Management's Discussion and Analysis of

TERANGA GOLD CORPORATION

For the three and nine months ended September 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial conditions and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the three and nine months ended September 30, 2017. 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 nine months ended September 30, 2017, as well as, with the audited consolidated financial statements of Teranga as at and for the twelve months ended December 31, 2016. The Company's Statements and MD&A are presented in United States dollars, unless otherwise specified, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Additional information about Teranga, including the Company's Annual Information Form for the year ended December 31, 2016, as well as all other public filings, 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 November 2, 2017. 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 5,000 km^2 of land located on prospective gold belts. Since its initial public offering in 2010, Teranga has produced more than 1.2 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 Banfora Gold Project, with our recently released positive feasibility study, and conducting extensive exploration programs in three countries: Burkina Faso, Senegal and Côte d'Ivoire. Teranga has a strong balance sheet and the financial flexibility to execute on its growth strategy. The Company has nearly 4.0 million ounces of gold reserves[1] from its combined Sabodala Gold operations and Banfora Gold Project.

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 leading with corporate social responsibility.

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

STRATEGY

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

FINANCIAL AND OPERATING HIGHLIGHTS

		Three months ended September 30,			Nine months ended September 30,		
Financial Data		**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenue	($000's)	61,041	60,316	1%	203,403	213,076	(5%)
Cost of sales	($000's)	(49,225)	(37,748)	30%	(157,964)	(138,506)	14%
Profit attributable to shareholders of Teranga	($000's)	10,370	10,437	(1%)	26,173	24,395	7%
Per share[1]	($)	0.10	0.13	(26%)	0.24	0.31	(21%)
EBITDA[2]	($000's)	23,004	26,841	(14%)	68,705	82,502	(17%)
Operating cash flow excluding changes in working capital other than inventories	($000's)	11,884	7,970	49%	57,902	52,049	11%
Operating cash flow	($000's)	10,235	13,255	(23%)	38,927	58,356	(33%)
Sustaining capital expenditures (before deferred stripping)	($000's)	6,469	6,426	1%	21,398	25,481	(16%)
Capitalized deferred stripping - sustaining	($000's)	5,469	3,065	78%	21,773	13,669	59%
Growth capital expenditures	($000's)	4,984	-	N/A	14,113	-	N/A
		Three months ended September 30,			Nine months ended September 30,		
Operating Data		**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Gold Produced	(oz)	50,873	49,481	3%	165,333	172,748	(4%)
Gold Sold	(oz)	47,695	45,161	6%	162,134	171,129	(5%)
Average realized gold price[2]	($ per oz)	1,277	1,333	(4%)	1,253	1,244	1%
Cost of sales per ounce	($ per oz sold)	1,032	836	23%	974	809	20%
Total cash costs[2]	($ per oz sold)	782	620	26%	735	600	23%
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)[2]	($ per oz sold)	1,084	1,091	(1%)	978	919	6%

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

[2] 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.

THIRD QUARTER AND NINE MONTH YTD HIGHLIGHTS

Financial Highlights

- Net income attributable to shareholders was $10.4 million for the quarter, unchanged from the prior year period, and increased by 7% to $26.2 million year-to-date. Higher non-cash inventory cost during the quarter and year-to-date were offset by lower income taxes and hedge gains in 2017 compared to hedge losses in the 2016 year-to-date period.
- Earnings per share of $0.10 and $0.24 for the three and nine-month periods, respectively, were negatively impacted by a year-over-year increase in the number of shares related to the acquisition of Gryphon Minerals Limited ("Gryphon") in October 2016 and the equity offering relating to construction readiness activities for the Banfora Gold Project (previously owned by Gryphon) in November 2016.
- Cash flow related to operating activities, before changes in working capital excluding inventories, increased year-over-year to $11.9 million and $57.9 million, respectively, for both the quarter and year-to-date periods. Due to an increase in working capital related to payments of higher royalties and 2016 income tax (paid in arrears) in 2017, net cash provided by operating activities decreased year-over-year to $10.2 million and $38.9 million, respectively, for both the quarter and year-to-date periods.

- EBITDA[1] for the three and nine-month periods was $23.0 million and $68.7 million, respectively. Inventory movements related to non-cash historic mining costs relating to the drawdown of the Company's low-grade stockpiles negatively impacted year-over-year EBITDA by $8.4 million in the quarter and $17.3 million on a year-to-date basis. The volatility in inventory movement does not affect cash flow from operations.
- Cash and cash equivalents totaled $73.0 million, down from the second quarter due to $5.0 million in growth capital expenditures and a $1.5 million increase in working capital. Available for sale securities were valued at $3.8 million at September 30, 2017. Available for sale securities are liquid and freely trading securities listed on public stock exchanges and can be sold at the Company's discretion.
- The Company entered into forward gold sales contracts for a total of 131,000 ounces of gold commencing October 2017 through December 2018 at a gold price of $1,336 per ounce. A key component of the financing plan for the Banfora Gold Project is the anticipated cash flows from Sabodala over the course of the construction period. The execution of the forward gold sales contracts provides greater cash flow certainty from Sabodala through to the end of 2018.

Operating Highlights

- Solid third quarter gold production of 50,873 ounces was 3 percent higher than the prior year quarter. With 165,333 ounces of gold produced year-to-date, this puts the Company on track to achieve the upper end of its 2017 production guidance.
- Per tonne costs for the third quarter were within or below the low end of guidance ranges, putting the Company on track to meet the lower end of per tonne cost guidance for 2017.
- Third quarter per ounce costs, 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 above the full year guidance ranges, due to increased costs relating to more material mined and processed, lower grades processed, and the timing of gold sales during the quarter. With mining activities focused on the high-grade Gora and Golouma deposits for the remainder of the year, the Company expects to achieve the higher end of its 2017 all-in sustaining costs[1] and all-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)[1] per ounce guidance ranges.

Growth Highlights

- On August 30, 2017, the Company filed an updated National Instrument 43-101 *Standards of Disclosure for Mine Projects* ("NI 43-101") technical report for Sabodala ("Sabodala Technical Report") reflecting an increase in gold reserves by more than 400,000 ounces to a total of 2.7 million ounces as at June 30, 2017 and improved Sabodala's five-year profile. Between 2018 and 2022, Sabodala's gold production is expected to increase by 20 percent from the prior NI 43-101 estimate, to more than one million ounces[2] and generate a total of $230 million in free cash flow[1]. The increase in production was attributable to new reserves at Niakafiri, as well as an improved mine plan profile.
- On October 20, 2017, the Company filed the first NI 43-101 technical report for the Banfora Gold Project in Burkina Faso, which was completed by Roscoe Postle Associates Inc. ("RPA"). This positive feasibility study is based on initial gold reserves of 1.2 million ounces, which generates a 15 percent internal rate of return at $1,250 per ounce gold. Since the announcement of the results of the feasibility study, the Banfora Gold Project is advancing on all fronts. The owner's team is being assembled and project civils and site infrastructure are scheduled to begin in the fourth quarter. By the end of November, the Company expects to award the EPCM contract and complete a 75,000-metre infill drill program to upgrade inferred resources. Overall, the Company anticipates achieving a conversion rate of between 25 and 50 percent of the inferred resources. A reserve update is expected in the first half of 2018.

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

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

- Following a competitive selection process, Teranga intends to execute a project finance mandate with a leading institution in November 2017, which will further the development of the Company's Banfora Gold Project in Burkina Faso. The mandate is expected to set forth a $150 million senior project debt facility (the "Facility") with a targeted financial close in the second quarter of 2018. Closure of the facility is subject to customary internal approvals and completion of due diligence and legal documentation.
- In April, two new gold discoveries were reported at Golden Hill in Burkina Faso. Ma and Nahiri Prospects display good grades, widths, continuity and strike length, with mineralized zones from surface. In July, the Company reported positive Phase 2 drilling for both Ma and Nahiri as well as favourable initial drilling results at the Peksou and Jackhammer Hill Prospects. In September, the Company reported diamond drill results comprising the remaining Phase 2 and initial Phase 3 drill results at the Ma Prospect.

2017 FULL YEAR OUTLOOK UPDATE

(US$000's, except where indicated)		2017 Original Guidance	YTD 2017 September	2017 FY Guidance
Gold produced	(oz)	205,000 - 225,000	165,333	205,000 - 225,000
Total cash costs per ounce sold	$/oz sold	725 - 775	735	725 - 775
Total cost of sales per ounce sold	$/oz sold	950 - 1025	974	950 - 1025
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) per ounce	$/oz sold	900 - 975	978	900 - 975
Growth capital				
Feasibility study		3,000	2,105	2,000
Construction readiness		5,000 - 8,000	8,030	17,000 - 20,000
Sustaining capital				
Mine site sustaining		10,000 - 15,000	8,109	10,000 - 15,000
Site development costs		2,000	7,571	8,000 - 9,000
Exploration (expensed and capitalized)		12,000 - 15,000	16,141	20,000 - 25,000

The Company expects to produce between 50,000 and 60,000 ounces during the fourth quarter and puts the Company on track to achieve the upper end of its production guidance range of between 205,000 and 225,000 ounces of gold in 2017. Year to date all-in sustaining costs[1] and all-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)[1] were above the full year guidance ranges, due to increased costs relating to higher material mined and processed, including capitalized mining costs, lower grades processed, and the timing of gold sales during the third quarter. With mining activities focused on the high-grade Gora and Golouma deposits for the remainder of the year, the Company expects to achieve the higher end of its 2017 all-in sustaining costs[1] and all-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)[1] per ounce guidance ranges.

Earlier in the year, the Company's board approved the investment of an additional $12 million towards construction readiness activities related to the Banfora Gold Project, such as improvements to local site infrastructure, preparation of procurement packages and commencement of detailed engineering designs. As a result, construction readiness spending for the Banfora Gold Project for 2017 was increased to between $17 and $20 million. Refer to the Banfora Gold Project Update section 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.

Site development costs reflect additional pre-stripping costs at the Golouma West pit as a result of a pit design change that is expected to result in higher production between 2018 and 2022.

During the third quarter, the Company continued with a comprehensive 65,000 metre infill drilling program with the intent to convert resources presently classified as inferred to reserves at Banfora. Based on positive drill results received to date, the Company has increased its planned infill drilling program to 75,000 metres. In addition, positive drill results at the Company's Golden Hill property have resulted in an increase to the Company's exploration and reserve development budget to between $20 and $25 million, an increase of approximately $8 to $10 million from the Company's original guidance. Over 90 percent of these expenditures are being spent to convert resources to reserves or to prove up initial resources across the Company's portfolio. Refer to the Exploration section of this MD&A for further details.

All other guidance remains unchanged from that which was originally published on February 23, 2017. For details of our original 2017 outlook, please refer to Teranga's annual MD&A for the year ended December 31, 2016.

REVIEW OF OPERATING RESULTS

		Three months ended September 30,			Nine months ended September 30,		
Operating Results		**2017**	**2016**	**% Change**	**2017**	**2016**	**% Change**
Ore mined	('000t)	540	331	63%	1,389	1,599	(13%)
Waste mined - operating	('000t)	6,425	6,373	1%	17,470	19,680	(11%)
Waste mined - capitalized	('000t)	1,924	1,189	62%	8,331	4,637	80%
Total mined	('000t)	8,889	7,893	13%	27,190	25,916	5%
Grade mined	(g/t)	2.49	2.71	(8%)	3.17	2.58	23%
Ounces mined	(oz)	43,286	28,826	50%	141,398	132,911	6%
Strip ratio	(waste/ore)	15.5	22.9	(33%)	18.6	15.2	22%
Ore milled	('000t)	1,051	933	13%	3,145	2,991	5%
Head grade	(g/t)	1.66	1.78	(7%)	1.78	1.93	(8%)
Recovery rate	(%)	90.5	92.6	(2%)	91.6	92.9	(1%)
Gold produced[1]	(oz)	50,873	49,481	3%	165,333	172,748	(4%)
Gold sold	(oz)	47,695	45,161	6%	162,134	171,129	(5%)
Average realized price[2]	($/oz)	1,277	1,333	(4%)	1,253	1,244	1%
Cost of sales per ounce	($/oz sold)	1,032	836	23%	974	809	20%
Total cash costs[2]	($/oz sold)	782	620	26%	735	600	23%
All-in sustaining costs[2]	($/oz sold)	1,092	910	20%	1,061	897	18%
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)[2]	($/oz sold)	1,084	1,091	(1%)	978	919	6%
Mining	($/t mined)	2.46	2.59	(5%)	2.31	2.32	0%
Mining long haul	($/t hauled)	2.96	2.79	6%	2.90	3.72	(22%)
Milling	($/t milled)	10.46	11.05	(5%)	11.34	10.75	5%
G&A	($/t milled)	4.16	4.55	(9%)	4.11	4.41	(7%)

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

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

		Three months ended September 30, 2017					Nine months ended September 30, 2017				
		Golouma West	Gora	Golouma South	Kerekounda	Total	Golouma West	Gora	Golouma South	Kerekounda	Total
Ore mined	('000t)	197	114	139	90	540	197	403	541	248	1,389
Waste mined - operating	('000t)	1,852	2,950	338	1,285	6,425	1,852	8,671	2,488	4,459	17,470
Waste mined - capitalized	('000t)	791	212	-	921	1,924	791	2,600	-	4,940	8,331
Total mined	('000t)	2,840	3,276	477	2,296	8,889	2,840	11,674	3,029	9,647	27,190
Grade mined	(g/t)	2.03	3.05	2.69	2.50	2.49	-	4.24	3.05	2.58	3.17
Ounces mined	(oz)	12,908	11,123	12,034	7,221	43,286	12,908	54,811	53,108	20,571	141,398

		Three months ended September 30, 2016			Nine months ended September 30, 2016			
		Gora	Golouma South	Total	Masato	Gora	Golouma South	Total
Ore mined	('000t)	160	171	331	455	576	568	1,599
Waste mined - operating	('000t)	3,873	2,500	6,373	166	10,424	9,090	19,680
Waste mined - capitalized	('000t)	1,189	-	1,189	-	4,637	-	4,637
Total mined	('000t)	5,222	2,671	7,893	621	15,637	9,658	25,916
Grade mined	(g/t)	1.67	3.69	2.71	1.16	2.73	3.58	2.58
Ounces mined	(oz)	8,570	20,256	28,826	16,969	50,647	65,295	132,911

		Three months ended September 30			Nine months ended September 30		
		2017	2016	% Change	2017	2016	% Change
Total mined (as above)	('000t)	8,889	7,893	13%	27,190	25,916	5%
Capitalized pre-stripping	('000t)	661	553	20%	2,604	1,056	147%
Total mined (including pre-strip tonnes)	('000t)	9,550	8,446	13%	29,794	26,972	10%

Operating results for the three months ended September 30, 2017

Mining

For the three months ended September 30, 2017, mining activities were focused on Golouma West and South, Gora Phase 3 and Kerekounda. Pre-production stripping activities were completed in Golouma West and production commenced in August 2017. Total tonnes mined for the period increased by 13 percent compared to the prior year period mainly due to improved shovel availability. Ore tonnes mined were 63 percent higher than the prior year period as a result of mining in two additional pits this year, Golouma West and Kerekounda. Ore grades were 8 percent lower, mainly due to the commencement of production of ore sourced from Golouma West during the quarter.

In the prior year period, mining activities were focused on production at Gora Phase 2 and Golouma South as well as pre-stripping at both Gora Phase 3 and Kerekounda.

As part of our ongoing grade control processes and conservative resource modelling near surface, during the last 18 months through June 30, 2017, total tonnes mined at all deposits were 19 percent higher than the reserve models, resulting in a 20 percent positive variance in total mined ounces, as reflected in the updated NI 43-101 report issued during the third quarter. This trend continued during the third quarter.

