Management's Discussion and Analysis of

**TERANGA GOLD CORPORATION**

For the three months ended March 31, 2018

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2018

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

This report is dated as of May 3, 2018. All references to the Company include its subsidiaries unless the context requires otherwise. On May 2, 2017, the Company completed a five-for-one share consolidation. All share and per share amounts reflect the effect of the consolidation.

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

## OVERVIEW OF THE BUSINESS

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

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

## VISION

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

## MISSION

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

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

## STRATEGY

Our strategy is to maximize shareholder value by increasing sustainable long-term free cash 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) increasing production through the timely completion of Wahgnion on-budget; iii) unlocking additional value in Burkina Faso, Senegal and Côte d'Ivoire through resource conversion drill programs and exploration; and iv) maintaining financial flexibility to fund our future growth plans responsibly.

## FINANCIAL AND OPERATING HIGHLIGHTS

| | | Three months ended March 31, | | |
|---|---|---|---|---|
| **Financial Data** | | **2018** | **2017** | **Change** |
| Revenue | ($000's) | 86,242 | 70,322 | 23% |
| Cost of sales | ($000's) | (59,470) | (54,458) | 9% |
| Gross profit | ($000's) | 26,772 | 15,864 | 69% |
| Net profit attributable to shareholders of Teranga | ($000's) | 2,981 | 5,592 | (47%) |
| Per share | ($) | 0.03 | 0.05 | (40%) |
| Adjusted net profit attributable to shareholders of Teranga[1] | ($000's) | 10,650 | 6,677 | 60% |
| Per share[1] | ($) | 0.10 | 0.06 | 67% |
| EBITDA[1] | ($000's) | 24,365 | 21,874 | 11% |
| Operating cash flow excluding changes in working capital other than inventories | ($000's) | 24,866 | 23,827 | 4% |
| Operating cash flow | ($000's) | 13,719 | 21,258 | (35%) |
| Sustaining capital expenditures (excluding deferred stripping) | ($000's) | 3,157 | 5,317 | (41%) |
| Capitalized deferred stripping - sustaining | ($000's) | 10,097 | 11,600 | (13%) |
| Growth capital expenditures | ($000's) | 22,019 | 2,198 | 902% |
| | | **Three months ended March 31,** | | |
| **Operating Data** | | **2018** | **2017** | **Change** |
| Gold Produced | (oz) | 64,031 | 56,903 | 13% |
| Gold Sold | (oz) | 65,234 | 57,271 | 14% |
| Average realized gold price[1] | ($ per oz) | 1,326 | 1,226 | 8% |
| Cost of sales per ounce | ($ per oz sold) | 912 | 951 | (4%) |
| Total cash costs[1] | ($ per oz sold) | 659 | 722 | (9%) |
| All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)[1] | ($ per oz sold) | 888 | 939 | (5%) |

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

## FIRST QUARTER HIGHLIGHTS

### Financial Highlights

- Teranga achieved record first quarter revenue of $86.2 million compared to $70.3 million in the prior year, due to higher ounces sold and higher average realized prices.
- Gross profit was $26.8 million for the first quarter compared to $15.9 million in the prior year period due to higher revenues partially offset by higher non-cash depreciation and amortization expenses.
- Net profit attributable to shareholders was $3.0 million ($0.03 per share) for the first quarter compared to $5.6 million ($0.05 per share) in the prior year period. Despite an increase in gross profit of $10.9 million from higher

revenues, net profit attributable to shareholders in the first quarter was negatively impacted by $3.1 million of non-cash derivative losses on remaining gold forward sales contracts, a non-cash $2.4 million adjustment as a result of the adoption of IFRS 15, an increase in net foreign exchange losses of $1.7 million, and higher share-based compensation of $1.9 million.

- Excluding the loss on derivative instruments, accretion expense, and net foreign exchange losses, adjusted net profit attributable to shareholders[1] was $10.7 million ($0.10 per share) for the first quarter compared to $6.7 million ($0.06 per share) in the prior year period.
- Cash flow related to operating activities, before changes in working capital excluding inventories, increased year-over-year to $24.9 million.
- Cash and cash equivalents totalled $60.3 million, down $27.4 million from the fourth quarter 2017 balance of $87.7 million. An increase of cash flow from Sabodala was more than offset by higher growth capital expenditures at Wahgnion of $21.9 million, as construction ramps up, Afema project acquisition costs of $5.3 million, exploration costs of $3.0 million and a decrease in working capital of $11.1 million primarily due to trade and other payables and income taxes paid.
- On January 16, 2018, the Company entered into additional forward gold sales contracts with Macquarie Bank Limited ("Macquarie") for a total of 56,500 ounces of gold at a price of $1,350 per ounce with monthly settlements between April to September 2019. Combined with forward gold sales contracts completed in 2017, the Company has hedged about 50 percent of anticipated production between first quarter 2018 through to third quarter 2019 at an average gold price of $1,340 per ounce to provide improved revenue certainty during construction of Wahgnion.

**Operating Highlights**

- Solid first quarter gold production of 64,031 ounces was 13 percent higher than the prior year quarter.
- First 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 all lower than the prior year quarter and below the full year guidance ranges, mainly due to higher grades mined and processed.

**Growth Highlights**

- On March 22, 2018, the Company entered into an agreement with Sodim Limited ("Sodim"), the owner of all of the issued and outstanding shares of Taurus Gold Afema Holding Limited ("TGL"), to acquire 51 percent of TGL, increasing its stake to 70 percent upon delivery of a positive technical study. TGL owns the Afema mining license and three exploration permits in Cote d'Ivoire, for cash consideration of $5.0 million, with an additional $2.5 million payable in 2019, and a final payment of $2.5 million due upon certain conditions being met.
- On April 16, 2018, the Company concluded a previously announced agreement with Taurus Funds Management Pty Ltd. (unrelated to TGL above) for a $190 million secured development finance facility ("Taurus Facility") to, amongst other things, fund the development of Wahgnion and advancement of a feasibility study for the Golden Hill exploration project ("Golden Hill"), both in Burkina Faso. The Company is targeting an initial drawdown of the Taurus Facility in early May 2018 (see *Liquidity and Capital Resources Outlook* section for more details).
- The Company continued to advance its exploration programs in a number of prospects at its Golden Hill property in Burkina Faso, West Africa. A metallurgical test program has been initiated, while the baseline environmental plan is in the initiation phase and monitoring on site is expected to commence by mid-year 2018. An initial resource on the most advanced prospects is expected by the end 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.

**OUTLOOK 2018**

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

| | | Year Ended December 31, |
|---|---|---|
| | | **2018 Guidance** |
| **Operating Results** | | |
| Ore mined | ('000t) | 2,000 – 2,500 |
| Waste mined | ('000t) | 35,000 – 37,000 |
| Total mined | ('000t) | 37,000 – 39,500 |
| Grade mined | (g/t) | 2.50 – 3.00 |
| Strip ratio | waste/ore | 16.5 – 18.5 |
| Ore milled | ('000t) | 4,200 – 4,400 |
| Head grade | (g/t) | 1.70 – 1.90 |
| Recovery rate | % | 90.0 – 91.5 |
| Gold produced [A] | (oz) | 210,000 – 225,000 |
| Cost of sales per ounce sold | $/oz sold | 950 – 1,025 |
| Total cash costs per ounce sold [B] | $/oz sold | 700 – 750 |
| All-in sustaining costs [C] | $/oz sold | 1,000 – 1,075 |
| Cash / (non-cash) inventory movements and amortized advanced royalty costs [C] | $/oz sold | (50) |
| All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) [C] | $/oz sold | 950 – 1,025 |
| Mining | ($/t mined) | 2.25 – 2.50 |
| Mining long haul | ($/t hauled) | 2.50 – 3.50 |
| Milling | ($/t milled) | 11.00 – 12.50 |
| General and Administration | ($/t milled) | 4.25 – 4.50 |
| **Mine Production Costs** | $ millions | 162.0 – 172.0 |
| **Corporate Administration Expense** | $ millions | 11.0 – 13.0 |
| **Regional Administration Costs** | $ millions | ~2.0 |
| **Community Social Responsibility Expense** | $ millions | 4.0 – 5.0 |
| **Exploration and Evaluation [D]** | $ millions | ~15.0 |
| **Sabodala Capital Expenditures** | | |
| Mine site sustaining | $ millions | 10.0 – 15.0 |
| Site development costs [E] | $ millions | 10.0 – 15.0 |
| **Total Sabodala Capital Expenditures [F]** | $ millions | 20.0 – 30.0 |
| **Growth Capital Expenditures** | | |
| Wahgnion early works [G] | $ millions | ~30.0 |
| Wahgnion construction [H] | $ millions | 140.0 – 160.0 |
| **Total Growth Capital Expenditures** | $ millions | 170.0 – 190.0 |

Notes to Guidance Table Above:

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

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

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

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

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

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

G. Early works expenditures for 2018 includes anticipated expenditures for the construction of Wahgnion prior to initial drawdown under the Taurus Facility (anticipated in early May 2018).

