Management's Discussion and Analysis of

TERANGA GOLD CORPORATION

For the years ended December 31, 2016 and 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2015

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

This report is dated as of February 23, 2017. All references to the Company include its subsidiaries unless the context requires otherwise.

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

OVERVIEW OF THE BUSINESS

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

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

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

Vision

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

Mission

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

Strategy

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

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

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

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

FINANCIAL AND OPERATING HIGHLIGHTS

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

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

Fourth Quarter Financial and Operating Highlights

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

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

(net of tax effects) in 2015. In the 2016 period, the loss attributable to shareholders was mainly due to higher deferred income tax expense.

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

Outlook 2017

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

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

		Year Ended December 31		
		2016 Guidance	**2016 Actual**	**2017 Guidance**
Sustaining Capital Expenditures				
Mine site sustaining	$ millions	8.0 – 10.0	7.4	10.0 – 15.0
Capitalized reserve development	$ millions	7.0	7.1	3.0 – 4.0
Site development costs	$ millions	17.0 – 20.0	18.5	2.0
Total Sustaining Capital Expenditures [D]	$ millions	32.0 – 37.0	33.0	15.0 – 21.0
Growth Capital Expenditures (Banfora)				
Feasibility study	$ millions	Not Applicable	0.3	3.0
Capitalized reserve development	$ millions	Not Applicable	0.3	3.0 – 4.0
Construction readiness	$ millions	Not Applicable	1.0	5.0 – 8.0
Total Growth Capital Expenditures	$ millions	Not Applicable	1.6	11.0 – 15.0

Notes to Guidance Table Above:

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

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

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

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

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

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

2017 Guidance Analysis

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

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

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

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

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

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

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

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

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

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

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

Sensitivity

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

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

REVIEW OF OPERATING RESULTS

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

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

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

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

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

Sabodala Gold Operations

Fourth Quarter 2016

Mining

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

Processing

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

Costs – Site Operations

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

Full Year 2016

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

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

Mining

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

Processing

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

Costs – site operations

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

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

REVIEW OF FINANCIAL RESULTS

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

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

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

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

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

Revenue

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

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

Mine operation expenses

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

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

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

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

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

Depreciation and amortization expenses

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

Administration expense

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

Share-based compensation

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

Exploration and evaluation

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

Finance costs

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

Impairment charge

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

Other income (expense)

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

Income tax expense

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

Net profit

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

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

Revenue

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

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

Mine operation expenses

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

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

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

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

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

Depreciation and Amortization Expenses

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

Administration expense

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

Share-based compensation

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

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

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

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

[2] Directors have the option to elect to receive their Director compensation in the form of DSUs. These DSUs vest as they are granted. All remaining DSUs that are granted vest on the first anniversary of the grant date. RSUs vest over a three year period, with 50 percent of the award vesting upon achievement of two predetermined operational criteria, and 50 percent vesting with the passage of time. Both DSUs and RSUs and are payable in cash. The Company used the December 31, 2016 closing share price of C$0.82 to value the vested DSUs and RSUs.

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

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

As of December 31, 2016, 18,945,527 common share stock options were issued and outstanding of which 14,720,236 are vested and 4,187,791 vest over a three-year period and 37,500 vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized based management's best estimate of outcome of achieving desired results. Under IFRS, the accelerated method of amortization is applied to new grants of stock options and fixed bonus plan units, which results in approximately 75 percent of the expense related to stock options and fixed bonus units being recorded in the first year of grant.