Processing

For the three months ended September 30, 2017, ore milled was 1.05 million tonnes, 13 percent higher than the prior year period, which coincides with the annual rainy season in Senegal. Throughput rates benefited from operation of the second primary crusher commissioned in August 2016 and optimization of the SAG and ball mill circuit.

Head grade for the three months ended September 30, 2017, was 7 percent lower than prior period mainly due to lower ore grades mined. In the prior period, mill feed was sourced from high grade Golouma South and Gora deposits with ore feed supplemented with Sabodala and Masato stockpile material.

Gold production in the third quarter was 3 percent higher than prior year period mainly attributable to higher mill throughput partially offset by lower head grades and recovery rates.

Costs – site operations

For the three months ended September 30, 2017, total mining costs were $21.9 million, 7 percent higher than the prior year period. The increase was primarily due to a 13 percent increase in material movement, higher maintenance costs from the aging mine fleet and unfavourable currency movements when compared to the prior year period. Total long haul costs for the third quarter were $1.6 million, $0.6 million higher than the prior year period mainly due to an increase in ore tonnes hauled from satellite deposits. On a unit cost basis, mining costs for the third quarter were 5 percent lower than the prior year period due to greater material movement.

Total processing costs for the three months ended September 30, 2017 were $11.0 million, 7 percent higher than the prior year period due to higher fuel prices and the increased consumption of consumables in line with higher throughput.

Unit processing costs during the quarter were 5 percent lower than the prior year period mainly due to an increase in tonnes milled.

Total mine site general and administrative costs for the three months ended September 30, 2017 totalled $4.4 million, comparable to the prior year period. On a per unit basis, mine site general and administrative costs decreased by 9 percent over the prior year period due to an increase in tonnes milled.

Total cash costs increased by 26 percent to $782 per ounce for the third quarter compared to the prior year period, mainly due to increased costs relating to more material mined and processed, lower grades processed, and the timing of gold sales during the quarter, combined with an increase in non-cash inventory movements costs, partially offset by higher capitalized deferred stripping costs.

Total cost of sales increased by 23 percent to $1,032 per ounce for the third quarter compared to the prior year period, mainly due to increased total cash costs and higher amortization of deferred stripping assets.

All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) of $1,084 per ounce were similar to the prior year period amount of $1,091 per ounce.

Operating results for the nine months ended September 30, 2017

Mining

For the nine months ended September 30, 2017, total tonnes mined were 27.2 million tonnes, 5 percent higher than the prior year period. Mining activities were focused on Gora, Kerekounda, Golouma South and pre-stripping leading to production at Golouma West. Higher tonnes mined were mainly due to improved shovel productivity in the oxide zones at Golouma West and Kerekounda, as well as, higher equipment availability and utilization rates for the mining fleet during the first nine months of 2017. In the prior year period, mining activities were mainly focused on the lower benches of the Masato deposit, completed during the first quarter of 2016, and the Gora and Golouma South deposits, which were active throughout the first nine months of 2016.

Ore tonnes mined for the nine months ended September 30, 2017 were 13 percent lower compared to the prior year period, while ore grades mined were 23 percent higher, as mining shifted to higher grade deposits at Gora, Golouma South and West and Kerekounda.

Processing

Ore tonnes milled for the nine months ended September 30, 2017 were 5 percent higher than the prior year period mainly due to operation of the second primary crusher and optimization of the crushing and grinding circuit despite a higher proportion of hard ore in the mill feed in 2017 compared to the year earlier period. Year-to-date mill throughput represents the highest in Company history.

For the nine months ended September 30, 2017 head grade was 8 percent lower when compared to the prior year period. Mill feed was sourced from high grade ore from Gora, Golouma South and West and Kerekounda supplemented with lower grade stockpiles. In the prior year period, mill feed included a greater proportion of higher grade ore.

Gold production for the nine months ended September 30, 2017 was 165,333 ounces, or 4 percent lower than the prior year period. Higher throughput was achieved over the first nine months of 2017, which was offset by lower grades and recoveries compared to the prior year period.

Costs – site operations

Total mining costs for the nine months ended September 30, 2017 were $62.9 million, or 5 percent higher than the prior year period mainly due to higher material movement and higher fuel prices. On a unit basis, mining costs for the nine month period were similar to the prior year period as the higher costs were offset by an increase in tonnes mined. Total long haul costs for the nine month period were $4.5 million, $1.6 million higher than the prior year period mainly due to an increase in ore tonnes hauled from satellite deposits.

For the nine months ended September 30, 2017, total processing costs were $35.7 million, or 11 percent higher than the prior year period, mainly due to higher fuel prices and an increase in tonnes milled. Unit processing costs increased by 5 percent compared to the prior year period mainly due to higher fuel prices.

Total mine site general and administrative costs for the nine months ended September 30, 2017 totalled $13.0 million, which was comparable to the prior year period. On a unit basis, general and administrative costs decreased by 7 percent over the prior year period due to an increase in tonnes milled.

For the nine months ended September 30, 2017, total cash costs increased by 23 percent to $735 per ounce compared to the prior year period, mainly due to increased costs relating to more material mined and processed, lower grades processed, and the timing of gold sales during the third quarter, combined with an increase in non-cash inventory movements costs, slightly offset by higher capitalized stripping costs.

Total cost of sales increased by 20 percent to $974 per ounce for the nine months ended September 30, 2017 compared to the prior year period. Costs increased mainly due to increased total cash costs and amortization of deferred stripping assets, slightly offset by higher capitalized stripping costs.

For the nine months ended September 30, 2017, all-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) of $978 were 6 percent higher than the prior year period. Costs increased mainly due to increased total cash costs, partly offset by lower share based compensation expenses.

REVIEW OF FINANCIAL RESULTS

	Three months ended September 30,			Nine months ended September 30,		
(US$000's)	**2017**	**2016**	**% Change**	**2017**	**2016**	**% Change**
Revenue	61,041	60,316	1%	203,403	213,076	(5%)
Mine operation expenses	(37,599)	(28,359)	33%	(120,523)	(104,021)	16%
Depreciation and amortization	(11,626)	(9,389)	24%	(37,441)	(34,485)	9%
Cost of sales	**(49,225)**	**(37,748)**	**30%**	**(157,964)**	**(138,506)**	**14%**
Gross profit	**11,816**	**22,568**	**(48%)**	**45,439**	**74,570**	**(39%)**
Exploration and evaluation expenditures	(2,149)	(735)	192%	(6,445)	(3,659)	76%
Administration expenses	(2,362)	(1,867)	27%	(6,761)	(5,416)	25%
Corporate social responsibility expenses	(638)	(802)	(20%)	(2,291)	(2,834)	(19%)
Share-based compensation	(215)	(1,394)	(85%)	(1,645)	(4,943)	(67%)
Finance costs	(947)	(1,118)	(15%)	(2,666)	(3,455)	(23%)
Net foreign exchange losses	(1,179)	(1,054)	12%	(4,141)	(2,903)	43%
Other income / (expenses)	5,909	684	764%	6,108	(7,213)	N/A
Profit before income tax	**10,235**	**16,282**	(37%)	**27,598**	**44,147**	(37%)
Income tax recovery / (expense)	729	(4,105)	N/A	974	(14,764)	N/A
Net profit	**10,964**	**12,177**	**(10%)**	**28,572**	**29,383**	**(3%)**
Profit attributable to non-controlling interests	(594)	(1,740)	(66%)	(2,399)	(4,988)	(52%)
Profit attributable to shareholders of Teranga	**10,370**	**10,437**	**(1%)**	**26,173**	**24,395**	**7%**
Basic earnings per share[1]	0.10	0.13	(26%)	0.24	0.31	(21%)

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

(US$000's)	Three months ended September 30,			Nine months ended September 30,		
Mine operation expenses	**2017**	**2016**	**% Change**	**2017**	**2016**	**% Change**
Mine production costs	39,086	36,104	8%	116,413	108,701	7%
Royalties	3,964	3,692	7%	13,285	13,628	(3%)
Regional administration costs	283	355	(20%)	1,307	1,406	(7%)
	43,333	40,151	8%	131,005	123,735	6%
Capitalized deferred stripping	(5,469)	(3,113)	76%	(21,773)	(13,717)	59%
Inventory movements	(265)	(8,679)	(97%)	11,291	(5,997)	N/A
	(5,734)	(11,792)	(51%)	(10,482)	(19,714)	(47%)
Total mine operation expenses	**37,599**	**28,359**	**33%**	**120,523**	**104,021**	**16%**

(US$000's)	Three months ended September 30,			Nine months ended September 30,		
Depreciation and amortization expenses	**2017**	**2016**	**% Change**	**2017**	**2016**	**% Change**
Depreciation and amortization - property, plant and equipment and mine development expenditures	8,482	8,758	(3%)	28,422	28,270	1%
Depreciation and amortization - deferred stripping assets	3,861	761	407%	12,539	1,725	627%
	12,343	9,519	30%	40,961	29,995	37%
Inventory movements - depreciation	(352)	141	N/A	(1,973)	5,626	N/A
Capitalized deferred stripping - depreciation	(365)	(271)	35%	(1,547)	(1,136)	36%
	(717)	(130)	452%	(3,520)	4,490	N/A
Total depreciation and amortization expenses	**11,626**	**9,389**	**24%**	**37,441**	**34,485**	**9%**

Financial Results for the three months ended September 30, 2017

Revenue

Revenue for the three months ended September 30, 2017 was similar to the prior year period as a 6 percent increase in ounces sold was mostly offset by a 4 percent decrease in average realized gold prices.

	Three months ended September 30,		
Spot price per ounce of gold	**2017**	**2016**	**% Change**
Average	$1,278	$1,335	(4%)
Low	$1,211	$1,308	(7%)
High	$1,346	$1,366	(1%)
Average Realized	$1,277	$1,333	(4%)

Mine Operation Expenses

For the three months ended September 30, 2017, mine operation expenses, before capitalized deferred stripping and inventory movements, increased by 8 percent over the prior year period to $43.3 million primarily due to an increase in material mined and processed, unfavourable foreign exchange rates and higher fuel prices during the current quarter.

The amount of mining costs capitalized as deferred stripping costs will fluctuate from period to period depending on whether the Company is mining above or below the life of phase strip ratio in a particular pit. During the third quarter, the Company mined above the life of phase strip ratios at three deposits, Kerekounda, Gora, and Golouma West. In the prior year period, the Company mined above the life of phase strip ratio at one deposit, Gora. As a result, 1.9 million tonnes, or $5.5 million of deferred stripping costs were capitalized in the current period, compared to only 1.2 million tonnes, or $3.1 million capitalized in the prior year period. Costs capitalized are amortized to expense as the deposit is mined.

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

Inventory movements in the three months ended September 30, 2017 resulted in a decrease to mine operation expenses of $0.3 million compared to a decrease of $8.7 million in the prior year period. During both the current and prior year periods, the Company had net increases in inventory costs despite a decrease in ounces in inventory as stockpiled ore was processed. Changes to the mine plan as the Company moved from lower grade, lower strip ratio deposits to higher grade, higher strip ratio deposits have resulted in the mining cost per ounce rising, particularly in 2016, which resulted in an increase the value of stockpiles despite the fact that the number of ounces declined.

Depreciation and amortization expenses

Total depreciation and amortization expense for the three months ended September 30, 2017 was $11.6 million, $2.2 million higher than the prior year period. The increase was due to higher depreciation and amortization of deferred stripping assets related to amortization of previously capitalized deferred stripping costs at Gora, Kerekounda and

Golouma West. In the prior year comparative period, only Gora's deferred stripping asset was being amortized.

Exploration and evaluation

Exploration and evaluation expenditures for the three months ended September 30, 2017 were $2.1 million, $1.4 million higher than the prior year period. Refer to the Exploration section for additional details.

Administration expense

Administration expense for the three months ended September 30, 2017 was $2.4 million compared to $1.9 million in the prior year period. The higher costs were due to increased costs related to the growth of the Company beyond our Sabodala Gold operations in Senegal and other miscellaneous corporate costs.

Corporate social responsibility expenses

Corporate social responsibility expenses for the three months ended September 30, 2017 were $0.6 million, $0.2 million lower than the prior year period. This variance was a result of differences in the timing of program expenditures between the comparative periods.

Share-based compensation

Share-based compensation expense for the three months ended September 30, 2017 was $0.2 million, $1.2 million lower than the prior year period mainly due to a decline in the Company's share price during the third quarter 2017 compared to an increase in the share price in the prior year period.

Finance costs

Finance costs for the three months ended September 30, 2017 were $0.9 million, a decrease of $0.2 million compared to the prior year period mainly due to lower interest expense and bank charges.

Net foreign exchange losses

Net foreign exchange losses of $1.2 million were realized by the Company in the three months ended September 30, 2017 primarily due to realized and unrealized foreign exchange losses recorded during the quarter as the Euro appreciated relative to the US dollar.

Other income/expense

Other income for the three months ended September 30, 2017 was $5.9 million compared with $0.7 million in the prior year period. The increase was due to the forward gold sales contracts that the Company entered into in September 2017. Based on the mark-to-market value of these contracts as at September 30, 2017, a hedge gain of $5.3 million was recognized. In the prior year period, a reversal of $1.3 million related to business taxes was partially offset by $0.8 million of acquisition costs for Gryphon.

Income tax recovery

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

For the three months ended September 30, 2017, the Company recorded a recovery of income taxes of $0.7 million, comprised of current income tax expense of $0.4 million and a recovery of deferred income taxes of $1.1 million. In the prior year period, income tax expense of $4.1 million was comprised of current income tax expense of $3.9 million and deferred income tax expense of $0.2 million. Current income tax expense was lower during the quarter due to changes in foreign exchange rates resulting in higher foreign exchange losses, which reduced income subject to income tax.

Net profit

Consolidated net profit attributable to shareholders for the three months ended September 30, 2017 was $10.4 million ($0.10 per share), compared to consolidated net profit of $10.4 million ($0.13 per share) in the prior year period. Higher non-cash inventory cost during the quarter was offset by lower income taxes and hedge gains in 2017. Earnings per share decreased to $0.10 for the quarter as the number of shares increased year-over-year due to the acquisition of Gryphon in October 2016 and the equity offering relating to construction readiness activities for the Banfora Gold Project (previously owned by Gryphon).

Financial Results for the nine months ended September 30, 2017

Revenue

Revenue for the nine months ended September 30, 2017 decreased by 5 percent over the prior year period mainly due to fewer gold ounces sold.

	Nine months ended September 30,		
Spot price per ounce of gold	**2017**	**2016**	**% Change**
Average	$1,251	$1,258	(1%)
Low	$1,151	$1,077	7%
High	$1,346	$1,366	(1%)
Average Realized	$1,253	$1,244	1%

Mine Operation Expenses

For the nine months ended September 30, 2017, mine operation expenses, before capitalized deferred stripping and inventory movements, increased by 6 percent over the prior year period to $131.0 million, primarily due to an increase in material mined and processed, unfavourable foreign exchange rates and higher fuel prices.

The amount of mining costs capitalized as deferred stripping costs will fluctuate from period to period depending on whether the Company is mining above or below the life of phase strip ratio in a particular pit. Year-to-date, the Company mined above the life of phase strip ratios at the following three deposits: Kerekounda, Gora, and Golouma West. In the prior year period, the Company mined above the life of phase strip ratio at one deposit, Gora. As a result, 8.3 million tonnes, or $21.8 million of deferred stripping costs were capitalized in the current period, compared to only 4.6 million tonnes, or $13.7 million capitalized in the prior year period. Costs capitalized are amortized to expense as the deposit is mined.