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

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

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

The Company expects to produce between 210,000 and 225,000 ounces of gold in 2018. The quarterly production profile is expected to be reasonably consistent through the year, except for the third quarter of 2018 which is expected to be weaker due to the rainy season in Senegal.

The Company had originally provisioned for approximately $30.0 million to be spent in 2018 on early works activities and early works project construction costs prior to finalization of the Taurus Facility. During the first quarter of 2018, the Company spent $22.0 million on early works capital for the Wahgnion. On April 16, 2018, the Company announced the conclusion of the Taurus Facility with initial drawdown of the facility anticipated for early May 2018. The remainder of early works capital of approximately $8.0 million, as well as major construction capital, of between $140.0 to $160.0 million, are anticipated to be funded through a combination of the Company's available cash, net proceeds from the Taurus Facility and cash flows from Sabodala Gold Operations (see *Liquidity and Capital Resources Outlook* section for more details).

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

## REVIEW OF OPERATING RESULTS

| | | Three months ended March 31, | | |
|---|---|---|---|---|
| **Operating Results** | | **2018** | **2017** | **% Change** |
| Ore mined | ('000t) | 540 | 429 | 26% |
| Waste mined - operating | ('000t) | 5,018 | 5,189 | (3%) |
| Waste mined - capitalized | ('000t) | 3,229 | 4,631 | (30%) |
| Total mined | ('000t) | 8,787 | 10,249 | (14%) |
| Grade mined | (g/t) | 4.98 | 3.54 | 41% |
| Ounces mined | (oz) | 86,402 | 48,893 | 77% |
| Strip ratio | (waste/ore) | 15.3 | 22.9 | (33%) |
| Ore milled | ('000t) | 1,068 | 1,055 | 1% |
| Head grade | (g/t) | 2.02 | 1.82 | 11% |
| Recovery rate | (%) | 92.4 | 92.3 | 0% |
| Gold produced[1] | (oz) | 64,031 | 56,903 | 13% |
| Gold sold | (oz) | 65,234 | 57,271 | 14% |
| | | | | |
| Average realized price[2] | ($/oz) | 1,326 | 1,226 | 8% |
| Cost of sales per ounce | ($/oz sold) | 912 | 951 | (4%) |
| Total cash costs[2] | ($/oz sold) | 659 | 722 | (9%) |
| All-in sustaining costs[2] | ($/oz sold) | 957 | 1,078 | (11%) |
| All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)[2] | ($/oz sold) | 888 | 939 | (5%) |
| | | | | |
| Mining | ($/t mined) | 2.79 | 2.22 | 26% |
| Mining long haul | ($/t hauled) | 3.44 | 2.58 | 33% |
| Milling | ($/t milled) | 11.52 | 11.98 | (4%) |
| G&A | ($/t milled) | 4.73 | 3.79 | 25% |

[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 March 31, 2018 | | | | | Three months ended March 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Golouma West | Gora | Golouma South | Kerekounda | Total | Gora | Golouma South | Kerekounda | Total |
| Ore mined | ('000t) | 144 | 248 | 66 | 82 | 540 | 146 | 218 | 65 | 429 |
| Waste mined - operating | ('000t) | 1,391 | 1,253 | 17 | 2,357 | 5,018 | 2,429 | 1,448 | 1,312 | 5,189 |
| Waste mined - capitalized | ('000t) | 3,229 | - | - | - | 3,229 | 2,117 | - | 2,514 | 4,631 |
| Total mined | ('000t) | 4,764 | 1,501 | 83 | 2,439 | 8,787 | 4,692 | 1,666 | 3,891 | 10,249 |
| Grade mined | (g/t) | 2.34 | 7.32 | 3.05 | 4.06 | 4.98 | 4.75 | 3.16 | 2.13 | 3.54 |
| Ounces mined | (oz) | 10,837 | 58,384 | 6,481 | 10,700 | 86,402 | 22,286 | 22,155 | 4,452 | 48,893 |

| | | Three months ended March 31, | | |
|---|---|---|---|---|
| | | 2018 | 2017 | % Change |
| Total mined (as above) | ('000t) | 8,787 | 10,249 | (14%) |
| Capitalized pre-stripping | ('000t) | - | 220 | (100%) |
| Total mined (including pre-strip tonnes) | ('000t) | 8,787 | 10,469 | (16%) |

**Operating results for the three months ended March 31, 2018**

*Mining*

Mining activities in the first quarter were focused on Kerekounda and the last production benches of Golouma South, as well as the narrow lower benches of Golouma West and Gora Phase 3. In the prior year period, mining was focused on Golouma South, the upper oxide zone at Kerekounda, as well as the lower benches of Gora Phase 2 and 3. Total tonnes mined for the first quarter were in line with plan and were 14 percent lower compared to the prior year period. Due to mining in narrower benches at or near the bottom of Gora and Golouma South pits, which required the use of smaller equipment, mine operations experienced reduced shovel productivity. In the prior year period, total tonnes mined were a Company record, mainly due to higher than planned equipment availability, improved utilization of the mining fleet and a significantly higher quantity of free digging oxide waste.

Ore tonnes mined and ore grades were 26 percent and 41 percent higher, respectively, compared to the prior year period mainly due to increased tonnes and grade from the Gora deposit and the final benches of Golouma South being primarily ore. Gora will complete mining activities during the second quarter followed by closure and rehabilitation activities.

As part of our ongoing grade control processes and conservative resource modelling near surface, during the last 2 years through to March 31, 2018, total ore tonnes mined at all deposits were 28 percent higher than the reserve models, resulting in a 24 percent positive variance in total mined ounces.

*Processing*

Ore tonnes milled for the first quarter were similar to the prior year period, and benefited from slightly higher operating hours resulting from the timing of maintenance work in the milling circuit.

Head grade for the first quarter increased by 11 percent compared to the prior year period due to higher proportion of high-grade ore from Gora and Kerekounda.

Gold production in the first quarter increased by 13 percent compared to the prior year period due to higher head grade.

*Costs – site operations*

Total mining costs, excluding long haul costs, for the first quarter were $24.5 million, 7 percent higher than the prior year period, due to the effect of lower shovel productivity near the bottom of Golouma South and Phase 3 Gora pits, as well as unfavourable currency movements and higher fuel costs. On a unit cost basis, mining costs for the first quarter were 26 percent higher than the prior year period, mainly due to the higher costs and lower material movement while completing two high grade pits. Unit mining costs are expected to decline for the balance of the year as we transition from less productive mining areas near the bottom of pits to more productive areas closer to the surface. Total long haul costs for the first quarter increased by $0.5 million to $1.8 million compared to the prior year period, mainly as a result of accelerating ore tonnes hauled from the Gora pit, in preparation for completion of mining activities planned for late in the second quarter.

Total processing costs for the first quarter were $12.3 million, 3 percent lower than the prior year period, mainly due to fewer scheduled maintenance activities in the current quarter, partially offset by the impact of unfavourable currency movements. Consequently, on a unit cost basis, processing costs for the first quarter of 2018 were 4 percent lower than the prior year period.

Total mine site general and administrative costs for the first quarter were $5.0 million, 25 percent higher than the prior year period mainly due to the impact of unfavourable currency movements, and higher surface taxes payable on the Company's operating pits.

Total cost of sales for the first quarter was $912 per ounce, a decrease of 4 percent compared to the prior year period. The decrease is mainly due to an increase in volume of gold ounces sold and lower total cash costs[1], partially offset by higher amortization of deferred stripping assets.

Total cash costs[1] for the first quarter was $659 per ounce, a decrease of 9 percent compared to the prior year period, mainly due to lower inventory movement expense, partially offset by higher mine production costs.

All-in sustaining costs[1] for the first quarter (excluding non-cash inventory movements and amortized advanced royalty costs)[1] was $888 per ounce, a decrease of 6 percent compared to the prior year period. The decrease is mainly due to an increase in volume of gold ounces sold and lower total cash costs[1], partially offset by higher share-based compensation and administrative expenses.