Corporate social responsibility expense

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

Exploration and evaluation

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

Finance costs

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

Impairment charge

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

Net foreign exchange gains (losses)

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

Other income (expense)

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

Income tax expense

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

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

Net profit

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

REVIEW OF QUARTERLY FINANCIAL RESULTS

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

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

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

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

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

BUSINESS AND PROJECT DEVELOPMENT

BURKINA FASO

Acquisition of Gryphon Minerals Limited

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

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

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

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

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

Banfora Gold Project Update

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

SENEGAL

Mill Optimization

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

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

CÔTE D'IVOIRE

Exploration Agreement with Miminvest

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

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

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

EXPLORATION

Senegal Exploration Highlights

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

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

Sabodala Mine Lease Reserve Development

Goumbati West Deposit

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

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

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

Niakafiri Deposit

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

Other Mine Lease Prospects

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

Senegal Regional Exploration

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

Marougou Main Deposit

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

Other Regional Prospects

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

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

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

Burkina Faso Exploration Highlights

Banfora Mine License Reserve Development

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

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

Banfora Regional Exploration

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

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

Golden Hill

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

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

Côte d'Ivoire Exploration Highlights

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

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

HEALTH AND SAFETY

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

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

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

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

MARKET REVIEW – IMPACT OF KEY ECONOMIC TRENDS

Gold Price

The price of gold is the largest factor in determining our profitability and cash flow from operations. During 2016, the average London PM Fix price of gold was $1,251 per ounce, with gold trading between a range of $1,077 and $1,366 per ounce. This compares to an average of $1,160 per ounce during 2015, with a low of $1,049 per ounce and a high of $1,296 per ounce.

The price of gold is subject to volatile price movements over short periods of time and is affected by numerous industry and macro-economic factors that are beyond our control including, but not limited to, currency exchange rate fluctuations and the relative strength of the U.S. dollar, the supply of and demand for gold and macroeconomic factors such as the level of interest rates and inflation expectations. In 2016, the Company had entered into gold forward contracts and zero cost collars to manage its exposures. Management may consider entering into derivative contracts should the price and terms be deemed acceptable.

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

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

Oil Price

Fuel costs related to power generation and operation of the mobile fleet are the single largest cost to the Sabodala mine. Fuel purchased to operate the power plant and mobile equipment fleet totaled approximately $27 million in 2016 or approximately 18 percent of gross mine production costs.

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

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

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

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

[1] Source: Zacks Equity Research

Currency

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

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

All of the Company's current production comes from its operation in Senegal, therefore costs will continue to be exposed to foreign exchange rate movements. The Company monitors currency exposure on an ongoing basis. The Company had previously hedged a portion of its exposure to the Euro using forward contracts, and currently does not have any currency hedges in place. With the Company's projects in Burkina Faso and Côte d'Ivoire, the Company's operating costs and capital will also have portions denominated in currencies other than the U.S. dollar. Management will regularly assess currency exposures and may consider entering into hedge programs should the price and terms be acceptable.

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

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

Balance Sheet Review

Cash

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

Trade and Other Receivables

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

Other Assets

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

Available for Sale Financial Assets

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

Trade and Other Payables

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

Deferred Revenue

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

Other Liabilities

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

Liquidity and Cash Flow

Cash Flow

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

Sources and Uses of Cash

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

Operating Cash Flow

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

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

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

Investing Cash Flow

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

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

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

Financing Cash Flow

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

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

LIQUIDITY AND CAPITAL RESOURCES OUTLOOK

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

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

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

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

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

- the Company's ability to generate free cash flow from operating activities;
- expected sustaining and growth capital expenditure requirements; and
- the gold price.

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

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

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

In February 2016, after an increase in the gold spot price, the Company entered into gold forward contracts with Société Générale to deliver 28,000 ounces with settlement dates from March to August 2016 at an average price of $1,201 per ounce. There were no outstanding hedge forward contracts as at December 31, 2016.

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

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

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

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

(iii) Reflects the exploration permits, licenses and drilling contracts committed to by the Company. The exploration commitments represent the amounts the Company is required to spend to remain eligible for the renewal of permits beyond the current validity period, for permits on which management intends to continue exploration activities. The Company may elect to allow certain permits to expire and are not required to spend the committed amount per respective permit. The Company will not incur any penalties for not meeting the financial requirement for additional validity period tenure.