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

Inventory movements in the nine months ended September 30, 2017 resulted in an increase to mine operation expenses of $11.3 million compared to a decrease of $6.0 million in the prior year period. During both the current and prior year periods, the Company had a similar decrease in ounces in inventory as stockpiled ore was processed. Changes to the mine plan as the Company moved from lower grade, lower strip ratio deposits to higher grade, higher strip ratio deposits has resulted in the mining cost per ounce rising, particularly in 2016, which resulted in an increase the value of stockpiles in 2016 despite the fact that the number of ounces declined.

Depreciation and amortization expenses

Total depreciation and amortization expense for the nine months ended September 30, 2017 was $37.4 million, $3.0 million higher than the prior year period. Depreciation and amortization expense for property, plant, and equipment and mine development expenditures remained consistent between the comparative periods. Depreciation and amortization of deferred stripping assets increased by $10.8 million mainly related to amortization of previously capitalized deferred stripping costs at Gora and Kerekounda, as well as the incremental impact of Golouma West going into production in August 2017, while depreciation related to inventory movements decreased by $7.6 million.

Exploration and evaluation

Exploration and evaluation expenditures for the nine months ended September 30, 2017 were $6.4 million, $2.8 million higher than the prior year period. Refer to the Exploration section for additional details.

Administration expense

Administration expense for the nine months ended September 30, 2017 was $6.8 million, $1.3 million higher than the prior year period. Higher administration expense in the current year is mainly due increased costs related to the growth of the Company beyond our Sabodala Gold operations in Senegal and the reversal of an estimate based accrual in the prior period.

Share-based compensation

Share-based compensation expense for the nine months ended September 30, 2017 was $1.6 million, $3.3 million lower than the prior year period due to a decline in the Company's share price during the current year compared to an increase in share price in the prior year period.

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

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2016[1]	3,789,106	C$10.48
Exercised	(2,763)	C$3.33
Granted [2]	891,488	C$4.16
Forfeited	(216,464)	C$11.15
Balance as at September 30, 2017	4,461,367	C$9.19

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

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

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

	Nine months ended September 30, 2017		As of September 30, 2017	
	Grant Units	Grant Price[1]	Outstanding	Total Vested[2]
RSUs	856,460	$3.00-$4.20	1,643,701	841,811
DSUs	180,000	C$4.18	563,998	488,998
Fixed Bonus Plan Units	-	-	359,500	335,413

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

[2] Directors have the option to elect to receive their Director compensation in the form of DSUs. These DSUs vest as they are granted. All remaining DSUs that are granted vest on the first anniversary of the grant date. RSUs vest over a three year period, with 50 percent of the award vesting upon achievement of two predetermined operational criteria, and 50 percent vesting with the passage of time. Both DSUs and RSUs and are payable in cash. The Company used the September 30, 2017 closing post-consolidation share price of C$2.80 to value the vested DSUs and RSUs.

Of the 4,461,367 common share stock options issued and outstanding as at September 30, 2017, 3,297,307 are vested and the remaining 1,164,060 vest over a three-year period. The fair value of options that vest upon achievement of milestones will be recognized based on management's assessment of the likelihood of reaching those milestones. Under IFRS, the graded method of amortization is applied to new grants of stock options and fixed bonus plan units, which results in approximately 87 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 nine months ended September 30, 2017 were $2.7 million, $0.8 million lower than the prior year period mainly due to a decrease in interest expense related to the Company's revolver facility.

Net foreign exchange losses

Net foreign exchange losses of $4.1 million and $2.9 million were realized by the Company in the nine months ended September 30, 2017 and 2016 respectively. This was due to realized and unrealized foreign exchange losses recorded as the Euro appreciated relative to the US dollar. Net foreign exchange losses were greater in 2017 due to higher foreign currency expenditures.

Other income/expense

Other income for the nine months ended September 30, 2017 was $6.1 million compared with other expense of $7.2 million in the prior year. The increase was mainly due to forward gold sales contracts that the Company entered into in September 2017. Based on the mark-to-market value of these contracts as at September 30, 2017, a hedge gain of $5.3 million was recognized. Other income in the current period included a $1.2 million milestone payment received pursuant to an option agreement with Algold Resources Ltd. and interest income earned on cash balances partly offset by business tax expense of $1.2 million. Other expense in the prior period included $2.7 million in losses on gold derivative contracts, $1.2 million in Gryphon acquisition related costs, $1.2 million for business taxes, $1.0 million related to registration fees to merge the Sabodala and Golouma mining concessions as part of the acquisition of the Oromin Joint Venture Group, as well as, miscellaneous non-recurring costs incurred during the period.

Income tax recovery

For the nine months ended September 30, 2017, the Company recorded a recovery of income taxes of $1.0 million, comprised of current income tax expense of $3.3 million more than offset by a recovery of deferred income taxes of $4.3 million. In the prior year period, income tax expense of $14.8 million was comprised of current income tax expense of $13.9 million and deferred income tax expense of $0.9 million. Current income tax expense was lower during the nine months due to changes in foreign exchange rates resulting in higher foreign exchange losses, which reduced income subject to income tax.

Net profit

Consolidated net profit attributable to shareholders for the nine months ended September 30, 2017 was $26.2 million ($0.24 per share), compared to consolidated net profit of $24.4 million ($0.31 per share) in the prior year period. Higher non-cash inventory cost during the nine months was offset by lower income taxes and hedge gains in 2017 compared to hedge losses in the year earlier year-to-date period. Earnings per share decreased to $0.24 for the nine month period as the number of shares increased year-over-year due to the acquisition of Gryphon in October 2016 and the equity offering relating to construction readiness activities for the Banfora Gold Project (previously owned by Gryphon).

REVIEW OF QUARTERLY FINANCIAL RESULTS

(US$000's, except where indicated)	2017			2016				2015
	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Revenue	61,041	72,040	70,322	55,764	60,316	73,562	79,198	58,235
Average realized gold price ($/oz)[1]	1,277	1,260	1,226	1,197	1,333	1,261	1,169	1,099
Cost of sales	49,225	54,281	54,458	43,022	37,748	48,227	52,531	49,266
Net earnings (loss)	10,370	9,640	5,592	(1,286)	10,437	6,146	7,812	(71,824)
Net earnings (loss) per share[2]	0.10	0.09	0.05	(0.01)	0.13	0.08	0.10	(0.92)
Operating cash flow	10,235	7,434	21,258	(13,627)	13,255	20,958	24,143	9,755

[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 the 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 are driven by production volumes and are also influenced by fuel costs, foreign currency movements and operational efficiencies. Operating cash flow levels fluctuate depending on the price of gold and production levels each quarter.

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

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

BUSINESS AND PROJECT DEVELOPMENT

Banfora Gold Project Update

Feasibility Study Highlights

The Company issued results from an updated feasibility study for the Banfora Gold Project in September 2017. Based on initial gold reserves of 1.2 million ounces, the feasibility study's base case demonstrates solid project economics with a 15 percent internal rate of return at $1,250 per ounce gold for a 2.4 million tonnes per annum carbon in leach processing facility. The Banfora Gold Project facility is modelled after the plant located at the Company's Sabodala Gold operation in Senegal, West Africa. Development of the Banfora Gold Project will diversify the Company's production base and add significant scale by increasing consolidated annual gold production by 50 percent to between 300,000 and 350,000 ounces. A NI 43-101 compliant technical report was filed on SEDAR on October 20, 2017 and is also available on the Company's website.

Base Case Highlights (at $1,250 per ounce of gold[1])

• Proven and probable mineral reserves	21.4 Mt @ 1.69 g/t containing 1.2 Moz Au
• Measured and indicated resources[2]	35.3 Mt @ 1.61 g/t containing 1.8 Moz Au
• Inferred mineral resources	15.8 Mt @ 1.40 g/t containing 0.7 Moz Au
• Pre-production capex	$232[3] million
• $NPV_{5\%}$ (after-tax)	$90[1,4] million
• IRR (after-tax)	15%[1,4]
• First 5.5 years	
o Average annual production	131Koz[4]
o Average mill grade	1.88 g/t
o Average all-in sustaining costs[5]	$807/oz
• 9-year mine life ("LOM")	
o Average annual production	119Koz
o Average all-in sustaining costs[5]	$843/oz

Upside Potential with Anticipated Mid-2018 Resource and Reserve Update

The Company expects a significant improvement in the Banfora Gold Project's economics following completion of the infill drill program potentially converting inferred resources to indicated and then potentially to reserves, with drilling expected to be completed in the fourth quarter and a reserves update expected in the first half of 2018. The infill drill program is targeting inferred resources located adjacent to the current reserve pits. Overall, the Company anticipates achieving a conversion rate of between 25 percent and 50 percent of the inferred resources.

Initial gold reserves base of approximately 1.2 million ounces is derived from only four deposits (Nogbele, Fourkoura, Samavogo, and Stinger) within the Banfora mine license and is anticipated to increase in the near-term based on significant potential within existing resource shells. The Company is increasing drill hole density in areas currently classified as inferred resources through a 75,000 metre infill drilling program. The infill drilling program was increased during the second quarter by 10,000 metres based on positive drill results. 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.

A large portion of the initial resources estimate that was not converted to reserves is located in near proximity to the feasibility study design pits based on the initial reserves base, both along strike and at depth. Given the demonstrated continuity of the mineralization adjacent to the zones of inferred resources, the Company is optimistic that a high proportion of the inferred resources will be upgraded to the indicated category and converted to reserves, extending the mine life beyond the current 9 years.

Construction and Development Update

Management has deferred the timing for plant construction to the second quarter of 2018 to continue optimizing the project execution plan and evaluate strategic options for construction while finalizing the financing plan. The Company has hired Metifex Pty Ltd ("Metifex") to form part of the owner's team for the project. Metifex has worked on a number

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[1] LOM assumptions include: gold price of $1,250 per ounce, heavy fuel oil $0.59 per litre, light fuel oil $1.04 per litre ($0.88 per litre during the construction period), Euro to USD exchange rate $1.10.

[2] Measured and indicated resources are inclusive of reserves.

[3] Pre-production capital costs of $232 million excludes $12 million in construction readiness activities spent prior to major construction.

[4] Production targets are based only on proven and probable ore reserves for the Banfora Gold Project.

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

of projects with the Teranga management team, including most recently the mill optimization project at Sabodala.

A construction readiness program is underway for initial engineering, site infrastructure and preparation of large vendor packages. The engineering, procurement and construction management ("EPCM") scope is currently in a tender process amongst several EPCM service providers with construction experience in West Africa and Burkina Faso. An award decision is expected in the fourth quarter of 2017.

EXPLORATION

During the third quarter 2017, the Company received additional encouraging drill results from the Golden Hill project in Burkina Faso and provided updated NI 43-101 technical reports for each of the Sabodala mine in Senegal and the Banfora Gold Project in Burkina Faso. The majority of the Company's $20 to $25 million global exploration budget expenditures remain focused on conversion of resources to reserves and towards establishing new resources.

Burkina Faso

Banfora Mine License Reserve Development

Nogbele Deposit, Stinger Deposit, Samavogo Deposit, Fourkoura Deposit

Drilling activities during the third quarter 2017 continued at the Stinger, Samavogo and Nogbele deposits. These three deposits, along with the Fourkoura deposit, comprise the recently completed Banfora Gold Project NI 43-101 technical report dated October 20, 2017. Refer to the above Banfora Gold Project update section for additional information.

The third quarter drilling campaign is part of a larger program, initiated in the second quarter, designed to upgrade inferred resources to the indicated category for the potential conversion to reserves. Management believes there is a reasonable basis for such anticipated conversion, given drilling is taking place within the wire-framed blocks of inferred mineralization that lie within the existing resource and near to the reserve pit shells of the current resource models. At present, drill spacing is too widely spaced to classify these areas as indicated and be considered for the conversion to reserves. As such, this program provides infill drilling at closer spacing.

All four Banfora Gold Project deposits, Nogbele, Stinger, Samavogo and Fourkoura, have infill drill programs designed with the aim of upgrading inferred resources to the indicated category. Infill drilling was completed during the second quarter at the Fourkoura deposit where 46 holes (2,725 metres) were drilled. Drilling has now been completed at the Samavogo deposit as well, where 165 holes (6,800 metres) were drilled during the third quarter bringing the total drilled at Samavogo to 188 holes (7,700 metres). Drilling continues at both Stinger and Nogbele deposits where 51 holes (5,600 metres) and 528 holes (26,700 metres) have been drilled during the third quarter, respectively. Since this infill program began in the second quarter, 66 holes (6,540 metres) have been drilled at Stinger and 996 holes (39,850 metres) have been completed at Nogbele.

In total, since inception of the infill resource drilling program 1,296 holes (56,850 metres) have been drilled at these four deposits. This resource conversion-drilling program will continue through the fourth quarter. An updated reserve estimate for the Banfora Gold Project, including the results of this drill program at all four deposits is expected by mid-year 2018.

Banfora Regional Exploration

Raul Prospect

Results were available in the third quarter for the three-profile rotary air blast ("RAB") drill program completed at the Raul Prospect during the second quarter. Raul Prospect is located within 5 kilometres of the proposed Banfora processing facility.

While results from two of the profiles returned only low values, a number of holes from the third RAB profile returned encouraging results worthy of further exploration, especially given Raul's proximity to the proposed processing facility.

Other Regional Prospects

With the completion of the infill drill program on the four deposits comprising the Banfora Gold Project's existing reserves, the focus of attention of the exploration team will return to the more than a dozen regional targets within trucking distance of the proposed mill.

Additional drilling evaluation is planned to follow-up the early drilling successes at the Konatvogo, Petit Colline and Kafina West prospects during the fourth quarter.

Auger and core drilling is planned for the fourth quarter at both the Hillside and Muddhi prospects, where a strike-extensive structural corridor has been only partially evaluated to-date.

Auger drilling will continue as an early-stage screening tool at a number of other regional prospects, including Bassangoro, Stinger North, Fourkoura North and Bagu Sud, while mechanical trenching will be utilized as an early-stage evaluation technique at Bazogo, Korindougou, Ouahiri and Samavogo North.

Golden Hill Property

The Ma, Jack Hammer Hill, Peksou and Nahiri prospects are located approximately 5 kilometres within a central point.

Ma Prospect

During the third quarter 2017, the Company initiated a Phase 3 exploration drill program at the Ma Prospect to follow-up the previously reported successful Phase 1 and Phase 2 drilling results at this discovery. In this reporting period, 41 core holes (4,000 metres) were drilled at the Ma Prospect. Of this total, 33 holes (3,200 metres) were completed along the currently defined 1,450-metre strike length on roughly 40-metre drill sections.

In addition to both extending the mineralization along strike and tightening up on the along trend-drill spacing, drill holes also tested down-dip continuity with most sections now having 3 and 4 holes systematically intersecting the mineralized zone to an average vertical depth of 65-75 metres. Field observations from the Phase 3 drilling program at the Ma Prospect continue to be positive overall, with most holes intersecting favourable alteration, veining, structure and mineralization over a variety of core widths commonly ranging up to 5-6 metres and occasionally in excess of 10 metre widths. The Ma Prospect remains open to further expansion in both directions along strike and to depth.

The remainder of the Phase 3 drilling, eight holes (750 metres), was directed towards follow-up evaluation of the Ma East portion of the Ma Prospect mineralized structure. These eight widely spaced core holes are complementary to the Phase 2, 20-hole reverse circulation drilling program, the results of which added a further 900 metres of potential strike extent to the Ma mineralization, which now has a combined strike extent of 2,350 metres.