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

## REVIEW OF FINANCIAL RESULTS

| | Three months ended March 31, | | |
|---|---|---|---|
| **(US$000's)** | **2018** | **2017** | **% Change** |
| Revenue | 86,242 | 70,322 | 23% |
| Mine operation expenses | (43,359) | (41,832) | 4% |
| Depreciation and amortization | (16,111) | (12,626) | 28% |
| **Cost of sales** | **(59,470)** | **(54,458)** | **9%** |
| **Gross profit** | **26,772** | **15,864** | **69%** |
| Exploration and evaluation expenditures | (3,043) | (1,960) | 55% |
| Administration expenses | (3,142) | (2,145) | 46% |
| Corporate social responsibility expenses | (734) | (888) | (17%) |
| Share-based compensation | (2,731) | (877) | 211% |
| Finance costs | (3,645) | (855) | 326% |
| Net foreign exchange losses | (2,226) | (521) | 327% |
| Other expenses | (4,723) | (847) | 458% |
| **Profit before income tax** | **6,528** | **7,771** | (16%) |
| Income tax expense | (2,532) | (558) | 354% |
| **Net profit** | **3,996** | **7,213** | **(45%)** |
| Net profit attributable to non-controlling interests | (1,015) | (1,621) | (37%) |
| **Net profit attributable to shareholders of Teranga** | **2,981** | **5,592** | **(47%)** |
| Basic earnings per share | 0.03 | 0.05 | (40%) |

| **(US$000's)** | Three months ended March 31, | | |
|---|---|---|---|
| **Mine operation expenses** | **2018** | **2017** | **% Change** |
| Mine production costs | 43,754 | 40,914 | 7% |
| Royalties | 5,681 | 4,546 | 25% |
| Regional administration costs | 363 | 505 | (28%) |
| | 49,798 | 45,965 | 8% |
| Capitalized deferred stripping | (10,097) | (11,600) | (13%) |
| Inventory movements | 3,658 | 7,467 | (51%) |
| | (6,439) | (4,133) | 56% |
| **Total mine operation expenses** | **43,359** | **41,832** | **4%** |

| (US$000's) | Three months ended March 31, | | |
| --- | --- | --- | --- |
| **Depreciation and amortization expenses** | **2018** | **2017** | **% Change** |
| Depreciation and amortization - property, plant and equipment and mine development expenditures | 10,387 | 10,079 | 3% |
| Depreciation and amortization - deferred stripping assets | 11,199 | 2,939 | 281% |
| | 21,586 | 13,018 | 66% |
| Inventory movements - depreciation | (4,867) | 428 | N/A |
| Capitalized deferred stripping - depreciation | (608) | (820) | (26%) |
| | (5,475) | (392) | 1297% |
| **Total depreciation and amortization expenses** | **16,111** | **12,626** | **28%** |

**Financial Results for the three months ended March 31, 2018**

*Revenue*

Revenue for the three months ended March 31, 2018 increased by 23 percent over the prior year period due to higher gold ounces sold and higher average realized prices.

| | Three months ended March 31, | | |
| --- | --- | --- | --- |
| **Spot price per ounce of gold** | **2018** | **2017** | **% Change** |
| Average | $1,329 | $1,219 | 9% |
| Low | $1,308 | $1,151 | 14% |
| High | $1,355 | $1,258 | 8% |
| Average Realized | $1,326 | $1,226 | 8% |

*Mine Operation Expenses*

For the three months ended March 31, 2018, mine operation expenses, before capitalized deferred stripping and inventory movements, increased by 8 percent over the prior year period to $49.8 million, primarily due to unfavourable currency movements and higher fuel prices.

The amount of mining costs capitalized as deferred stripping costs will fluctuate from period to period depending on whether the Company is mining above or below the life of phase strip ratio in a particular pit. During the quarter, the Company mined above the life of phase strip ratios at the Golouma West deposit. In the prior year period, the Company mined above the life of phase strip ratio at the Kerekounda and Gora deposits. As a result, 3.2 million tonnes, or $10.1 million of deferred stripping costs were capitalized in the current period, compared to 4.6 million tonnes, or $11.6 million capitalized in the prior year period. The decrease in tonnes capitalized was partially offset by an increase in unit mining costs. Costs capitalized are amortized to expense as the deposit is mined.

The largest component of inventory movement costs relates to changes in ore stockpiles. Normally, increases in the number of ounces in stockpiles results in a reduction of operating costs as mining costs are capitalized to inventory on the balance sheet while decreases to ounces 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 March 31, 2018 resulted in an increase to mine operation expenses of $3.7 million compared to an increase of $7.5 million in the prior year period. During the first quarter of 2018, ounces in inventory increased as higher grade ore was mined compared to the prior year period where ounces in inventory decreased as stockpiled ore was processed.

*Depreciation and amortization expenses*

Total depreciation and amortization expense for the three months ended March 31, 2018 was $16.1 million, $3.5 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 $8.3 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. Depreciation related to inventory movements decreased by $5.3 million as a result of an increase in ounces contained in inventory in the first quarter of 2018 compared to the prior year period.

*Exploration and evaluation*

Exploration and evaluation expenditures for the three months ended March 31, 2018 were $3.0 million, $1.1 million higher than the prior year period. Refer to the *Exploration* section for additional details.

*Administration expense*

Administration expense for the three months ended March 31, 2018 was $3.1 million, $1.0 million higher than the prior year period. Higher administration expense in the current period is mainly due to higher actual employee costs of $0.4 million in the first quarter of 2018 combined with a reversal of an over accrual from 2016 and an under accrual from 2017 explaining the balance of the variance between the two periods.

*Share-based compensation*

Share-based compensation expense for the three months ended March 31, 2018 was $2.7 million, $1.9 million higher than the prior year period due to a 50 percent increase in the Company's share price during the current quarter compared to an increase of only 4 percent in the Company's share price in the prior year period.

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

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

| | **Three months ended March 31, 2018** | | **As of March 31, 2018** | |
|---|---|---|---|---|
| | **Grant Units** | **Grant Price**[1] | **Outstanding** | **Total Vested**[2] |
| RSUs | 767,000 | C$4.19 | 2,106,555 | 959,512 |
| DSUs | 193,000 | C$4.19 | 756,998 | 548,998 |
| Fixed Bonus Plan Units | - | - | 359,500 | 342,781 |

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

[2]Directors have the option to elect to receive their Director compensation in the form of DSUs. These DSUs vest as they are granted. All remaining DSUs that are granted vest on the first anniversary of the grant date. RSUs vest over a three year period, with 50 percent in thirds upon satisfaction of annual production and costs targets, 25 percent in thirds upon satisfaction of matching the average performance of VanEck Vectors Junior Gold Miners ETF("GDXJ") and 25 percent vesting in thirds with the passage of time. Both DSUs and RSUs and are payable in cash. The Company used the March 31,2018 closing share price of C$4.49 to value the vested DSUs and RSUs.

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

| | **Number of Options** | **Weighted Average Exercise Price** |
|---|---|---|
| Balance as at December 31, 2017 | 4,454,491 | C$9.20 |
| Granted [1] | 1,257,000 | C$4.19 |
| Forfeited | (27,225) | C$10.56 |
| Balance as at March 31, 2018 | 5,684,266 | C$9.20 |

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

Of the 5,684,266 common share stock options issued and outstanding as at March 31, 2018, 3,674,313 are vested, 779,140 vest over a three-year period and 1,230,813 vest over a four-year period. The fair value of options that vest upon achievement of milestones will be recognized based on management's assessment of the likelihood of reaching those milestones. Under IFRS, the graded method of amortization is applied to new grants of stock options and fixed bonus plan units, which results in approximately 60 percent of the cost of the stock options and fixed bonus plan units recorded in the first twelve months from the grant date.

*Finance costs*

Finance costs for the three months ended March 31, 2018 were $3.6 million, $2.8 million higher than the prior year period mainly due to a $2.4 million adjustment to record non-cash accretion expense of the contract liability from the Franco-Nevada streaming arrangement as a result of adopting IFRS 15, as well as an increase in interest expense related to the Company's revolver facility with Société Générale S.A. ("Revolver Facility") as a result of an increase in market London Interbank Offered Rate ("Libor") rates. As a consequence of the adoption of IFRS 15, the Company will continue to record non-cash accretion expense at a rate of approximately 9 percent on the contract liability for so long as the contract liability remains outstanding. For additional details, please see the *Critical Accounting Policies and Estimates* section of this MD&A.

*Net foreign exchange losses*

Net foreign exchange losses of $2.2 million was recorded in the three months ended March 31, 2018 compared to $0.5 million in the prior year period. Higher net foreign exchange losses in the current year period were due to a further strengthening of the Euro relative to the USD during the current quarter compared to the prior year period.

*Other expense*

Other expense for the three months ended March 31, 2018 was $4.7 million compared to $0.8 million in the prior year period. The increase in other expense was mainly due to non-cash mark-to-market losses on forward gold sales contracts. Based on the value of these contracts as at March 31, 2018, a non-cash hedge loss of $3.1 million was recognized.

*Income tax expense*

For the three months ended March 31, 2018, the Company recorded income tax expense of $2.5 million, comprised of current income tax expense of $2.4 million and deferred income taxes of $0.1 million. In the prior year period, income tax expense of $0.6 million was comprised of current income tax expense of $1.5 million net of a recovery of deferred income taxes of $0.9 million. Current income tax expense was higher during the three months due to the higher gross profit.