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

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

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

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

- Pursuant to the Company's Mining Concession, a royalty of 5 percent is payable to the Republic of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date for SGO.
- Pursuant to the completion of the acquisition of the OJVG, the Company is required to make initial payments totaling $10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the OJVG. The initial payment is to be used to finance social projects in the mine site region, which are determined by the Republic of Senegal and will be paid either directly to suppliers for the completion of specific projects or to specified ministries of the Republic of Senegal. An additional payment will become payable when the actual cumulative production from the OJVG, net of mining royalties, multiplied by the Company's weighted average gold prices, multiplied by 1 percent, exceeds the initial payments.
- Pursuant to the Company's Mining Concession, $1.2 million is payable annually for community projects and infrastructure to support local communities surrounding the Company's operations and social development of local authorities in the surrounding Kedougou region.
- In addition to the Company's corporate social responsibility spending, Teranga has agreed to establish a social development fund which includes making a payment of $15.0 million to the Republic of Senegal at the end of the mine operational life. As at December 31, 2016 $8.0 million was accrued which is the discounted value of the $15.0 million future payment.
- With the recommencement of drilling activities on the western side of the Niakafiri deposit, the Company is required to make a dividend prepayment of $2.7 million to the Republic of Senegal.
- $350 thousand is payable annually for training of Directorate of Mines and Geology officers and Mines Ministry and $30 thousand is payable annually for logistical support of the territorial administration of the region for SGO.

- $250 thousand is payable annually for a forestry protocol to the Ministry of Environment for the period of 5 years.
- On May 1, 2016 SGO entered into a commitment with local communities around its Gora deposit to provide annual social assistance funding in the amount of $150 thousand for the initial year, and $200 thousand for each successive year over a five year period, which is the anticipated operating life of the Gora deposit.
- $112 thousand is payable annually as institutional support for the exploration licenses.

CONTINGENT LIABILITIES

Royalty payments

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

Reserve payment

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

OJVG advanced royalty payment

Pursuant to the completion of the acquisition of the OJVG, the Company is required to make initial payments totalling $10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the OJVG. The initial payment is to be used to finance social projects in the mine site region, which are determined by the Republic of Senegal and will be paid either directly to suppliers for the completion of specific projects or to specified ministries of the Republic of Senegal. Prior to 2016, a total of $6.5 million was paid. During the twelve months ended December 31 2016, $1.2 million was paid and the remaining $2.3 million has been accrued and is expected to be paid during 2017. An additional payment will become payable when the actual cumulative production from the OJVG, net of mining royalties, multiplied by our weighted average realized gold prices, multiplied by 1 percent, exceeds the initial payments.

Mining Permit Surface Taxes

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

Outstanding tax assessments

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following are critical judgments and estimations that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Ore reserves

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

Units of production

Management estimates recovered ounces of gold in determining the depreciation and amortization of mining assets, including buildings and property improvements and certain plant and equipment. This results in a depreciation/amortization charge proportional to the recovery of the anticipated ounces of gold. The life of the asset is assessed annually and considers its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates and assumptions, including the amount of recoverable ounces of gold. The Company's units of production calculations are based on contained ounces of gold milled.

Mine restoration and rehabilitation provision

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

Impairment of non-current assets

Non-current assets are tested for impairment if there is an indicator of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset. Cash flows are discounted by an appropriate discount rate to determine the net present value. Management has assessed its CGUs as being all sources of mill feed through a central mill, which is the lowest level for which cash inflows are largely independent of other assets.

Production start date

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

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

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

Stripping costs in the production phase of a surface mine

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

Taxes

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

Contingencies

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

Determination of purchase price allocation

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

NON-IFRS FINANCIAL MEASURES

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

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

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

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

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

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

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

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

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

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

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

RECONCILIATION OF NON-IFRS MEASURES

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

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

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

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

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

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

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

OUTSTANDING SHARE DATA

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

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

TRANSACTIONS WITH RELATED PARTIES

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

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

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

SHAREHOLDINGS

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

CEO/CFO CERTIFICATION

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

The Company's CEO and CFO certify that, as at December 31, 2016, the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The control framework the Company's CEO and CFO used to design the Company's ICFR is The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework issed on May 14, 2013. There is no material weakness relating to the design of ICFR. As at December 31, 2016, the Company has certified compliance with the COSO framework. Based on this evaluation, management concluded that the Company's ICFR and DC&P were effective.