Drilling will continue throughout the fourth quarter at all portions of the Ma Prospect, including initiating drilling at Ma North where the Company has not yet drilled. Earlier stage exploration efforts will be directed towards other interesting geochemically anomalous structural targets in the proximity, including Ma South.

A complete table of available drill hole results can be found on the Company's website at www.terangagold.com under "Exploration".

Jackhammer Hill Prospect

Drilling evaluation at Jackhammer Hill, during the third quarter 2017, consisted of 16 widely spaced core holes (2,100 metres) across 450 metres of strike extent. The current target at Jackhammer Hill is an approximate one-kilometre long gold anomaly defined by soil sampling, auger drilling and mullock sampling from widely distributed artisanal pitting.

Drill core displays broad zones of moderate to intense alteration of varying widths averaging 4-5 metres and often in excess of 10 metres. Many of the drill holes also display multiple alteration zones down the length of the holes. Assay results are pending.

Further drilling will take place during the fourth quarter to complete the along-trend, regular-spaced, sectional drill evaluation, as well as expand on the down-dip drilling to test for continuity in that dimension.

Peksou Prospect

The Company's initial drill evaluation of the Peksou Prospect consisted of five core holes (360 metres) drilled earlier in the year. Favourable grade and width intervals were intersected in all of the confirmatory drill holes (see the Company's news release dated July 24, 2017 and available on the Company's website, www.terangagold.com). Based on this encouraging set of results, follow-up drill evaluation will begin early in the fourth quarter.

Nahiri and Nahiri West Prospects

Based on the previously reported initial drilling campaign at Nahiri, further exploration drilling is planned for the Nahiri prospect in the fourth quarter.

At the Nahiri West prospect, results were received from the Company's second quarter, initial, reverse circulation drilling program across a lateritic plateau evaluating soil, rock chip and auger results that suggest mineralization may lie beneath the lateritic cover. Results on one of the four, widely spaced drill profiles identified a broad, highly anomalous zone, quite similar to that initially identified at the adjacent Nahiri prospect. Further drilling evaluation will be initiated in the fourth quarter.

Other Golden Hill Prospects

Results from drilling at the structurally complex Pourey region of the Golden Hill property were received during the third quarter. Twenty-three reverse circulation holes were drilled at C-Zone, Pourey, Peksou Basin and Peksou Bas-Fond targets. Results were generally positive and follow-up drilling evaluations are planned throughout the Pourey and C-Zone areas in the fourth quarter.

Earlier-stage exploration efforts are planned in the fourth quarter for Didro, Nabere and Nabale prospects.

Gourma Property

Based on positive auger results from the Company's exploration activity, an initial core drilling evaluation concluded in the third quarter. In total, eight holes (850 metres) were drilled at three prospects. The majority of the drill holes returned low values with the exception of hole GMDD005, which successfully tested the +/- 1 km long Djinta auger anomaly with two wide intervals of gold mineralization intersected. The values for these two separate intervals are 21 metres @ 1.60 g/t Au from 0-21 metres (including 7.5 metres @ 2.79 g/t Au) and 8 metres @ 1.58 g/t Au from 52-60 metres (including 3 metres @ 3.42 g/t Au).

Further exploration will be undertaken during the first quarter of 2018.

Senegal

Sabodala Mine Lease Reserve Development

Niakafiri Deposit

The Niakafiri deposit area, located within 5 kilometres of the Sabodala plant, has recently had a Resource and Reserve estimation update completed based on results from a drilling campaign that began in late 2016. This update incorporating all of the recent drilling results available as of April 2017 was announced as a component of an overall Sabodala Gold Operations Resource and Reserve update in a Company news release dated July 19, 2017. Subsequently, the Company completed a revised NI 43-101 technical report dated August 30, 2017 with an accompanying news release. All related news releases are available on the Company's website at www.terangagold.com.

The current measured and indicated resources for Niakafiri are 22.3 million tonnes at 1.19 grams per tonne gold for 853,000 ounces and inferred resources of 5.8 million tonnes at 1.10 grams per tonne gold for 205,000 ounces. The proven and probable reserves are 15.7 million tonnes at 1.17 grams per tonne gold for 590,000 ounces.

The Niakafiri drill program stopped temporarily during the rainiest portion of the third quarter after completing eighteen holes (2,500 metres). Drilling resumed at Niakafiri in the fourth quarter as the rains subsided.

The objectives of the drill program at Niakafiri are to confirm model interpretations, upgrade the resource classifications, fill-in gaps between current pit outlines and test mineralization extents both along trend and to depth. The two areas of primary drilling focus in the fourth quarter will be the northern extension of the Niakafiri West deposit and the southern extension of the Niakafiri Southeast deposit.

Year-to-date drilling at the Niakafiri area totals 161 holes comprising 18,700 metres.

Niakafiri remains a highly prospective area on our mine license and we have a multi-year drill program designed to continue identifying resources and reserves. As a result of Niakafiri's encouraging results, the Company has re-designed mine sequencing with a view to bringing forward the development of the Niakafiri deposit, which is expected to increase near term production and cash flows, thereby allowing for deferral of underground development. Community resettlement activities are ongoing alongside the drilling evaluation program, with community site selection activities and household and land survey activities in progress.

Goumbati West Deposit

The Goumbati West deposit comprises a north-northeast trending gold in quartz vein system comprised of several Zones (A, B, C and D) located approximately 10 kilometres from the Sabodala plant. To the north-northeast, the recent drilling success of Zone D validates a direct linkage of the Goumbati West deposit with the Kobokoto South deposit.

In the first half of the year, results from the fourth quarter 2016 program were incorporated into an upgrade of the initial mineral resource estimate for the Goumbati West-Kobokoto South deposit, which is a component of the revised NI 43-101, dated August 30, 2017.

A core and reverse circulation drilling program has been designed to further evaluate the Goumbati West-Kobokoto South deposit in the fourth quarter. In addition, a RAB drill program, to evaluate the potential for a northward extension to the gold mineralization, is planned for the fourth quarter.

The Company plans to continue drilling at both Niakafiri and Goumbati West over the next several years with the objective to further increase resources, reserves which, if successful, could result in a further deferral of underground production, with associated capital expenditures of $50.0 million beyond 2023. Based on the positive exploration results to date, we have brought forward the Sabodala village relocation in the mine plan. As the village relocation progresses, we expect to be able to complete the drill program at Niakafiri.

Other Mine Lease Prospects

Khayrosita Prospect

A short trenching program testing along trend extensions of previously identified mineralization at the Khayrosita prospect (formerly Torosita) was completed in the third quarter. Three excavator trenches (400 metres) were completed, with mixed results returned. Additional trenching and scout drilling is planned for follow-up evaluation in either the fourth quarter or early 2018.

Senegal Regional Exploration[1]

SSC Targets A and B

A new prospecting discovery has been identified during the third quarter within the Sabodala shear corridor on the Bransan regional exploration permit, SSC Targets A and B, which are located approximately 10 kilometres north of the Sabodala plant. Still in an early-stage of evaluation, these two SSC prospects have returned a number of favourable rock chip results from altered maific-ultramafic host units and quartz vein material within two broad shear zones on which artisanal activity occurs along a minimum 250-metre strike extent.

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

An initial scout-drilling program is scheduled for early in the fourth quarter to evaluate both, along trend and down-dip continuity and widths of mineralization.

Marougou Main Deposit

The Marougou Main deposit is located approximately 10 kilometres east of the Gora open pit, which is located approximately 25 kilometres north of the Sabodala plant. Additional trenching, along strike of both the A1 and A2 Zones as well as follow-up drilling both along trend of, and to-depth beneath previous positive drilling results is planned for the fourth quarter, at the conclusion of the rainy season.

Other Regional Prospects

In the third quarter, sampling programs were completed on two soil grids at the adjacent Soreto and Diabougou Prospects, as well as the Bransan soil grids. Areas of favourable results will be followed-up with prospecting, trenching and potentially drilling in the fourth quarter and early 2018.

Côte d'Ivoire Exploration Highlights

The Company holds, by way of an exploration agreement, five greenfield exploration tenements totalling nearly 1,838 km^2 in Côte d'Ivoire.

Guitry

At the Guitry property, prior exploration efforts by our joint venture partner, Miminvest SA ("Miminvest"), have partially outlined a large gold-in-soil geochemical anomaly of approximately 3 by 6 kilometre dimensions.

Teranga's initial field exploration program at Guitry began early in the second quarter. The exploration program, which continued into the third quarter, included expansion of the soil grid coverage beyond the currently defined gold-in-soil anomaly outline. In addition, a program of hand-dug pits was initiated over the highest priority portions of the gold anomaly. The hand-pitting program was postponed and will be re-initiated in the fourth quarter after the rainy season concludes. Results are pending for both the soil and hand-pit samples.

Sangaredougou

Our initial field exploration program began at our newest permit, the Sangaredougou property, where soil samples were collected prior to postponement of the field activities due to onset of the rainy season. Soil sampling programs at Sangaredougou will conclude in the fourth quarter. Results from the soil sampling are pending.

Dianra

In addition to exploration activities at our more advanced Guitry property, an initial soil-sampling program, utilizing wide-spaced grid lines, was completed at the Dianra property during the second quarter. Results are pending.

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

	As at September 30, 2017	As at December 31, 2016
Balance Sheet		
Cash and cash equivalents	72,960	95,188
Trade and other receivables	5,581	9,882
Inventories	160,909	171,232
Deferred tax assets	23,247	20,084
Available for sale financial assets	3,816	1,171
Other assets[1]	538,934	515,820
Total assets	**805,447**	**813,377**
Trade and other payables	46,152	47,409
Borrowings	14,191	13,844
Provisions	34,013	34,473
Deferred revenue	51,935	68,815
Other liabilities[2]	14,411	31,903
Total liabilities	**160,702**	**196,444**
Total equity	**644,745**	**616,933**

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

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

Balance Sheet Review

Cash

The Company's cash balance at September 30, 2017 was $73.0 million, $22.2 million lower than the balance at the start of the year. Refer to the Liquidity and Cash Flow sections below for further details.

Trade and Other Receivables

The trade and other receivables balance of $5.6 million includes $4.5 million in VAT recoverable which is expected to be refunded soon. In February 2016, the Company received an exemption for the payment and collection of refundable VAT. This exemption is governed by an amendment to our mining convention and is enforceable for the next 5 years, expiring on May 2, 2022.

Other Assets

Other assets increased by $23.1 million to $538.9 million as at September 30, 2017. The increase was largely attributable to additions to capitalized mine development expenditures of $52.0 million and additions to property, plant and equipment of $10.1 million during the period, less depreciation expense of $41.5 million.

Available for Sale Financial Assets

The Company holds marketable securities. As at September 30, 2017, these securities were valued at $3.8 million, compared to $1.2 million as at December 31, 2016.

Deferred Revenue

During the nine months ended September 30, 2017, the Company delivered 16,875 ounces of gold to Franco-Nevada and recorded revenue of $21.1 million, consisting of $4.2 million received in cash proceeds and $16.9 million recorded as a reduction of deferred revenue.

Other Liabilities

Other liabilities decreased by $17.5 million to $14.4 million as at September 30, 2017. The decrease was largely attributable to a reduction of taxes payable of $19.8 million, which was settled partially in cash and through the redemption of VAT certificates. The decrease in other liabilities was partly offset by current period tax accruals of $4.0 million.

Liquidity and Cash Flow

Cash Flow

(US$000's)	Three months ended September 30,		Nine months ended September 30,	
Cash Flow	**2017**	**2016**	**2017**	**2016**
Operating activities excluding changes in working capital other than inventories	11,884	7,970	57,902	52,049
Changes in non-cash working capital other than inventories	(1,649)	5,285	(18,975)	6,307
Operating	10,235	13,255	38,927	58,356
Investing	(17,315)	(12,797)	(57,677)	(42,456)
Financing	(283)	(237)	(3,519)	(1,290)
Effect of exchange rates on cash holdings in foreign currencies	35	(488)	41	(1,175)
Change in cash and cash equivalents during the period	(7,328)	(267)	(22,228)	13,435
Cash and cash equivalents - beginning of period	**80,288**	**58,138**	**95,188**	**44,436**
Cash and cash equivalents - end of period	**72,960**	**57,871**	**72,960**	**57,871**

Sources and Uses of Cash

	Three months ended September 30, 2017				
Cash Flow - Sources and Uses (US$000's)	**Sabodala**	**Corporate**	**Banfora**	**Exploration**	**Consolidated Cash Flow**
Operating	**14,408**	**(2,080)**	**(550)**	**(1,543)**	**10,235**
Investing	**(11,792)**	**(540)**	**(4,983)**	**-**	**(17,315)**
- Expenditures for mine development - sustaining	*(10,565)*	*(78)*	-	-	
- Expenditures for property, plant and equipment - sustaining	*(1,118)*	*(46)*	-	-	
- Expenditures for mine development - growth	-	-	*(4,026)*	-	
- Expenditures for property, plant and equipment - growth	-	-	*(957)*	-	
- Expenditures for investing in shares	-	*(393)*	-	-	
- Expenditures for intangibles	*(109)*	*(23)*	-	-	
Financing	**(283)**				**(283)**
- Interest paid on borrowings	*(283)*	-	-	-	
Effect of exchange rates on cash holdings in foreign currencies	**(38)**	**73**	**-**	**-**	**35**
Change in cash and cash equivalents during the period	**2,295**	**(2,547)**	**(5,533)**	**(1,543)**	**(7,328)**

	Nine months ended September 30, 2017				
Cash Flow - Sources and Uses (US$000's)	**Sabodala**	**Corporate**	**Banfora**	**Exploration**	**Consolidated Cash Flow**
Operating	**55,592**	**(9,958)**	**(1,202)**	**(5,505)**	**38,927**
Investing	**(42,652)**	**(891)**	**(14,114)**	**(20)**	**(57,677)**
- Expenditures for mine development - sustaining	*(34,479)*	*(244)*	*-*	*(20)*	
- Expenditures for property, plant and equipment - sustaining	*(7,949)*	*(192)*	*-*	*-*	
- Expenditures for mine development - growth	*-*	*-*	*(12,673)*	*-*	
- Expenditures for property, plant and equipment - growth	*-*	*-*	*(1,441)*	*-*	
- Expenditures for investing in shares	*-*	*(393)*	*-*	*-*	
- Expenditures for intangibles	*(224)*	*(62)*	*-*	*-*	
Financing	**(3,526)**	**7**			**(3,519)**
- Proceeds on stock options exercised	*-*	*7*	*-*	*-*	
- Dividend payment to the Government of Senegal	*(2,700)*	*-*	*-*	*-*	
- Interest paid on borrowings	*(826)*	*-*	*-*	*-*	
Effect of exchange rates on cash holdings in foreign currencies	**(53)**	**94**	**-**	**-**	**41**
Change in cash and cash equivalents during the period	**9,361**	**(10,748)**	**(15,316)**	**(5,525)**	**(22,228)**

During the three and nine months ended September 30, 2017, Sabodala generated net cash of $2.3 million and $9.4 million, respectively. The funds generated from Sabodala, which in addition to the Company's existing cash balances were used to support the corporate offices, advance pre-construction readiness activities at the Banfora Gold Project, and further our exploration programs.