*Net profit*

Consolidated net profit attributable to shareholders was $3.0 million ($0.03 per share) for the first quarter compared to $5.6 million ($0.05 per share) in the prior year period. Despite an increase in gross profit of $10.9 million from higher revenues, net profit attributable to shareholders in the first quarter was negatively impacted by $3.1 million of non-cash derivative losses on remaining gold forward sales contracts, a non-cash $2.4 million adjustment as a result of the adoption of IFRS 15, an increase in net foreign exchange losses of $1.7 million, and higher share-based compensation of $1.9 million.

Excluding the loss on derivative instruments, accretion expense, and net foreign exchange losses, adjusted net profit attributable to shareholders[1] was $10.7 million ($0.10 per share) for the first quarter compared to $6.7 million ($0.06 per share) in the prior year period.

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

## FINANCIAL CONDITION REVIEW

### Summary Balance Sheet

| | As at March 31, 2018 | As at December 31, 2017 |
|---|---|---|
| **Balance Sheet** | | |
| Cash and cash equivalents | 60,253 | 87,671 |
| Trade and other receivables | 4,273 | 5,484 |
| Inventories | 165,319 | 160,662 |
| Deferred tax assets | 26,361 | 26,491 |
| Marketable securities | 1,179 | 964 |
| Other assets[1] | 568,305 | 534,960 |
| **Total assets** | **825,690** | **816,232** |
| | | |
| Trade and other payables | 54,466 | 54,165 |
| Borrowings | 14,422 | 14,307 |
| Provisions | 36,932 | 34,303 |
| Contract liability | 99,039 | 46,209 |
| Other liabilities[2] | 13,703 | 17,693 |
| **Total liabilities** | **218,562** | **166,677** |
| | | |
| **Total equity** | **607,128** | **649,555** |

[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 March 31, 2018 was $60.3 million, $27.4 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 $4.3 million includes $3.1 million in Senegalese value added tax ("VAT") recoverable. In February 2016, the Company received an exemption for the payment and collection of refundable Senegalese VAT. This exemption is governed by an amendment to our mining convention and is enforceable for the next 5 years, expiring on May 2, 2022.

*Other Assets*

Other assets increased by $33.3 million to $568.3 million as at March 31, 2018. The increase was largely attributable to additions to property, plant and equipment of $57.1 million including $17.2 million from the acquisition of the Afema project, partially offset by depreciation expense of $21.8 million.

*Marketable Securities*

As at March 31, 2018, these securities were valued at $1.2 million, compared to $1.0 million as at December 31, 2017.

*Contract liability*

During the three months ended March 31, 2018, the Company delivered 5,625 ounces of gold to Franco-Nevada and recorded revenue of $7.1 million, consisting of $1.5 million received in cash proceeds and $5.6 million recorded as a reduction of contract liability. As a result of adopting IFRS 15, a cumulative adjustment to re-measure the contract liability of $56.1 million was recognized during the quarter with a corresponding decrease in opening retained earnings. The adoption of IFRS 15 also required the Company to recognize a $2.4 million expense in the current quarter related to the accretion of the contract liability from the passage of time. The accretion will increase the liability up to the end of the mine life.

*Other Liabilities*

Other liabilities decreased by $4.0 million to $13.7 million as at March 31, 2018. The decrease was largely attributable to a reduction of taxes payable of $5.1 million, which was settled partially in cash and through the redemption of VAT certificates.

## REVIEW OF QUARTERLY FINANCIAL RESULTS

| (US$000's, except where indicated) | 2018 | 2017 | | | | 2016 | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 |
| Revenue | 86,242 | 88,280 | 61,041 | 72,040 | 70,322 | 55,764 | 60,316 | 73,562 |
| Average realized gold price ($/oz)[1] | 1,326 | 1,279 | 1,277 | 1,260 | 1,226 | 1,197 | 1,333 | 1,261 |
| Cost of sales | 59,470 | 64,149 | 49,225 | 54,281 | 54,458 | 43,022 | 37,748 | 48,227 |
| Net profit / (loss) | 2,981 | 5,758 | 10,370 | 9,640 | 5,592 | (1,286) | 10,437 | 6,146 |
| Net earnings / (loss) per share[2] | 0.03 | 0.05 | 0.10 | 0.09 | 0.05 | (0.01) | 0.13 | 0.08 |
| Operating cash flow | 13,719 | 32,452 | 10,235 | 7,434 | 21,258 | (13,627) | 13,255 | 20,958 |

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

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

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

Operating cash flow 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 since moved to paying royalties one quarter in arrears. Higher operating cash flows in the fourth quarter of 2017 was mainly due to higher gold ounces sold. The decrease in operating cash flows in the first quarter of 2018 compared to the first quarter of 2017 is mainly due to the timing of income tax payments and higher working capital from the timing of payables.

## BUSINESS AND PROJECT DEVELOPMENT

### Wahgnion Gold Project Update

***Reserve Update***

The Company anticipates an improvement in the Wahgnion Gold Project's economics following completion of the infill drill program designed to convert inferred resources to indicated resources and then potentially to reserves. Approximately 73,000 metres of drilling were completed in the fourth quarter 2017 and a resource update is expected by mid-2018, followed by an updated reserve and mine plan in the third quarter including an updated National Instrument 43-101 Standards of Disclosure for Mine Projects ("NI 43-101") technical report. The infill drill program targeted inferred resources located adjacent to the current reserve pits. The Company anticipates achieving a conversion rate of between 25 percent and 50 percent of the inferred resources based on the location of the infill drilling within or adjacent to existing wire framed domains of primarily inferred mineralization and lie within the existing resource or reserve pit shells of current reserve models.

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

***Construction and Development Update***

The Wahgnion project construction is being managed by an owner's team with responsibility for delivering the site infrastructure, tailings, mine site services and initiation of mine operations. Site infrastructure is progressing with construction of the permanent camp, detailed engineering of the heavy fuel oil power plant, upgrading of site access roads and bulk civils in preparation for plant construction. Lycopodium Limited is responsible for the plant construction under the engineering, procurement, and construction management ("EPCM") arrangement. This is well under way, with site construction to commence in the second quarter of 2018. Front-end engineering, detailed drafting of construction drawings and awards of essential major contracts for timely mobilization are all in progress. First gold pour is expected by the end of 2019.

***Afema***

On March 22, 2018, the Company entered into a definitive agreement with Sodim and acquired 51 percent of TGL, which owns the Afema project, for cash consideration of $5.0 million, with an additional $2.5 million payable in 2019. Pursuant to the agreement, a further $2.5 million becomes payable upon the delivery of a confirmation study, feasibility study or updated feasibility study which shall include anticipated pre-production capital expenditures and the Company's written confirmation of its decision to proceed with the development of any Afema project. The Afema project is located in southeast Côte d'Ivoire and covers more than 1,400 km$^2$, consisting of the Afema mining license ("Afema ML") and three exploration permits – Ayame, Mafere and Aboisso (collectively, the "Afema Permits"). On January 25, 2018, the Company, Sodim and the Government of Côte d'Ivoire concluded an amendment to the existing mining convention applicable to the Afema ML ("Amended Convention"). Pursuant to the Amended Convention, and the Government of Côte d'Ivoire's agreement to extend initial construction timelines under the initial convention, the Company, as operator of the Afema project, must deliver an economic evaluation on an initial Afema project that can be brought into production within 15 months of the Amended Convention ("Economic Evaluation"). Upon delivery of the Economic Evaluation, the Company and Sodim have up to 12 months to commence construction and up to 36 months to deliver initial production.

Under the terms of the agreement, the Company maintains its 51 percent interest in the Afema ML and Afema Permits through the completion of a three-year $11.0 million exploration and community relations work program, increasing its interest to 70 percent on the Afema ML through the delivery of a confirmation study, feasibility study or updated feasibility study on the Afema project and Teranga's commitment to fund its 70 percent interest in the proposed project through construction. Upon reaching this point, Sodim can elect to maintain its 30 percent equity interest on a fully participatory basis or 5 percent on a free carrying basis or to receive a net smelter receivable on the Afema project.

Teranga will solely fund and manage the exploration programs and technical studies under the Afema project. Management has made progress in assessing previous work within the original Afema ML, including an update of the previously defined oxide resources, analysis of the historical metallurgical test work and an initial review of the baseline environmental test work. Once the updated geological models and trade-off engineering studies of the options available to process the oxide ore are complete, management will determine potential for future Canadian Institute of Mining and Metallurgy compliant resources through a resource delineation program and a potential processing solution for the oxide ore.

## EXPLORATION

Exploration highlights during the first quarter 2018, included the Company receiving and announcing more encouraging drill results from Golden Hill in Burkina Faso and completing the first-ever drilling program at its Guitry property in Cote d'Ivoire.

