Management's Discussion and Analysis of

TERANGA GOLD CORPORATION

For the three and six months ended June 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial conditions and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the three and six months ended June 30, 2018. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto ("Statements") of Teranga Gold Corporation ("Teranga" or the "Company") as at and for the three and six months ended June 30, 2018, as well as, the audited consolidated financial statements of Teranga as at and for the twelve months ended December 31, 2017 and the MD&A for the year ended December 31, 2017. The Company's Statements and MD&A are presented in United States dollars ("USD"), unless otherwise specified, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Additional information about Teranga, including the Company's Annual Information Form for the year ended December 31, 2017, as well as all other public filings, is available on the Company's website at www.terangagold.com and on the SEDAR website (www.sedar.com).

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

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

OVERVIEW OF THE BUSINESS

Teranga is a multi-jurisdictional West African gold company focused on production and development as well as the exploration of more than 6,400 km^2 of land located on prospective gold belts. Since its initial public offering in 2010, Teranga has produced more than 1.5 million ounces of gold from its operations in Senegal, which as of June 30, 2017 had a reserve base of 2.7 million ounces of gold[1]. Focused on diversification and growth, the Company is advancing its Wahgnion Gold Project ("Wahgnion") in Burkina Faso (formerly referred to as the Banfora Gold Project) towards delivering its second producing gold mine, as well as carrying out extensive exploration programs in three West African countries: Burkina Faso, Côte d'Ivoire and Senegal. The Company had nearly 4.0 million ounces of gold reserves[1] from its combined Sabodala Gold operations and Wahgnion as of June 30, 2017. Teranga applies a rigorous capital allocation framework for its investment decisions to execute on its growth strategy relying on a combination of cash on the balance sheet, free cash flow from operations and debt.

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

VISION

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

MISSION

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

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

STRATEGY

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

FINANCIAL AND OPERATING HIGHLIGHTS

		Three months ended June 30,			Six months ended June 30,		
Financial Data		**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Revenue	($000's)	86,050	72,040	19%	172,292	142,362	21%
Cost of sales	($000's)	(59,997)	(54,281)	11%	(119,467)	(108,739)	10%
Gross profit	($000's)	26,053	17,759	47%	52,825	33,623	57%
Net profit attributable to shareholders of Teranga	($000's)	11,586	9,640	20%	14,567	15,803	(8%)
Per share	($)	0.11	0.09	20%	0.14	0.15	(8%)
Adjusted net profit attributable to shareholders of Teranga[1]	($000's)	6,192	9,723	(36%)	16,095	16,195	(1%)
Per share[1]	($)	0.06	0.09	(36%)	0.15	0.15	(1%)
EBITDA[1]	($000's)	44,949	23,827	89%	69,314	45,701	52%
Operating cash flow excluding changes in working capital other than inventories	($000's)	26,105	22,191	18%	50,971	46,018	11%
Operating cash flow	($000's)	19,181	7,434	158%	32,900	28,692	15%
Sustaining capital expenditures (excluding deferred stripping)	($000's)	4,150	9,611	(57%)	7,307	14,928	(51%)
Capitalized deferred stripping - sustaining	($000's)	8,157	4,704	73%	18,254	16,304	12%
Growth capital expenditures	($000's)	22,830	6,932	229%	44,849	9,130	391%
		Three months ended June 30,			**Six months ended June 30,**		
Operating Data		**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Gold Produced	(oz)	65,381	57,557	14%	129,412	114,460	13%
Gold Sold	(oz)	66,256	57,167	16%	131,490	114,438	15%
Average realized gold price[1]	($ per oz)	1,301	1,260	3%	1,313	1,243	6%
Cost of sales per ounce	($ per oz sold)	906	950	(5%)	909	950	(4%)
Total cash costs[1]	($ per oz sold)	629	710	(11%)	644	716	(10%)
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)[1]	($ per oz sold)	847	933	(9%)	867	934	(7%)

[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.

SECOND QUARTER HIGHLIGHTS

Financial Highlights

- Revenue of $86.1 million was 19 percent higher than the prior year, due to higher ounces sold and higher average realized prices.
- Gross profit of $26.1 million was 47 percent higher than the prior year, due to higher revenues partially offset by higher non-cash depreciation and amortization expenses.
- Net profit attributable to shareholders was $11.6 million ($0.11 per share) for the second quarter compared to $9.6 million ($0.09 per share) in the prior year period. The increase was primarily attributable to realized and unrealized gains on gold forward sales contracts of $10.9 million and an increase in gross profit of $8.3 million from higher revenues, partially offset by increase in income tax expense of $14.2 million, a non-cash $2.3 million adjustment as a result of the adoption of IFRS 15 and $1.0 million in additional financing costs.

- Adjusted net profit attributable to shareholders[1] was $6.2 million ($0.06 per share) for the second quarter, lower when compared to the prior year period amount of $9.7 million ($0.09 per share), mainly due to higher current income tax expense recorded in the current period. Adjusted net profit attributable to shareholders[1] excludes the gain on gold forward sales contracts, accretion expense, net foreign exchange losses, the impact of foreign exchange movements on deferred taxes and other non-cash fair value changes.
- During the second quarter, the Company drew down $70.0 million under a secured development finance facility with Taurus Funds Management Pty Ltd. (the "Taurus Facility") and fully repaid $15.0 million under a revolving credit facility with Société Générale S.A. ("Revolver Facility") as required under the Taurus Facility.
- Cash flow related to operating activities, before changes in working capital excluding inventories, increased 18 percent year-over-year to $26.1 million.
- Cash and cash equivalents totalled $91.7 million, up $31.4 million from the first quarter 2018 balance of $60.3 million.

Operating Highlights

- Record second quarter gold production at Sabodala of 65,381 ounces, bringing half-year total to a record 129,412 ounces.
- Per ounce metrics, including cost of sales, total cash costs[1], all-in sustaining costs[1] and all-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)[1] were all lower than the prior year quarter and below the full year guidance ranges, mainly due to higher grades mined and processed.
- Total ounces mined over the last 12 months ending June 30, 2018 were about 20 percent better than the reserves model due to solid grade control processes and conservative resource modelling.

Growth Highlights

- At Wahgnion, construction is on track at the Company's second mine. The plant design is complete and detailed engineering is on schedule to support site construction. Major construction of the processing facility is underway, with structural concrete pouring on schedule. The development of site infrastructure is also moving forward on schedule.
- During the second quarter, the Company announced an updated mineral resource estimate for Wahgnion. The updated combined measured and indicated resource is now 50.5 million tonnes at a grade of 1.51 g/t for 2.4 million contained ounces of gold. This represents a 33 percent increase from 1.8 million contained ounces of gold previously announced in the feasibility study released last September. Teranga expects to release an updated mineral reserve estimate and related National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") technical report for Wahgnion in the third quarter of 2018.
- The Company's exploration program at the Golden Hill property in Burkina Faso, the Company's most advanced exploration property, continues to generate very good grade drill results at a number of prospects. The positive drill results during the second quarter put the Company on track to release an initial resource estimate for the project's most advanced prospects by year-end. As part of the Taurus Facility, Teranga has secured $25.0 million for future advancement of the Golden Hill project to a feasibility study.

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

OUTLOOK 2018

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

		Year Ended December 31,
		2018 Guidance
Operating Results		
Ore mined	('000t)	2,000 – 2,500
Waste mined	('000t)	35,000 – 37,000
Total mined	('000t)	37,000 – 39,500
Grade mined	(g/t)	2.50 – 3.00
Strip ratio	waste/ore	16.5 – 18.5
Ore milled	('000t)	4,200 – 4,400
Head grade	(g/t)	1.70 – 1.90
Recovery rate	%	90.0 – 91.5
Gold produced [A]	(oz)	~230,000
Cost of sales per ounce sold	$/oz sold	950 – 1,025
Total cash costs per ounce sold [B]	$/oz sold	700 – 750
All-in sustaining costs [C]	$/oz sold	1,000 – 1,075
Non-cash inventory movements and amortized advanced royalty costs [C]	$/oz sold	(50)
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) [C]	$/oz sold	950 – 1,025
Mining	($/t mined)	2.25 – 2.50
Mining long haul	($/t hauled)	2.50 – 3.50
Milling	($/t milled)	11.00 – 12.50
General and Administration	($/t milled)	4.25 – 4.50
Mine Production Costs	$ millions	162.0 – 172.0
Corporate Administration Expense	$ millions	11.0 – 13.0
Regional Administration Costs	$ millions	~2.0
Community Social Responsibility Expense	$ millions	4.0 – 5.0
Exploration and Evaluation [D]	$ millions	~15.0
Sabodala Capital Expenditures		
Mine site sustaining	$ millions	10.0 – 15.0
Site development costs [E]	$ millions	10.0 – 15.0
Total Sabodala Capital Expenditures [F]	$ millions	20.0 – 30.0
Growth Capital Expenditures		
Wahgnion early works [G]	$ millions	~30.0
Wahgnion construction [H]	$ millions	140.0 – 160.0
Total Growth Capital Expenditures	$ millions	170.0 – 190.0

Notes to Guidance Table Above:

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

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

C. All-in sustaining costs per ounce is a non-IFRS financial measure and does not have a standard meaning under IFRS. All-in sustaining costs per ounce sold 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 non-cash inventory movements and non-cash amortization of advanced royalties.

D. Exploration and evaluation costs includes both Expensed Exploration, primarily attributable to exploration work on exploration permits, and Capitalized Reserve Development, which is work performed on Mine Licenses.

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

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

G. Early works expenditures for 2018 includes anticipated expenditures for the construction of Wahgnion prior to initial drawdown under the Taurus Facility which was executed in May 2018.

H. Wahgnion construction expenditures for 2018 include anticipated expenditures for Wahgnion post completion of the Taurus Facility.

This forecast financial information is based on the following material assumptions for the remainder of 2018: gold price: $1,250 per ounce; light fuel oil price $0.87/L; heavy fuel oil price $0.60/L; Euro:USD exchange rate of 1:1.17.

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

Based on record first half gold production, the Company expects to exceed the higher end of its production guidance for 2018 of 210,000 to 225,000 ounces of gold. The Company expects to produce at least 100,000 ounces of gold in the second half of 2018, which would put the Company on track to produce at least 230,000 ounces of gold for the year. The Company reaffirms its 2018 original guidance for unit operating costs, including per ounce metrics.

During the second quarter, the Company announced the conclusion of the Taurus Facility and made an initial drawdown of $70.0 million. The Company expects to spend between $170.0 to $190.0 million in 2018 to construct the Wahgnion Project, which is expected to be funded through a combination of the Company's available cash, net proceeds from the Taurus Facility and cash flows from Sabodala Gold Operations (see *Liquidity and Capital Resources Outlook* section for more details).

All other guidance remains unchanged from those originally published on February 23, 2018.

REVIEW OF OPERATING RESULTS

		Three months ended June 30,			Six months ended June 30,		
Operating Results		**2018**	**2017**	**% Change**	**2018**	**2017**	**% Change**
Ore mined	('000t)	479	420	14%	1,019	849	20%
Waste mined - operating	('000t)	4,843	5,855	(17%)	9,861	11,045	(11%)
Waste mined - capitalized	('000t)	2,827	1,776	59%	6,056	6,406	(5%)
Total mined	('000t)	8,149	8,051	1%	16,936	18,300	(7%)
Grade mined	(g/t)	4.41	3.64	21%	4.71	3.59	31%
Ounces mined	(oz)	67,954	49,219	38%	154,356	98,112	57%
Strip ratio	(waste/ore)	16.0	18.2	(12%)	15.6	20.6	(24%)
Ore milled	('000t)	1,010	1,039	(3%)	2,078	2,094	(1%)
Head grade	(g/t)	2.15	1.87	15%	2.08	1.85	13%
Recovery rate	(%)	93.5	91.9	2%	93.0	92.1	1%
Gold produced[1]	(oz)	65,381	57,557	14%	129,412	114,460	13%
Gold sold	(oz)	66,256	57,167	16%	131,490	114,438	15%
Average realized price[2]	($/oz)	1,301	1,260	3%	1,313	1,243	6%
Cost of sales per ounce	($/oz sold)	906	950	(5%)	909	950	(4%)
Total cash costs[2]	($/oz sold)	629	710	(11%)	644	716	(10%)
All-in sustaining costs[2]	($/oz sold)	883	1,018	(13%)	920	1,048	(12%)
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)[2]	($/oz sold)	847	933	(9%)	867	934	(7%)
Mining	($/t mined)	2.83	2.28	25%	2.81	2.24	25%
Mining long haul	($/t hauled)	3.26	3.21	2%	3.35	2.87	17%
Milling	($/t milled)	13.02	11.57	12%	12.25	11.78	4%
G&A	($/t milled)	4.81	4.39	9%	4.77	4.09	17%

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

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

		Three months ended June 30, 2018						Six months ended June 30, 2018					
		Golouma West	**Gora**	**Golouma South**	**Kerekounda**	**Sabodala**	**Total**	**Golouma West**	**Gora**	**Golouma South**	**Kerekounda**	**Sabodala**	**Total**
Ore mined	('000t)	243	93	6	137	-	479	387	341	72	219	-	1,019
Waste mined - operating	('000t)	2,037	420	-	2,386	-	4,843	3,428	1,673	17	4,743	-	9,861
Waste mined - capitalized	('000t)	2,493	-	-	-	334	2,827	5,722	-	-	-	334	6,056
Total mined	('000t)	4,773	513	6	2,523	334	8,149	9,537	2,014	89	4,962	334	16,936
Grade mined	(g/t)	2.61	9.72	2.11	4.10	-	4.41	2.51	7.98	2.98	4.09	-	4.71
Ounces mined	(oz)	20,421	29,052	407	18,074	-	67,954	31,257	87,436	6,888	28,775	-	154,356

		Three months ended June 30, 2017				Six months ended June 30, 2017			
		Gora	Golouma South	Kerekounda	Total	Gora	Golouma South	Kerekounda	Total
Ore mined	('000t)	143	184	93	420	289	402	158	849
Waste mined - operating	('000t)	3,293	702	1,860	5,855	5,722	2,150	3,173	11,045
Waste mined - capitalized	('000t)	270	-	1,506	1,776	2,387	-	4,019	6,406
Total mined	('000t)	3,706	886	3,459	8,051	8,398	2,552	7,350	18,300
Grade mined	(g/t)	4.66	3.20	2.98	3.64	4.70	3.18	2.63	3.59
Ounces mined	(oz)	21,402	18,919	8,898	49,219	43,688	41,074	13,350	98,112

		Three months ended June 30,			Six months ended June 30,		
		2018	2017	% Change	2018	2017	% Change
Total mined (as above)	('000t)	8,149	8,051	1%	16,936	18,300	(7%)
Capitalized pre-stripping	('000t)	-	1,723	(100%)	-	1,943	(100%)
Total mined (including pre-strip tonnes)	('000t)	8,149	9,774	(17%)	16,936	20,243	(16%)

Operating results for the three months ended June 30, 2018

Mining

Mining activities in the second quarter of 2018 were focused primarily on Kerekounda, the final lower benches of Gora Phase 3, Golouma West and the commencement of mining at Sabodala Phase 4. In the second quarter of 2017, mining activities were focused on Gora Phase 3, Kerekounda, Golouma South and pre-production stripping activities at Golouma West. Excluding pre-strip tonnes, total tonnes mined were similar to the prior year period. However, in the second quarter of 2017, 1.7 million tonnes of waste at Golouma West were capitalized. This resulted in total tonnes mined, including pre-strip tonnes, being 17 percent lower than the prior year period. Mining in narrower benches near the bottom of Gora Phase 3, requiring the use of smaller equipment, resulted in lower shovel productivity combined with lower than expected mechanical availability for the shovels.

Ore tonnes mined and ore grades were 14 percent and 21 percent higher, respectively, compared to the prior year period primarily due to completion of the final, high-grade benches remaining at Gora Phase 3. Mining activities at Gora Phase 3 were completed as planned in July and were followed by the commencement of closure and rehabilitation activities.

Total ounces mined over the last 12 months ending June 30, 2018 were about 20 percent better than the reserves model due to solid grade control processes and conservative resource modelling.

Processing

Ore tonnes milled decreased by 3 percent compared to the prior year period resulting from planned grinding circuit maintenance during the second quarter of 2018, including a planned rebuild of the secondary crusher as well as processing harder, high-grade Gora ore.

Head grade increased by 15 percent compared to the prior year period due primarily to a greater proportion of high-grade ore sourced from Gora and Kerekounda.

Gold production increased by 14 percent to 65,381 ounces compared to the prior year period due to higher average head grades and recovery rates, partially offset by lower ore tonnes milled between periods.

Costs – site operations

Total mining costs (excluding long haul costs) increased by 26 percent to $23.1 million in the second quarter compared with prior year period due primarily to the effect of lower shovel productivity in the narrow lower benches of Gora Phase 3, as well as unfavourable currency movements and higher fuel costs between periods. Accordingly, on a unit cost basis, total mining costs (excluding long haul costs) increased by 25 percent compared to the prior year period. Unit mining costs are expected to decline in the second half of 2018 as mining activities transition from less productive mining areas near the bottom of pits to more productive areas at the mid-point and near surface of pit designs. Total long haul costs increased by 6 percent to $1.4 million in the second quarter of 2018 compared to the prior year period due primarily to unfavourable currency movements and increased fuel costs between periods.

Total processing costs increased by 9 percent to $13.1 million in the second quarter compared with the prior year period due primarily to the impact of unfavourable currency movements and higher fuel prices. Accordingly, on a unit cost basis, processing costs for the second quarter were 12 percent higher than the prior year period.

Total mine site general and administrative costs increased by 6 percent to $4.9 million in the second quarter compared with the prior year period due primarily to the impact of unfavourable currency movements and higher surface taxes payable on the Company's operating pits between periods. On a unit cost basis, mine site general and administrative costs were 9 percent higher in the second quarter compared to the prior year period, impacted by a 3 percent decrease in tonnes milled between periods.