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

RISKS AND UNCERTAINTIES

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

CORPORATE DIRECTORY

Directors

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

Senior Management

Richard Young	President and CEO
Paul Chawrun	Chief Operating Officer
Navin Dyal	Chief Financial Officer
David Savarie	General Counsel & Corporate Secretary
Sepanta Dorri	Vice President, Corporate and Stakeholder Development
David Mallo	Vice President, Exploration
Trish Moran	Head of Investor Relations

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Auditor

Ernst & Young LLP

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

The risks and uncertainties that may affect forward-looking statements include, among others: the inherent risks involved in exploration and development of mineral properties, including government approvals and permitting, changes in economic conditions, changes in the worldwide price of gold and other key inputs, changes in mine plans and other factors, such as project execution delays, many of which are beyond the control of Teranga, as well as other risks and uncertainties which are more fully described in Teranga's Amended and Restated 2015 Annual Information Form dated November 15, 2016, and in other filings of Teranga with securities and regulatory authorities which are available at www.sedar.com. Teranga does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Nothing in this report should be construed as either an offer to sell or a solicitation to buy or sell Teranga securities. All references to Teranga include its subsidiaries unless the context requires otherwise.

TERANGA GOLD COMPETENT PERSONS STATEMENT

The technical information contained in this MD&A relating to the open pit mineral reserve estimates for Sabodala, the stockpiles, Masato, Golouma and Kerekounda is based on, and fairly represents, information compiled by Mr. William Paul Chawrun, P. Eng who is a member of the Professional Engineers Ontario, which is currently included as a "Recognized Overseas Professional Organization" in a list promulgated by the ASX from time to time. Mr. Chawrun is a full time employee of Teranga and is not "independent" within the meaning of 43-101. However, he is a "qualified person" as defined in NI 43-101 and a "competent person" as defined in the 2012 Edition of the "Australasian code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the "JORC Code"). Mr. Chawrun has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the JORC Code. Mr. Chawrun has consented to the inclusion in this MD&A of the matters based on his compiled information in the form and context in which it appears in this MD&A.

The technical information contained in this MD&A relating to mineral resource estimates is based on, and fairly represents, information compiled by Ms. Patti Nakai-Lajoie. Ms. Nakai-Lajoie, P. Geo., is a Member of the Association of Professional Geoscientists of Ontario, which is currently included as a "Recognized Overseas Professional Organization" in a list promulgated by the ASX from time to time. Ms. Nakai-Lajoie is a full time employee of Teranga and is not "independent" within the meaning of NI 43-101. However, she is a "qualified person" as defined in NI 43-101 and a "competent person" as defined in the JORC Code. Ms. Nakai-Lajoie has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity she is undertaking to qualify as a Competent Person as defined in the JORC Code. Resources remain 2004 JORC Compliant and not updated to the JORC Code on the basis that information has not materially changed since it was last reported. Ms. Nakai-Lajoie has consented to the inclusion in this MD&A of the matters based on her compiled information in the form and context in which it appears in this MD&A.

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

Teranga's exploration programs are being managed by Peter Mann, M.Sc. Geology, Minerals Exploration who is a Professional Fellow Member of the Australasian Institute of Mining and Metallurgy (Reg. 990534). The technical information contained in this MD&A relating exploration results are based on, and fairly represents, information compiled by Mr. Mann. Mr. Mann has verified and approved the data disclosed in this release, including the sampling, analytical and test data underlying the information. The reverse circulation (RC) samples are prepared at site and assayed in the SGS laboratory located at the site. Analysis for diamond drilling is sent for fire assay analysis at ALS Johannesburg, South Africa. Mr. Mann is a full time employee of Teranga and is not "independent" within the meaning of NI 43-101. However, he is a "qualified person" as defined in NI 43-101 and a "competent person" as defined in the JORC Code. Mr. Mann has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code. Mr. Mann has consented to the inclusion in this Report of the matters based on his compiled information in the form and context in which it appears herein.

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

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