**Burkina Faso**

***Wahgnion Mine License Reserve Development***

*Nogbele Deposit, Stinger Deposit, Samavogo Deposit, Fourkoura Deposit*

During the first quarter 2018, geological modeling and updated resource estimation continued on the four deposits comprising the current NI 43-101 resource and reserve estimation. An update to the existing NI 43-101 resources and reserves will utilize the information gained from the extensive 73,000-metre infill drill program completed in 2017 at all four deposits.

The Company anticipates that an updated NI 43-101 reserve estimate for the Wahgnion Gold Project will be completed mid-year.

***Wahgnion Regional Exploration***

Only a limited amount of exploration work occurred on the Wahgnion regional properties during the first quarter of 2018. The work undertaken included infill soil sampling following data re-interpretation at a number of early-stage exploration prospects.

***Golden Hill Property***

During the first quarter 2018, the Company continued the advanced exploration program at the Golden Hill property with further diamond core drilling at the Ma, Jackhammer Hill, Peksou and C-Zone Prospects that are all located within approximately 6 kilometres of a central point. In addition, the Company's initial drilling began at both the A- and B-Zones, located within 1.5 kilometres of the Peksou Prospect. In addition, first pass auger exploration drilling was undertaken at a series of peripheral targets near the Jackhammer Hill Prospect and the Didro Prospect, located five kilometres to the north of the Ma Prospect.

In total, in the first quarter 2018, 93 diamond core holes comprising 10,730 m were completed at six prospects: Ma (24 holes totaling 2,809 m), C-Zone (21 holes totaling 2,010 m), Peksou (16 holes totaling 1,729 m), Jackhammer Hill (15 holes totaling 1,911 m), A-Zone (11 holes totaling 1,473 m) and B-Zone (6 holes totaling 798 m).

The Company issued four Golden Hill news releases during 2018 announcing more encouraging exploration drilling results from a number of advanced prospects. The first announcement was for multiple prospects (Teranga Gold Corporation news release dated February 1, 2018), the second was reporting specifically on the Jackhammer Hill Prospect (Teranga Gold Corporation news release dated February 27, 2018), the third focused on results from both the Peksou and Ma North Prospects (Teranga Gold Corporation news release dated March 22, 2018). On April 16, 2018, the Company issued a fourth Golden Hill exploration news release outlining positive drilling results obtained during the first quarter from the C-Zone prospect.

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

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

***Gourma Property***

As planned, no exploration activities occurred at Gourma during the first quarter of 2018 as this year's exploration program is scheduled to begin later in the year.

**Senegal**

***Sabodala Mine Lease Reserve Development***

No specific exploration activities were undertaken on the Sabodala Mine Lease in the first quarter of 2018.

The majority of the Company's exploration efforts throughout 2017 were focused on expansion of the resources and reserves at the Niakafiri deposit, which remains a highly prospective exploration area on our mine license. As a result of Niakafiri's encouraging results, the Company has redesigned mine sequencing with a view to bringing forward the development of the Niakafiri deposit, which is expected to increase near term production and cash flows.

Community resettlement activities are ongoing alongside the drilling evaluation program, with community site-selection activities as well as household and land survey activities and housing design negotiations in progress. As the village relocation progresses, we expect to be able to re-initiate the Niakafiri drill program in 2019.

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

***Senegal Regional Exploration***[1]

During the first quarter 2018, the Company initiated field follow-up evaluation programs to assess the results from the Company's property-wide stream sediment bulk leach extractable gold sampling ("BLEG") program completed in 2017. Interpretation of the 2017 BLEG results suggests that five prospective areas within the regional exploration properties warrant follow-up evaluations based on moderate and highly anomalous drainage basin results.

**Côte d'Ivoire**

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

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

***Guitry Property***

The Company completed a sixty-eight hole (3,320 metre), air-core drilling program at the Guitry Property in the first quarter of 2018.

This first-ever drill program at Guitry consisted of a series of shallow, widely spaced, multi-hole drill profiles designed to evaluate the central 1,000-metre strike extent within an extensive gold-in-soil geochemical anomaly covering approximately a 3 kilometre by 7 kilometre area. Initial results appear encouraging. Full results are currently being compiled and assessed towards designing a second quarter 2018 follow-up exploration consisting of ground geophysics, mechanical trenching and further drilling, which is expected to lead to a drill program in the fourth quarter.

***Sangaredougou Property***

During the first quarter 2018, the Company received results from our initial field exploration program at the Sangaredougou Property that is contiguous to the Guitry Property. This initial exploration program consisted of soil sampling over a series of widely spaced regional grid lines covering the entire property. Results from our soil-sampling program are considered encouraging with two gold-in-soil anomalous trends extending across the entire 7 kilometres length of the survey grid with peak gold-in-soil values of up to 1,733 ppb of gold. A follow-up evaluation program is being planned for later in 2018.

***Dianra Property***

The first quarter 2018 exploration program at our Dianra Property consisted of line-cutting and clearing in advance of a ground magnetometer survey and soil-sampling program. Approximately 45 line kilometres of grid was completed and nearly 400 soil samples collected. The field program will continue through the second quarter.

***Afema ML Property***

During the first quarter 2018, while the negotiation with Sodim was being finalized, a process of historic data evaluation was initiated which focused on the Afema shear zone exploration and drilling campaigns. Preliminary exploration work programs designed to validate and expand beyond previous exploration results at a series of targets throughout the Afema ML will begin in the second quarter.

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[1] Applications seeking the consolidation and renewal of Teranga's regional exploration package in Senegal were filed with the Ministry of Mines in late December 2016. Working with the Department of Mines and Geology, our proposal sought two new exploration permits, replacing the prior eight permits held directly or indirectly by Sabodala Mining Company, covering a materially reduced land area of approximately 550 kilometres from a prior 1,000 kilometres. The mining agreements of the new explorations permits of Sounkounkou and Bransan were signed on March 2, 2018 and these new permits were approved by the Senegalese Minister of Mines on March 30, 2018.

***Afema Regional Properties (Ayame, Mafere, Aboisso)***

As planned, no exploration work was directed at the Afema regional properties in the first quarter of 2018 while the agreement was being finalized. The Company's initial exploration activity here will be a property-wide stream sediment sampling and BLEG analytical program scheduled to begin in second quarter 2018.

## Liquidity and Cash Flow

### Cash Flow

| (US$000's) | Three months ended March 31, | |
|---|---|---|
| **Cash Flow** | **2018** | **2017** |
| Operating activities excluding changes in working capital other than inventories | 24,866 | 23,827 |
| Changes in non-cash working capital other than inventories | (11,147) | (2,569) |
| Operating | 13,719 | 21,258 |
| Investing | (40,513) | (19,115) |
| Financing | (1,705) | (2,964) |
| Effect of exchange rates on cash holdings in foreign currencies | 1,081 | 100 |
| Change in cash and cash equivalents during the period | (27,418) | (721) |
| **Cash and cash equivalents - beginning of period** | **87,671** | **95,188** |
| **Cash and cash equivalents - end of period** | **60,253** | **94,467** |

| (US$000's) | Three months ended March 31, | |
|---|---|---|
| **Changes in working capital other than inventory** | **2018** | **2017** |
| Decrease in trade and other receivables | 344 | 1,023 |
| Decrease/(Increase) in other assets | 58 | (1,047) |
| Decrease in trade payables and other | (8,405) | (3,928) |
| Decrease in provisions | - | (74) |
| (Decrease)/Increase in current income taxes payable | (3,144) | 1,457 |
| **Net change in working capital other than inventory** | **(11,147)** | **(2,569)** |

## Sources and Uses of Cash

| Cash Flow - Details (US$000's) | Sabodala | Corporate | Wahgnion | Exploration | Consolidated Cash Flow |
|---|---|---|---|---|---|
| | Three months ended March 31, 2018 | | | | |
| **Operating** | **18,586** | **(2,257)** | **(84)** | **(2,526)** | **13,719** |
| **Investing** | **(12,995)** | **(336)** | **(21,858)** | **(5,324)** | **(40,513)** |
| *- Expenditures for mine development - sustaining* | *(11,849)* | *(136)* | - | - | |
| *- Expenditures for property, plant and equipment - sustaining* | *(1,064)* | *(109)* | - | - | |
| *- Expenditures for mine development - growth* | - | - | *(3,126)* | - | |
| *- Expenditures for property, plant and equipment - growth* | - | - | *(18,732)* | *(161)* | |
| *- Expenditures for investing in shares* | - | *(77)* | - | - | |
| *- Expenditures for intangibles* | *(82)* | *(14)* | - | - | |
| *- Investment in Afema Project* | - | - | - | *(5,303)* | |
| *- Cash from in Afema Project* | - | - | - | *140* | |
| **Financing** | **(301)** | **(1,404)** | - | - | **(1,705)** |
| *- Borrowing costs paid* | - | *(1,404)* | - | - | |
| *- Interest paid on borrowings* | *(301)* | - | - | - | |
| **Effect of exchange rates on cash holdings in foreign currencies** | **1,041** | **40** | **-** | **-** | **1,081** |
| **Change in cash and cash equivalents during the period** | **6,331** | **(3,957)** | **(21,942)** | **(7,850)** | **(27,418)** |

During the three months ended March 31, 2018, Sabodala generated net cash of $6.3 million. Lower net cash flow from Sabodala during the quarter was mainly a result of timing of income tax payment during the first quarter of 2018 and higher operating costs at Sabodala, in part due to activities focused on less productive areas of the Gora and Golouma South deposits. The Company expects Sabodala to continue to generate free cash flow, which, for the balance of 2018, will be used to fund expenditures of the corporate office, the Company's exploration budget for 2018 and also contribute towards funds required to develop Wahgnion. Higher cash used in the exploration segment was mainly due to $5.3 million paid to acquire a 51 percent interest in the Afema project.