Operating Cash Flow

(US$000's)	**Three months ended September 30,**		**Nine months ended September 30,**	
Changes in working capital other than inventory	**2017**	**2016**	**2017**	**2016**
Decrease / (Increase) in trade and other receivables	439	(24)	(1,866)	(5,075)
(Increase) / Decrease in other assets	(124)	15	847	6,952
(Decrease) / Increase in trade payables and other	(2,351)	1,534	(6,981)	(382)
Increase / (Decrease) in provisions	50	2	(85)	(616)
Increase / (Decrease) in current income taxes payable	337	3,758	(10,890)	5,428
Net change in working capital other than inventory	**(1,649)**	**5,285**	**(18,975)**	**6,307**

Cash provided by operations for the three months ended September 30, 2017 increased to $11.9 million before net changes in working capital other than inventories compared to $8.0 million in the prior year quarter. Net cash provided by operating activities, after changes in working capital, decreased to $10.2 million compared to $13.3 million in the prior year quarter. The decrease in operating cash flow was primarily due to a decrease in trade payables for the current quarter compared to the prior year quarter.

Cash provided by operations for the nine months ended September 30, 2017 increased to $57.9 million before net changes in working capital other than inventories compared to $52.0 million in the prior year period. Net cash provided by operating activities, after changes in working capital, decreased to $38.9 million compared to $58.4 million in the prior year period. The decrease in operating cash flow was primarily due to an increase of cash taxes paid of $9.4 million. Additionally, in the nine month 2017 period, the Company made royalty payments of $10.3 million to the Republic of Senegal compared to $2.2 million in the prior year period.

Investing Cash Flow

(US$000's)	Three months ended September 30,		Nine months ended September 30,	
Investing activities	**2017**	**2016**	**2017**	**2016**
Sustaining Capital (Sabodala)				
Mine site capital expenditure - sustaining	1,138	1,355	8,109	4,918
Mine site capital expenditure - project	235	2,434	570	10,826
Development capital	3,957	1,626	7,571	5,522
Capitalized reserve development (mine site exploration)	1,139	1,011	5,148	4,215
Sustaining Capital Expenditures, before Deferred Stripping	**6,469**	**6,426**	**21,398**	**25,481**
Capitalized deferred stripping	5,469	3,065	21,773	13,669
Total Sustaining Capital Expenditures	**11,938**	**9,491**	**43,171**	**39,150**
Growth Capital (Banfora)				
Feasibility	837	-	2,105	-
Reserve development	2,846	-	3,978	-
Construction readiness	1,301	-	8,030	-
Total Growth Capital Expenditures	**4,984**	**-**	**14,113**	**-**
Investment in Available for Sale Financial Assets	**393**	**3,306**	**393**	**3,306**
Investing Activities	**17,315**	**12,797**	**57,677**	**42,456**

Net cash used in investing activities for the three months ended September 30, 2017 was $17.3 million, $4.5 million higher than the prior year period, mainly due to expenditures for the Banfora Gold Project and higher capitalized deferred stripping costs.

Net cash used in investing activities for the nine months ended September 30, 2017 were $57.7 million, $15.2 million higher than the prior year period, mainly due to higher capitalized deferred stripping costs related to activities at Sabodala and development expenditures related to the Banfora Gold Project. This increase was partially offset by lower capital expenditures at Sabodala as the Company's mill optimization project was completed in the prior year.

Financing Cash Flow

Net cash flow used in financing activities in the three months ended September 30, 2017 was $0.3 million, and was related to interest and financing costs paid on borrowings.

Net cash flow used in financing activities for the nine month ended September 30, 2017 was $3.5 million compared to $1.3 million in the prior year period. Financing activities in the current year period includes a $2.7 million prepayment of dividends to the Republic of Senegal related to the recommencement of drilling activities at the Niakafiri deposit.

LIQUIDITY AND CAPITAL RESOURCES OUTLOOK

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

(i) Optimizing Our Sabodala Operation

Our ability to generate free cash flow from operations is a function of our ability to execute on our mine plan at Sabodala and the price of gold. At the Sabodala mine, the mine plan was re-sequenced to bring the development of the Niakafiri open pit deposit forward and to defer underground development. This will require the relocation of the Sabodala village, which is expected to cost approximately $25 million. Overall, these changes are expected to increase the amount of free cash flow generated over the next 5 years.

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

The Teranga board approved construction of the Banfora Gold Project, subject to completion of financing plan. In total approximately $20 to $25 million is expected to be spent on construction readiness activities and project construction costs prior to finalization of the debt facility.

(iii) Targeted Exploration Programs

Based on the success of the exploration programs in Burkina Faso and Senegal the reserve development and exploration budget for 2017 is expected to total between $20 and $25 million.

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

i. *Cash Balance.* As at September 30, 2017, we had a consolidated cash balance of $73.0 million.

ii. *Available for Sale Securities*. As at September 30, 2017, we had available for sale securities with a market value of $3.8 million.

iii. *Revolver Facility*[1]. As at September 30, 2017, $15.0 million remained undrawn from an existing $30.0 million revolving credit facility.

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

v. *Sabodala Gold Hedges.* During the third quarter, the Company entered into forward gold sales contracts which provides greater cash flow certainty from Sabodala through to the end of 2018, using a gold price assumption of $1,250 per ounce, provides $11.0 million in additional free cash flow for Sabodala through to the end of 2018.

vi. *Banfora Financing.* In November 2017, following a competitive selection process, Teranga intends to execute a project finance mandate with a leading institution which will further the development of the Company's Banfora Gold Project in Burkina Faso. The mandate is expected to set forth a $150.0 million senior project debt facility (the "Facility") with a targeted financial close in the second quarter of 2018. The Company retained Cutfield Freemen and Co. as its independent financial advisor earlier this year to assist with securing project financing. The formal debt financing process began in June 2017. A number of leading project finance banks and alternative financiers provided competitive proposals as part of this process. Closure of the facility is subject to customary internal approvals and completion of due diligence and legal documentation.

In addition to the sources of liquidity noted above, we may also source additional funding in the form of equity. Our objective is to have a financing plan in place, which eliminates, or at least minimizes the requirement for issuing equity. If required, these funds will be used to support our current and longer-term growth projects and our exploration initiatives. Our cornerstone investor, Mr. David Mimran, retains pre-emptive participation rights to maintain his current 19.81 percent ownership position in any future potential equity raise.

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

Assuming successful completion of the senior project debt facility, Teranga estimates the sources and uses of cash in 2018 and 2019 will be as follows:

[1] The Revolver Facility is subject to covenants that require the Company to maintain a current ratio of not less than 1.10:1; total debt to EBITDA of not greater than 2:1; historic debt coverage ratio of greater than 2.5:1 and a tangible net worth of not less than $300 million. The Company was compliant with all covenants for the year. The option to draw the additional $15.0 million expires June 30, 2018 with full payment on June 30, 2019.

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

(US$000's)	Anticipated Sources & Uses 2018/2019
Cash Balance[1]	80
Marketable Securities[2]	4
Sabodala Free Cash Flow[3]	88
Gold Forward Sales ($1,336 per ounce)[4]	11
Debt Facility (based on indicative term sheets)[5]	150
Total Anticpated Sources	**333**
Banfora Pre-production Capital[6]	232
Banfora Pre-production Operating Costs[7]	19
Corporate Overhead	20
Consolidated Minimum Cash[8]	20
Total Anticpated Uses	**291**
Other Considerations[9]	**42**

[1] Teranga's consolidated cash and cash equivalents as of September 30, 2017 was $73.0 million. The sources and uses table assumes a cash balance of $80.0 million as of January 1, 2018. Actual consolidated cash and cash equivalents of Teranga as of January 1, 2018 could be more or less than this amount.

[2] Marketable securities are valued based on September 30, 2017 share prices.

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

[4] The Company executed gold sales contracts totaling 131,000 ounces of gold commencing October 1, 2017 through December 31, 2018, at a price of $1,336 per ounce of gold. The forward sale contracts can be settled at the option of Teranga in either cash or by physical delivery of gold. As part of this forward sales program, 25,000 ounces of gold are due for settlement during the fourth quarter of 2017, with 26,500 ounces of gold for settlement due in each of the four quarters of 2018, for a total of 131,000 ounces of gold due for settlement during this period. The incremental free cash flow benefit to Teranga is calculated by multiplying the total ounces under the forward sales program of 131,000 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.

[5] There is no guarantee that Teranga will be able to negotiate and enter into a debt facility for $150 million in respect of the Banfora project on or prior to January 1, 2018 on terms that are acceptable to it. Any such debt facility, if entered into, could be for more or less than such amount.

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

[7] See the Banfora Feasibility Study.

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

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

The Company manages its exposure to financial risks, including liquidity risk, credit risk, currency risk, market risk, interest rate risk and price risk through a risk mitigation strategy.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company has entered into various capital purchase obligations at the Sabodala Gold operations and the Banfora Gold Project of approximately $1.6 million and $4.1 million, respectively.

CONTINGENT LIABILITIES

Outstanding tax assessments

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Certain accounting estimates have been identified as being "critical" to the presentation of our financial condition and results of operations because they require us to make subjective and/or complex judgments about matters that are inherently uncertain; or there is a reasonable likelihood that materially different amounts could be reported under different conditions or using different assumptions and estimates. The following is a summary of significant updates to these estimates, as compared to the discussion of critical accounting policies and estimates in our 2016 annual MD&A.

Hedges

On September 11, 2017, the Company entered into a forward gold sales contract with Macquarie for a total of 131,000 ounces of gold commencing October 1, 2017 through December 31, 2018 with multiple settlements at a gold price of $1,336 per ounce with quarterly settlements from December 29, 2017 to December 31, 2018 (25,000 ounces to be settled in the first quarter and 26,500 ounces to be settled in each subsequent quarter). These forward sales contracts represent approximately 50 percent of the production expected over the next five quarters to the end of 2018. These forward sales contracts can be settled either in cash or by physical delivery at the option of the Company.

The Company's forward gold sales contract derivative instruments have not been designated accounting hedges. The fair value of the derivative instruments have been included within other assets. The changes resulting from the mark-to-market of the gold hedge contracts have been recognized within other income. As a result of the decrease in the spot price of gold from $1,334 per ounce to $1,283 per ounce between September 11, 2017 and September 30, 2017, the Company recognized $5.3 million of pre-tax unrealized gains in the mark-to-market of remaining contracts within other income.

Production start date

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

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

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements or mineable reserve development. It is also at this point that depreciation commences. On August 1, 2017, Golouma West met the criteria as a production stage mine deposit.

Deferred stripping

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

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

- the costs relating to the stripping activity associated with that component can be measured reliably.

Once the cost associated with the stripping activity is deferred to asset, the cost or revalued amount will be amortized on a units-of-production basis in the subsequent period. The Company met the criteria for the capitalization of deferred stripping activities related to Golouma West on August 1, 2017.

Depreciation

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

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

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

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

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

The Company released an updated NI 43-101 technical report, which increased Sabodala gold reserves by more than 400,000 ounces to a total of 2.7 million ounces on June 30, 2017. The increased reserves increased the UOP depreciation base.

Determination of purchase price allocation

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

NON-IFRS FINANCIAL MEASURES

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

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

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

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

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

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

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

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

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

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

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

RECONCILIATION OF NON-IFRS MEASURES

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

(US$000's, except where indicated)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Gold produced[1] (oz)	50,873	49,481	165,333	172,748
Gold sold (oz)	47,695	45,161	162,134	171,129
Cash costs per ounce sold				
Mine operation expenses	37,599	28,359	120,523	104,021
Less: Regional administration costs	(283)	(355)	(1,307)	(1,406)
Total cash costs	**37,316**	**28,004**	**119,216**	**102,615**
Total cash costs per ounce sold	**782**	**620**	**735**	**600**
Cost of sales per ounce sold				
Cost of sales	**49,225**	**37,748**	**157,964**	**138,506**
Total cost of sales per ounce sold	**1,032**	**836**	**974**	**809**
All-in sustaining costs				
Total cash costs	37,316	28,004	119,216	102,615
Administration expenses[2]	2,614	2,201	7,978	6,759
Share-based compensation	215	1,394	1,645	4,943
Capitalized deferred stripping	5,469	3,065	21,773	13,669
Capitalized reserve development	1,139	1,011	5,148	4,215
Mine site sustaining capital	5,330	5,415	16,250	21,266
All-in sustaining costs	**52,083**	**41,090**	**172,010**	**153,467**
All-in sustaining costs per ounce sold	**1,092**	**910**	**1,061**	**897**
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)				
All-in sustaining costs	52,083	41,090	172,010	153,467
Amortization of advanced royalties	(640)	(518)	(2,136)	(2,200)
Inventory movements - cash	265	8,679	(11,291)	5,997
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)	**51,708**	**49,251**	**158,583**	**157,264**
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) per ounce	**1,084**	**1,091**	**978**	**919**

[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 and Banfora administration expenses.

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

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

	Three months ended September 30,		Nine months ended September 30,	
(US$000's)	2017	2016	2017	2016
Profit for the period	10,964	12,177	28,572	29,383
Add: finance costs	786	890	2,179	2,693
Less: finance income	(38)	(13)	(148)	(26)
Adjust: income tax (recovery) / expense	(729)	4,105	(974)	14,764
Add: depreciation and amortization	12,021	9,682	39,076	35,688
Earnings before interest, taxes, depreciation and amortization	**23,004**	**26,841**	**68,705**	**82,502**

OUTSTANDING SHARE DATA

At September 30, 2017 the Company had 107,343,902 outstanding shares.

TRANSACTIONS WITH RELATED PARTIES

During the three and nine months ended September 30, 2017, there were transactions totaling $28 thousand and $92 thousand (2016: $10 thousand and $45 thousand), respectively, between the Company and a director-related entity.

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

Under the terms of the exploration agreement, a separate entity was created and is owned and funded by Teranga. Miminvest transferred its permits into the entity and in exchange retains a net smelter royalty interest of 3 percent and will provide ongoing in-country strategic advice. Furthermore, the entity will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest permits. During the nine months ended September 30, 2017, Teranga paid Miminvest $0.6 million for all direct and reasonable costs associated with exploration related work carried out by Miminvest with respect to the transferred permits. As at September 30, 2017, there were no outstanding amounts owing to Miminvest.

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.

SHARE CAPITAL

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

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

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 September 30, 2017, the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The control framework the Company's CEO and CFO used to design the Company's ICFR is The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework issued on May 14, 2013. There is no material weakness relating to the design of ICFR. There has been no change in the Company's design of the ICFR that occurred during the nine months ended September 30, 2017 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 Gryphon acquisition, which was completed on October 13, 2016. The balance sheet and operating results of the entities are included in the interim condensed consolidated financial statements of Teranga for the three and nine months ended September 30, 2017. 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.

The Company is currently assessing the controls, policies and procedures of the entities acquired as part of the Gryphon acquisition. At December 31, 2017, management will assess compliance under the COSO framework for all subsidiaries of Teranga.

RISKS AND UNCERTAINTIES

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

CORPORATE DIRECTORY

Directors

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

Senior Management

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

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Auditor
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Share Registry
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Stock Exchange Listing
Toronto Stock Exchange, TSX symbol: **TGZ**

FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"), which reflects management's expectations regarding Teranga's future growth, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities. Wherever possible, words such as "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 30, 2017, and in other filings of Teranga with securities and regulatory authorities which are available at www.sedar.com. Teranga does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Nothing in this MD&A should be construed as either an offer to sell or a solicitation to buy or sell Teranga securities. All references to Teranga include its subsidiaries unless the context requires otherwise.

QUALIFIED PERSONS STATEMENT

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

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

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

The technical information contained in this MD&A relating to the Banfora 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 Banfora 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 Banfora Project (October 20, 2017) pursuant to National Instrument 43-101 - Standards of Disclosure for Mineral Projects (the "Technical Reports"), or third quarter 2017 results, market announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements concerning the Technical Reports continue to apply and have not materially changed.