Total cost of sales per ounce sold decreased by 5 percent to $906 per ounce in the second quarter compared with the prior year period due primarily to a 16 percent increase in the volume of gold ounces sold, partially offset by higher mine production costs and higher depreciation and amortization expense between periods.

Total cash costs[1] for the second quarter were $629 per ounce, a decrease of 11 percent compared to the prior year period due mainly to lower inventory movement expense, partially offset by higher mine production costs.

All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)[1] for the second quarter were $847 per ounce, a decrease of 9 percent compared to the prior year period. The decrease is mainly due to an increase in the volume of gold ounces sold and lower total cash costs[1], partially offset by higher share-based compensation and administrative expenses between periods.

Operating results for the six months ended June 30, 2018

Mining

Mining activities in the first half of 2018 were focused primarily on Kerekounda, Golouma West, the final benches of Gora Phase 3, the final production benches of Golouma South in January and the commencement of mining at Sabodala Phase 4 late in the second quarter 2018. In the comparative first half of 2017, mining activities were focused on the lower benches of Gora Phase 2, Gora Phase 3, Golouma South, Kerekounda and pre-production stripping activities at Golouma West. Excluding pre-strip tonnes, total tonnes mined in the first half of 2018 were 7 percent lower compared with the first half of 2017. Including pre-production stripping tonnes capitalized at Golouma West in the first half of 2017, total tonnes mined in the first half of 2018 were 16 percent lower than the prior year comparative period. Mining in narrower benches near the bottom of Gora Phase 3 and Golouma South pits, requiring the use of smaller equipment, resulted in lower shovel productivity combined with lower than expected mechanical availability for the shovels. Mining rates are expected to increase in the second half of 2018 with mining activities mainly focused at the mid-point and near surface of the pit designs at Golouma West, Kerekounda and Sabodala.

Ore tonnes mined and ore grades increased by 20 percent and 31 percent, respectively, in the first half of 2018 compared with the first half of 2017 due primarily to the commencement of mining at Golouma West and the final, high grade benches at Gora Phase 3. Mining activities at Golouma South and Gora Phase 3 were completed during the first and second quarters of 2018, respectively.

Processing

Ore tonnes milled were marginally lower in the first half of 2018 compared with the first half of 2017 due primarily to lower mill throughput resulting from planned grinding circuit maintenance during the second quarter of 2018, including a planned rebuild of the secondary crusher as well as processing harder, high grade Gora ore.

Head grade increased by 13 percent in the first half of 2018 compared with the first half of 2017 due primarily to a greater proportion of high-grade ore sourced from Gora and Kerekounda.

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

Gold production increased by 13 percent to a record 129,412 ounces in the first half of 2018 compared with the first half of 2017 due primarily to higher average head grades and recovery rates, partially offset by lower ore tonnes milled between periods.

Costs – site operations

Total mining costs (excluding long haul costs) increased by 16 percent to $47.6 million in the first half of 2018 compared with the first half of 2017 due primarily to the effect of lower shovel productivity in the narrow lower benches of Gora Phase 3, unfavourable currency movements and increased fuel costs between periods. On a unit cost basis, total mining costs (excluding long haul costs) per tonne increased by 25 percent in the first half of 2018 compared with the first half of 2017 due primarily to increased costs and a 7 percent decrease in total tonnes mined between periods. Unit mining costs are expected to decline in the second half of 2018 as mining activities transition from less productive mining areas near the bottom of pits to more productive larger bench designs. Total long haul costs increased by 9 percent to $3.2 million in the first half of 2018 compared with the first half of 2017 due primarily to unfavourable currency movements and increased fuel costs between periods.

Total processing costs increased by 3 percent to $25.4 million in the first half of 2018 compared with the first half of 2017 due primarily to the impact of unfavourable currency movements, higher fuel prices and increased power consumption from an increase in harder, high-grade ore. Accordingly, on a unit cost basis, processing costs were 4 percent higher in the first half of 2018 than the prior year comparative period.

Total mine site general and administrative costs increased by 16 percent to $9.9 million in the first half of 2018 compared with the first half of 2017 due primarily to the impact of unfavourable currency movements and higher surface taxes payable on the Company's operating pits between periods. On a unit cost basis, mine site general and administrative costs were 17 percent higher in the first half of 2018 than the prior year comparative period.

Total cost of sales per ounce sold decreased by 4 percent to $909 per ounce in the first half of 2018 compared with the first half of 2017 due primarily to a 15 percent increase in the volume of gold ounces sold, partially offset by higher mine production costs and higher depreciation and amortization of deferred stripping assets between periods.

Total cash costs[1] were $644 per ounce in the first half of 2018, a decrease of 10 percent compared to the first half of 2017 due mainly to lower inventory movement expense, partially offset by higher mine production costs.

All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)[1] for the first half of 2018 were $867 per ounce, a decrease of 7 percent compared with the first half of 2017. The decrease is mainly due to a 15 percent increase in the volume of gold ounces sold and lower total cash costs[1], partially offset by higher capitalized deferred stripping, share-based compensation and administrative expenses between periods.

[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 June 30,			Six months ended June 30,		
(US$000's)	**2018**	**2017**	**% Change**	**2018**	**2017**	**% Change**
Revenue	86,050	72,040	19%	172,292	142,362	21%
Mine operation expenses	(42,197)	(41,092)	3%	(85,556)	(82,924)	3%
Depreciation and amortization	(17,800)	(13,189)	35%	(33,911)	(25,815)	31%
Cost of sales	**(59,997)**	**(54,281)**	**11%**	**(119,467)**	**(108,739)**	**10%**
Gross profit	**26,053**	**17,759**	**47%**	**52,825**	**33,623**	**57%**
Exploration and evaluation expenditures	(1,832)	(2,336)	(22%)	(4,875)	(4,296)	13%
Administration expenses	(2,939)	(2,254)	30%	(6,081)	(4,399)	38%
Corporate social responsibility expenses	(1,315)	(765)	72%	(2,049)	(1,653)	24%
Share-based compensation	(1,120)	(553)	103%	(3,851)	(1,430)	169%
Finance costs	(4,293)	(864)	397%	(7,938)	(1,719)	362%
Net foreign exchange losses	(449)	(2,441)	(82%)	(2,675)	(2,962)	(10%)
Other income	10,708	1,046	924%	5,985	199	2908%
Profit before income tax	**24,813**	**9,592**	159%	**31,341**	**17,363**	81%
Income tax (expense)/recovery	(13,412)	803	N/A	(15,944)	245	N/A
Net profit	**11,401**	**10,395**	**10%**	**15,397**	**17,608**	**(13%)**
Net loss/(profit) attributable to non-controlling interests	185	(755)	N/A	(830)	(1,805)	(54%)
Net profit attributable to shareholders of Teranga	**11,586**	**9,640**	**20%**	**14,567**	**15,803**	**(8%)**
Basic earnings per share	0.11	0.09	20%	0.14	0.15	(8%)

(US$000's)	Three months ended June 30,			Six months ended June 30,		
Mine operation expenses	**2018**	**2017**	**% Change**	**2018**	**2017**	**% Change**
Mine production costs	42,580	36,413	17%	86,334	77,327	12%
Royalties	5,634	4,775	18%	11,315	9,321	21%
Regional administration costs	492	519	(5%)	855	1,024	(17%)
	48,706	41,707	17%	98,504	87,672	12%
Capitalized deferred stripping	(8,157)	(4,704)	73%	(18,254)	(16,304)	12%
Inventory movements	1,648	4,089	(60%)	5,306	11,556	(54%)
	(6,509)	(615)	958%	(12,948)	(4,748)	173%
Total mine operation expenses	**42,197**	**41,092**	**3%**	**85,556**	**82,924**	**3%**

(US$000's)	Three months ended June 30,			Six months ended June 30,		
Depreciation and amortization expenses	**2018**	**2017**	**% Change**	**2018**	**2017**	**% Change**
Depreciation and amortization - property, plant and equipment and mine development expenditures	11,154	9,973	12%	21,541	19,940	8%
Depreciation and amortization - deferred stripping assets	6,557	5,627	17%	17,756	8,678	105%
	17,711	15,600	14%	39,297	28,618	37%
Inventory movements - depreciation	583	(2,049)	N/A	(4,284)	(1,621)	164%
Capitalized deferred stripping - depreciation	(494)	(362)	36%	(1,102)	(1,182)	(7%)
	89	(2,411)	N/A	(5,386)	(2,803)	92%
Total depreciation and amortization expenses	**17,800**	**13,189**	**35%**	**33,911**	**25,815**	**31%**

Financial Results for the three months ended June 30, 2018

Revenue

Revenue for the three months ended June 30, 2018 increased by 19 percent over the prior year period due to a 16 percent increase in ounces sold and 3 percent higher average realized prices compared to the prior year period.

	Three months ended June 30,		
Spot price per ounce of gold	**2018**	**2017**	**% Change**
Average	$1,306	$1,257	4%
Low	$1,250	$1,220	2%
High	$1,351	$1,294	4%
Average Realized	$1,301	$1,260	3%

Mine Operation Expenses

For the three months ended June 30, 2018, mine operation expenses, before capitalized deferred stripping and inventory movements, increased by 17 percent over the prior year period to $48.7 million primarily due to unfavourable currency movements and higher fuel prices.

The amount of mining costs capitalized as deferred stripping costs will fluctuate from period to period depending on whether mining is above or below the life of phase strip ratio in a particular pit. During the quarter, mining activities were above the life of phase strip ratios at the Golouma West and Sabodala deposits. In the prior year period, mining activities were above the life of phase strip ratio at the Kerekounda and Gora deposits. As a result, 2.8 million tonnes, or $8.2 million of deferred stripping costs were capitalized in the current period, compared to 1.8 million tonnes, or $4.7 million capitalized in the prior year period. The increase in unit mining costs also contributed to the higher value of capitalized deferred stripping costs. Costs capitalized are amortized to expense as the deposit is mined.

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

Inventory movements in the three months ended June 30, 2018 resulted in an increase to mine operation expenses of $1.6 million compared to an increase of $4.1 million in the prior year period. During the second quarter of 2018, Sabodala reported a net decrease in inventory cost and a slight decrease in ounces in inventory as stockpiled ore was processed. Due to the increase in capitalization of deferred stripping costs, as a result of higher strip ratio and higher grade deposits mined, mining cost per ounce allocated to inventory decreased. This resulted in a decrease in the value of stockpiles. In the prior year period, the Company had a net decrease in inventory cost due to a decrease in ounces in inventory.

Depreciation and amortization expenses

Total depreciation and amortization expense for the three months ended June 30, 2018 was $17.8 million, or $4.6 million higher than the prior year period. Depreciation and amortization expense for property, plant and equipment and mine development expenditures increased due to a higher asset depreciation base and more ounces produced. Depreciation and amortization of deferred stripping assets increased by $0.9 million mainly related to amortization of previously capitalized deferred stripping costs at Kerekounda and Golouma West, partially offset by a decrease at Gora. Depreciation related to inventory movements resulted in an increase of $0.6 million, as a result, of a decrease in ounces contained in inventory, partially offset by lower unit amortization in the second quarter of 2018. In the second quarter of 2017, depreciation related to inventory movements resulted in a decrease of $2.0 million as more expensive ounces were placed onto the stockpile due to the nature and timing of pit sequencing.

Exploration and evaluation

Exploration and evaluation expenditures for the three months ended June 30, 2018 were $1.8 million, $0.5 million lower than the prior year period. Refer to the *Exploration* section for additional details.

Administration expense

Administration expense for the three months ended June 30, 2018 was $2.9 million, $0.7 million higher than the prior year period. Higher administration expense in the current period is mainly due to increased personnel costs due to the growth of the Company beyond the Sabodala Gold operations in Senegal and other miscellaneous corporate support costs.

Share-based compensation

Share-based compensation expense for the three months ended June 30, 2018 was $1.1 million, $0.6 million higher than the prior year period due to a 4 percent increase in the Company's share price during the current quarter compared to a decrease of 17 percent in the Company's share price in the prior year period.

Finance costs

Finance costs for the three months ended June 30, 2018 were $4.3 million, $3.4 million higher than the prior year period mainly due to a $2.3 million adjustment to record non-cash accretion expense of the gold stream liability from the Franco-Nevada streaming arrangement as a result of adopting IFRS 15. As a consequence of the adoption of IFRS 15, the Company will continue to record non-cash accretion expense at a rate of approximately 9 percent on the gold stream liability for so long as the gold stream liability remains outstanding. For additional details, please see the *Critical Accounting Policies and Estimates* section of this MD&A. For the period ended June 30, 2018, the Company expensed deferred financing costs related to the Revolver Facility of $0.6 million and $0.5 million of interest incurred and amortization of deferred financing costs related to the Taurus Facility. Interest incurred and amortization of deferred financing costs of $1.2 million directly attributable to the development of Wahgnion has been capitalized.

Net foreign exchange losses

Net foreign exchange losses of $0.4 million were recorded by the Company. In the prior year period, net foreign exchange losses of $2.4 million were realized by the Company primarily due to realized and unrealized foreign exchange losses recorded as the Euro appreciated relative to the US dollar. The average Euro to US dollar rate during second quarter 2018 was 1.19 compared to 1.10 in the prior year period.

Other income

Other income for the three months ended June 30, 2018 was $10.7 million compared to $1.0 million in the prior year period. The increase in other income was mainly due to non-cash mark-to-market gains on forward gold sales contracts. Based on the value of the remaining contracts as at June 30, 2018, a non-cash hedge gain of $10.3 million was recognized.

Income tax expense

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

For the three months ended June 30, 2018, the Company recorded income tax expense of $13.4 million, comprised of current income tax expense of $7.8 million and deferred income tax expense of $5.6 million. In the prior year period, the Company recorded an income tax recovery of $0.8 million, comprised of a recovery of deferred income taxes of $2.3 million net of current income tax expense of $1.5 million. Higher current income tax expense in the current period was mainly due to higher income subject to tax from higher gross profit combined with realized and unrealized foreign exchange gains, due to movement of the US dollar against the local currency. Higher deferred income tax expense was mainly due to unrealized foreign exchange gains recognized in the current period for tax purposes. In the prior year period, unrealized foreign exchange losses lowered both current and deferred taxes.

Net profit

Consolidated net profit attributable to shareholders was $11.6 million ($0.11 per share) for the second quarter compared to $9.6 million ($0.09 per share) in the prior year period. The increase was primarily attributable to realized and unrealized gains on gold forward sales contracts of $10.9 million and increase in gross profit of $8.3 million from higher revenues, partially offset by an increase in income tax expense of $14.2 million, a non-cash $2.3 million adjustment as a result of the adoption of IFRS 15 and $1.0 million in additional financing costs as a result of the Taurus Facility and repayment of the Revolver Facility.

Adjusted net profit attributable to shareholders[1] was $6.2 million ($0.06 per share) for the second quarter, lower when compared to the prior period amount of $9.7 million ($0.09 per share), mainly due to higher current income tax expense recorded in the current period. Adjusted net profit attributable to shareholders[1] excludes the gain on gold forward sales contracts, accretion expense, net foreign exchange losses, the impact of foreign exchange movements on deferred taxes and other non-cash fair value changes.

Financial Results for the six months ended June 30, 2018

Revenue

Revenue for the six months ended June 30, 2018 increased by 21 percent over the prior year period due to a 15 percent increase in ounces sold and 6 percent higher average realized prices compared to the prior year period.

	Six months ended June 30,		
Spot price per ounce of gold	**2018**	**2017**	**% Change**
Average	$1,318	$1,238	7%
Low	$1,250	$1,151	9%
High	$1,355	$1,294	5%
Average Realized	$1,313	$1,243	6%

Mine Operation Expenses

For the six months ended June 30, 2018, mine operation expenses, before capitalized deferred stripping and inventory movements, increased by 12 percent over the prior year period to $98.5 million, primarily due to unfavourable currency movements and higher fuel prices.

The amount of mining costs capitalized as deferred stripping costs will fluctuate from period to period depending on whether mining is above or below the life of phase strip ratio in a particular pit. During the period, mining activities were above the life of phase strip ratios at the Golouma West and Sabodala deposits. In the prior year period, mining activities were above the life of phase strip ratio at the Kerekounda and Gora deposits. As a result, 6.1 million tonnes, or $18.3 million of deferred stripping costs were capitalized in the current period, compared to 6.4 million tonnes or $16.3 million capitalized in the prior year period. The decrease in tonnes capitalized was more than offset with an increase in unit mining costs. Costs capitalized are amortized to expense as the deposit is mined.

Inventory movements in the six months ended June 30, 2018 resulted in an increase to mine operation expenses of $5.3 million compared to an increase of $11.6 million in the prior year period. During the six months ended June 30, 2018, ounces in inventory increased as higher grade ore was mined compared to the prior year period where ounces in inventory decreased as stockpiled ore was processed.

Depreciation and amortization expenses

Total depreciation and amortization expense for the six months ended June 30, 2018 was $33.9 million, $8.1 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.

higher than the prior year period. Depreciation and amortization of deferred stripping assets increased by $9.1 million mainly related to amortization of previously capitalized deferred stripping costs at Gora and Kerekounda, as well as the incremental impact of Golouma West going into production in the second quarter of last year. Depreciation and amortization expense for property, plant, and equipment and mine development expenditures increased as a result of a higher asset depreciation base and more ounces mined. Depreciation related to inventory movements decreased by $2.7 million as a result of an increase in ounces contained in inventory in the first six months of 2018 compared to the prior year period.

Exploration and evaluation

Exploration and evaluation expenditures for the six months ended June 30, 2018 were $4.9 million, $0.6 million higher than the prior year period. Refer to the *Exploration* section for additional details.