## Operating Cash Flow

Cash provided by operations for the three months ended March 31, 2018 increased to $24.9 million before net changes in working capital other than inventories, compared to $23.8 million in the prior year quarter. Net cash provided by operating activities, after changes in working capital, decreased to $13.7 million compared to $21.3 million in the prior year quarter. The decrease in operating cash flow was primarily due to: higher mine production costs, a decrease in trade and other payables of $8.6 million, the timing of income tax payments of $5.7 million, and the timing of employee related costs. In 2017, income taxes were paid during the second quarter 2017.

### Investing Cash Flow

| (US$000's) | Three months ended March 31, | |
|---|---|---|
| **Investing Activities** | **2018** | **2017** |
| **Sustaining Capital (Sabodala)** | | |
| Mine site capital expenditure - sustaining | 1,269 | 2,893 |
| Mine site capital expenditure - project | 136 | 131 |
| Development capital | 702 | 581 |
| Capitalized reserve development (mine site exploration) | 1,050 | 1,712 |
| **Sustaining Capital Expenditures, before Deferred Stripping** | **3,157** | **5,317** |
| Capitalized deferred stripping | 10,097 | 11,600 |
| **Total Sustaining Capital Expenditures** | **13,254** | **16,917** |
| **Growth Capital** | | |
| Feasibility | - | 849 |
| Reserve development | 55 | 482 |
| Construction readiness | - | 867 |
| Early works | 21,964 | - |
| **Total Growth Capital Expenditures** | **22,019** | **2,198** |
| Investment in marketable securities | 77 | - |
| Investment in Afema Project | 5,303 | - |
| Cash aquired from Afema Project | (140) | - |
| **Investing Activities** | **40,513** | **19,115** |

Net cash used in investing activities for the three months ended March 31, 2018 was $40.5 million, $21.4 million higher than the prior year period, mainly due to expenditures for Wahgnion and acquisition of the Afema Project.

### Financing Cash Flow

Net cash flow used in financing activities in the three months ended March 31, 2018 was $1.7 million and was related to interest on borrowings and costs incurred to complete the Taurus Facility.

## LIQUIDITY AND CAPITAL RESOURCES OUTLOOK

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

#### (i) Optimizing Our Sabodala Operation

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

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

In 2017, Teranga's board approved construction of Wahgnion. With the Taurus Facility now in place, the Company can proceed towards major construction activities. During the first quarter, and prior to completion of the Taurus Facility, the Company spent $22.0 million on early works activities.

**(iii) Targeted Exploration Programs**

Based on the success of the exploration programs in Burkina Faso and Senegal the reserve development and exploration budget for 2018 is expected to be approximately $15 million. Furthermore, the Taurus Facility includes $25 million to be used towards future advancement of a feasibility study for Golden Hill.

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

i. *Cash Balance.* As at March 31, 2018, we had a consolidated cash balance of $60.3 million.

ii. *Marketable Securities*. As at March 31, 2018, we had marketable securities with a market value of $1.2 million.

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

iv. *Sabodala Gold Hedges.* During the third quarter of 2017 and first quarter of 2018, the Company entered into forward gold sales contracts for about 50 percent of anticipated production over the next six quarters at an average gold price of $1,340 per ounce. Using a gold price assumption of $1,250 per ounce, this hedge program provides $17.0[3] million in additional free cash flow[1] to the amount noted above for Sabodala from January 2018 through to September 2019.

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

- $165 million to be used towards funding the development of Wahgnion and to repay all of the Company's current outstanding bank debt, totalling $15 million drawn on its Revolver Facility ("Wahgnion Tranche");
- $25 million to be used toward future advancement of a feasibility study for Golden Hill ("Golden Hill Tranche"); and
- $10 million equipment lease facility carve out for which the Company has received a number of term sheets and is currently evaluating.

All drawdowns of funds under the Taurus Facility are subject to satisfaction of customary conditions precedent, including a funding ratio of Wahgnion project costs funded by the Company as compared to project costs funded by the Taurus Facility. In the event that the Company is unable to meet its share of project costs under this funding ratio, the Company will be required to procure additional funds through: (i) equity; (ii) subordinated financial indebtedness; or (iii) any other equity instrument approved by Taurus. Should the Company be unsuccessful in procuring additional funds, some or all planned development activities may be cancelled or postponed. The Company is targeting early May

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

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

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

2018 as the initial drawdown date, however, there is no guarantee that all of the conditions precedent will be satisfied or that drawdown will occur by that time.

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

**Taurus Facility Details**

Material terms of the Taurus Facility are as follows:

i. Wahgnion Tranche ($165 million):

- Interest rate of 8.75 percent per annum on drawn amounts, paid quarterly in arrears.
- Principal repayments commence in the quarter ending March 31, 2020, followed by 10 quarterly repayments commencing July 31, 2020 and a bullet repayment on December 31, 2022.
- Early repayment is permitted at any time without penalty.
- The Company will enter into an offtake agreement for 1.075 million ounces of Wahgnion production pursuant to which the Company will receive the prevailing spot price subject to an agreed upon quotational period.

ii. Golden Hill Tranche ($25 million):

- Interest rate of 8.75 percent per annum on drawn amount, payable quarterly in arrears.
- Bullet repayment on December 31, 2022.
- Early repayment is permitted at any time without penalty.
- Conditions precedent to drawdown include the completion of a satisfactory preliminary economic assessment of Golden Hill as well as customary conditions precedent.

iii. In connection with the execution of the Taurus Facility, the Company also issued to Taurus an aggregate of 2,000,000 unlisted 4-year warrants to acquire the Company's common shares at an exercise price equal to C$5.22.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## FINANCIAL INSTRUMENTS

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

The Company has entered into forward gold sales contracts with Macquarie for a total of 187,500 ounces of gold at an average gold price of approximately $1,340 per ounce, settling 26,500 ounces in each financial quarter of 2018, 25,000 ounces settling in first quarter 2019, 26,500 ounces settling in second quarter 2019 and finally 30,000 ounces settling in third quarter 2019.

As a result, the Company has hedged about 50 percent of anticipated production over the next six quarters at gold prices averaging approximately $1,342 per ounce to provide improved revenue certainty during construction of the Wahgnion Gold Project.

## CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company has entered into various capital purchase obligations at the Sabodala Gold operations and Wahgnion. As at March 31, 2018, total future purchase obligations related to these projects were approximately $5.0 million for Sabodala and $23.9 million for Wahgnion. In addition, the Company has an additional three-year $11.0 million exploration and community relations work program under the agreement with Sodim.

## 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

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

In November 2009 and October 2010, the IASB issued the first phase of IFRS 9, Financial Instruments. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes a third measurement category for financial assets (fair value through other comprehensive income) and a single, forward-looking 'expected loss' impairment model. The adoption date for IFRS 9 was January 1, 2018. The Company has concluded that the adoption of IFRS 9 has no impact on its consolidated financial statements.

Upon adoption, investments in publicly traded equity securities held by the Company have been classified as fair value through other comprehensive income. These investments are recorded at fair value and changes in the fair value of these investments are recognized permanently in other comprehensive income. The Company has concluded that the adoption of IFRS 9 had no other impact on its consolidated financial statements.

*Adoption of IFRS 15, Revenue from Contracts with Customers*

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

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

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

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

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

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

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

- Increase to Contract Liability of $56.1 million
- Decrease to Retained Earnings of $56.1 million

**NON-IFRS FINANCIAL MEASURES**

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

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

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

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

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

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

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

"Average realized price" is a financial measure with no standard meaning under IFRS. Management uses this measure to better understand the price realized in each reporting period for gold and silver sales. Average realized price 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 accretion expense), interest income, depreciation and amortization, and non-cash impairment charges from net profits. EBITDA is intended to provide additional information to investors and analysts and do not have any standardized definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Management believes that EBITDA is a valuable indicator of our ability to generate liquidity by producing operating cash flow to: fund working capital needs, service debt obligations, and fund capital expenditures.