Interim Condensed Consolidated Financial Statements of

TERANGA GOLD CORPORATION

For the three and nine months ended September 30, 2017

(unaudited)

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(unaudited, in $000's of United States dollars, except per share amounts)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Three months ended September 30,		Nine months ended September 30,	
	Note	2017	2016	2017	2016
Revenue	4	61,041	60,316	203,403	213,076
Mine operation expenses	5	(37,599)	(28,359)	(120,523)	(104,021)
Depreciation and amortization	6	(11,626)	(9,389)	(37,441)	(34,485)
Cost of sales		**(49,225)**	**(37,748)**	**(157,964)**	**(138,506)**
Gross profit		**11,816**	**22,568**	**45,439**	**74,570**
Exploration and evaluation expenditures		(2,149)	(735)	(6,445)	(3,659)
Administration expenses	7	(2,362)	(1,867)	(6,761)	(5,416)
Corporate social responsibility expenses		(638)	(802)	(2,291)	(2,834)
Share-based compensation		(215)	(1,394)	(1,645)	(4,943)
Finance costs	8	(947)	(1,118)	(2,666)	(3,455)
Net foreign exchange losses		(1,179)	(1,054)	(4,141)	(2,903)
Other income/(expenses)	9	5,909	684	6,108	(7,213)
		(1,581)	**(6,286)**	**(17,841)**	**(30,423)**
Profit before income tax		**10,235**	**16,282**	**27,598**	**44,147**
Income tax recovery/(expense)	10	729	(4,105)	974	(14,764)
Net profit		**10,964**	**12,177**	**28,572**	**29,383**
Net profit attributable to:					
Shareholders		10,370	10,437	26,173	24,395
Non-controlling interests		594	1,740	2,399	4,988
Net profit for the period		**10,964**	**12,177**	**28,572**	**29,383**
Other comprehensive income for the period					
Change in fair value of available for sale financial assets, net of tax		162	110	1,061	110
Other comprehensive income for the period		**162**	**110**	**1,061**	**110**
Total comprehensive income for the period		**11,126**	**12,287**	**29,633**	**29,493**
Total comprehensive income attributable to:					
Shareholders		10,532	10,547	27,234	24,505
Non-controlling interests		594	1,740	2,399	4,988
Total comprehensive income for the period		**11,126**	**12,287**	**29,633**	**29,493**
Earnings per share from operations attributable to the shareholders of the Company during the period					
- basic earnings per share	2b, 22	0.10	0.13	0.24	0.31
- diluted earnings per share	2b, 22	0.10	0.13	0.24	0.31

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

(unaudited, in $000's of United States dollars, except per share amounts)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at September 30, 2017	As at December 31, 2016
Current assets			
Cash and cash equivalents		72,960	95,188
Trade and other receivables	11	5,581	9,882
Inventories	12	43,547	49,987
Other current assets	14	12,641	8,330
Available for sale financial assets	13	3,816	1,171
Total current assets		**138,545**	**164,558**
Non-current assets			
Inventories	12	117,362	121,245
Property, plant and equipment	15	178,696	185,404
Mine development expenditures	16	341,744	314,522
Deferred income tax assets		23,247	20,084
Other non-current assets	14	5,853	7,564
Total non-current assets		**666,902**	**648,819**
Total assets		**805,447**	**813,377**
Current liabilities			
Trade and other payables	17	46,152	47,409
Current income tax liabilities		3,968	19,834
Deferred revenue	19	23,342	21,353
Provisions	20	4,465	4,979
Total current liabilities		**77,927**	**93,575**
Non-current liabilities			
Borrowings	18	14,191	13,844
Deferred revenue	19	28,593	47,462
Provisions	20	29,548	29,494
Deferred income tax liabilities		79	1,185
Other non-current liabilities	17	10,364	10,884
Total non-current liabilities		**82,775**	**102,869**
Total liabilities		**160,702**	**196,444**
Equity			
Issued capital	21	496,333	496,326
Foreign currency translation reserve		(998)	(998)
Other components of equity		19,447	17,514
Retained earnings		117,076	90,903
Equity attributable to shareholders		**631,858**	**603,745**
Non-controlling interests		12,887	13,188
Total equity		**644,745**	**616,933**
Total equity and liabilities		**805,447**	**813,377**

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

Approved by the Board of Directors

Alan Hill
Director

Alan Thomas
Director

(unaudited, in $000's of United States dollars, except per share amounts)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Nine months ended September 30,	
	Note	**2017**	**2016**
Issued capital			
Beginning of period		496,326	385,174
Issued on exercise of stock options	26	7	157
End of period		496,333	385,331
Foreign currency translation reserve			
Beginning of period		(998)	(998)
End of period		(998)	(998)
Other components of equity			
Beginning of period		17,514	16,905
Equity-settled share-based compensation expense		872	697
Investment revaluation reserve on change in fair value of available for sale financial assets, net of tax		1,061	110
End of period		19,447	17,712
Retained earnings			
Beginning of period		90,903	67,794
Profit attributable to shareholders		26,173	24,395
End of period		117,076	92,189
Non-controlling interest			
Beginning of period		13,188	9,394
Non-controlling interest - portion of profit for the period		2,399	4,988
Dividend payment to the Government of Senegal		(2,700)	-
End of period		12,887	14,382
Total equity as at September 30		**644,745**	**508,616**

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

(unaudited, in $000's of United States dollars, except per share amounts)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Cash flows related to operating activities					
Net profit for the period		10,964	12,177	28,572	29,383
Depreciation of property, plant and equipment	15	5,180	5,070	16,764	15,920
Depreciation of capitalized mine development costs	16	7,324	4,450	24,735	14,176
Inventory movements - non-cash	6	(352)	141	(1,973)	5,626
Capitalized deferred stripping - non-cash	6	(365)	(271)	(1,547)	(1,136)
Amortization of advanced royalties		640	518	2,136	2,200
Unrealized (gains)/losses on derivative instruments		(5,320)	(1,476)	(5,320)	465
Amortization of intangibles		24	19	72	59
Amortization of deferred financing costs		117	111	346	575
Unwinding of discounts	8	161	228	487	762
Share-based compensation	26	215	1,394	1,645	4,943
Deferred gold revenue recognized	19	(5,726)	(6,025)	(16,880)	(17,111)
Deferred income tax (expense)/recovery		(1,066)	161	(4,269)	874
Loss on disposal of property, plant and equipment		-	-	-	32
Interest on borrowings		288	-	838	-
(Increase)/Decrease in inventories		(200)	(8,527)	12,296	(4,719)
Cash flows related to operating activities before changes in working capital excluding inventories		11,884	7,970	57,902	52,049
Changes in working capital other than inventories	24a	(1,649)	5,285	(18,975)	6,307
Net cash provided by operating activities		**10,235**	**13,255**	**38,927**	**58,356**
Cash flows related to investing activities					
Investment in Gryphon Minerals limited common shares		-	(3,306)	-	(3,306)
Investment in available for sale financial assets		(393)	-	(393)	-
Expenditures for property, plant and equipment		(2,121)	(3,465)	(9,582)	(15,643)
Expenditures for mine development		(14,669)	(5,934)	(47,416)	(23,242)
Acquisition of intangibles		(132)	(92)	(286)	(265)
Net cash used in investing activities		**(17,315)**	**(12,797)**	**(57,677)**	**(42,456)**
Cash flows related to financing activities					
Proceeds from stock options exercised		-	86	7	139
Financing cost paid		-	(17)	-	(263)
Dividend payment to the Government of Senegal		-	-	(2,700)	-
Interest paid on borrowings		(283)	(306)	(826)	(1,166)
Net cash used in financing activities		**(283)**	**(237)**	**(3,519)**	**(1,290)**
Effect of exchange rates on cash holdings in foreign currencies		35	(488)	41	(1,175)
Net (decrease)/increase in cash and cash equivalents		**(7,328)**	**(267)**	**(22,228)**	**13,435**
Cash and cash equivalents at the beginning of period		**80,288**	**58,138**	**95,188**	**44,436**
Cash and cash equivalents at the end of period		**72,960**	**57,871**	**72,960**	**57,871**
Taxes paid in Cash		**-**	**120**	**15,202**	**5,768**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Teranga Gold Corporation ("Teranga" or the "Company") is a Canadian-based gold company listed on the Toronto Stock Exchange (TSX: TGZ). The Company was previously listed on the Australian Securities Exchange ("ASX"), with the securities code TGZ. On September 14, 2017, the Company voluntarily delisted from the ASX.

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 Sabadola gold mine in Senegal and has a positive feasibility study for the Banfora Gold Project in Burkina Faso. The Company also has early stage exploration programs underway in Burkina Faso, Senegal and Cote d'Ivoire.

The address of the Company's principal office is 121 King Street West, Suite 2600, Toronto, Ontario, Canada M5H 3T9.

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, 2016.

The interim condensed consolidated financial statements were approved by the Board of Directors on November 1, 2017.

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, 2016.

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, 2016, and there have been no new standards or interpretations adopted which have had an impact on the accounting policies, financial position or performance of the Company.

d. Future accounting policies not yet adopted

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The Company continues to assess the impacts of IFRS 9 and IFRS 16, both of which are not yet effective.

The Company is currently in the process of completing its review of the potential impact of adopting IFRS 15. For normal gold sales, no material changes are expected in respect of timing and amount of revenue currently recognized by the Company. With respect to transactions under the Franco-Nevada Corporation's ("Franco-Nevada") gold streaming arrangement, the Company has determined that this arrangement potentially contains a financing component as defined under IFRS 15. The Company is considering other potential implications of IFRS 15 to the accounting for this arrangement. The Company will continue to assess the new revenue recognition policy and will implement the standard for January 1, 2018.

(unaudited, in $000's of United States dollars, except per share amounts)

3. ACQUISITION OF GRYPHON

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

Management has determined that the acquisition of Gryphon was a business combination in accordance with the definition in IFRS 3, Business Combinations, and has accounted for the transaction in accordance with this standard. Accordingly, the acquisition cost has been allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. The Company used a discounted cash flow model to determine the fair value of Gryphon's identifiable assets and liabilities. Expected future cash flows were based on estimates of projected future revenues, production costs and capital expenditures. The purchase price allocation is preliminary due to the complexity of determining income taxes, continuing analysis of the salvage value of property, plant, and equipment and further work will be required to confirm the fair values of certain acquired assets and liabilities. The finalization of the purchase price allocation will be completed in the fourth quarter 2017.

4. REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Gold sales - spot price	60,896	60,180	203,135	212,818
Silver sales	145	136	268	258
Total Revenue	**61,041**	**60,316**	**203,403**	**213,076**

For the three months ended September 30, 2017, 47,695 ounces of gold were sold at an average realized price of $1,277 per ounce, including 5,625 ounces delivered to Franco-Nevada (2016: 45,161 ounces were sold, including 5,625 ounces delivered to Franco-Nevada at an average price of $1,333 per ounce). For the nine months ended September 30, 2017, 162,134 ounces of gold were sold at an average realized price of $1,253 per ounce, including 16,875 ounces delivered to Franco-Nevada (2016: 171,129 ounces were sold, including 16,875 ounces delivered to Franco-Nevada at an average price of $1,244 per ounce).

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 19.

The Company delivered all of its production to three customers in 2017 and 2016 and earned revenues as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Customer 1	37,723	29,779	101,304	159,395
Customer 2	16,161	23,006	80,999	32,292
Customer 3	7,157	7,531	21,100	21,389
Total Revenue	**61,041**	**60,316**	**203,403**	**213,076**

5. MINE OPERATION EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Mine production costs	39,086	36,104	116,413	108,701
Royalties(i)	3,964	3,692	13,285	13,628
Regional administration costs	283	355	1,307	1,406
Capitalized deferred stripping	(5,469)	(3,113)	(21,773)	(13,717)
Inventory movements	(265)	(8,679)	11,291	(5,997)
Total Mine Operation Expenses	**37,599**	**28,359**	**120,523**	**104,021**

(unaudited, in $000's of United States dollars, except per share amounts)

(i) Includes royalties to Axmin Inc. on account of their 1.5 percent net smelter royalty on the Gora deposit. During the three and nine months ended September 30, 2017, the Company incurred $0.3 million and $1.0 million, respectively, of Axmin royalties (2016: $0.1 million and $0.8 million, respectively).

6. DEPRECIATION AND AMORTIZATION

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Depreciation and amortization - property, plant and equipment and mine development expenditures	8,482	8,758	28,422	28,270
Depreciation and amortization - deferred stripping assets	3,861	761	12,539	1,725
Inventory movements - depreciation	(352)	141	(1,973)	5,626
Capitalized deferred stripping - depreciation	(365)	(271)	(1,547)	(1,136)
Total Depreciation and Amortization	**11,626**	**9,389**	**37,441**	**34,485**

7. ADMINISTRATION EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Corporate office	1,913	1,678	5,445	4,281
Audit fees	73	52	212	238
Legal and other	346	115	1,016	830
Depreciation	30	22	88	67
Total Administration Expenses	**2,362**	**1,867**	**6,761**	**5,416**

8. FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Interest and deferred financing costs on borrowings	404	439	1,184	1,640
Unwinding of discounts	161	228	487	762
Stocking fees	195	185	552	533
Bank charges	187	203	425	392
Other	-	63	18	128
Total Finance Costs	**947**	**1,118**	**2,666**	**3,455**

9. OTHER (INCOME) / EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Acquisition (i)	-	815	52	1,219
(Gains)/losses on derivative instruments (ii)	(5,320)	(215)	(5,320)	2,669
Business process consulting	-	-	-	886
Government of Senegal payments (iii)(iv)	(757)	-	(757)	1,033
Business and other taxes (v)	-	(1,300)	1,151	1,200
Perth office	203	-	478	-
Option Agreement - Milestone Payment (vi)	-	-	(1,150)	-
Interest income and other (income) and expenses	(35)	16	(562)	206
Total Other (Income) / Expenses	**(5,909)**	**(684)**	**(6,108)**	**7,213**

(i) Includes costs for legal, advisory and consulting related to the acquisition of Gryphon Minerals.

(unaudited, in $000's of United States dollars, except per share amounts)

(ii) On September 11, 2017, the Company entered into forward gold sales contracts with Macquarie Bank Limited ("Macquarie") for a total of 131,000 ounces of gold at a price of $1,336 per ounce with quarterly settlements from December 29, 2017 to December 31, 2018 (25,000 ounces to be settled in the first quarter and 26,500 ounces to be settled in each subsequent quarter). Based on the value of these contracts at September 30, 2017, a hedge gain of $5.3 million was recognized for the three and nine months period ended September 30, 2017. In 2016, the Company had zero cost collars with Macquarie. Based on the fair value of these contracts at September 30, 2016, a hedge gain of $0.2 million and hedge loss of $2.7 million were recorded for the three and nine months ended September 30, 2016.

(iii) During the third quarter, a present value adjustment related to the social development fund was recorded to reflect a change in the expected payment date from 2029 to 2031.

(iv) During 2016, the Company paid $1.0 million in prescribed fees (land registry and notary), related to the OJVG acquisition, to register its expanded Sabodala mining license area granted in July of 2015 which incorporated the Gora deposit area (45 km^2), the former Sabodala mining license area (33 km^2), and the Golouma mining license area (212 km^2).

(v) Business taxes are calculated based on the gross value of fixed assets of the preceding year.

(vi) 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. During the second quarter 2017, the required milestones were met and the Company recorded the income. During the third quarter 2017, the Company recorded the receipt of payment in the form of 7,349,339 Algold shares (see note 13).