Administration expense

Administration expense for the six months ended June 30, 2018 was $6.1 million, $1.7 million higher than the prior year period. Higher administration expense in the current period is mainly due to increased personnel costs due to the growth of the Company beyond the Sabodala Gold operations in Senegal and other miscellaneous corporate support costs, and the reversal of an over-accrual in the prior year period.

Share-based compensation

Share-based compensation expense for the six months ended June 30, 2018 was $3.9 million, $2.4 million higher than the prior year period due to a 57 percent increase in the Company's share price during the first six months of 2018 compared to a decrease in the Company's share price in the prior year period.

The Company granted Deferred Share Units ("DSUs") to non-executive directors and Restricted Share Units ("RSUs") and stock options to employees to allow participation in the long-term success of the Company and to promote alignment of interests between directors, employees and shareholders.

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

	Six months ended June 30, 2018		As of June 30, 2018	
	Grant Units	**Grant Price**[1]	**Outstanding**	**Total Vested**[2]
RSUs	806,000	C$4.19	1,635,080	677,279
DSUs	193,000	C$4.19	756,998	548,998
Fixed Bonus Plan Units	-	-	323,500	321,160

[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 in thirds upon satisfaction of annual production and costs targets, 25 percent in thirds upon satisfaction of matching the average performance of VanEck Vectors Junior Gold Miners ETF ("GDXJ") and 25 percent vesting in thirds with the passage of time. Both DSUs and RSUs and are payable in cash. The Company used the June 30, 2018 closing share price of C$4.69 to value the vested DSUs and RSUs.

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

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2017	4,454,491	C$9.20
Exercised	(242,867)	C$3.25
Granted [1]	1,306,000	C$4.22
Forfeited	(48,331)	C$7.71
Balance as at June 30, 2018	5,469,293	C$8.29

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

Of the 5,469,293 common share stock options issued and outstanding as at June 30, 2018, 3,535,297 are vested, 637,996 are vested over a three-year period, and 1,296,000 are vested over a four-year period. The fair value of options that vest upon achievement of milestones will be recognized based on management's assessment of the likelihood of reaching those milestones. Under IFRS, the graded method of amortization is applied to new grants of stock options and fixed bonus plan units, which results in approximately 90 percent of the cost of the stock options and fixed bonus plan units recorded in the first twelve months from the grant date.

Finance costs

Finance costs for the six months ended June 30, 2018 were $7.9 million, $6.2 million higher than the prior year period mainly due to: a $4.6 million adjustment to record non-cash accretion expense of the gold stream liability from the Franco-Nevada streaming arrangement as a result of adopting IFRS 15; deferred financing costs related to the Revolver Facility of $0.7 million; and $0.5 million of interest incurred and amortization of deferred financing costs related to the Taurus Facility. Interest incurred and amortization of deferred financing costs of $1.2 million directly attributable to the development of Wahgnion has been capitalized. As a result of the adoption of IFRS 15, the Company will continue to record non-cash accretion expense at a rate of approximately 9 percent on the gold stream liability for so long as the gold stream liability remains outstanding. For additional details, please see the *Critical Accounting Policies and Estimates* section of this MD&A.

Net foreign exchange losses

Net foreign exchange losses of $2.7 million recorded in the six months ended June 30, 2018 was consistent between the comparative periods.

Other income

Other income for the six months ended June 30, 2018 was $6.0 million compared to other income of $0.2 million in the prior year period. The increase in other income was mainly due to non-cash mark-to-market gains on forward gold sales contracts. Based on the value of these contracts as at June 30, 2018, a non-cash unrealized hedge gain of $7.0 million was recognized.

Income tax recovery/(expense)

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

For the six months ended June 30, 2018, the Company recorded income tax expense of $15.9 million, comprised of current income tax expense of $10.2 million and deferred income tax expense of $5.7 million. In the prior year period, an income tax recovery of $0.2 million was comprised of a recovery of deferred income taxes of $3.2 million net of current income tax expense of $3.0 million. Higher current income tax expense in the current period was mainly due to higher income subject to tax from higher gross profit combined with realized and unrealized foreign exchange gains, due to movement of the US dollar against the local currency. Higher deferred income tax expense was mainly due to unrealized foreign exchange gains recognized in the current period for tax purposes. In the prior year period, unrealized foreign exchange losses lowered both current and deferred taxes.

Net profit

Consolidated net profit attributable to shareholders was $14.6 million ($0.14 per share) for the first half of 2018 compared to $15.8 million ($0.15 per share) in the prior year period. The decrease was primarily attributable to an increase of $16.2 million in income tax expense, a non-cash $4.6 million adjustment as a result of the adoption of IFRS 15 and $1.0 million in additional financing costs due to interest incurred and amortization of deferred financing costs related to the Taurus Facility and write-off of deferred financing costs related to the Revolver Facility as it was repaid in full. The increase was partially offset by realized and unrealized gains on gold forward sales contracts of $7.9 million and increase in gross profit of $19.2 million from higher revenues.

Adjusted net profit attributable to shareholders[1] was $16.1 million ($0.15 per share) for the first half of 2018 compared to $16.2 million ($0.15 per share) in the prior year period. Adjusted net profit attributable to shareholders[1] excludes the gain on gold forward sales contracts, accretion expense, net foreign exchange losses, the impact of foreign exchange movements on deferred taxes and other non-cash fair value changes.

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

	As at June 30, 2018	As at December 31, 2017
Balance Sheet		
Cash and cash equivalents	91,670	87,671
Trade and other receivables	8,145	5,484
Inventories	164,077	160,662
Deferred tax assets	20,733	26,491
Marketable securities	732	964
Other assets[1]	607,345	534,960
Total assets	**892,702**	**816,232**
Trade and other payables	59,285	54,165
Borrowings	43,026	14,307
Provisions	37,957	34,303
Gold stream liability	95,692	46,209
Gold offtake payment liability	14,015	-
Share warrant liability	3,117	-
Other liabilities[2]	20,625	17,693
Total liabilities	**273,717**	**166,677**
Total equity	**618,985**	**649,555**

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

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

Balance Sheet Review

Cash

The Company's cash balance at June 30, 2018 was $91.7 million, $4.0 million higher than the balance at the start of the year. Refer to the *Liquidity and Cash Flow* sections below for further details.

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

Trade and Other Receivables

The trade and other receivables balance of $8.1 million includes $3.0 million and $2.0 million in Senegalese and Burkinabe value added tax ("VAT") recoverable, respectively. In February 2016, the Company received an exemption for the payment and collection of refundable Senegalese VAT. This exemption is governed by an amendment to our mining convention and expires on May 2, 2022. Burkinabe VAT recoverable relates to VAT on costs incurred within two years of commencement of operations at Wahgnion, which is expected to be recoverable.

Other Assets

Other assets increased by $72.4 million to $607.3 million as at June 30, 2018. The increase was largely attributable to additions to property, plant and equipment of $103.5 million including $17.4 million from the acquisition of the Afema project, partially offset by depreciation expense of $40.3 million, and an increase in gold hedge derivative assets of $7.0 million.

Borrowings

Borrowings increased by $28.7 million to $43.0 million as at June 30, 2018. The increase was attributable to a $70.0 million drawdown of the Taurus Facility, net of $27.0 million of deferred financing costs. The balance at December 31, 2017 consisted of the $15.0 million Revolver Facility, net of $0.7 million in deferred financing costs.

	As at June 30, 2018	**As at December 31, 2017**
Revolver credit facility		
Principal outstanding	-	15,000
Deferred financing costs	-	(693)
Total Revolver Credit Facility	**-**	**14,307**
Secured development finance facility		
Principal outstanding	70,000	-
Deferred financing costs	(26,974)	-
Total Secured Development Finance Facility	**43,026**	**-**
Total Borrowings	**43,026**	**14,307**

Deferred financing costs detail:

	As at June 30, 2018	**As at December 31, 2017**
Financing costs	10,691	2,321
Fair value of gold offtake payment liability	14,015	-
Share warrants issued	3,105	-
Accumulated amortization of deferred financing costs	(837)	(1,628)
Total deferred financing costs	**26,974**	**693**

The Revolver Facility repaid and its associated deferred financing costs were written off in May 2018 (see *Liquidity and Capital Resources Outlook* section for more details).

Gold Stream Liability

During the six months ended June 30, 2018, the Company delivered 11,250 ounces of gold to Franco-Nevada and recorded revenue of $14.2 million, consisting of $3.0 million received in cash proceeds and $11.2 million recorded as a reduction of gold stream liability. As a result of adopting IFRS 15, a cumulative adjustment to re-measure the gold stream liability of $56.1 million was recognized during the first quarter with a corresponding decrease in opening retained earnings. The adoption of IFRS 15 also required the Company to recognize a $4.6 million expense in the current period related to the accretion of the gold stream liability from the passage of time.

Gold Offtake Payment Liability

In conjunction with the Taurus Facility, the Company entered into a gold offtake agreement with Taurus Funds ("Offtake Agreement") on May 31, 2018 (see *Financial Instruments* section for more details). The balance of $14.0 million at June 30, 2018 represents the fair value of the Offtake Agreement at the end of the reporting period. The Company has estimated the fair value of the Offtake Agreement using a discounted cash flow model based on Wahgnion initial life of mine production, a discount rate of 9.20 percent and the average spread between gold spot price per ounce and the lowest gold price per ounce during the preceding eight days for each trading day in the past ten year period.

Share Warrant Liability

In conjunction with the Taurus Facility, the Company granted two million units of unlisted four-year share warrants to Taurus Funds on April 16, 2018. Each warrant allows the holder to acquire one common share of the Company at an exercise price of C$5.22 (see *Financial Instruments* section for more details). At June 30, 2018, the share warrants have been fair valued at $3.1 million, using the Black-Scholes option pricing model.

Other Liabilities

Other liabilities increased by $2.9 million to $20.6 million as at June 30, 2018. The increase was largely attributable to a provision for current income tax payable of $10.2 million, which was partially offset by $7.6 million settlement of prior year's tax payable in cash and redemption of VAT certificates.

REVIEW OF QUARTERLY FINANCIAL RESULTS

(US$000's, except where indicated)	2018		2017				2016	
	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Revenue	86,050	86,242	88,280	61,041	72,040	70,322	55,764	60,316
Average realized gold price ($/oz)[1]	1,301	1,326	1,279	1,277	1,260	1,226	1,197	1,333
Cost of sales	59,997	59,470	64,149	49,225	54,281	54,458	43,022	37,748
Net profit / (loss)	11,586	2,981	5,758	10,370	9,640	5,592	(1,286)	10,437
Net earnings / (loss) per share[2]	0.11	0.03	0.05	0.10	0.09	0.05	(0.01)	0.13
Operating cash flow	19,181	13,719	32,452	10,235	7,434	21,258	(13,627)	13,255

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

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

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

Higher operating cash flows in the fourth quarter of 2017 were mainly due to higher gold ounces sold. The decrease in operating cash flows in the first quarter of 2018 compared to the first quarter of 2017 is mainly due to the timing of income tax payments and higher working capital from the timing of payables. Net profit increased significantly in the second quarter of 2018 compared to the first quarter of 2018 primarily due to an increase in gains on gold forward sales contracts of $14.0 million, partially offset by an increase in income tax expense of $10.9 million.

BUSINESS AND PROJECT DEVELOPMENT

Wahgnion Gold Project Update

Resource and Reserve Update

The Company anticipates an improvement in the Wahgnion Gold Project's economics following completion of the infill drill program designed to convert inferred resources to indicated resources and then potentially to reserves. Based on drill results from a 73,000 metre infill drill program completed in 2017, the updated combined measured and indicated mineral resource is now 50.5 million tonnes at a grade of 1.51 g/t for 2.4 million contained ounces of gold. This represents a 33 percent increase from 1.8 million contained ounces of gold previously announced in the feasibility study filed on October 20, 2017.

The current gold reserves base of approximately 1.2 million ounces is derived from four deposits (Nogbele, Fourkoura, Samavogo, and Stinger) within the Wahgnion mine license. Based on this new resource update, we are targeting a conversion rate of more than 50 percent of these additional 600,000 ounces of mineral resources into reserves. Teranga expects to release an updated mineral reserve estimate and related NI 43-101 technical report for Wahgnion in the third quarter of 2018.

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

Construction and Development Update

The Wahgnion project construction is being managed by an owner's team with responsibility for delivering site infrastructure, which includes tailings, mine site services, and initiation of mine operations. All infrastructure materials are on order or have been delivered to site, the building of the power station is on track and there is significant ongoing focus on project management and cost controls across all disciplines. Site infrastructure is progressing well. Bulk civils for plant construction, site access roads and the water harvest structures were completed ahead of the rainy season during the second quarter. The permanent camp is nearing completion and detailed engineering for fabrication of the heavy fuel oil power plant is on track. Lycopodium Limited is responsible for the plant construction under the engineering, procurement, and construction management ("EPCM") arrangement. Design engineering is near complete, detailed design and drafting is on track and steel fabrication has commenced. All critical long lead equipment is under manufacture and on schedule. At site, construction is progressing on schedule with concrete pours on a number of work fronts including the mill foundations, primary crusher, leach tanks and reclaim areas. First gold pour is expected by the end of 2019. Total construction capital remains largely in line with the estimates outlined in the feasibility study filed on October 20, 2017, other than some unfavourable currency movements impacting equipment, labour and material costs. The majority of the project contingency remains unused.

Afema

The Afema project is located in southeast Côte d'Ivoire and covers more than 1,400 km^2, consisting of the Afema mining license ("Afema ML") and three exploration permits – Ayame, Mafere and Aboisso (collectively, the "Afema Permits").

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

On March 22, 2018, the Company entered into a definitive agreement with Sodim and acquired 51 percent of Taurus Gold Afema Holdings Limited, which owns the Afema project through the 90 percent controlled Afema Gold SA, for cash consideration of $5.0 million, with an additional $2.5 million payable on January 2, 2019. Pursuant to the agreement, a further $2.5 million becomes payable upon the delivery of a confirmation study, feasibility study or updated feasibility study which shall include anticipated pre-production capital expenditures and the Company's written confirmation of its decision to proceed with the development of any Afema project.

Under the terms of the agreement, the Company maintains its interest in the Afema ML and Afema Permits through the completion of a three-year $11.0 million exploration and community relations work program, increasing its interest to 70 percent on the Afema ML through the delivery of a confirmation study, feasibility study or updated feasibility study on the Afema project and Teranga's commitment to fund its 70 percent interest in the proposed project through construction. Upon reaching this point, Sodim can either elect to either (i) maintain its 30 percent equity interest on a fully participatory basis, (ii) maintain a 5 percent interest on a free carry basis, or (iii) receive a 3 percent net smelter returns royalty on the Afema project.

Teranga expects to solely fund and manage the exploration programs and technical studies under the Afema project.

Management is in the process of assessing previous work within the original Afema ML, including an update of the previously defined oxide resources, analysis of the historical metallurgical test work and an initial review of the baseline environmental work. Once the updated geological models and trade-off engineering studies of the options available to process the oxide ore are complete, management expects a determination of potential for future Canadian Institute of Mining and Metallurgy compliant resources through a resource delineation program and a potential processing solution for the oxide ore.

EXPLORATION

Exploration highlights during second quarter 2018 included the Company announcing an updated resource estimation for the Wahgnion property, announcing more encouraging drill results from Golden Hill in Burkina Faso and advancing the initial evaluations at the areas covering both the Afema ML and Afema Permits in Cote d'Ivoire.

Burkina Faso

Wahgnion Mine License Reserve Development

Nogbele Deposit, Stinger Deposit, Samavogo Deposit, Fourkoura Deposit

During second quarter 2018, geological modelling and an updated resource estimation was completed to incorporate results from the 73,000 metre infill drill program, completed in 2017, on the four deposits that comprise the existing NI 43-101 resource and reserve estimation technical report issued October 2017. The updated resource estimate outlines a 33 percent increase for measured and indicated resources from 1.83 Mozs (35.55 MTonnes grading 1.61 g/t Au) in September 2017 to the current resource estimation of 2.44 Mozs (50.50 MTonnes grading 1.51 g/t Au). For further details, please refer to news release dated June 7, 2018. The Company anticipates that an updated NI 43-101 technical report reflecting the new resource estimation, updated reserves and new mine plan for the Wahgnion Gold Project to be completed in the third quarter.

In addition, the Phase 1 Grade Control drill program was completed at the Nangolo starter pit within the Nogbele deposit. This drilling program consisted of 168 reverse circulation holes totalling 4,021 metres. The Nangolo Phase 2 Grade control drill program is planned during the fourth quarter 2017.

Wahgnion Regional Exploration

A limited amount of exploration work occurred on the Wahgnion regional properties during the second quarter 2018 as the exploration team focused on the grade control drill program at the Nangolo starter pit.

Golden Hill Property

During the second quarter, the Company continued the advanced exploration program at the Golden Hill property with further diamond core drilling at the Ma North, Jackhammer Hill, Nahiri, Peksou and C-Zone Prospects that are all located within approximately 6 kilometres of a central point. In addition, the Company's initial drilling began at both the Peksou Basin and Peksou North targets where positive drill results have indicated two new discoveries.

In total, during second quarter, 58 diamond core holes comprising 7,581 metres were completed at 7 prospects and 2 new exploration targets: Peksou prospect (17 holes totalling 2,156 metres), C-Zone prospect (10 holes totalling 1,086 metres), Jackhammer Hill prospect (8 holes totalling 1,318 metres), Ma North prospect (8 holes totalling 947 metres), Nahiri prospect (4 holes totalling 485 metres), B-Zone prospect (3 holes totalling 393 metres), A-Zone prospect (1 hole totalling 101 metres), Peksou Basin target (3 holes totalling 420 metres) and Peksou North target (4 holes totalling 675 metres).

Other exploration activities undertaken in the second quarter included a second phase of both infill and step-out auger drilling at Peksou North. Since the beginning of 2018, a total of 458 auger drill holes (2,259 metres) have been completed at Peksou North, Jackhammer Hill and Didro. In addition, an excavator-trenching program was initiated at both Peksou Basin and Ma North where 5 trenches (286 metres) were completed.