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

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

The Company calculates “adjusted net profit attributable to shareholders” as net profit attributable to shareholders adjusted to exclude specific items that are significant, but not reflective of the underlying operations of the Company, including: the impact of unrealized and realized foreign exchange gains and losses, gains and losses on derivative instruments, accretion expense on long-term obligations, impairment provisions and reversals thereof, and other unusual or non-recurring items.

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

## RECONCILIATION OF NON-IFRS MEASURES

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

| **(US$000's, except where indicated)** | **Three months ended March 31,** | |
|---|---|---|
| | **2018** | **2017** |
| Gold produced[1] (oz) | 64,031 | 56,903 |
| Gold sold (oz) | 65,234 | 57,271 |
| | | |
| **Cash costs per ounce sold** | | |
| Mine operation expenses | 43,359 | 41,832 |
| Less: Regional administration costs | (363) | (505) |
| **Total cash costs** | **42,996** | **41,327** |
| **Total cash costs per ounce sold** | **659** | **722** |
| | | |
| **Cost of sales per ounce sold** | | |
| **Cost of sales** | **59,470** | **54,458** |
| **Total cost of sales per ounce sold** | **912** | **951** |
| | | |
| **All-in sustaining costs** | | |
| Total cash costs | 42,996 | 41,327 |
| Administration expenses[2] | 3,468 | 2,622 |
| Share-based compensation | 2,731 | 877 |
| Capitalized deferred stripping | 10,097 | 11,600 |
| Capitalized reserve development | 1,050 | 1,712 |
| Mine site sustaining capital | 2,107 | 3,605 |
| **All-in sustaining costs** | **62,449** | **61,743** |
| **All-in sustaining costs per ounce sold** | **957** | **1,078** |
| | | |
| **All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)** | | |
| All-in sustaining costs | 62,449 | 61,743 |
| Amortization of advanced royalties | (875) | (505) |
| Inventory movements - cash | (3,658) | (7,467) |
| **All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)** | **57,916** | **53,771** |
| **All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) per ounce** | **888** | **939** |

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

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

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

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

| | Three months ended March 31, | |
|---|---|---|
| **(US$000's)** | **2018** | **2017** |
| **Net profit for the period** | 3,996 | 7,213 |
| Add: finance costs (before accretion expense) | 1,086 | 686 |
| Less: finance income | (5) | (57) |
| Adjust: income tax expense | 2,532 | 558 |
| Add: depreciation and amortization | 16,756 | 13,474 |
| **Earnings before interest, taxes, depreciation and amortization** | **24,365** | **21,874** |

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

| | Three months ended March 31, | |
|---|---|---|
| **(US$000's)** | **2018** | **2017** |
| Net profit attributable to shareholders | 2,981 | 5,592 |
| Adjustments (net of tax) for: | | |
| Loss on derivative instruments | 3,061 | - |
| Accretion expense | 2,539 | 152 |
| Acquisition | - | 20 |
| Net foreign exchange losses | 2,069 | 913 |
| **Adjusted net profit attributable to shareholders** | **10,650** | **6,677** |
| **Basic earnings per share** | **0.03** | **0.05** |
| **Adjusted basic earnings per share** | **0.10** | **0.06** |

## OUTSTANDING SHARE DATA

At March 31, 2018, the Company had 107,343,902 outstanding shares.

## TRANSACTIONS WITH RELATED PARTIES

During the three months ended March 31, 2018, there were transactions totaling $14 thousand (2017 - $36 thousand), respectively, between the Company and a director-related entity.

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

Under the terms of the exploration agreement, a separate entity was created and is owned and funded by Teranga. Miminvest transferred its permits into the entity and in exchange retains a net smelter royalty interest of 3 percent and 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.

## SHAREHOLDINGS

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

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

## CEO/CFO CERTIFICATION

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

The Company's CEO and CFO certify that, as at March 31, 2018, the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The control framework the Company's CEO and CFO used to design the Company's ICFR is The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework issued on May 14, 2013. There is no material weakness relating to the design of ICFR. There has been no change in the Company's design of the ICFR that occurred during the three months ended March 31, 2018, which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

The Company has limited the scope of the design of ICFR and DC&P to exclude the controls, policies and procedures of the entities acquired as part of the Afema project acquisition. The balance sheet and operating results of the entities are included in the interim condensed consolidated financial statements of Teranga for the three months ended March 31, 2018, following the acquisition on March 22, 2018. The scope limitation is in accordance with Section 3.3 of NI 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings, which allows an issuer to limit its design of ICFR and DC&P to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates.

## RISKS AND UNCERTAINTIES

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

## CORPORATE DIRECTORY

### Board of Directors

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

### Senior Management

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

### Registered Office

77 King Street West, TD North Tower
Suite 2110, P.O. Box 128
Toronto, Ontario, Canada M5K 1H1
T: +1 416-594-0000  F: +1 416-594-0088
E: investor@terangagold.com
www.terangagold.com

### Senegal Office

2K Plaza Suite B4, 1er Etage
Sis Route du Méridien Président, Almadies
BP 38385 Dakar Yoff
T: +221 338 642 525
F: +224 338 642 526

### Ouagadougou Office

Avenue Gérard Kango Ouedraogo
Ouaga 2000
01 BP 1334
Ouagadougou, Burkina Faso
T: +226 2537 5199

### Auditor

Ernst & Young LLP
Chartered Accountants
Toronto, Ontario, Canada

### Legal Counsel

Stikeman Elliot LLP
Toronto, Ontario, Canada

### Share Registry

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

### Stock Exchange Listing

Toronto Stock Exchange: TGZ
OTC Markets Group “OTCQX” Market: TGCDF

## FORWARD LOOKING STATEMENTS

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

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

## QUALIFIED PERSONS STATEMENT

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

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

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

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

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

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

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

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

Interim Condensed Consolidated Financial Statements of

**TERANGA GOLD CORPORATION**

For the three months ended March 31, 2018

(unaudited)

## TABLE OF CONTENTS

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

1. GENERAL INFORMATION .......... 7
2. SIGNIFICANT ACCOUNTING POLICIES .......... 7
3. ACQUISITION OF AFEMA .......... 9
4. REVENUE .......... 10
5. MINE OPERATION EXPENSES .......... 10
6. DEPRECIATION AND AMORTIZATION .......... 10
7. ADMINISTRATION EXPENSES .......... 11
8. FINANCE COSTS .......... 11
9. OTHER EXPENSES/ (INCOME) .......... 11
10. INCOME TAX EXPENSE .......... 11
11. TRADE AND OTHER RECEIVABLES .......... 12
12. INVENTORIES .......... 12
13. MARKETABLE SECURITIES .......... 13
14. OTHER ASSETS .......... 13
15. PROPERTY, PLANT AND EQUIPMENT .......... 14
16. TRADE AND OTHER PAYABLES .......... 15
17. BORROWINGS .......... 16
18. CONTRACT LIABILITY .......... 16
19. PROVISIONS .......... 17
20. ISSUED CAPITAL .......... 17
21. EARNINGS PER SHARE (EPS) .......... 18
22. COMMITMENTS FOR EXPENDITURES .......... 18
23. CASH FLOW INFORMATION .......... 18
24. FINANCIAL INSTRUMENTS .......... 18
25. SHARE-BASED COMPENSATION .......... 20
26. RELATED PARTY TRANSACTIONS .......... 23
27. SEGMENT INFORMATION .......... 23
28. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS .......... 25
29. SUBSEQUENT EVENT .......... 25

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

| | Note | Three months ended March 31, 2018 | 2017 |
|---|---|---|---|
| Revenue | 4 | 86,242 | 70,322 |
| | | | |
| Mine operation expenses | 5 | (43,359) | (41,832) |
| Depreciation and amortization | 6 | (16,111) | (12,626) |
| Cost of sales | | **(59,470)** | **(54,458)** |
| **Gross profit** | | **26,772** | **15,864** |
| | | | |
| Exploration and evaluation expenditures | | (3,043) | (1,960) |
| Administration expenses | 7 | (3,142) | (2,145) |
| Corporate social responsibility expenses | | (734) | (888) |
| Share-based compensation | | (2,731) | (877) |
| Finance costs | 8 | (3,645) | (855) |
| Net foreign exchange losses | | (2,226) | (521) |
| Other expenses | 9 | (4,723) | (847) |
| | | **(20,244)** | **(8,093)** |
| | | | |
| Profit before income tax | | **6,528** | **7,771** |
| Income tax expense | 10 | (2,532) | (558) |
| **Net profit for the period** | | **3,996** | **7,213** |
| | | | |
| Net profit attributable to: | | | |
| Shareholders | | 2,981 | 5,592 |
| Non-controlling interests | | 1,015 | 1,621 |
| **Net profit for the period** | | **3,996** | **7,213** |
| | | | |
| Other comprehensive income for the period | | | |
| Change in fair value of marketable securities, net of tax | | 138 | 1,313 |
| **Other comprehensive income for the period** | | **138** | **1,313** |
| **Total comprehensive income for the period** | | **4,134** | **8,526** |
| | | | |
| Total comprehensive income attributable to: | | | |
| Shareholders | | 3,119 | 6,905 |
| Non-controlling interests | | 1,015 | 1,621 |
| **Total comprehensive income for the period** | | **4,134** | **8,526** |
| | | | |
| **Earnings per share from operations attributable to the shareholders of the Company during the period** | | | |
| - basic earnings per share | 2b, 21 | 0.03 | 0.05 |
| - diluted earnings per share | 2b, 21 | 0.03 | 0.05 |