10. INCOME TAX

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

For the three months ended September 30, 2017, the Company recorded a recovery of income taxes of $0.7 million, comprised of a recovery of deferred income taxes of $1.1 million net of current income tax expense of $0.4 million (2016: $4.1 million income tax expense, $3.9 million current income tax expense, $0.2 million deferred income tax expense). For the nine months ended September 30, 2017, the Company recorded a recovery of income taxes of $1.0 million, comprised of a recovery of deferred income taxes of $4.3 million net of current income tax expense of $3.3 million (2016: $14.8 million income tax expense, $13.9 million current income tax expense, $0.9 million deferred income tax expense).

11. TRADE AND OTHER RECEIVABLES

	As at September 30, 2017	As at December 31, 2016
Current		
Trade receivables (i)	-	426
Value added tax ("VAT") recoverable (ii)	4,518	7,819
Other receivables (iii)	1,063	1,637
Total Trade and Other Receivables	**5,581**	**9,882**

(i) Trade receivables relate to gold and silver shipments made prior to year-end that were settled after year-end.

(ii) Value added tax ("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 September 30, 2017 primarily relates to VAT amounts paid prior to February 2016. In Burkina Faso, the Company is currently subject to a recoverable VAT at a rate of 18 percent on supply of goods and services.

(iii) Other receivables primarily include receivables from suppliers for services, materials and utilities used at the Sabodala gold mine, $0.1 million receivable related to the sale of exploration rights (2016: $0.1 million) and $0.1 million receivable related to Canadian sales tax receivables (2016:$0.1 million).

(unaudited, in $000's of United States dollars, except per share amounts)

12. INVENTORIES

	As at September 30, 2017	As at December 31, 2016
Current		
Gold bullion	3,789	1,563
Gold in circuit	5,800	5,600
Ore stockpile	1,584	9,452
Total gold inventories	**11,173**	**16,615**
Diesel fuel	1,951	1,509
Materials and supplies	29,814	29,978
Goods in transit	609	1,885
Total other inventories	**32,374**	**33,372**
Total current inventories	**43,547**	**49,987**
Non-current		
Ore stockpile	117,362	121,245
Total Inventories	**160,909**	**171,232**

13. AVAILABLE FOR SALE FINANCIAL ASSETS

	Amount
Balance at January 1, 2016	-
Marketable securities acquired	1,481
Change in fair value of marketable securities during year	(247)
Foreign exchange loss	(63)
Balance at December 31, 2016	**1,171**
Marketable securities acquired	1,584
Change in fair value of marketable securities during period	915
Foreign exchange gain	146
Balance at September 30, 2017	**3,816**

The Company holds marketable securities that are classified as available for sale financial assets 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. During the third quarter, the Company received 7,349,339 Algold shares pursuant to an option agreement (see note 9).

(unaudited, in $000's of United States dollars, except per share amounts)

14. OTHER ASSETS

	As at September 30, 2017	As at December 31, 2016
Current		
Prepayments [i]	4,325	3,110
Advanced royalty [ii]	3,275	2,702
Derivative assets [iii]	4,534	-
VAT certificates held [iv]	507	2,518
Total Other Current Assets	**12,641**	**8,330**
Non-current		
Advanced royalty [ii]	3,900	6,609
Intangible assets	951	739
Derivative assets [iii]	786	-
Other long term assets	216	216
Total Other Non-Current Assets	**5,853**	**7,564**
Total Other Assets	**18,494**	**15,894**

(i) As at September 30, 2017, prepayments include $3.2 million (2016 - $2.7 million) of advances to vendors and contractors and $1.1 million for insurance (2016 - $0.4 million).

(ii) As at September 30, 2017, there is $3.3 million in other current assets and $3.9 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 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 nine months ended September 30, 2017, the Company expensed $0.6 million and $2.1 million, respectively, as amortization of OJVG and Gora advanced royalties (2016: $0.5 million and $2.2 million). The advanced royalty recorded within other current assets is based on the expected production from the OJVG and Gora deposits over the next 12 months and the remaining balance is recorded within other non-current assets.

(iii) Refer to note 9[ii].

(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.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings and property improvements	Plant and equipment	Office furniture and equipment	Motor vehicles	Mobile equipment	Capital work in progress	Subtotal	Banfora Expenditures	Total
Cost									
Balance as at January 1, 2016	**51,103**	**276,454**	**2,478**	**3,819**	**85,646**	**16,611**	**436,111**	**-**	**436,111**
Acquisition of Gryphon	-	-	-	-	-	-	-	989	**989**
Additions	14	724	34	-	-	17,146	17,918	16	**17,934**
Disposals	-	-	-	(117)	(173)	-	(290)	(43)	**(333)**
Transfer to Mine Development Expenditures	-	-	-	-	-	(5,786)	(5,786)	-	**(5,786)**
Transfer[i]	(4,068)	17,656	253	3,552	6,649	(24,042)	-	-	-
Balance as at December 31, 2016	**47,049**	**294,834**	**2,765**	**7,254**	**92,122**	**3,929**	**447,953**	**962**	**448,915**
Additions	94	476	35	-	-	8,331	8,936	1,172	**10,108**
Disposals	-	-	-	(34)	(607)	-	(641)	(123)	**(764)**
Transfer	2,652	3,043	166	240	1,847	(7,948)	-	-	**-**
Balance as at September 30, 2017	**49,795**	**298,353**	**2,966**	**7,460**	**93,362**	**4,312**	**456,248**	**2,011**	**458,259**
Accumulated depreciation									
Balance as at January 1, 2016	**26,449**	**147,795**	**2,010**	**2,716**	**63,715**	**-**	**242,685**	**-**	**242,685**
Disposals	-	-	-	(84)	(173)	-	(257)	(20)	**(277)**
Depreciation expense	1,886	10,131	267	964	7,723	-	20,971	132	**21,103**
Balance as at December 31, 2016	**28,335**	**157,926**	**2,277**	**3,596**	**71,265**	**-**	**263,399**	**112**	**263,511**
Disposals	-	-	-	(34)	(607)	-	(641)	(71)	**(712)**
Depreciation expense	1,467	8,641	216	777	5,218	-	16,319	445	**16,764**
Balance as at September 30, 2017	**29,802**	**166,567**	**2,493**	**4,339**	**75,876**	**-**	**279,077**	**486**	**279,563**
Net book value									
Balance as at December 31, 2016	**18,714**	**136,908**	**488**	**3,658**	**20,857**	**3,929**	**184,554**	**850**	**185,404**
Balance as at September 30, 2017	**19,993**	**131,786**	**473**	**3,121**	**17,486**	**4,312**	**177,171**	**1,525**	**178,696**

(unaudited, in $000's of United States dollars, except per share amounts)

(i) Transfers to correct distribution of previously allocated work in progress to the appropriate sub-asset classes within property, plant and equipment.

Additions made to property, plant and equipment during the nine months ended September 30, 2017 relate mainly to sustaining and growth expenditures at Sabodala and Banfora.

Depreciation of property, plant and equipment was $5.2 million for the three months ended September 30, 2017 (three months ended September 30, 2016: $5.1 million) and $16.8 million for the nine months ended September 30, 2017 (nine months ended September 30, 2016: $15.9 million).

16. MINE DEVELOPMENT EXPENDITURES

`	Reserve and development costs	Deferred stripping assets	Gryphon	Total
Cost				
Balance as at January 1, 2016	**304,749**	**105,750**	-	**410,499**
Acquisition of Gryphon	-	-	54,074	54,074
Additions incurred during the period	15,406	20,002	1,367	36,775
Transfer from Property, Plant and Equipment	5,786	-	-	5,786
Balance as at December 31, 2016	**325,941**	**125,752**	**55,441**	**507,134**
Additions incurred during the period	14,601	23,320	14,036	51,957
Balance as at September 30, 2017	**340,542**	**149,072**	**69,477**	**559,091**
Accumulated depreciation				
Balance as at January 1, 2016	**109,974**	**63,479**	**-**	**173,453**
Depreciation expense	15,751	3,408	-	19,159
Balance as at December 31, 2016	**125,725**	**66,887**	**-**	**192,612**
Depreciation expense	12,196	12,539	-	24,735
Balance as at September 30, 2017	**137,921**	**79,426**	**-**	**217,347**
Carrying amounts				
Balance as at December 31, 2016	**200,216**	**58,865**	**55,441**	**314,522**
Balance as at September 30, 2017	**202,621**	**69,646**	**69,477**	**341,744**

	As at September 30, 2017	As at December 31, 2016
Capitalized mine development additions		
Deferred stripping costs	23,320	20,002
Capitalized mine development - Golouma South	130	2,296
Capitalized mine development - Golouma West	7,432	-
Capitalized mine development - Kerekounda	-	3,035
Capitalized reserve development - Sustaining	6,399	8,441
Capitalized reserve development - Grow th (Banfora)	14,036	1,367
Other	640	1,634
Total Capitalized Mine Development Additions	**51,957**	**36,775**

Mine development expenditures are related to the Sabodala deposit, Gora satellite deposit and development costs for the former OJVG deposits. The Company's Banfora properties incur reserve development costs related to certain exploration permits in Burkina Faso.

Depreciation of capitalized mine development of $7.3 million was expensed as cost of sales for the three months ended September 30, 2017 (three months ended September 30, 2016: $4.5 million) and $24.7 million for the nine months ended September 30, 2017 (nine months ended September 30, 2016: $14.2 million).

(unaudited, in $000's of United States dollars, except per share amounts)

17. TRADE AND OTHER PAYABLES

	As at September 30, 2017	As at December 31, 2016
Current		
Trade payables (i)	17,824	14,593
Sundry creditors and accrued expenses	12,951	17,618
Government royalties (ii)	3,063	2,637
Amounts payable to the Republic of Senegal (iii) (iv) (vii)	11,680	11,927
Contingent consideration (vi)	634	634
Total Current Trade and Other Payables	**46,152**	**47,409**
Non-Current		
Amounts payable to the Republic of Senegal (v)	7,479	7,954
Contingent consideration (vi)	2,885	2,930
Total Other Non-Current Liabilities	**10,364**	**10,884**
Total Trade and Other Payables	**56,516**	**58,293**

(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 payable to the Republic of Senegal are accrued based on the mine head value of the produced gold and related substances at a rate of 5 percent of sales, which were 1,702 million XOF (2016: 11,551 million XOF). During the fourth quarter of 2016, the Company transitioned to the payment of government royalties one quarter in arrears. During the third quarter of 2017, royalty payments totalling $3.8 million related to the second 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 September 30, 2017, $1.9 million remains accrued as a current liability.

(iv) The Company has agreed to advance accrued dividends to the Republic of Senegal in relation to its interest in Sabodala Gold Operations. As at September 30, 2017, $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 $7.5 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 OJVG's mining reserves through 2020, of which $3.8 million was accrued upon finalization of the purchase price allocation in 2014. As at September 30, 2017, $0.6 million has been recorded as a current liability and $2.9 million has been recorded as a non-current liability and is recorded at its net present value (2016: $0.6 million in current liabilities and $2.9 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 September 30, 2017, $2.0 million remains outstanding and has been accrued as a current liability.

18. BORROWINGS

	As at September 30, 2017	As at December 31, 2016
Revolving credit facility	15,000	15,000
Deferred financing costs	(809)	(1,156)
Total Borrowings	**14,191**	**13,844**

a. Senior Secured Revolving 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 now matures on June 30, 2019, with the available amount decreasing to $15.0 million on June 30, 2018. The Revolver Facility carries an interest rate of LIBOR plus 4.65 percent with any unused facility amounts subject to a commitment fee of 1.6 percent. As at September 30, 2017, $15.0 million was drawn on the Revolver Facility for working capital needs.

(unaudited, in $000's of United States dollars, except per share amounts)

The Revolver Facility is subject to covenants that require the Company to maintain a current ratio of not less than 1.10:1; total debt to EBITDA of not greater than 2:1; historic debt coverage ratio of greater than 2.5:1 and a tangible net worth of not less than $300 million. The Company was compliant with all covenants as of September 30, 2017.

19. DEFERRED REVENUE

	Amount
Balance as at January 1, 2016	**91,345**
Amortization of deferred revenue	(22,530)
Balance as at December 31, 2016	**68,815**
Amortization of deferred revenue	(16,880)
Balance as at September 30, 2017	**51,935**

	As at September 30, 2017	As at December 31, 2016
Current	23,342	21,353
Non-Current	28,593	47,462
Total Deferred Revenue	**51,935**	**68,815**

During the three months ended September 30, 2017, the Company delivered 5,625 ounces of gold to Franco-Nevada and recorded revenue of $7.1 million, consisting of $1.4 million received in cash proceeds and $5.7 million recorded as a reduction of deferred revenue. (2016: 5,625 ounces delivered, revenue of $7.5 million, consisting of $1.5 million received in cash proceeds and $6.0 million recorded as a reduction of deferred revenue).

During the nine months ended September 30, 2017, the Company delivered 16,875 ounces of gold and recorded revenue of $21.1 million, consisting of $4.2 million received in cash proceeds and $16.9 million recorded as a reduction of deferred revenue (2016: 16,875 ounces delivered, revenue of $21.4 million, consisting of $3.8 million received in cash proceeds, $0.5 million in accounts receivable and $17.1 million recorded as a reduction of deferred revenue).

20. PROVISIONS

	As at September 30, 2017	As at December 31, 2016
Current		
Employee benefits (i)	2,284	2,227
Cash settled share-based compensation (iii)	2,181	2,752
Total Current Provisions	**4,465**	**4,979**
Non-Current		
Mine restoration and rehabilitation (ii)	27,889	27,414
Employee benefits (i)	915	891
Cash settled share-based compensation (iii)	744	1,189
Total Non-Current Provisions	**29,548**	**29,494**
Total Provisions	**34,013**	**34,473**

(i) For the period ended September 30, 2017, the provision for employee benefits includes $1.1 million of accrued vacation and $1.2 million in long service leave entitlements (2016 - $1.2 million and $1.0 million). The non-current provision for employee benefits includes $0.9 million accrued vacation (2016 - $0.9 million).

(ii) The rehabilitation provision represents the present value of rehabilitation costs relating to the Sabodala gold mine. 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.

(unaudited, in $000's of United States dollars, except per share amounts)

(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. Please see Note 26 for further details.

21. ISSUED CAPITAL

	Number of shares	Amount
Balance as at January 1, 2016	**78,400,218**	**385,174**
Issued to Gryphon shareholders	14,127,770	55,064
Private placement issuance - October 13	1,934,325	7,541
Equity offering issuance - November 21	6,931,000	27,108
Private placement issuance - November 21	5,900,000	23,075
Stock option exercised	49,462	198
Less: Share issue costs	-	(1,834)
Balance as at December 31, 2016	**107,342,775**	**496,326**
Cancellation of fractional shares as a result of share consolidation	(1,636)	-
Stock option exercised	2,763	7
Balance as at September 30, 2017	**107,343,902**	**496,333**

The Company completed a five-for-one share consolidation on May 8, 2017. All figures above are presented on a post-consolidation basis. See Note 2b for further details.

22. EARNINGS PER SHARE (EPS)

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Basic EPS (US$)	0.10	0.13	0.24	0.31
Diluted EPS (US$)	0.10	0.13	0.24	0.31
Basic EPS:				
Net profit used in the calculation of basic EPS	10,370	10,437	26,173	24,395
Weighted average number of common shares for the purposes of basic EPS ('000)	107,344	78,450	107,344	78,414
Effect of dilutive share options ('000)	-	665	166	384
Weighted average number of common shares outstanding for the purpose of diluted EPS ('000)	107,344	79,115	107,510	78,798

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 3.1 million and 2.3 million shares relating to share options that were anti-dilutive for the periods ended September 30, 2017 and September 30, 2016, respectively.

The Company completed a five-for-one share consolidation on May 8, 2017. All figures above are presented on a post-consolidation basis. See Note 2b for further details.