On April 16, the Company announced positive drilling results obtained from the first quarter drilling program at the C-Zone prospect. Subsequently, the Company announced more encouraging exploration drilling results from a number of these advanced prospects and new discoveries at Peksou North and Peksou Basin. For further details, please refer to news release dated July 12, 2018.

A cumulative table of all available drill results, comprising all drilled prospect areas, is located on the Company's website at www.terangagold.com under "Exploration".

The Company has budgeted $8.0 million for the 2018 exploration program at Golden Hill to enable initial resource estimation for the most advanced prospects by year-end and to expand our exploration program at a number of other exploration targets in close proximity.

Gourma Property

During the second quarter, a 1,300 metre hand-trenching, mapping and sampling program was completed on a number of geochemical anomalies located on the Fourtouri and Kankandi permits at Gourma. Results are currently pending.

Senegal

Sabodala Mine Lease Reserve Development

No specific exploration activities were undertaken on the Sabodala mine lease in the second quarter 2018.

There are plans to continue drilling at both Niakafiri and elsewhere on the mining license, following completion of the community resettlement, with the objective to further increase resources and subsequent reserves. As the village resettlement progresses, we expect to be able to reinitiate the Niakafiri resource definition drill program in 2019.

Senegal Regional Exploration

During the second quarter, the Company continued with field follow-up evaluation programs assessing the results from the Company's property-wide stream sediment bulk leach extractable gold sampling ("BLEG") program completed in 2017. Interpretation of the 2017 BLEG results suggests that five prospective areas within the regional exploration properties warrant follow-up evaluations based on moderate and highly anomalous drainage basin results.

Côte d'Ivoire

In addition to its interest in the Afema project (inclusive of a 1,400 km^2 land package comprised of the Afema mine license and Afema permits), the Company holds, by way of an exploration agreement, five greenfield exploration tenements totalling nearly 1,838 km^2 in Côte d'Ivoire.

Including Afema, the Company has budgeted $3.5 million for 2018 exploration activities in Côte d'Ivoire.

Afema ML Property

The Company continued with the geological remodelling and resource estimation activities commenced earlier in the year. In addition, the process of historic data evaluation continues, focusing on the Afema shear zone exploration and drilling campaigns as well as both the separate and distinct Naimienlessa and Woulo Woulo structural trends. Preliminary field exploration work programs at a series of targets throughout the Afema mine license that are designed to validate and expand beyond previous exploration results began in the second quarter. These are planned to be expanded further over the remainder of 2018, including our initial drilling evaluations at a number of quality target areas.

Afema Regional Properties (Ayame, Mafere, Aboisso)

During the second quarter, a historic data accumulation process, which included re-interpretations of former exploration results, was undertaken and early-stage exploration program planning was initiated. The Company's initial exploration activity across the regional properties is expected to be a property-wide stream sediment sampling and BLEG analytical program scheduled to be initiated during the third quarter. In addition, a property-wide airborne geophysical survey (magnetic and radiometric systems) is also planned for later in 2018.

Guitry Property

Results from the Company's first quarter, 68 hole (3,320 metre), air-core drilling program at the Guitry Property were received. This first-ever drill program at Guitry consisted of a series of shallow, widely spaced, multi-hole drill profiles designed to evaluate the central 1,000 metre strike extent within an extensive gold-in-soil geochemical anomaly covering approximately a 3 kilometre by 7 kilometre area. A number of holes provided intersections with highly anomalous gold intersections warranting follow-up evaluation, of which the most favourable results were: 24 metres grading 2.02 g/t Au (GUAC008), 4 metres grading 5.80 g/t Au (GUAC015) and 20 metres grading 6.37 g/t Au (GUAC018). Results are currently being compiled and assessed towards designing a follow-up exploration program consisting of ground geophysics, mechanical trenching and further drilling.

Sangaredougou Property

No additional filed programs were undertaken at Sangaredougou during second quarter. The Company plans additional exploration activities in the fourth quarter.

Dianra Property

A ground magnetic and soil sampling program, which commenced in the first quarter 2018, was completed during the second quarter at our Dianra Property. This work program consisting of 238 line-kilometres of geophysical surveying spanning the entire 30 kilometre length of the permit. In total, 3,193 soil samples were collected at varying line-spacing covering the highest priority target trend as identified from an earlier soil geochemistry program. Results are currently pending. The Company anticipates a follow up exploration program later in 2018.

Liquidity and Cash Flow

Cash Flow

(US$000's)	**Three months ended June 30,**		**Six months ended June 30,**	
Cash Flow	**2018**	**2017**	**2018**	**2017**
Operating activities excluding changes in working capital other than inventories	26,105	22,191	50,971	46,018
Changes in non-cash working capital other than inventories	(6,924)	(14,757)	(18,071)	(17,326)
Operating	19,181	7,434	32,900	28,692
Investing	(35,603)	(21,247)	(76,116)	(40,362)
Financing	45,399	(272)	43,694	(3,236)
Effect of exchange rates on cash holdings in foreign currencies	2,440	(94)	3,521	6
Change in cash and cash equivalents during the period	31,417	(14,179)	3,999	(14,900)
Cash and cash equivalents - beginning of period	**60,253**	**94,467**	**87,671**	**95,188**
Cash and cash equivalents - end of period	**91,670**	**80,288**	**91,670**	**80,288**

(US$000's)	**Three months ended June 30,**		**Six months ended June 30,**	
Changes in working capital other than inventory	**2018**	**2017**	**2018**	**2017**
Increase in trade and other receivables	(3,872)	(3,328)	(3,528)	(2,305)
(Increase)/Decrease in other assets	(1,339)	2,018	(1,281)	971
Decrease in trade payables and other	(9,268)	(702)	(17,673)	(4,630)
Decrease in provisions	(66)	(61)	(66)	(135)
Increase/(Decrease) in current income taxes payable	7,621	(12,684)	4,477	(11,227)
Net change in working capital other than inventory	**(6,924)**	**(14,757)**	**(18,071)**	**(17,326)**

Sources and Uses of Cash

	Three months ended June 30, 2018				
Cash Flow - Details (US$000's)	**Sabodala**	**Corporate**	**Wahgnion**	**Exploration**	**Consolidated Cash Flow**
Operating	**27,392**	**(3,087)**	**199**	**(5,323)**	**19,181**
Investing	**(11,996)**	**(517)**	**(22,845)**	**(245)**	**(35,603)**
- Expenditures for mine development - sustaining	*(10,292)*	*(208)*	-	-	
- Expenditures for property, plant and equipment - sustaining	*(1,704)*	*(103)*	-	-	
- Expenditures for mine development - growth	-	-	*(3,083)*	-	
- Expenditures for property, plant and equipment - growth	-	-	*(19,502)*	*(245)*	
- Expenditures for investing in shares	-	-	-	-	
- Expenditures for intangibles	-	*(206)*	*(260)*	-	
Financing	**-**	**45,399**	-	-	**45,399**
- Proceeds from drawdown of borrowings	-	*70,000*	-	-	
- Repayment of borrowings	-	*(15,000)*	-	-	
- Financing costs paid	-	*(9,287)*	-	-	
- Proceeds from stock options exercised	-	*609*	-	-	
- Interest paid on borrowings	-	*(923)*	-	-	
Effect of exchange rates on cash holdings in foreign currencies	**1,999**	**441**	-	-	**2,440**
Change in cash and cash equivalents during the period	**17,395**	**42,236**	**(22,646)**	**(5,568)**	**31,417**

	Six months ended June 30, 2018				
Cash Flow - Details (US$000's)	**Sabodala**	**Corporate**	**Wahgnion**	**Exploration**	**Consolidated Cash Flow**
Operating	**45,978**	**(5,344)**	**115**	**(7,849)**	**32,900**
Investing	**(24,991)**	**(853)**	**(44,703)**	**(5,569)**	**(76,116)**
- Expenditures for mine development - sustaining	*(21,697)*	*(344)*	-	-	
- Expenditures for property, plant and equipment - sustaining	*(3,212)*	*(212)*	-	-	
- Expenditures for mine development - growth	-	-	*(6,209)*	-	
- Expenditures for property, plant and equipment - growth	-	-	*(38,234)*	*(406)*	
- Expenditures for investing in shares	-	*(77)*	-	-	
- Expenditures for intangibles	*(82)*	*(220)*	*(260)*	-	
- Investment in Afema Project	-	-	-	*(5,303)*	
- Cash from in Afema Project	-	-	-	*140*	
Financing	**(301)**	**43,995**	**-**	**-**	**43,694**
- Proceeds from drawdown of borrowings	-	*70,000*	-	-	
- Repayment of borrowings	-	*(15,000)*	-	-	
- Financing costs paid	-	*(10,691)*	-	-	
- Proceeds from stock options exercised	-	*609*	-	-	
- Interest paid on borrowings	*(301)*	*(923)*	-	-	
Effect of exchange rates on cash holdings in foreign currencies	**3,040**	**481**	-	-	**3,521**
Change in cash and cash equivalents during the period	**23,726**	**38,279**	**(44,588)**	**(13,418)**	**3,999**

During the three and six months ended June 30, 2018, Sabodala generated net cash of $17.4 million and $23.7 million, respectively. The Company expects Sabodala to continue to generate free cash flow, which, for the balance of 2018, is expected to be used to fund expenditures of the corporate office, the Company's exploration budget for 2018 and, together with funds available under the Taurus Facility, contribute the funds required to develop Wahgnion. Higher cash used in the exploration segment was mainly due to $5.3 million paid to acquire a 51 percent interest in the Afema project in the first quarter of 2018 with the remainder primarily for exploration at Golden Hill.

Operating Cash Flow

Cash provided by operations for the three months ended June 30, 2018 increased to $26.1 million before net changes in working capital other than inventories, compared to $22.2 million in the prior year quarter. Net cash provided by operating activities, after changes in working capital, increased to $19.2 million compared to $7.4 million in the prior year quarter. The increase in operating cash flow was primarily due to higher revenues and the timing and amount of income tax payments of $0.3 million in 2018 compared to $15.2 million in the prior year period. The increases were partially offset by increased payments to suppliers and employees compared to the prior year period.

Cash provided by operations for the six months ended June 30, 2018 increased to $51.0 million before net changes in working capital other than inventories, compared to $46.0 million in the prior year quarter. Net cash provided by operating activities, after changes in working capital, increased to $32.9 million compared to $28.7 million in the prior year period. The increase in operating cash flow was primarily due to higher revenues and lower income taxes paid of $9.2 million partially offset higher royalties paid and increased payments to supplier and employees.

Investing Cash Flow

(US$000's)	**Three months ended June 30,**		**Six months ended June 30,**	
Investing Activities	**2018**	**2017**	**2018**	**2017**
Sustaining Capital (Sabodala)				
Mine site capital expenditure - sustaining	1,808	4,077	3,077	6,970
Mine site capital expenditure - project	208	205	344	336
Development capital	1,862	3,033	2,564	3,614
Capitalized reserve development (mine site exploration)	272	2,296	1,322	4,008
Sustaining Capital Expenditures, before Deferred Stripping	**4,150**	**9,611**	**7,307**	**14,928**
Capitalized deferred stripping	8,157	4,704	18,254	16,304
Total Sustaining Capital Expenditures	**12,307**	**14,315**	**25,561**	**31,232**
Growth Capital				
Feasibility	-	420	-	1,269
Reserve development	246	650	301	1,132
Construction readiness	-	5,862	-	6,729
Early works	7,194	-	29,158	-
Construction	15,390	-	15,390	-
Total Growth Capital Expenditures	**22,830**	**6,932**	**44,849**	**9,130**
Expenditures for intangibles	466	-	466	-
Investment in marketable securities	-	-	77	-
Investment in Afema Project	-	-	5,303	-
Cash aquired from Afema Project	-	-	(140)	-
Investing Activities	**35,603**	**21,247**	**76,116**	**40,362**

Net cash used in investing activities for the three months ended June 30, 2018 was $35.6 million, $14.4 million higher than the prior year period, mainly due to expenditures for Wahgnion.

Net cash used in investing activities for the six months ended June 30, 2018 was $76.1 million, $35.8 million higher than the prior year period, mainly due to expenditures for Wahgnion and the acquisition of the Afema Project, partially offset by lower sustaining capital expenditures.

Financing Cash Flow

Net cash flow from financing activities in the three months ended June 30, 2018 was $45.4 million and included the first drawdown of $70.0 million from the Taurus Facility, repayment of $15.0 million of the Revolver Facility and additional financing costs paid of $9.3 million to obtain the Taurus Facility.

Net cash flow from financing activities in the six months ended June 30, 2018 was $43.7 million and included the first drawdown of $70.0 million from the Taurus Facility, repayment of $15.0 million of the Revolver Facility and financing costs paid of $10.7 million to obtain the Taurus Facility.

LIQUIDITY AND CAPITAL RESOURCES OUTLOOK

We require sufficient liquidity and capital resources to not only run our existing operations but to also execute on our growth strategy, which includes (i) optimizing our flagship Sabodala operation; (ii) increasing production through the completion of Wahgnion on-time and on budget; (iii) unlocking additional value in Burkina Faso, Senegal and Côte d'Ivoire through resource conversion drill programs and exploration; and (iv) maintaining financial flexibility to fund our future growth plans responsibly.

(i) Optimizing Our Sabodala Operation

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

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

In 2017, Teranga's board approved construction of Wahgnion. With the Taurus Facility now in place, the Company has commenced major construction activities, with the goal of reaching first gold pour by the end of 2019. During the second quarter, the Company spent $20.9 million on construction related activities. Since commencement of the Wahgnion project, Teranga has invested $46.0 million in construction expenditures at the Wahgnion project.

(iii) Targeted Exploration Programs

Based on the success of the exploration programs in Burkina Faso and Senegal, the reserve development and exploration budget for 2018 is expected to be approximately $15 million. Furthermore, the Taurus Facility includes $25 million to be used towards future advancement of a feasibility study for Golden Hill. The Company has also invested in exploration projects in the region with the recent acquisition of the Afema project in Cote d'Ivoire.

We believe we are in a strong position to continue to optimize our Sabodala Operation, bring our second gold mine - Wahgnion into production and to advance Golden Hill through feasibility with the following sources of liquidity:

i. *Cash Balance.* As at June 30, 2018, we had a consolidated cash balance of $91.7 million.

ii. *Cash Flows from Sabodala (unhedged).* Using a $1,250 per ounce gold price, we expect Sabodala to generate $88[1] million in free cash flows[2] over 2018 and 2019 and $230[1] million in free cash flows[2] between 2018 and 2022 (exclusive of Sabodala Gold Hedges below).

iii. *Sabodala Gold Hedges.* During the third quarter of 2017 and first quarter of 2018, the Company entered into

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

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

forward gold sales contracts for about 50 percent of anticipated production over six quarters at an average gold price of $1,340 per ounce. Using a gold price assumption of $1,250 per ounce, this hedge program provides $17.0[1] million in additional free cash flow[2] to the amount noted above for Sabodala from January 2018 through to September 2019.

iv. *Wahgnion Financing.* On April 16, 2018, the Company concluded an agreement with various funds managed by Taurus in respect of the Taurus Facility[3]. The Taurus Facility included the following:

- $165 million to be used towards funding the development of Wahgnion and to repay all of the Company's current outstanding bank debt, totalling $15 million drawn on its Revolver Facility ("Wahgnion Tranche");
- $25 million to be used toward future advancement of a feasibility study for Golden Hill ("Golden Hill Tranche"); and
- $10 million equipment lease facility carve out for which the Company received an indicative term sheet from Caterpillar Financial Services Corporation on July 23, 2018.

All drawdowns of funds under the Taurus Facility are subject to satisfaction of customary conditions precedent, including a funding ratio of Wahgnion project costs funded by the Company as compared to project costs funded by the Taurus Facility. In the event that the Company is unable to meet its share of project costs under this funding ratio, the Company would be required to procure additional funds through: (i) equity; (ii) subordinated financial indebtedness; or (iii) any other equity instrument approved by Taurus. Should the Company be unsuccessful in drawing down on some or all of the funds, planned development activities may be postponed or cancelled. On May 7, the Company satisfied all conditions precedent for its first drawdown under the Taurus Facility. The drawdown under the Wahgnion Tranche was $70 million, $15 million of which was used to repay the Revolver Facility. As at June 30, 2018, the Company is in compliance with all financial covenants under the Taurus Facility.

As results of ongoing exploration programs in Cote d'Ivoire, including the economic evaluation of the Afema project, and/or other growth opportunities become available, the Company may consider an external financing to supplement cash flow from operations as required. This external financing may be in the form of external equity or subordinated indebtedness. Our cornerstone investor, Mr. David Mimran, retains pre-emptive participation rights to maintain his current 21.7 percent ownership position in any future potential equity raise.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

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

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

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

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.

The Company has entered into forward gold sales contracts with Macquarie for a total of 134,500 ounces of gold at an average gold price of approximately $1,340 per ounce, settling 26,500 ounces in each financial quarter of 2018, 25,000 ounces settling in first quarter 2019, 26,500 ounces settling in second quarter 2019 and finally 30,000 ounces settling in third quarter 2019. As a result, the Company has hedged about 50 percent of anticipated Sabodala production over the next five quarters at gold prices averaging approximately $1,343 per ounce to provide improved revenue certainty during construction of the Wahgnion Gold Project.

In conjunction with the Taurus Facility, the Company granted two million unlisted four-year share warrants to Taurus Funds on April 16, 2018. Each warrant allows the holder to acquire one common share of the Company at an exercise price of C$5.22. As the currency of the exercise price of the warrants is different from the Company's functional currency, the share warrants have been classified as a derivative financial liability. As a result, the share warrants are recorded at fair value at the end of each reporting period. Upon exercise, the warrant liability will be reclassified to share capital. Should the warrants expire unexercised, the associated warrant liability will be recorded as other income in the consolidated statements of comprehensive income. There is no circumstance under which the Company would be required to pay any cash upon exercise or expiry of the warrants. At June 30, 2018, the share warrants have been fair valued at $3.1 million, using the Black-Scholes option pricing model.

