Lajoie is a full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101. Ms. Nakai-Lajoie has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Nakai-Lajoie is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Ms. Nakai-Lajoie has consented to the inclusion in this Report of the matters based on her compiled information in the form and context in which it appears in this Report.

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 National Instrument 43-101. Mr. Mann has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Mann is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. The technical information contained in this news release relating exploration results are based on, and fairly represents, information compiled by Mr. Mann. Mr. Mann has verified and approved the data disclosed in this release, including the sampling, analytical and test data underlying the information. The RC samples are prepared at site and assayed in the SGS laboratory located at the site. Analysis for diamond drilling is sent for fire assay analysis at ALS Johannesburg, South Africa. Mr. Mann has consented to the inclusion in this news release of the matters based on his compiled information in the form and context in which it appears herein.

Teranga's disclosure of mineral reserve and mineral resource information is governed by NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (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"). CIM definitions of the terms "mineral reserve", "proven mineral reserve", "probable mineral reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource", are substantially similar to the JORC Code corresponding definitions of the terms "ore reserve", "proved ore reserve", "probable ore reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource", respectively. Estimates of mineral resources and mineral reserves prepared in accordance with the JORC Code would not be materially different if prepared in accordance with the CIM definitions applicable under NI 43-101. There can be no assurance that those portions of mineral resources that are not mineral reserves will ultimately be converted into mineral reserves.

## **GRYPHON MINERALS COMPETENT AND QUALIFIED PERSONS STATEMENT**

### *Resource Estimates*

(a) As per August 4, 2014 Gryphon Minerals press release for 2Mtpa Heap Leach Feasibility Study.

*The current Banfora Gold Project resource updated with the Heap Leach feasibility study and reported at the 0.5 g/t lower cutoff was released on August 4th 2014. The Nogbele and Fourkoura Deposits, are based on information compiled by Mr Sam Brooks who is a member of the Australian Institute of Geoscientists . Mr Brooks has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Brooks is a full time employee of Gryphon Minerals and has consented to the inclusion of the matters in this document based on his information in the form and context in which it appears. This information was prepared under the JORC 2012 code of reporting. The information in this document that relates to the Mineral Resources at the Stinger and Samavogo Deposits, is based on information compiled by Mr Dmitry Pertel who is a member of the Australian Institute of Geoscientists . Mr Pertel has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Pertel is a full time employee of CSA Global Pty Ltd and has consented to the inclusion of the matters in this document based on his information in the form and context in which it appears. This information was prepared and first disclosed under JORC Code 2004. It has not been updated since to comply with the JORC Code 2012.*

*(b) As per January 2013 2 Mt CIL Bankable Feasibility Study.*

*The information in this document that relates to the Mineral Resources forming the basis of the reserve estimate for the CIL study January 2013 is based on information compiled by Mr Dmitry Pertel who is a member of the Australian Institute of Geoscientists . Mr Pertel has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Pertel is a full time employee of CSA Global Pty Ltd and has consented to the inclusion of the matters in this document based on his information in the form and context in which it appears. This information was prepared and first disclosed under JORC Code 2004. It has not been updated since to comply with the JORC Code 2012.*

#### *Reserve Estimates*

*(as per January 31, 2013 Gryphon Minerals press release for 2Mtpa CIL Bankable Feasibility Study ("BFS"))*

*The maiden Ore Reserves for the Banfora Gold Project have been derived by Cube Consulting under the direction of Quinton de Klerk to a standard reportable in accordance with the "Australasian Code for Reporting of Exploration Results, Mineral Resources (JORC Code 2004 & NI43-101) and Ore Reserves" (JORC Code 2004) and are based on the Mineral Resource Models estimated by CSA Global in this announcement. The Ore Reserve estimate is based on the Mineral Resources classified as "Measured" and "Indicated" after consideration of all mining, metallurgical, social, environmental and financial aspects of the operation. The Proved Ore Reserve has been derived from the Measured Mineral Resource, and the Probable Ore Reserve has been derived from the Indicated Mineral Resource. The cut-off grades used in the estimation of the Banfora Ore Reserves are the non-mining, break-even gold grade taking into account mining recovery and dilution, metallurgical recovery, site operating costs, royalties and revenues. For reporting of Ore Reserves the calculated cut-off grades were rounded to the first decimal gram per tonne of gold. The cut-off grades vary depending on the material type and the pit location. The grades and metal stated in the Ore Reserves Estimate include mining recovery and dilution estimates. The Ore Reserve Estimate is reported within the open pit designs prepared as part of the BFS.*