23. COMMITMENTS FOR EXPENDITURES

The Company has entered into various capital purchase obligations at the Sabodala gold mine and the Banfora Project. As at September 30, 2017, total future purchase obligations related to these projects were approximately $1.6 million for Sabodala and $4.1 million for Banfora.

(unaudited, in $000's of United States dollars, except per share amounts)

24. CASH FLOW INFORMATION

a. Change in working capital

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Changes in working capital other than inventory				
Decrease/(Increase) in trade and other receivables	439	(24)	(1,866)	(5,075)
(Increase)/Decrease in other assets	(124)	15	847	6,952
(Decrease)/Increase in trade payables and other	(2,351)	1,534	(6,981)	(382)
Increase/(Decrease) in provisions	50	2	(85)	(616)
Increase/(Decrease) in current income taxes payable	337	3,758	(10,890)	5,428
Net Change in Working Capital Other Than Inventory	**(1,649)**	**5,285**	**(18,975)**	**6,307**

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.

25. 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 September 30, 2017, the Company's financial instruments consisted of cash and cash equivalents, trade and other receivables, other assets, trade and other payables and borrowings.

The following table illustrates the classification of the Company's financial instruments as at September 30, 2017 and December 31, 2016:

	As at September 30, 2017	As at December 31, 2016
Financial assets:		
Cash and cash equivalents	72,960	95,188
Loans and receivables		
Trade and other receivables	5,581	9,882
Financial derivative assets	5,320	-
Other assets		
Available-for-sale financial assets	3,816	1,171
Financial liabilities:		
Other financial liabilities at amortized cost		
Trade and other payables	59,441	62,234
Current income tax liabilities	3,968	19,834
Borrowings	14,191	13,844

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 and available-for-sale financial assets are measured at fair value. Borrowings are based on discounted future cash flows using discount rates that reflect current market conditions for this financial instrument with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

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

(unaudited, in $000's of United States dollars, except per share amounts)

	As at September 30, 2017		As at December 31, 2016	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Financial derivative assets	5,320	5,320	-	-
Financial liabilities				
Borrowings	14,191	13,445	13,844	12,914

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

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

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

	As at September 30, 2017			As at December 31, 2016		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial Assets						
Cash and cash equivalents	72,960	-	-	95,188	-	-
Available-for-sale financial assets	3,816	-	-	1,171	-	-
Financial derivative assets	-	5,320	-	-	-	-
Total	**76,776**	**5,320**	**-**	**96,359**	**-**	**-**
Financial Liabilities						
Borrowings	-	14,191	-	-	13,844	-
Cash settled share-based compensation	2,830	-	95	3,777	-	164
Total	**2,830**	**14,191**	**95**	**3,777**	**13,844**	**164**

26. SHARE-BASED COMPENSATION

Share based compensation expense for the three months and nine months ended September 30, 2017 totalled $0.2 million and $1.6 million, respectively (2016: $1.4 million and $4.9 million).

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 have been retroactively restated to reflect the change.

a. Incentive Stock Option Plan

During the nine months ended September 30, 2017, 891,488 stock options were granted at exercise prices between C$3.34-C$4.20. 216,464 stock options were forfeited and 2,763 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.

(unaudited, in $000's of United States dollars, except per share amounts)

	Number of options	Weighted average exercise price
Balance as at January 1, 2016	**3,107,833**	**C$12.07**
Granted during the period	828,364	C$3.39
Forfeited during the period	(97,629)	C$4.65
Exercised during the period	(49,462)	C$3.23
Balance as at December 31, 2016	**3,789,106**	**C$10.48**
Granted during the period	891,488	C$4.16
Forfeited during the period	(216,464)	C$11.15
Exercised during the period[(i)]	(2,763)	C$3.33
Balance as at September 30, 2017	**4,461,367**	**C$9.19**
Number of options exercisable - December 31, 2016	2,944,279	
Number of options exercisable - September 30, 2017	3,297,307	

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

(unaudited, in $000's of United States dollars, except per share amounts)

The following stock options were outstanding as at September 30, 2017:

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 June 14, 2011	16,000	14-Jun-11	14-Jun-21	15.00	4.70
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 February 23, 2013	0	23-Feb-13	23-Feb-23	15.00	2.10
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	450,000	31-Mar-15	31-Mar-20	3.20	1.75
Granted on March 31, 2015	218,501	31-Mar-15	31-Mar-20	3.20	1.50
Granted on March 31, 2016	698,547	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	4,606	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	407,991	29-Mar-17	29-Mar-22	4.15	1.75-2.10
Granted on June 16, 2017	3,000	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 Sep 11, 2017	10,500	11-Sep-17	11-Sep-22	3.34	1.32-1.53

As at September 30, 2017, approximately 6.3 million (2016: 4.0 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. 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 4,461,367 common share stock options issued and outstanding as at September 30, 2017, 3,297,307 are vested and 1,164,060 vest over a three-year period. The fair value of options that vest upon achievement of milestones will be recognized based on management's assessment of the likelihood of reaching those milestones. As at September 30, 2017, the weighted average remaining contractual term of outstanding stock options exercisable was 3.6 years.

As at September 30, 2017, 2,180,000 and 2,281,367 share options had a contractual life of ten years and five years at issuance, respectively.

(unaudited, in $000's of United States dollars, except per share amounts)

Fair value of stock options granted

The grant date fair value of options granted during the nine months ended September 30, 2017 was calculated using the Black-Scholes option pricing model with the following assumptions:

	Nine months ended September 30,	
	2017	**2016**
Grant date share price	C$3.12-C$4.15	C$3.65-C$6.35
Weighted average fair value of awards	C$1.81	C$1.81
Exercise price(i)	C$3.12-C$4.20	C$3.33-C$6.28
Range of risk-free interest rates	0.82% - 1.61%	0.52%-0.60%
Expected share market price volatility(ii)	65% - 69%	67%-71%
Expected life of options (years)	2.8 - 3.8	3.0
Dividend yield	0%	0%
Forfeiture rate	3%-14%	5%

(ii) 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.

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

b. Fixed Bonus Units ("FBUs")

As at September 30, 2017, there were 359,500 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 359,500 FBUs outstanding as at September 30, 2017, 272,000 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$0.37 per FBU at September 30, 2017. The total fair value of the FBUs at September 30, 2017 is $0.1 million (December 31, 2016: $0.2 million).

The estimated fair values of the FBUs is amortized over the period in which the FBUs vest. Of the 359,500 FBUs issued, 335,413 FBUs were vested at September 30, 2017 with the remaining FBUs to be fully vested by March 31, 2019.

Fair value of Units

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

	Nine months ended September 30,	
	2017	**2016**
Share price at the end of the period	C$2.80	C$5.85
Weighted average fair value of vested awards	C$0.37	C$1.34
Exercise price(i)	C$3.20-C$15.00	C$3.20-C$15.00
Range of risk-free interest rates	1.51%-1.74%	0.51%-0.62%
Expected share market price volatility(ii)	64%	64%
Expected life of options (years)	2.0-4.0	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 during the second quarter of 2014. RSUs represent a right for an employee 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 the vesting date. RSUs 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. RSUs are measured at fair value using the market value of the underlying shares at the date of the award grant. At each reporting period, the vested awards are re-valued based on the period-end share price with a corresponding charge to share-based compensation expense.

During the nine months ended September 30, 2017, 856,460 RSUs were granted at an average price of C$4.14 per unit and 64,793 RSUs were forfeited (2016: 6,140,338 RSUs granted and 895,850 forfeited). As of September 30, 2017 a total of 1,643,701 RSUs were outstanding of which 841,811 units were vested. As at September 30, 2017, $1.1 million of current RSU liability and $0.7 million of non-current RSU liability have been recorded in the consolidated financial statement of financial position (2016: $1.9 million and $1.1 million in current and non-current RSU liability respectively).

d. Deferred Stock Units ("DSUs")

The Company introduced a DSU Plan for non-executive directors during the second quarter of 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. DSUs are measured at fair value using the market value of the underlying shares at the date of the award grant. At each reporting period, the vested awards are re-valued based on the period-end share price with a corresponding charge to share-based compensation expense.

The Company granted 180,000 DSUs during the nine months ended September 30, 2017 at a price of C$4.18 per unit. Of the 563,998 DSUs outstanding at September 30, 2017, 488,998 were vested and no units cancelled. As at September 30, 2017, $1.1 million of current DSU liability has been recorded in the consolidated statement of financial position (2016: $1.4 million).

27. RELATED PARTY TRANSACTIONS

a. Equity interests in related parties

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 32 of the audited annual consolidated financial statements of the Company for the year ended December 31, 2016.

b. Transactions with key management personnel

During the three and nine months ended September 30, 2017, there were transactions totaling $28 thousand and $92 thousand (2016 - $10 thousand and $45 thousand), respectively, 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 km2 in Côte d'Ivoire.

Under the terms of the exploration agreement, a separate entity was created and is owned and funded by Teranga. Miminvest transferred its permits into the entity and in exchange retains a net smelter royalty interest of 3 percent and will provide ongoing in-country strategic advice. Furthermore, the entity will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest permits. During the nine months ended September 30, 2017, Teranga paid Miminvest $0.6 million for all direct and reasonable costs associated with exploration related work carried out by Miminvest with respect to the transferred permits. As at September 30, 2017, there were no outstanding amounts owing to Miminvest.

(unaudited, in $000's of United States dollars, except per share amounts)

28. 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: Sabadola gold mine in Senegal; Corporate entities; Banfora Project in Burkina Faso; and exploration projects in Senegal, Burkina Faso and Ivory Coast. The following table provides the Company's operating results and summary asset information by segment.

	Three months ended September 30, 2017				
	Sabodala	**Corporate**	**Banfora**	**Exploration**	**Total**
Revenue	61,041	-	-	-	61,041
Mine operation expenses	(37,599)	-	-	-	(37,599)
Depreciation and amortization	(11,626)	-	-	-	(11,626)
Cost of sales	**(49,225)**	**-**	**-**	**-**	**(49,225)**
Gross profit	**11,816**	**-**	**-**	**-**	**11,816**
Exploration and evaluation expenditures	-	-	-	(2,149)	(2,149)
Administration expenses	-	(2,362)	-	-	(2,362)
Corporate social responsibility expenses	(559)	(79)	-	-	(638)
Share-based compensation	-	(215)	-	-	(215)
Finance costs	(822)	(125)	-	-	(947)
Net foreign exchange (losses)/gains	(1,021)	(234)	(52)	128	(1,179)
Other income/(expenses)	312	5,798	(201)	-	5,909
Operating (expenses)/income	**(2,090)**	**2,783**	**(253)**	**(2,021)**	**(1,581)**
Profit/(loss) before income tax	**9,726**	**2,783**	**(253)**	**(2,021)**	**10,235**
Income tax recovery	424	-	305	-	729
Net profit/(loss)	**10,150**	**2,783**	**52**	**(2,021)**	**10,964**

(unaudited, in $000's of United States dollars, except per share amounts)

	Three months ended September 30, 2016				
	Sabodala	**Corporate**	**Banfora**	**Exploration**	**Total**
Revenue	60,316	-	-	-	60,316
Mine operation expenses	(28,359)	-	-	-	(28,359)
Depreciation and amortization	(9,389)	-	-	-	(9,389)
Cost of sales	**(37,748)**	**-**	**-**	**-**	**(37,748)**
Gross profit	**22,568**	**-**	**-**	**-**	**22,568**
Exploration and evaluation expenditures	-	-	-	(735)	(735)
Administration expenses	-	(1,867)	-	-	(1,867)
Corporate social responsibility expenses	(789)	(13)	-	-	(802)
Share-based compensation	-	(1,394)	-	-	(1,394)
Finance costs	(932)	(186)	-	-	(1,118)
Net foreign exchange losses	(1,011)	(42)	-	(1)	(1,054)
Other income/(expenses)	5,098	(4,414)	-	-	684
Operating income/(expenses)	**2,366**	**(7,916)**	**-**	**(736)**	**(6,286)**
Profit/(loss) before income tax	**24,934**	**(7,916)**	**-**	**(736)**	**16,282**
Income tax expense	(4,105)	-	-	-	(4,105)
Net profit/(loss)	**20,829**	**(7,916)**	**-**	**(736)**	**12,177**

	Nine months ended September 30, 2017				
	Sabodala	**Corporate**	**Banfora**	**Exploration**	**Total**
Revenue	203,403	-	-	-	203,403
Mine operation expenses	(120,523)	-	-	-	(120,523)
Depreciation and amortization	(37,441)	-	-	-	(37,441)
Cost of sales	**(157,964)**	**-**	**-**	**-**	**(157,964)**
Gross profit	**45,439**	**-**	**-**	**-**	**45,439**
Exploration and evaluation expenditures	-	-	-	(6,445)	(6,445)
Administration expenses	-	(6,761)	-	-	(6,761)
Corporate social responsibility expenses	(1,999)	(292)	-	-	(2,291)
Share-based compensation	-	(1,645)	-	-	(1,645)
Finance costs	(2,284)	(382)	-	-	(2,666)
Net foreign exchange (losses)/gains	(3,853)	(349)	87	(26)	(4,141)
Other (expenses)/income	(605)	5,849	864	-	6,108
Operating (expenses)/income	**(8,741)**	**(3,580)**	**951**	**(6,471)**	**(17,841)**
Profit/(loss) before income tax	**36,698**	**(3,580)**	**951**	**(6,471)**	**27,598**
Income tax (expense)/recovery	(132)	-	1,106	-	974
Net profit/(loss)	**36,566**	**(3,580)**	**2,057**	**(6,471)**	**28,572**

(unaudited, in $000's of United States dollars, except per share amounts)

	Nine months ended September 30, 2016				
	Sabodala	Corporate	Banfora	Exploration	Total
Revenue	213,076	-	-	-	213,076
Mine operation expenses	(104,021)	-	-	-	(104,021)
Depreciation and amortization	(34,485)	-	-	-	(34,485)
Cost of sales	**(138,506)**	**-**	**-**	**-**	**(138,506)**
Gross profit	**74,570**	**-**	**-**	**-**	**74,570**
Exploration and evaluation expenditures	-	-	-	(3,659)	(3,659)
Administration expenses	-	(5,416)	-	-	(5,416)
Corporate social responsibility expenses	(2,720)	(114)	-	-	(2,834)
Share-based compensation	-	(4,943)	-	-	(4,943)
Finance costs	(2,783)	(672)	-	-	(3,455)
Net foreign exchange losses	(2,830)	(43)	-	(30)	(2,903)
Other expenses	(1,283)	(5,930)	-	-	(7,213)
Operating expenses	**(9,616)**	**(17,118)**	**-**	**(3,689)**	**(30,423)**
Profit/(loss) before income tax	**64,954**	**(17,118)**	**-**	**(3,689)**	**44,147**
Income tax expense	(14,764)	-	-	-	(14,764)
Net profit/(loss)	**50,190**	**(17,118)**	**-**	**(3,689)**	**29,383**

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

Selected non-current asset balances are detailed below.

	As at September 30, 2017				
	Sabodala	Corporate	Banfora	Exploration	Total
Property, plant and equipment	173,292	3,036	613	1,755	178,696
Mine development expenditures	267,434	4,769	69,477	64	341,744
Total non-current assets	563,509	7,884	70,306	1,956	643,655

	As at December 31, 2016				
	Sabodala	Corporate	Banfora	Exploration	Total
Property, plant and equipment	180,495	3,120	851	938	185,404
Mine development expenditure	254,553	4,464	55,441	64	314,522
Total non-current assets	583,470	7,694	56,509	1,146	648,819

29. 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 2017 interim condensed consolidated financial statements.