In conjunction with the Taurus Facility, the Company entered into the Offtake Agreement with Taurus Funds on May 31, 2018. Under the terms of the Offtake Agreement, Taurus Funds is entitled to an amount equal to the difference between the actual spot sales price per ounce and the lowest a.m. and p.m. London Bullion Market Association gold price per ounce during the eight business days preceding the sale date for all WGO gold ounces produced and sold, up to 1,075,000 ounces. Sales proceeds received by Teranga will be reduced by any amounts owed to Taurus Funds under the Offtake Agreement.

The Offtake Agreement was classified as a derivative financial liability as the amount due to Taurus Funds is variable and determined based on the price spread between the spot price of gold on the date of sale and the lowest spot price of gold over periods of time in the future. As a result, the gold offtake payment liability is recorded at fair value at the end of each reporting period. The Company has estimated the fair value of the Offtake Agreement using a discounted cash flow model based on the WGO life of mine production. As at May 31, 2018, the estimated fair value of the Offtake Obligation was $14.0 million, which was recognized as a deferred financing cost. As at June 30, 2018, the estimated fair value was $14.0 million.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital purchase obligations

The Company has entered into various capital purchase obligations at the Sabodala Gold operations and Wahgnion. As at June 30, 2018, total future purchase obligations related to these projects were approximately $6.1 million for Sabodala and $77.1 million for Wahgnion. In addition, the Company has an additional three-year $10.3 million exploration and community relations work program under the agreement with Sodim.

OTHER MATTERS

Senegalese Tax on Gold Sales

During the second quarter of 2018, the Republic of Senegal issued notice of amendments to the 2018 finance act ("Amended Finance Act") that, among other industry specific new special contributions and levies, imposes a 4 percent duty on the sale of exported gold. The Amended Finance Act has not been applied to gold companies who benefit from fiscal stabilization and already pay a royalty on such exports. The Amended Finance Act is intended to capture exports from artisanal producers who do not otherwise pay royalties to the state.

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

Adoption of IFRS 9, Financial Instruments ("IFRS 9")

In November 2009 and October 2010, the IASB issued the first phase of IFRS 9, Financial Instruments. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes a third measurement category for financial assets (fair value through other comprehensive income) and a single, forward-looking 'expected loss' impairment model. The adoption date for IFRS 9 was January 1, 2018.

Upon adoption, investments in publicly traded equity securities held by the Company have been classified as fair value through other comprehensive income. These investments are recorded at fair value and changes in the fair value of these investments are recognized permanently in other comprehensive income. In accordance with IFRS 9, the Company's Offtake Agreement was classified as a derivative financial liability. As a result, the gold offtake payment liability is recorded at fair value at the end of each reporting period. The Company has concluded that the adoption of IFRS 9 had no other impact on its consolidated financial statements.

Adoption of IFRS 15, Revenue from Contracts with Customers

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

The Company has determined that the Franco-Nevada gold streaming arrangement falls within the scope of IFRS 15 as it constitutes a contract with a customer to deliver an uncertain quantity of gold ounces in the future. The upfront payment constitutes a gold stream liability whereby the performance obligation is in the form of future deliveries of refined ounces under the streaming agreement.

Under the Franco-Nevada gold streaming arrangement, the Company is required to deliver ounces of production annually commencing in 2014 from the Company's existing properties in Senegal in exchange for an up-front deposit of $135 million. Under the arrangement, Franco-Nevada pays the Company cash at the prevailing spot price of gold at the date of delivery on 20 percent of the ounces delivered. For the remaining 80 percent of the ounces delivered to Franco-Nevada, the deferred revenue balance is drawn down based on the prevailing spot price for gold. Once the deferred revenue has been drawn down to $nil, the Company will record sales of 20 percent of spot price, equal to the cash payments, for 6 percent of ounces produced.

As the total amount paid up-front by Franco-Nevada for the future deliveries (the promised consideration) differs from the stand-alone selling price of the product purchased (i.e. the expected forward price as applied to total anticipated future deliveries), the Company concluded that this arrangement provided the entity with a significant benefit of financing and therefore contains a significant financing component ("SFC") as defined under IFRS 15.

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

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

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

- Increase to Gold Stream Liability of $56.1 million
- Decrease to Retained Earnings of $56.1 million

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

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

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

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

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

"Average realized price" is a financial measure with no standard meaning under IFRS. Management uses this measure to better understand the price realized in each reporting period for gold and silver sales. Average realized price is calculated on revenue and ounces sold to all customers, except Franco-Nevada, as gold ounces sold to Franco-Nevada is recognized in revenue at 20 percent of the prevailing gold spot price on the date of delivery and 80 percent at $1,250 per ounce. The average realized price is intended to provide additional information only and does not have any standardized definition under IFRS; it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate this measure differently.

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

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

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

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

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

RECONCILIATION OF NON-IFRS 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 June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Gold produced[1] (oz)	65,381	57,557	129,412	114,460
Gold sold (oz)	66,256	57,167	131,490	114,438
Cash costs per ounce sold				
Mine operation expenses	42,197	41,092	85,556	82,924
Less: Regional administration costs	(492)	(519)	(855)	(1,024)
Total cash costs	**41,705**	**40,573**	**84,701**	**81,900**
Total cash costs per ounce sold	**629**	**710**	**644**	**716**
Cost of sales per ounce sold				
Cost of sales	**59,997**	**54,281**	**119,467**	**108,739**
Total cost of sales per ounce sold	**906**	**950**	**909**	**950**
All-in sustaining costs				
Total cash costs	41,705	40,573	84,701	81,900
Administration expenses[2]	3,391	2,743	6,859	5,365
Share-based compensation	1,120	553	3,851	1,430
Capitalized deferred stripping	8,157	4,704	18,254	16,304
Capitalized reserve development	272	2,296	1,322	4,008
Mine site sustaining capital	3,878	7,315	5,985	10,920
All-in sustaining costs	**58,523**	**58,184**	**120,972**	**119,927**
All-in sustaining costs per ounce sold	**883**	**1,018**	**920**	**1,048**
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)				
All-in sustaining costs	58,523	58,184	120,972	119,927
Amortization of advanced royalties	(789)	(764)	(1,664)	(1,496)
Inventory movements - non-cash	(1,648)	(4,089)	(5,306)	(11,556)
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)	**56,086**	**53,331**	**114,002**	**106,875**
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) per ounce	**847**	**933**	**867**	**934**

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

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

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

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

	Three months ended June 30,		Six months ended June 30,	
(US$000's)	**2018**	**2017**	**2018**	**2017**
Net profit for the period	11,401	10,395	15,397	17,608
Add: finance costs (before accretion expense)	1,807	707	2,893	1,393
Less: finance income	(5)	(53)	(10)	(110)
Adjust: income tax expense/(recovery)	13,412	(803)	15,944	(245)
Add: depreciation and amortization	18,334	13,581	35,090	27,055
Earnings before interest, taxes, depreciation and amortization	**44,949**	**23,827**	**69,314**	**45,701**

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

	Three months ended June 30,		Six months ended June 30,	
(US$000's)	**2018**	**2017**	**2018**	**2017**
Net profit attributable to shareholders	11,586	9,640	14,567	15,803
Adjustments (net of tax) for:				
Gains on derivative instruments	(10,942)	-	(7,881)	-
Accretion expense	2,465	141	5,004	293
Acquisition	-	32	-	52
Net foreign exchange (gains) losses	(124)	2,024	1,945	2,937
Impact of foreign exchange on deferred taxes	3,218	(2,114)	2,471	(2,890)
Change in fair value of share w arrant liability	(11)	-	(11)	-
Adjusted net profit attributable to shareholders	**6,192**	**9,723**	**16,095**	**16,195**
Basic earnings per share	**0.11**	**0.09**	**0.14**	**0.15**
Adjusted basic earnings per share	**0.06**	**0.09**	**0.15**	**0.15**

OUTSTANDING SHARE DATA

At June 30, 2018, the Company had 107,586,769 outstanding shares.

TRANSACTIONS WITH RELATED PARTIES

During the three and six months ended June 30, 2018, there were nil transactions (2017 - $27 thousand and $63 thousand), between the Company and a director-related entity.

The Company has an exploration agreement with Miminvest SA ("Miminvest"), a related party, to identify and acquire gold exploration stage mining opportunities in Côte d'Ivoire. Miminvest is a company established to invest in gold and natural resources in West Africa and is controlled by the Mimran family and Mr. David Mimran, a director and the largest shareholder of Teranga. Miminvest holds five existing exploration permits, representing 1,838 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 is expected to provide ongoing in-country strategic advice. Furthermore, the entity will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest permits.

SHAREHOLDINGS

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

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

CEO/CFO CERTIFICATION

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

The Company's CEO and CFO certify that, as at June 30, 2018, the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The control framework the Company's CEO and CFO used to design the Company's ICFR is The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework issued on May 14, 2013. There is no material weakness relating to the design of ICFR. There has been no change in the Company's design of the ICFR that occurred during the three and six months ended June 30, 2018, which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

The Company has limited the scope of the design of ICFR and DC&P to exclude the controls, policies and procedures of the entities acquired as part of the Afema project acquisition. The balance sheet and operating results of the entities are included in the interim condensed consolidated financial statements of Teranga for the three and six months ended June 30, 2018, following the acquisition on March 22, 2018. The scope limitation is in accordance with Section 3.3 of NI 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings, which allows an issuer to limit its design of ICFR and DC&P to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates. Summary financial information of the Afema project in the interim condensed consolidated financial statements were as follows:

(US$000's)	**As at and three and six months ended June 30, 2018**
Current assets	766
Non-current assets	17,265
Current liabilities	(806)
Net loss	350

RISKS AND UNCERTAINTIES

The Company identified a number of risk factors to which it is subject to in its Annual Information Form dated March 29, 2018 and filed for the year ended December 31, 2017. These various financial and operational risks and uncertainties continue to be relevant to an understanding of our business, and could have a significant impact on profitability and levels of operating cash flow. These risks and uncertainties include, but are not limited to: fluctuations in metal prices (principally the price of gold), capital and operating cost estimates, borrowing risks, production estimates, need for additional financing, uncertainty in the estimation of mineral reserves and mineral resources, the inherent danger of mining, infrastructure risk, insured and uninsured risks, environmental risks and regulations, government regulation, ability to obtain and renew licenses and permits, foreign operations risks, title to properties, competition, dependence on key personnel, currency, repatriation of earnings, adverse changes to taxation laws, West African political risks, risk of a disease outbreak impacting our West African workforce and stock exchange price fluctuations.

CORPORATE DIRECTORY

Board of Directors

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

Senior Management

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

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Legal Counsel

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Toronto, Ontario, Canada

Share Registry

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Stock Exchange Listing

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

FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"), which reflects management's expectations regarding Teranga's future growth, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities. Wherever possible, words such as "objective to", "likely", "intend to", "potential", "belief", "believe", "expects", "estimates", "plans", "anticipated", "ability" and similar expressions or statements that certain actions, events or results "should", or "will" have been used to identify such forward-looking information. 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, the ability to resettle the community within anticipated timeline, anticipated future estimates of free cash flow, and courses of action. Teranga cautions you not to place undue reliance upon any such forward-looking statements.

The risks and uncertainties that may affect forward-looking statements include, among others: the inherent risks involved in exploration and development of mineral properties, including government approvals and permitting, changes in economic conditions, changes in the worldwide price of gold and other key inputs, changes in mine plans and other factors, such as project execution delays, many of which are beyond the control of Teranga, as well as other risks and uncertainties which are more fully described in Teranga's Annual Information Form dated March 29, 2018, and in other filings of Teranga with securities and regulatory authorities which are available at www.sedar.com. Teranga does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Nothing in this MD&A should be construed as either an offer to sell or a solicitation to buy or sell Teranga securities. All references to Teranga include its subsidiaries unless the context requires otherwise.

QUALIFIED PERSONS STATEMENT

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

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

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

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

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

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

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

Teranga confirms that it is not aware of any new information or data that materially affects the information included in the technical reports for the Sabodala Project (August 30, 2017) and the Wahgnion Project (October 20, 2017) pursuant to National Instrument 43-101 - Standards of Disclosure for Mineral Projects (the "Technical Reports"), or second quarter 2018 results, market announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements concerning the Technical Reports continue to apply and have not materially changed.

Interim Condensed Consolidated Financial Statements of

TERANGA GOLD CORPORATION

For the three and six months ended June 30, 2018

(unaudited)

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(In thousands of United States dollars except for shares and per share amounts)

	Note	Three months ended June 30, 2018	2017	Six months ended June 30, 2018	2017
Revenue	4	86,050	72,040	172,292	142,362
Mine operation expenses	5	(42,197)	(41,092)	(85,556)	(82,924)
Depreciation and amortization	6	(17,800)	(13,189)	(33,911)	(25,815)
Cost of sales		**(59,997)**	**(54,281)**	**(119,467)**	**(108,739)**
Gross profit		**26,053**	**17,759**	**52,825**	**33,623**
Exploration and evaluation expenditures		(1,832)	(2,336)	(4,875)	(4,296)
Administration expenses	7	(2,939)	(2,254)	(6,081)	(4,399)
Corporate social responsibility expenses		(1,315)	(765)	(2,049)	(1,653)
Share-based compensation		(1,120)	(553)	(3,851)	(1,430)
Finance costs	8	(4,293)	(864)	(7,938)	(1,719)
Net foreign exchange losses		(449)	(2,441)	(2,675)	(2,962)
Other income	9	10,708	1,046	5,985	199
		(1,240)	**(8,167)**	**(21,484)**	**(16,260)**
Profit before income tax		**24,813**	**9,592**	**31,341**	**17,363**
Income tax (expense)/recovery	10	(13,412)	803	(15,944)	245
Net profit for the period		**11,401**	**10,395**	**15,397**	**17,608**
Net profit attributable to:					
Shareholders		11,586	9,640	14,567	15,803
Non-controlling interests		(185)	755	830	1,805
Net profit for the period		**11,401**	**10,395**	**15,397**	**17,608**
Other comprehensive (loss) /income for the period					
Change in fair value of marketable securities, net of tax		(447)	(414)	(309)	899
Other comprehensive (loss) /income for the period		**(447)**	**(414)**	**(309)**	**899**
Total comprehensive income for the period		**10,954**	**9,981**	**15,088**	**18,507**
Total comprehensive income attributable to:					
Shareholders		11,139	9,226	14,258	16,702
Non-controlling interests		(185)	755	830	1,805
Total comprehensive income for the period		**10,954**	**9,981**	**15,088**	**18,507**
Earnings per share from operations attributable to the shareholders of the Company during the period					
- basic earnings per share	2b, 23	0.11	0.09	0.14	0.15
- diluted earnings per share	2b, 23	0.11	0.09	0.14	0.15

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(In thousands of United States dollars)

	Note	As at June 30, 2018	As at December 31, 2017
Current assets			
Cash and cash equivalents		91,670	87,671
Trade and other receivables	11	8,145	5,484
Inventories	12	76,844	57,024
Marketable securities	13	732	964
Other current assets	14	14,291	9,686
Total current assets		**191,682**	**160,829**
Non-current assets			
Inventories	12	87,233	103,638
Property, plant and equipment	15	584,033	520,834
Deferred income tax assets		20,733	26,491
Other non-current assets	14	9,021	4,440
Total non-current assets		**701,020**	**655,403**
Total assets		**892,702**	**816,232**
Current liabilities			
Trade and other payables	16	59,285	54,165
Current income tax liabilities		10,294	7,634
Share warrant liability	19	3,117	-
Gold stream liability	20	14,187	24,206
Provisions	21	7,642	4,919
Total current liabilities		**94,525**	**90,924**
Non-current liabilities			
Borrowings	17	43,026	14,307
Gold offtake payment liability	18	14,015	-
Gold stream liability	20	81,505	22,003
Provisions	21	30,315	29,384
Other non-current liabilities	16	10,331	10,059
Total non-current liabilities		**179,192**	**75,753**
Total liabilities		**273,717**	**166,677**
Equity			
Issued capital	22	497,257	496,333
Foreign currency translation reserve		(998)	(998)
Other components of equity		18,180	18,299
Retained earnings		81,306	122,835
Equity attributable to shareholders		**595,745**	**636,469**
Non-controlling interests		23,240	13,086
Total equity		**618,985**	**649,555**
Total equity and liabilities		**892,702**	**816,232**

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

Approved by the Board of Directors

Alan Hill
Director

Alan Thomas
Director

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(In thousands of United States dollars)

		Six months ended June 30,	
	Note	**2018**	**2017**
Issued capital			
Beginning of period		496,333	496,326
Exercise of stock options	27	924	7
End of period		497,257	496,333
Foreign currency translation reserve			
Beginning of period		(998)	(998)
End of period		(998)	(998)
Other components of equity			
Beginning of period		18,299	17,514
Equity-settled share-based compensation expense		190	586
Investment revaluation reserve on change in fair value of marketable securities, net of tax		(309)	899
End of period		18,180	18,999
Retained earnings			
Beginning of period		122,835	90,903
Adjustment due to IFRS 15	2c	(56,096)	-
Profit attributable to shareholders		14,567	15,803
End of period		81,306	106,706
Non-controlling interests			
Beginning of period		13,086	13,188
Acquisition of Afema	3	9,324	-
Non-controlling interest - portion of profit for the period		830	1,805
Dividend payment to the Government of Senegal		-	(2,700)
End of period		23,240	12,293
Total equity as at June 30		**618,985**	**633,333**

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands of United States dollars)

		Three months ended June 30,		Six months ended June 30,	
	Note	2018	2017	2018	2017
Cash flows related to operating activities					
Add (deduct) items not affecting cash:					
Net profit for the period		11,401	10,395	15,397	17,608
Depreciation of property, plant and equipment	15	7,445	5,748	13,569	11,584
Depreciation of capitalized mine development costs	15	11,079	10,034	26,729	17,411
Inventory movements - non-cash	6	583	(2,049)	(4,284)	(1,621)
Capitalized deferred stripping - non-cash	6	(494)	(362)	(1,102)	(1,182)
Amortization of advanced royalties		789	764	1,663	1,496
Unrealized gains on derivative instruments		(10,317)	-	(7,014)	-
Amortization of intangibles		111	24	182	48
Amortization of deferred financing costs		1,104	115	1,220	229
Accretion expenses	8	2,486	(46)	5,045	326
Share-based compensation	27	1,120	553	3,891	1,430
Amortization of gold stream liability	20	(5,625)	(5,662)	(11,250)	(11,154)
Deferred income tax expense/(recovery)		5,628	(2,304)	5,628	(3,203)
Unrealized losses on revaluation of share warrant liability	19	11	-	11	-
Interest on borrowings		125	292	417	550
Decrease in inventories		659	4,689	869	12,496
Cash flows related to operating activities before changes in working capital excluding inventories		26,105	22,191	50,971	46,018
Changes in working capital other than inventories	25a	(6,924)	(14,757)	(18,071)	(17,326)
Net cash provided by operating activities		**19,181**	**7,434**	**32,900**	**28,692**
Cash flows related to investing activities					
Expenditures for property, plant and equipment		(21,554)	(4,550)	(42,064)	(7,461)
Expenditures for mine development		(13,583)	(16,635)	(28,250)	(32,747)
Acquisition of intangibles		(466)	(62)	(562)	(154)
Investment in Afema Project		-	-	(5,303)	-
Cash acquired from Afema		-	-	140	-
Investment in marketable securities		-	-	(77)	-
Net cash used in investing activities		**(35,603)**	**(21,247)**	**(76,116)**	**(40,362)**
Cash flows related to financing activities					
Drawdown of finance facility	17	70,000	-	70,000	-
Repayment of borrowings	17	(15,000)	-	(15,000)	-
Financing costs paid		(9,287)	-	(10,691)	-
Proceeds from stock options exercised		609	-	609	7
Interest paid on borrowings		(923)	(272)	(1,224)	(543)
Dividend payment to the Government of Senegal		-	-	-	(2,700)
Net cash provided by (used in) financing activities		**45,399**	**(272)**	**43,694**	**(3,236)**
Effect of exchange rates on cash holdings in foreign currencies		2,440	(94)	3,521	6
Net increase/(decrease) in cash and cash equivalents		**31,417**	**(14,179)**	**3,999**	**(14,900)**
Cash and cash equivalents at the beginning of period		**60,253**	**94,467**	**87,671**	**95,188**
Cash and cash equivalents at the end of period		**91,670**	**80,288**	**91,670**	**80,288**
Taxes paid in Cash		**266**	**15,202**	**5,942**	**15,202**

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
(Unaudited)
(In thousands of United States dollars)

1. GENERAL INFORMATION

Teranga Gold Corporation ("Teranga" or the "Company") is a Canadian-based gold company listed on the Toronto Stock Exchange (TSX: TGZ) and in the United States on the OTCQX market (OTCQX: TGCDF).

Teranga is principally engaged in the production and sale of gold, as well as related activities such as exploration and mine development.

Teranga operates the Sabodala Gold Mine in Senegal and is developing its second mine, the Wahgnion Gold Project (formerly known as the Banfora Gold Project) in Burkina Faso. In addition, the Company has a number of early to advanced stage exploration properties in Burkina Faso, Côte d'Ivoire and Senegal.

The address of the Company's principal office is 77 King Street West, Suite 2110, Toronto, Ontario, Canada, M5K 1H1.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Since the interim condensed consolidated financial statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2017.

The interim condensed consolidated financial statements were approved by the Board of Directors on August 1, 2018.

Certain comparative amounts have been restated to conform to the current year's presentation.

b. Basis of presentation

All amounts included in these interim condensed consolidated financial statements have been presented in United States dollars unless otherwise stated. The interim condensed consolidated financial statements have been prepared on the basis of historical cost, except for certain financial assets and liabilities that are measured at fair value as disclosed elsewhere in the notes to the financial statements. The interim condensed consolidated financial statements have been prepared based on the Company's accounting policies set out in note 3 of the annual audited consolidated financial statements for the year ended December 31, 2017.

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

c. New standards, interpretations and amendments thereof, adopted by the Company

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2017, except for the following:

IFRS 9, Financial Instruments ("IFRS 9")

In November 2009 and October 2010, the IASB issued the first phase of IFRS 9, Financial Instruments. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes a third measurement category for financial assets (fair value through other comprehensive income) and a single, forward-looking 'expected loss' impairment model. The adoption date for IFRS 9 was January 1, 2018.

Upon adoption, investments in publicly traded equity securities held by the Company have been classified as fair value through other comprehensive income. These investments are recorded at fair value and changes in the fair value of these investments are recognized permanently in other comprehensive income. In accordance with IFRS 9, the Company's Gold Offtake Agreement was classified as a derivative financial liability (see note 18). As a result, the gold offtake payment liability is recorded at fair value at the end of each reporting period. The Company has concluded that the adoption of IFRS 9 had no other impact on its consolidated financial statements.

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

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

The Company has determined that the Franco-Nevada Corporation's ("Franco-Nevada") gold streaming arrangement, falls within the scope of IFRS 15 as it constitutes a contract with a customer to deliver an uncertain quantity of gold ounces in the future. The upfront payment constitutes a gold stream liability whereby the performance obligation is in the form of future deliveries of refined ounces under the streaming agreement.

Under the Franco-Nevada gold streaming arrangement, the Company is required to deliver ounces of production annually commencing in 2014 from the Company's existing properties in Senegal in exchange for an up-front deposit of $135 million. Under the arrangement, Franco-Nevada pays the Company cash at the prevailing spot price of gold at the date of delivery on 20 percent of the ounces delivered. For the remaining 80 percent of the ounces delivered to Franco-Nevada, the deferred revenue balance is drawn down based on the prevailing spot price for gold. Once the deferred revenue has been drawn down to $nil, the Company will record sales of 20 percent of spot price, equal to the cash payments, for 6 percent of ounces produced.

As the total amount paid up-front by Franco-Nevada for the future deliveries (the promised consideration) differs from the stand-alone selling price of the product purchased (i.e. the expected forward price as applied to total anticipated future deliveries), the Company concluded that this arrangement provided the entity with a significant benefit of financing and therefore contains a significant financing component ("SFC") as defined under IFRS 15.

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

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

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

- Increase to gold stream liability of $56.1 million
- Decrease to Retained Earnings of $56.1 million

d. Future accounting policies not yet adopted

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 which supersedes IAS 17, *Leases* and related interpretations. The new standard provides a single lessee accounting model which eliminates the distinction between operating and finance leases, by requiring lessees to recognize assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. The Company does not anticipate early adoption and plans to adopt the standard on its effective date of January 1, 2019. The Company has developed a plan to evaluate contracts and procedures to assess the impact of IFRS 16 on each contract. The Company expects to have a preliminary assessment of the impact of IFRS 16 in the third quarter of this year.

(In thousands of United States dollars)

3. ACQUISITION OF AFEMA

On March 22, 2018, the Company entered in to an agreement with Sodim Limited ("Sodim"), the owner of all of the issued and outstanding shares of Taurus Gold Afema Holdings Limited ("Afema"), and acquired 51 percent of Afema, which owns the Afema Gold project through the 90 percent controlled Afema Gold SA, for cash consideration of $5.0 million, with an additional $2.5 million payable on January 2, 2019.

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

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

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

Consideration for the acquisition was $7.8 million.

4. REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Gold sales - spot price (i)	80,343	72,021	160,847	142,239
Silver sales	82	19	195	123
Gold stream arrangement (ii)	5,625	-	11,250	-
Revenue (iii)	**86,050**	**72,040**	**172,292**	**142,362**

(i) The Company realized cash proceeds from the sale of gold to Franco-Nevada equivalent to 20 percent of the spot gold price. Refer to note 20 for further details.
(ii) The Company realized revenues from the drawdown of the gold stream liability to Franco-Nevada equivalent to 80 percent of $1,250 per ounce of gold. Refer to note 20 for further details.
(iii) If IFRS 15 had not been adopted, revenue for the three and six months ended June 30, 2018 would have been $86.4 million and $172.9 million, respectively. Refer to notes 2 and 20 for further details.

For the three months ended June 30, 2018, 60,631 ounces of gold were sold at an average price of $1,301 per ounce, excluding 5,625 ounces delivered to Franco-Nevada (2017: 51,542 ounces were sold at an average realized price of $1,260, excluding 5,625 ounces delivered to Franco-Nevada). For the six months ended June 30, 2018, 120,240 ounces of gold were sold at an average price of $1,313 per ounce, excluding 11,250 ounces delivered to Franco-Nevada (2017: 103,188 ounces were sold at an average price of $1,243 per ounce, excluding 11,250 ounces delivered to Franco-Nevada).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
(Unaudited)
(In thousands of United States dollars)

The Company generated revenue from three customers in 2018 and 2017 as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Customer 1	38,033	33,811	78,852	63,581
Customer 2	40,921	31,152	79,222	64,838
Customer 3	7,096	7,077	14,218	13,943
Total Revenue	**86,050**	**72,040**	**172,292**	**142,362**

5. MINE OPERATION EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Mine production costs	42,580	36,413	86,334	77,327
Royalties[(i)]	5,634	4,775	11,315	9,321
Regional administration costs	492	519	855	1,024
Capitalized deferred stripping	(8,157)	(4,704)	(18,254)	(16,304)
Inventory movements	1,648	4,089	5,306	11,556
Total Mine Operation Expenses	**42,197**	**41,092**	**85,556**	**82,924**

(i) Includes royalties to Axmin Inc. on account of their 1.5 percent net smelter royalty on the Gora deposit. During the three and six months ended June 30, 2018, the Company incurred $0.6 million and $1.1 million, respectively, of Axmin royalties (2017: $0.4 million and $0.7 million, respectively).

6. DEPRECIATION AND AMORTIZATION

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Depreciation and amortization - property, plant and equipment and mine development expenditures	11,154	9,973	21,541	19,940
Depreciation and amortization - deferred stripping assets	6,557	5,627	17,756	8,678
Inventory movements - depreciation	583	(2,049)	(4,284)	(1,621)
Capitalized deferred stripping - depreciation	(494)	(362)	(1,102)	(1,182)
Total Depreciation and Amortization	**17,800**	**13,189**	**33,911**	**25,815**

7. ADMINISTRATION EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Corporate office	2,489	1,841	5,025	3,532
Legal and other	337	323	713	670
Audit fees	73	60	266	139
Depreciation	40	30	77	58
Total Administration Expenses	**2,939**	**2,254**	**6,081**	**4,399**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
(Unaudited)
(In thousands of United States dollars)

8. FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Interest and deferred financing costs on borrowings	1,239	408	1,645	780
Accretion expense (i)	2,486	157	5,045	326
Stocking fees	109	178	316	357
Bank charges	459	121	932	256
Total Finance Costs(i)	**4,293**	**864**	**7,938**	**1,719**

(i) For the three and six months ended June 30, 2018, includes $2.3 million and $4.6 million, respectively, of accretion expense on the gold stream liability (2017 – $nil and $nil, respectively). If IFRS 15 had not been adopted, total finance costs for three and six months ended June 30, 2018 would have been $2.0 million and $3.3 million, respectively. Refer to notes 2 and 20 for further details.

9. OTHER EXPENSES/ (INCOME)

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Unrealized gains on derivative instruments (i)	(10,317)	-	(7,014)	-
Realized gains on derivative instruments (i)	(625)	-	(867)	-
Change in fair value of share warrant liability (ii)	11	-	11	-
Business and other taxes (iii)	-	-	1,315	1,151
Option Agreement - Milestone Payment (iv)	-	(1,150)	-	(1,150)
Interest income and other expenses/(income)	223	104	570	(200)
Total Other Income	**(10,708)**	**(1,046)**	**(5,985)**	**(199)**

(i) On September 11, 2017, the Company entered into forward gold sales contracts with Macquarie Bank Limited for a total of 131,000 ounces of gold at a price of $1,336 per ounce. During 2017, the Company amended these contracts to defer quarterly settlements by a quarter, and as a result, the contracts extend through the first quarter of 2019. Furthermore, in 2018, the Company entered into additional forward gold sales contracts for a total of 56,500 ounces of gold at a price of $1,350 per ounce for second and third quarters of 2019. The Company settled 26,500 ounces in the second quarter of 2018 and 53,000 ounces for the six months ended June 30, 2018, and anticipates settling 26,500 ounces in each of the remaining quarters in 2018, 25,000 ounces in the first quarter of 2019, 26,500 ounces in the second quarter of 2019 and 30,000 ounces in third quarter of 2019.

(ii) Refer to note 19 for further detail.

(iii) Senegalese business taxes which are calculated based on the gross value of fixed assets of the preceding year.

(iv) On October 28, 2015, Gryphon entered into an option agreement with a subsidiary of Algold Resources Ltd (“Algold”). Pursuant to the agreement, subject to certain milestones being met a payment of C$1.5 million ($1.2 million) was due either in cash or Algold shares. The required milestones were met during the second quarter of 2017 and the Company recorded the income. During the third quarter of 2017, the Company recorded the receipt of payment in the form of 7,349,339 Algold shares.

10. INCOME TAX EXPENSE

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
(Unaudited)
(In thousands of United States dollars)

For the three months ended June 30, 2018, the Company recorded income taxes of $13.4 million, comprised of current income tax expense of $7.8 million and deferred income taxes of $5.6 million (2017: a recovery of income taxes of $0.8 million, comprised of a recovery of deferred income taxes of $2.3 million net of current income tax expense of $1.5 million). For the six months ended June 30, 2018, the Company recorded income taxes of $15.9 million, comprised of current income tax expense of $10.2 million and deferred income taxes of $5.7 million (2017: a recovery of income taxes of $0.2 million, comprised of a recovery of deferred income taxes of $3.2 million net of current income tax expense of $3.0 million).

11. TRADE AND OTHER RECEIVABLES

	As at June 30, 2018	As at December 31, 2017
Current		
Value added tax ("VAT") recoverable (i)	4,995	4,378
Other receivables (ii)	3,150	1,106
Total Trade and Other Receivables	**8,145**	**5,484**

(i) VAT is levied at a rate of 18 percent on supply of goods and services and is recoverable on the majority of purchases in Senegal. Non-recoverable VAT is expensed to net profit. In February 2016, the Company received an exemption for the payment and collection of refundable VAT. This exemption is governed by an amendment to our mining convention and expires on May 2, 2022. The balance at the end of June 30, 2018 primarily relates to VAT amounts paid prior to May 2017 and VAT amounts paid within two years of when Wahgnion Gold Operations commences operations which is expected to be recoverable. On December 20, 2017, the Company received exoneration from VAT directly related to mining services during the construction phase from the Burkinabe government on the Wahgnion Gold Project.

(ii) Other receivables primarily include: $1.3 million receivables from suppliers for services, materials and utilities used at the Sabodala Gold Mine and Wahgnion Gold Operations, a $0.1 million receivable related to the sale of exploration rights (2017: $0.1 million), $0.6 million of sales tax refunds as at June 30, 2018 (2017: $0.1 million) and a receivable from Sodim of $0.5 million (2017: $nil).

12. INVENTORIES

	As at June 30, 2018	As at December 31, 2017
Current		
Gold bullion	1,626	2,929
Gold in circuit	4,708	5,451
Ore stockpile	33,787	16,356
Total gold inventories	**40,121**	**24,736**
Diesel fuel	2,072	1,891
Materials and supplies	32,521	28,581
Goods in transit	2,130	1,816
Total other inventories	**36,723**	**32,288**
Total current inventories	**76,844**	**57,024**
Non-current		
Ore stockpile	87,233	103,638
Total Inventories	**164,077**	**160,662**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
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13. MARKETABLE SECURITIES

	Amount
Balance at January 1, 2017	**1,171**
Marketable securities acquired	1,583
Change in fair value of marketable securities during the year	2,178
Marketable securities disposed	(4,245)
Foreign exchange gain	277
Balance at December 31, 2017	**964**
Marketable securities acquired	77
Change in fair value of marketable securities during the period	(263)
Foreign exchange loss	(46)
Balance as at June 30, 2018	**732**

The Company holds publicly traded equity securities that are classified as marketable securities and are revalued to prevailing market prices at period end. Gains and losses from changes in fair value are accounted for in other comprehensive income.

14. OTHER ASSETS

	As at June 30, 2018	As at December 31, 2017
Current		
Prepayments (i)	5,805	4,086
Advanced royalty (ii)	1,327	2,857
Derivative assets (iii)	7,159	1,659
VAT certificates held (iv)	-	1,084
Total Other Current Assets	**14,291**	**9,686**
Non-current		
Advanced royalty (ii)	3,317	3,451
Prepayments for non-current assets	2,820	-
Intangible assets	1,197	816
Derivative assets (iii)	1,687	173
Total Other Non-Current Assets	**9,021**	**4,440**
Total Other Assets	**23,312**	**14,126**

(i) As at June 30, 2018, prepayments include $4.1 million (2017: $2.9 million) of advances to vendors and contractors and $1.7 million for insurance (2017: $1.2 million).

(ii) As at June 30, 2018, there is $1.3 million in other current assets and $3.3 million in other non-current assets as advanced royalty payments to the Government of Senegal. In total, the Company had recorded $10.0 million related to the Oromin Joint Venture Group ("OJVG") in 2014 and $4.2 million related to the Gora deposit in the first quarter of 2015. The advanced royalties are expensed to net profit based on actual production from the former OJVG and Gora deposits. During the three and six months ended June 30, 2018, the Company expensed $0.8 million and $1.7 million, respectively, as amortization of the OJVG and Gora advanced royalties (2017: $0.8 million and $1.5 million, respectively). The advanced royalty recorded within other current assets is based on the expected production from the OJVG and Gora deposits over the next year and the remaining balance is recorded within other non-current assets. Refer to note 16 for further details.

(iii) Refer to note 9(i) for further details.

(iv) VAT certificates are highly liquid and convertible into cash at local banks or may be issued directly to the Company's suppliers to reduce future VAT collections or other taxes payable by the Company.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
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15. PROPERTY, PLANT AND EQUIPMENT

	Land, building, plant and equipment			Mine development costs subject to depreciation	Mine development costs not yet subject to depreciation(i)(iii)	
	Sabodala and Corporate	Wahgnion	Wahgnion Construction in Progress			Total
Cost						
Balance as at January 1, 2017	**447,953**	**957**	**-**	**451,693**	**52,595**	**953,198**
Additions	12,343	2,215	7,271	45,723	18,916	**86,468**
Disposals	(814)	(123)	-	-	-	**(937)**
Balance as at December 31, 2017	**459,482**	**3,049**	**7,271**	**497,416**	**71,511**	**1,038,729**
Additions	3,656	4,177	45,092	24,009	26,575	**103,509**
Disposals	(57)	-	-	-	-	**(57)**
Balance as at June 30, 2018	**463,081**	**7,226**	**52,363**	**521,425**	**98,086**	**1,142,181**
Accumulated depreciation						
Balance as at January 1, 2017	**263,399**	**112**	**-**	**192,612**	-	**456,123**
Depreciation expense	22,379	786	-	39,492	-	**62,657**
Disposals	(814)	(71)	-	-	-	**(885)**
Balance as at December 31, 2017	**284,964**	**827**	**-**	**232,104**	-	**517,895**
Depreciation expense	12,609	960	-	26,729	-	**40,298**
Disposals	(45)	-	-	-	-	**(45)**
Balance as at June 30, 2018	**297,528**	**1,787**	**-**	**258,833**	-	**558,148**
Net book value						
Balance as at December 31, 2017(ii)	**174,518**	**2,222**	**7,271**	**265,312**	**71,511**	**520,834**
Balance as at June 30, 2018(ii)	**165,553**	**5,439**	**52,363**	**262,592**	**98,086**	**584,033**

(i) Mine development costs not subject to depreciation includes mine licenses from the Gryphon acquisition in 2016 and costs associated with Afema acquisition in the first quarter of 2018.

(ii) Balance as at June 30, 2018 includes $56.9 million (2017: $8.9 million) of construction and $80.7 million (2017: $72.5 million) of mine development costs associated with Wahgnion, $427.8 million (2017: $438.3 million) of costs associated with Sabodala, $17.3 million (2017: $nil) of costs associated with Afema and $1.3 million (2017: $1.1 million) of cost associated with other projects.

(iii) Total borrowing costs capitalized as a component of mine development as at June 30, 2018 was $1.2 million (2017 – $nil).

Additions made to property, plant and equipment during the three months ended June 30, 2018 relate mainly to buildings, plant, equipment and construction at the Wahgnion Gold Project. Mine development expenditures are related to the Sabodala Gold Mine in Senegal, the Wahgnion Gold Project in Burkina Faso and the Afema mining license in Côte d'Ivoire. As the Wahgnion Gold project is currently under construction, development expenditures are not currently subject to depreciation.

Depreciation of property, plant and equipment for the three and six months ended June 30, 2018 were $7.5 million and $13.6 respectively. Depreciation of capitalized mine development for the three and six months ended June 30, 2018 were $11.1 million and $26.7 million, and were expensed as cost of sales (2017: $11.6 million and $17.4 million, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
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	Period ended June 30, 2018	Period ended December 31, 2017
Capitalized mine development additions		
Deferred stripping costs	19,356	31,405
Capitalized mine development - Golouma South	-	130
Capitalized mine development - Golouma West	2,956	7,740
Capitalized reserve development - Sustaining (Sabodala)	897	5,799
Capitalized mine development - Growth (Wahgnion) (i)	9,422	18,916
Capitalized mining license - Afema	17,378	-
Other	575	649
Total Capitalized Mine Development Additions	**50,584**	**64,639**

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

16. TRADE AND OTHER PAYABLES

	As at June 30, 2018	As at December 31, 2017
Current		
Trade payables (i)	20,532	20,623
Sundry creditors and accrued expenses	23,074	17,152
Government royalties (ii)	4,220	4,462
Amounts payable to the Republic of Senegal (iii) (iv) (vii)	10,925	11,294
Contingent consideration (vi)	534	634
Total Current Trade and Other Payables	**59,285**	**54,165**
Non-Current		
Amounts payable to the Republic of Senegal (v)	7,952	7,762
Contingent consideration (vi)	2,379	2,297
Total Other Non-Current Liabilities	**10,331**	**10,059**
Total Trade and Other Payables	**69,616**	**64,224**

(i) Trade payables are comprised of obligations by the Company to suppliers of goods and services. Terms are generally 30 to 60 days.

(ii) Government royalties are accrued based on the mine head value of the gold and related substances produced at a rate of 5 percent of sales, which was 2,376 million XOF (2017: 2,127 million XOF). For the three months ended June 30, 2018, royalty payments totaling $4.2 million related to the first quarter 2018 royalties were made to the Republic of Senegal (2017: $3.6 million related to the first quarter 2017 royalties were made to the Republic of Senegal).

(iii) A reserve payment is payable to the Republic of Senegal based on $6.50 for each ounce of new reserves until December 31, 2012. As at June 30, 2018, $2.1 million remains accrued as a current liability.

(iv) The Company has agreed to advance accrued dividends to the Republic of Senegal related to its interest in Sabodala Gold Operations. As at June 30, 2018, $7.8 million has been accrued based on net sales revenue for each of the twelve months ended December 31, 2013 and December 31, 2014. No additional amounts are owing on sales occurring beyond 2014.

(v) The Company agreed to establish a social development fund which involves making a payment of $15.0 million to the Republic of Senegal at the end of the operational life. It is recorded at its net present value of $8.0 million.

(vi) The Company acquired Badr Investment Ltd's ("Badr") 13 percent carried interest in the OJVG for cash consideration of $7.5 million and further contingent consideration which will be based on realized gold prices and increases to the former OJVG's mining reserves through 2020, of which $3.8 million was accrued upon finalization of the purchase price allocation in 2014. In June 2018, the Company made an advance payment of $0.1 million to Badr. As at June 30, 2018, $0.5 million has been recorded as a current liability and $2.4 million has been recorded as a non-current liability and is recorded at its net present value (2017: $0.6 million in current liabilities and $2.3 million in non-current liabilities).

(vii) Pursuant to the completion of the acquisition of the OJVG in 2014, the Company is required to make initial payments totalling $10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the OJVG. As at June 30, 2018, $1.0 million remains outstanding and has been accrued as a current liability.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
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17. BORROWINGS

	As at June 30, 2018	As at December 31, 2017
Revolver credit facility		
Principal outstanding	-	15,000
Deferred financing costs	-	(693)
Total Revolver Credit Facility	**-**	**14,307**
Secured development finance facility		
Principal outstanding	70,000	-
Deferred financing costs	(26,974)	-
Total Secured Development Finance Facility	**43,026**	**-**
Total Borrowings	**43,026**	**14,307**
Deferred financing costs detail:		
Financing costs	10,691	2,321
Fair value of gold offtake payment liability - Note 18	14,015	-
Share warrants issued - Note 19	3,105	-
Accumulated amortization of deferred financing costs	(837)	(1,628)
	26,974	**693**

a. Revolver Credit Facility

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

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

b. Secured Development Finance Facility

On April 16, 2018, the Company entered into a secured development finance facility (“Facility”) with Taurus Funds Management Pty Ltd (“Taurus Funds”). The Facility consists of 2 tranches to fund the development and advancement of the Company’s projects in Burkina Faso. The first tranche consists of $165 million to be used to fund the development of the Wahgnion Gold Project (“Wahgnion Tranche”) and to repay all of the Company’s outstanding debt drawn on the Revolver Facility. The second tranche consists of $25 million to be used towards the advancement of a feasibility study for the Golden Hill Project (“Golden Hill Tranche”).

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

As part of the Facility arrangement, the Company granted 2 million share warrants to Taurus Funds on April 16, 2018. Each warrant allows the holder to acquire common shares of the Company at an exercise price of C$5.22. The fair value of these warrants on the date of grant was $3.1 million and was recognized as a deferred financing cost (Note 19).

As at June 30, 2018, $70.0 million was drawn on the Wahgnion Tranche and no amount was drawn on the Golden Hill Tranche.

(In thousands of United States dollars)

18. GOLD OFFTAKE PAYMENT LIABILITY

In conjunction with the Facility, the Company entered into a gold offtake agreement with Taurus Funds ("Gold Offtake Agreement") on May 31, 2018. Under the terms of the Gold Offtake Agreement, Taurus Funds is entitled to an amount equal to the difference between the actual spot sales price per ounce and the lowest a.m. and p.m. London Bullion Market Association gold price per ounce during the eight business days preceding the sale date for gold ounces produced and sold from the Wahgnion Gold Project, up to 1,075,000 ounces. Sales proceeds received by Teranga will be reduced by any amounts owed to Taurus Funds under the Gold Offtake Agreement.

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

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

	On inception date	As at June 30, 2018
Number of gold ounces outstanding	1,075,000	1,075,000
Maximum per ounce price spread between spot gold price and lowest price of the 8 preceeding days	20.0	20.0
Discount rate	9.20%	9.20%

As at May 31, 2018, the estimated fair value of the gold offtake payment liability was $14.0 million and was recognized as a deferred financing cost (note 17). As at June 30, 2018, the estimated fair value was $14.0 million.

19. SHARE WARRANT LIABILITY

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

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

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

	Number of warrants	Share warrant liability
Balance as at December 31, 2017	-	-
Granted during the period	2,000,000	3,106
Change in fair value of share warrant liability	**-**	11
Balance as at June 30, 2018	**2,000,000**	**3,117**

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

	As at grant date	As at June 30, 2018
Valuation date share price	C$4.49	C$4.69
Weighted average fair value of share warrants	C$1.95	C$2.05
Exercise price	C$5.22	C$5.22
Risk-free interest rate	1.90%	2.00%
Expected share market price volatility (i)	60.56%	60.78%
Expected life of warrants (years)	4.0	3.8
Dividend yield	0%	0%
Number of warrants exercisable	2,000,000	2,000,000

20. GOLD STREAM LIABILITY

On January 15, 2014, the Company completed a streaming transaction with Franco-Nevada. The Company is required to deliver 22,500 ounces of gold annually over the first six years followed by 6 percent of production from the Company's existing properties in Senegal, thereafter, in exchange for a deposit of $135 million.

For accounting purposes, the agreement is considered a contract for the future delivery of gold ounces at the contracted price. The up-front payment of $135 million payment is accounted for as a prepayment of undelivered ounces under the contract and is recorded as a gold stream liability.

For ounces of gold delivered to Franco-Nevada under the streaming transaction, Franco-Nevada pays the Company cash at the prevailing spot price of gold at the date of delivery on 20 percent of the ounces delivered. For the remaining 80 percent of the ounces delivered to Franco-Nevada, the gold stream liability balance is drawn down based on the contracted price under IFRS 15. In addition, the gold stream liability changes based on the change in timing and quantity of the delivery.

During the three months ended June 30, 2018, the Company delivered 5,625 ounces of gold to Franco-Nevada (2017: 5,625 ounces) and recorded revenue of $7.1 million, consisting of $1.5 million received in cash proceeds and $5.6 million recorded as a reduction of gold stream liability (2017: revenue of $7.1 million, consisting of $1.4 million received in cash proceeds and $5.7 million recorded as a reduction of gold stream liability).

During the six months ended June 30, 2018, the Company delivered 11,250 ounces of gold to Franco-Nevada (2017: 11,250 ounces) and recorded revenue of $14.2 million, consisting of $3.0 million received in cash proceeds and $11.2 million recorded as a reduction of gold stream liability (2017: revenue of $14.0 million, consisting of $2.8 million received in cash proceeds and $11.2 million recorded as a reduction of gold stream liability).

	Amount
Balance as at January 1, 2017	**68,815**
Amortization of gold stream liability	(22,606)
Balance as at December 31, 2017 (i)	**46,209**
Cumulative adjustment due to IFRS 15	56,097
Accretion of gold stream liability	4,636
Amortization of gold stream liability	(11,250)
Balance as at June 30, 2018	**95,692**

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	As at June 30, 2018	As at December 31, 2017
Current	14,187	24,206
Non-Current	81,505	22,003
Total Gold stream liability(i)	**95,692**	**46,209**

(i) If IFRS 15 had not been adopted, the current gold stream liability, non-current gold stream liability and the total gold stream liability as at June 30, 2018 would have been $29.5 million, $4.8 million and $34.3 million, respectively. Refer to note 2 for further details.

21. PROVISIONS

	As at June 30, 2018	As at December 31, 2017
Current		
Mine restoration and rehabilitation (i)	1,260	-
Employee benefits (ii)	2,485	2,289
Cash settled share-based compensation (iii)	3,897	2,630
Total Current Provisions	**7,642**	**4,919**
Non-Current		
Mine restoration and rehabilitation (i)	28,804	27,510
Employee benefits (ii)	808	872
Cash settled share-based compensation (iii)	703	1,002
Total Non-Current Provisions	**30,315**	**29,384**
Total Provisions	**37,957**	**34,303**

(i) The rehabilitation provision represents the present value of rehabilitation costs relating to the Sabodala Gold Mine which are expected to be incurred up to 2031 and the Wahgnion Gold Project which are expected to be incurred up to 2028. The provision has been recorded based on estimates and assumptions which management believe are a reasonable basis to estimate future liability. The estimates are reviewed regularly to take into account any material changes to the rehabilitation work required. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation work required that will reflect market conditions at the relevant time.

(ii) The current provisions for employee benefits include $1.1 million accrued vacation and $1.4 million long service leave entitlements for the period ended June 30, 2018 (2017: $1.1 million and $1.2 million). The non-current provisions for employee benefits include $0.8 million accrued vacation (2017: $0.9 million).

(iii) The provision for cash settled share-based compensation represents the amortization of the fair value of the fixed bonus plan units and the amortization of the fair value of the RSUs and DSUs. Refer to note 27 for further details.

22. ISSUED CAPITAL

	Number of shares	Amount
Balance as at January 1, 2017	**107,342,775**	**496,326**
Cancellation of fractional shares as a result of share consolidation	(1,636)	-
Stock options exercised	2,763	7
Balance as at December 31, 2017	**107,343,902**	**496,333**
Stock options exercised	242,867	924
Balance as at June 30, 2018	**107,586,769**	**497,257**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
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23. EARNINGS PER SHARE (EPS)

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Basic EPS (US$)	0.11	0.09	0.14	0.15
Diluted EPS (US$)	0.11	0.09	0.14	0.15
Basic EPS:				
Net profit used in the calculation of basic EPS	11,586	9,640	14,567	15,803
Weighted average number of common shares for the purposes of basic EPS ('000)	107,424	107,345	107,384	107,344
Effect of dilutive share options ('000)	760	77	424	248
Weighted average number of common shares outstanding for the purpose of diluted EPS ('000)	108,183	107,422	107,808	107,592

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 2.2 million shares relating to share options that were anti-dilutive for the period ended June 30, 2018 (2017: 3.1 million shares).

24. COMMITMENTS FOR EXPENDITURES

Capital purchase obligations

The Company has entered into various capital purchase obligations at the Sabodala Gold operations and the Wahgnion Gold project. As at June 30, 2018, total future purchase obligations related to these projects were approximately $6.1 million for Sabodala and $77.1 million for the Wahgnion Gold Project. In addition, the Company has an additional three-year $10.3 million exploration and community relations work program under the agreement with Sodim. Refer to note 3 for further details.

25. CASH FLOW INFORMATION

a. Change in working capital

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Changes in working capital other than inventory				
Increase in trade and other receivables	(3,872)	(3,328)	(3,528)	(2,305)
(Increase)/Decrease in other assets	(1,339)	2,018	(1,281)	971
Decrease in trade payables and other	(9,268)	(702)	(17,673)	(4,630)
Decrease in provisions	(66)	(61)	(66)	(135)
Increase/(Decrease) in current income taxes payable	7,621	(12,684)	4,477	(11,227)
Net Change in Working Capital Other Than Inventory	**(6,924)**	**(14,757)**	**(18,071)**	**(17,326)**

b. Cash balance subject to liquidity covenant

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

26. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a. Categories of financial instruments

As at June 30, 2018, the Company's financial instruments consisted of cash and cash equivalents, trade and other receivables, marketable securities, other assets, trade and other payables and borrowings.

The following table illustrates the classification of the Company's financial instruments as at June 30, 2018 and December 31, 2017:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
(Unaudited)
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	As at June 30, 2018	As at December 31, 2017
Financial assets:		
Cash and cash equivalents	91,670	87,671
Measured at amortized cost		
Trade and other receivables	8,145	5,484
Measured at fair value through profit or loss		
Financial derivative assets	8,846	1,832
Measured at fair value through other comprehensive income		
Marketable securities	732	964
Financial liabilities:		
Measured at amortized cost		
Trade and other payables	74,216	67,856
Borrowings	43,026	14,307
Measured at fair value through profit or loss		
Gold offtake payment liability	14,015	-
Share warrant liability	3,117	-

b. Fair value of financial instruments

The Company's trade and other receivables, and trade and other payables are carried at amortized cost, which approximates fair value. Cash and cash equivalents, marketable securities and financial liabilities are measured at fair value. Borrowings are based on discounted future cash flows using discount rates that reflect current market conditions for this financial instrument with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

Financial instruments measured at amortized cost on the consolidated balance sheets are as follows:

	As at June 30, 2018		As at December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Trade and other receivables	8,145	8,145	5,484	5,484
Financial liabilities				
Trade and other payables	74,216	74,216	67,856	67,856
Gold offtake payment liability	14,015	14,015	-	-
Share warrant liability	3,117	3,117	-	-
Borrowings	60,146	58,235	14,307	13,732

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
(Unaudited)
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	As at June 30, 2018			As at December 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets						
Cash and cash equivalents	91,670	-	-	87,671	-	-
Marketable securities	732	-	-	964	-	-
Financial derivative assets	-	8,846	-	-	1,832	-
Total	**92,402**	**8,846**	**-**	**88,635**	**1,832**	**-**
Financial Liabilities						
Gold offtake payment liability	-	14,015	-	-	-	-
Share warrant liability	-	3,117	-	-	-	-
Cash settled share-based compensation	28,358	-	156	3,511	-	121
Total	**28,358**	**17,132**	**156**	**3,511**	**-**	**121**

27. SHARE-BASED COMPENSATION

Share based compensation expense for the three and six months ended June 30, 2018 totaled $1.1 million and $3.9 million, respectively (2017: $0.5 million and $1.4 million, respectively).

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

a. Incentive Stock Option Plan

During the six months ended June 30, 2018, 1,306,000 stock options were granted at exercise prices between C$4.19 - C$5.33. During the period, 48,331 stock options were forfeited and 242,867 stock options were exercised. The exercise price of new stock options granted during the current year was determined using a volume weighted average trading price of the Company's shares for the 5-day period ending on the grant date.

	Number of options	Weighted average exercise price
Balance as at January 1, 2017	**3,789,106**	**C$10.48**
Granted during the period	891,488	C$4.16
Forfeited during the period	(223,340)	C$10.91
Exercised during the period(i)	(2,763)	C$3.33
Balance as at December 31, 2017	**4,454,491**	**C$9.20**
Granted during the period	1,306,000	C$4.22
Forfeited during the period	(48,331)	C$7.71
Exercised during the period(ii)	(242,867)	C$3.25
Balance as at June 30, 2018	**5,469,293**	**C$8.29**
Number of options exercisable - December 31, 2017	3,488,194	
Number of options exercisable - June 30, 2018	3,535,297	

(i) The weighted average share price at the time of the options exercised was C$4.50.
(ii) The weighted average share price at the time of the options exercised was C$5.19.

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The following stock options were outstanding as at June 30, 2018:

Option series	Number	Grant date	Expiry date	Exercise price (C$)	FV at grant date (C$)
Granted on November 26, 2010	1,064,000	26-Nov-10	26-Nov-20	15.00	5.95
Granted on December 3, 2010	240,000	03-Dec-10	03-Dec-20	15.00	5.95
Granted on February 9, 2011	85,000	09-Feb-11	09-Feb-21	15.00	4.95
Granted on April 27, 2011	5,000	27-Apr-11	27-Apr-21	15.00	4.00
Granted on August 13, 2011	72,000	13-Aug-11	13-Aug-21	15.00	4.10
Granted on December 20, 2011	209,000	20-Dec-11	20-Dec-21	15.00	3.05
Granted on February 24, 2012	100,000	24-Feb-12	24-Feb-22	15.00	1.83
Granted on February 24, 2012	29,000	24-Feb-12	24-Feb-22	15.00	6.32
Granted on June 5, 2012	10,000	05-Jun-12	05-Jun-22	15.00	0.85
Granted on September 27, 2012	120,000	27-Sep-12	27-Sep-22	15.00	4.65
Granted on October 9, 2012	120,000	09-Oct-12	06-Oct-22	15.00	5.05
Granted on October 31, 2012	16,000	31-Oct-12	31-Oct-22	15.00	2.60
Granted on October 31, 2012	20,000	31-Oct-12	31-Oct-22	15.00	0.90
Granted on December 3, 2012	40,000	03-Dec-12	03-Dec-22	15.00	3.05
Granted on June 3, 2013	24,000	03-Jun-13	03-Jun-23	15.00	0.20
Granted on May 1, 2014	10,000	01-May-14	01-May-24	15.00	0.50
Granted on March 31, 2015	390,000	31-Mar-15	31-Mar-20	3.20	1.75
Granted on March 31, 2015	135,223	31-Mar-15	31-Mar-20	3.20	1.50
Granted on March 31, 2016	597,141	31-Mar-16	31-Mar-21	3.33	1.75
Granted on August 2, 2016	18,225	02-Aug-16	11-Aug-21	5.34	3.20
Granted on September 12, 2016	2,302	12-Sep-16	12-Sep-21	6.28	2.85
Granted on March 7, 2017	464,997	07-Mar-17	07-Mar-22	4.20	1.50-1.90
Granted on March 29, 2017	395,824	29-Mar-17	29-Mar-22	4.15	1.75-2.10
Granted on June 16, 2017	581	16-Jun-17	16-Jun-22	3.34	1.36-1.57
Granted on July 17, 2017	5,000	17-Jul-17	17-Jul-22	3.43	1.46-1.69
Granted on March 29, 2018	1,247,000	29-Mar-18	29-Mar-24	4.19	1.86-2.37
Granted on April 26, 2018	20,000	26-Apr-18	26-Apr-24	4.78	2.12-2.73
Granted on May 7, 2018	6,000	07-May-18	07-May-24	5.01	2.24-2.80
Granted on May 17, 2018	3,000	17-May-18	17-May-24	5.26	2.34-2.94
Granted on May 24, 2018	10,000	24-May-18	24-May-24	5.33	2.34-2.98
Granted on June 21, 2018	10,000	21-Jun-18	21-Jun-24	5.33	2.20-2.84

As at June 30, 2018, approximately 5.3 million (2017: 6.3 million) options were available for issuance under the Company's stock option plan.

The estimated fair value of share options is amortized over the period in which the options vest which is normally three years, except for the options granted on March 29, 2018 and future grants, which vest over four years. For those options which vest on single or multiple dates, either on issuance or on meeting milestones (the "measurement date"), the entire fair value of the vesting options is recognized immediately on the measurement date.

Of the 5,469,293 common share stock options issued and outstanding as at June 30, 2018, 3,535,297 are vested, 637,996 are vested over a three-year period, and 1,296,000 are vested over a four-year period. The fair value of options that vest upon achievement of milestones will be recognized based on management's assessment of the likelihood of reaching those milestones. As at June 30, 2018, the weighted average remaining contractual term of outstanding stock options exercisable was 3.6 years.

As at June 30, 2018, 2,164,000, 3,256,293 and 49,000 share options had a contractual life of ten, five and six years at issuance, respectively.

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Fair value of stock options granted

The grant date fair value of options granted during the six months ended June 30, 2018 was calculated using the Black-Scholes option pricing model with the following assumptions:

	Six months ended June 30,	
	2018	**2017**
Grant date share price	C$4.19- C$5.33	C$3.23-C$4.15
Weighted average fair value of awards	C$2.12	C$1.81
Exercise price(i)	C$4.49- C$5.37	C$3.23-C$4.20
Range of risk-free interest rates	1.83%-2.32%	0.82%-1.04%
Expected share market price volatility(ii)	56%-65%	65%-69%
Expected life of options (years)	2.8-5.0	2.8-3.8
Dividend yield	0%	0%
Forfeiture rate	3%-14%	3%-14%

(i) Represents the 5-day volume-weighted average price of the Company's shares on the Toronto Stock Exchange for the period ending on the grant date.

(ii) Volatility was determined using the 3-year average historical volatility of the Company's share price for the historical grants up to December 31, 2017 and 4-year average historical volatility of the Company's share price for the options granted on March 29, 2018 and future grants.

b. Fixed Bonus Units ("FBUs")

As at June 30, 2018, there were 323,500 FBUs outstanding that were granted on August 8, 2012, March 31, 2015 and March 31, 2016 with expiry dates ranging from March 31, 2020 through to February 24, 2022. Of the 323,500 FBUs outstanding as at June 30, 2018, 236,000 Units have an exercise price of C$15.00, 60,000 Units have an exercise price of C$3.20 and 27,500 FBUs have an exercise price of C$3.33. The total outstanding FBUs have fair values of C$0.87 per FBU at June 30, 2018. The total fair value of the FBUs at June 30, 2018 is $0.2 million (December 31, 2017: $0.1 million).

The estimated fair values of the FBUs is amortized over the period in which the FBUs vest. Of the 323,500 FBUs issued, 321,160 FBUs were vested at June 30, 2018 with the remaining FBUs to be fully vested by March 31, 2019.

Fair value of Units granted

The fair value of FBUs was calculated using Black-Scholes option pricing model with the following assumptions:

	Six months ended June 30,	
	2018	**2017**
Share price at the end of the period	C$4.69	C$3.51
Weighted average fair value of vested awards	C$0.87	C$0.61
Exercise price(i)	C$3.20-C$15.00	C$3.20-C$15.00
Range of risk-free interest rates	1.90%- 2.01%	1.09%-1.38%
Expected share market price volatility(ii)	62%	65%
Expected life of options (years)	1.7-3.7	2.0-4.0
Dividend yield	0%	0%
Forfeiture rate	5%-50%	5%-50%

(i) Represents the 5-day volume-weighted average price of the Company's shares on the Toronto Stock Exchange for the period ending on the grant date.

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

c. Restricted Stock Units ("RSUs")

The Company introduced a RSU plan for employees in 2014. RSUs are not convertible into Company stock and simply represent a right to receive an amount of cash (subject to withholdings), on vesting, equal to the product of i) the number of RSUs held, and ii) the volume weighted average trading price of the Company's shares for the five trading days prior to such date. RSUs will generally vest as to 50 percent in thirds over a three-year period and as to the other 50 percent, in thirds upon satisfaction of annual production and cost targets, except for the options granted on March 29, 2018 and future grants, which vest as to 25 percent in thirds over a three-year period, 50 percent in thirds upon satisfaction of annual production and costs targets and 25 percent in thirds upon satisfaction of matching the average performance of the VanEck Vectors Junior Gold Miners ETF ("GDXJ").

During the six months ended June 30, 2018, 806,000 RSUs were granted at an average price of C$4.19 per unit and 28,800 RSUs were forfeited (2017: 837,960 RSUs granted and 32,793 forfeited). As at June 30, 2018 a total of 1,635,080 RSUs were outstanding of which 677,279 units were vested. As at June 30, 2018, $1.7 million of current RSU liability and $0.5 million of non-current RSU liability have been recorded in the consolidated financial statements of financial position (2017: $1.0 million and $0.6 million in current and non-current RSU liability respectively).

d. Deferred Stock Units ("DSUs")

The Company introduced a DSU Plan for non-executive directors in 2014. DSUs represent a right for a non-executive director to receive an amount of cash (subject to withholdings), on ceasing to be a director of the Company, equal to the product of (i) the number of DSUs held, and (ii) the volume weighted average trading price of the Company's shares for the five trading days prior to such date.

The Company granted 193,000 DSUs during the six months ended June 30, 2018 at a price of C$4.19 per unit. Of the 756,998 DSUs outstanding at June 30, 2018, 548,998 were vested and no units cancelled. As at June 30, 2018, $2.2 million of current DSU liability has been recorded in the consolidated statement of financial position (2017: $1.2 million).

28. RELATED PARTY TRANSACTIONS

a. Equity interests in related parties

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 31 of the annual audited consolidated financial statements of the Company for the year ended December 31, 2017.

b. Transactions with key management personnel

During the three and six months ended June 30, 2018, there were nil transactions (2017 - $27 thousand and $63 thousand), between the Company and a director-related entity.

c. Exploration agreement with Miminvest SA

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

29. SEGMENT INFORMATION

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

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

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	Three months ended June 30, 2018				
	Sabodala	**Corporate**	**Wahgnion**	**Exploration**	**Total**
Revenue	86,050	-	-	-	86,050
Mine operation expenses	(42,197)	-	-	-	(42,197)
Depreciation and amortization	(17,800)	-	-	-	(17,800)
Cost of sales	**(59,997)**	**-**	**-**	**-**	**(59,997)**
Gross profit	**26,053**	**-**	**-**	**-**	**26,053**
Exploration and evaluation expenditures	-	-	-	(1,832)	(1,832)
Administration expenses	-	(2,939)	-	-	(2,939)
Corporate social responsibility expenses	(1,193)	(122)	-	-	(1,315)
Share-based compensation	-	(1,120)	-	-	(1,120)
Finance costs	(895)	(2,837)	(556)	(5)	(4,293)
Net foreign exchange gains/(losses)	61	(475)	(253)	218	(449)
Other (expenses)/income	(1,227)	11,935	-	-	10,708
Operating (expenses)/income	**(3,254)**	**4,442**	**(809)**	**(1,619)**	**(1,240)**
Profit/(losses) before income tax	**22,799**	**4,442**	**(809)**	**(1,619)**	**24,813**
Income tax expense	(11,177)	-	(2,235)	-	(13,412)
Net profit /(loss)	**11,622**	**4,442**	**(3,044)**	**(1,619)**	**11,401**

	Three months ended June 30, 2017				
	Sabodala	**Corporate**	**Wahgnion**	**Exploration**	**Total**
Revenue	72,040	-	-	-	72,040
Mine operation expenses	(41,092)	-	-	-	(41,092)
Depreciation and amortization	(13,189)	-	-	-	(13,189)
Cost of sales	**(54,281)**	**-**	**-**	**-**	**(54,281)**
Gross profit	**17,759**	**-**	**-**	**-**	**17,759**
Exploration and evaluation expenditures	-	-	-	(2,336)	(2,336)
Administration expenses	-	(2,254)	-	-	(2,254)
Corporate social responsibility expenses	(672)	(93)	-	-	(765)
Share-based compensation	-	(553)	-	-	(553)
Finance costs	(736)	(128)	-	-	(864)
Net foreign exchange (losses)/gains	(2,146)	(116)	70	(249)	(2,441)
Other (expenses)/income	(13)	20	1,039	-	1,046
Operating (expenses)/income	**(3,567)**	**(3,124)**	**1,109**	**(2,585)**	**(8,167)**
Profit/(loss) before income tax	**14,192**	**(3,124)**	**1,109**	**(2,585)**	**9,592**
Income tax recovery	195	-	608	-	803
Net profit/(loss)	**14,387**	**(3,124)**	**1,717**	**(2,585)**	**10,395**

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	Six months ended June 30, 2018				
	Sabodala	**Corporate**	**Wahgnion**	**Exploration**	**Total**
Revenue	172,292	-	-	-	172,292
Mine operation expenses	(85,556)	-	-	-	(85,556)
Depreciation and amortization	(33,911)	-	-	-	(33,911)
Cost of sales	**(119,467)**	**-**	**-**	**-**	**(119,467)**
Gross profit	**52,825**	**-**	**-**	**-**	**52,825**
Exploration and evaluation expenditures	-	-	-	(4,875)	(4,875)
Administration expenses	-	(6,081)	-	-	(6,081)
Corporate social responsibility expenses	(1,839)	(210)	-	-	(2,049)
Share-based compensation	-	(3,851)	-	-	(3,851)
Finance costs	(2,057)	(5,318)	(558)	(5)	(7,938)
Net foreign exchange (losses)/gains	(2,262)	(378)	(317)	282	(2,675)
Other (expenses)/income	(3,846)	9,831	-	-	5,985
Operating expenses	**(10,004)**	**(6,007)**	**(875)**	**(4,598)**	**(21,484)**
Profit/(losses) before income tax	**42,821**	**(6,007)**	**(875)**	**(4,598)**	**31,341**
Income tax expense	(14,386)	-	(1,558)	-	(15,944)
Net profit /(loss)	**28,435**	**(6,007)**	**(2,433)**	**(4,598)**	**15,397**

	Six months ended June 30, 2017				
	Sabodala	**Corporate**	**Wahgnion**	**Exploration**	**Total**
Revenue	142,362	-	-	-	142,362
Mine operation expenses	(82,924)	-	-	-	(82,924)
Depreciation and amortization	(25,815)	-	-	-	(25,815)
Cost of sales	**(108,739)**	**-**	**-**	**-**	**(108,739)**
Gross profit	**33,623**	**-**	**-**	**-**	**33,623**
Exploration and evaluation expenditures	-	-	-	(4,296)	(4,296)
Administration expenses	-	(4,399)	-	-	(4,399)
Corporate social responsibility expenses	(1,440)	(213)	-	-	(1,653)
Share-based compensation	-	(1,430)	-	-	(1,430)
Finance costs	(1,462)	(257)	-	-	(1,719)
Net foreign exchange (losses)/gains	(2,832)	(115)	139	(154)	(2,962)
Other (expenses)/income	(917)	51	1,065	-	199
Operating (expenses)/income	**(6,651)**	**(6,363)**	**1,204**	**(4,450)**	**(16,260)**
Profit/(loss) before income tax	**26,972**	**(6,363)**	**1,204**	**(4,450)**	**17,363**
Income tax (expense)/recovery	(556)	-	801	-	245
Net profit/(loss)	**26,416**	**(6,363)**	**2,005**	**(4,450)**	**17,608**

(In thousands of United States dollars)

Selected non-current asset balances are detailed below:

	As at June 30, 2018				
	Sabodala	Corporate	Wahgnion	Exploration	Total
Property, plant and equipment	164,337	553	56,921	1,545	223,356
Mine development expenditure	262,686	-	80,690	17,301	360,677
Total non-current assets	537,613	2,542	142,005	18,860	701,020

	As at December 31, 2017				
	Sabodala	Corporate	Wahgnion	Exploration	Total
Property, plant and equipment	174,069	414	8,869	659	184,011
Mine development expenditures	264,228	-	72,531	64	336,823
Total non-current assets	569,038	674	84,934	757	655,403

30. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative interim condensed consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2018 interim condensed consolidated financial statements.