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

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

| | Note | As at March 31, 2018 | As at December 31, 2017 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 60,253 | 87,671 |
| Trade and other receivables | 11 | 4,273 | 5,484 |
| Inventories | 12 | 71,204 | 57,024 |
| Marketable securities | 13 | 1,179 | 964 |
| Other current assets | 14 | 6,360 | 9,686 |
| **Total current assets** | | **143,269** | **160,829** |
| **Non-current assets** | | | |
| Inventories | 12 | 94,115 | 103,638 |
| Property, plant and equipment | 15 | 556,121 | 520,834 |
| Deferred income tax assets | | 26,361 | 26,491 |
| Other non-current assets | 14 | 5,824 | 4,440 |
| **Total non-current assets** | | **682,421** | **655,403** |
| **Total assets** | | **825,690** | **816,232** |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 54,466 | 54,165 |
| Current income tax liabilities | | 2,577 | 7,634 |
| Contract liability | 18 | 13,862 | 24,206 |
| Provisions | 19 | 7,728 | 4,919 |
| **Total current liabilities** | | **78,633** | **90,924** |
| **Non-current liabilities** | | | |
| Borrowings | 17 | 14,422 | 14,307 |
| Contract liability | 18 | 85,177 | 22,003 |
| Provisions | 19 | 29,204 | 29,384 |
| Other non-current liabilities | 16 | 11,126 | 10,059 |
| **Total non-current liabilities** | | **139,929** | **75,753** |
| **Total liabilities** | | **218,562** | **166,677** |
| **Equity** | | | |
| Issued capital | 20 | 496,333 | 496,333 |
| Foreign currency translation reserve | | (998) | (998) |
| Other components of equity | | 18,648 | 18,299 |
| Retained earnings | | 69,720 | 122,835 |
| **Equity attributable to shareholders** | | **583,703** | **636,469** |
| Non-controlling interests | | 23,425 | 13,086 |
| **Total equity** | | **607,128** | **649,555** |
| **Total equity and liabilities** | | **825,690** | **816,232** |

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

**Approved by the Board of Directors**

Alan Hill
Director

Alan Thomas
Director

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

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | Three months ended March 31, | |
| **Issued capital** | | | |
| Beginning of period | | 496,333 | 496,326 |
| Issued on exercise of stock options | 25 | - | 7 |
| End of period | | 496,333 | 496,333 |
| **Foreign currency translation reserve** | | | |
| Beginning of period | | (998) | (998) |
| End of period | | (998) | (998) |
| **Other components of equity** | | | |
| Beginning of period | | 18,299 | 17,514 |
| Equity-settled share-based compensation expense | | 211 | 217 |
| Investment revaluation reserve on change in fair value of marketable securities, net of tax | | 138 | 1,313 |
| End of period | | 18,648 | 19,044 |
| **Retained earnings** | | | |
| Beginning of period | | 122,835 | 90,903 |
| Adjustment due to IFRS 15 | 2c | (56,096) | - |
| Profit attributable to shareholders | | 2,981 | 5,592 |
| End of period | | 69,720 | 96,495 |
| **Non-controlling interests** | | | |
| Beginning of period | | 13,086 | 13,188 |
| Acquisition of Afema | 3 | 9,324 | - |
| Non-controlling interest - portion of profit for the period | | 1,015 | 1,621 |
| Dividend payment to the Government of Senegal | | - | (2,700) |
| End of period | | 23,425 | 12,109 |
| **Total equity as at March 31** | | **607,128** | **622,983** |

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

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

| | | Three months ended March 31, | |
|---|---|---|---|
| | Note | 2018 | 2017 |
| **Cash flows related to operating activities** | | | |
| Add (deduct) items not affecting cash: | | | |
| Net profit for the period | | 3,996 | 7,213 |
| Depreciation of property, plant and equipment | 15 | 6,124 | 5,836 |
| Depreciation of capitalized mine development costs | 15 | 15,650 | 7,377 |
| Inventory movements - non-cash | 6 | (4,867) | 428 |
| Capitalized deferred stripping - non-cash | 6 | (608) | (820) |
| Amortization of advanced royalties | | 875 | 732 |
| Unrealized losses on derivative instruments | | 3,303 | - |
| Amortization of intangibles | | 71 | 24 |
| Amortization of deferred financing costs | | 116 | 114 |
| Accretion expenses | 8 | 2,559 | 372 |
| Share-based compensation | 25 | 2,771 | 877 |
| Amortization of contract liability | 18 | (5,625) | (5,492) |
| Deferred income tax expense | | - | (899) |
| Interest on borrowings | | 291 | 258 |
| Decrease in inventories | | 210 | 7,807 |
| Cash flows related to operating activities before changes in working capital excluding inventories | | 24,866 | 23,827 |
| Changes in working capital other than inventories | 23a | (11,147) | (2,569) |
| **Net cash provided by operating activities** | | **13,719** | **21,258** |
| | | | |
| **Cash flows related to investing activities** | | | |
| Investment in Afema Project | 3 | (5,303) | - |
| Cash acquired from Afema | 3 | 140 | - |
| Investment in marketable securities | | (77) | - |
| Expenditures for property, plant and equipment | | (20,510) | (2,911) |
| Expenditures for mine development | | (14,667) | (16,112) |
| Acquisition of intangibles | | (96) | (92) |
| **Net cash used in investing activities** | | **(40,513)** | **(19,115)** |
| | | | |
| **Cash flows related to financing activities** | | | |
| Proceeds from stock options exercised | | - | 7 |
| Financing cost paid | | (1,404) | (2,700) |
| Interest paid on borrowings | | (301) | (271) |
| **Net cash used in financing activities** | | **(1,705)** | **(2,964)** |
| | | | |
| Effect of exchange rates on cash holdings in foreign currencies | | 1,081 | 100 |
| | | | |
| **Net decrease in cash and cash equivalents** | | **(27,418)** | **(721)** |
| **Cash and cash equivalents at the beginning of period** | | **87,671** | **95,188** |
| **Cash and cash equivalents at the end of period** | | **60,253** | **94,467** |
| | | | |
| **Taxes paid in Cash** | | **(5,676)** | **-** |

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS**
**(Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

## 1. GENERAL INFORMATION

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

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

The interim condensed consolidated financial statements were approved by the Board of Directors on May 2, 2018.

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

### b. Basis of presentation

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

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

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

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

***IFRS 9, Financial Instruments ("IFRS 9")***

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

**Impact of adoption on the accounting for marketable securities previously designated as available for sale**

Upon adoption, investments in publicly traded equity securities held by the Company have been classified as fair value through other comprehensive income. These investments are recorded at fair value and changes in the fair value of these investments are recognized permanently in other comprehensive income. The Company has concluded that the adoption of IFRS 9 had no other impact on its consolidated financial statements.

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

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

**Franco-Nevada gold streaming arrangement**

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

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

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

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

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

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

- Increase to Contract Liability of $56.1 million
- Decrease to Retained Earnings of $56.1 million

## d. Future accounting policies not yet adopted

***IFRS 16, Leases ("IFRS 16")***

In January 2016, the IASB issued IFRS 16 which supersedes IAS 17, *Leases and related interpretations*. The new standard provides a single lessee accounting model which eliminates the distinction between operating and finance leases, by requiring lessees to recognize assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained.  The Company does not anticipate early adoption and plans to adopt the standard on its effective date of January 1, 2019. The Company is currently evaluating the impact of adopting IFRS 16 in its consolidated financial statements in future periods.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
**(Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

### 3. ACQUISITION OF AFEMA

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

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

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

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

The following tables present the preliminary purchase price and the allocation of the purchase price to the net identifiable assets acquired and liabilities assumed.

| **Consideration Transferred - Acquisition of Afema** | |
|---|---|
| Cash paid | 5,000 |
| Cash payable in 2019 | 2,500 |
| Transaction costs | 406 |
| Consideration transferred | 7,906 |
| Cash acquired with Afema | (140) |
| **Consideration, net of cash acquired** | **7,766** |

| **Summary of Preliminary Purchase Price Allocation** | |
|---|---|
| Assets | |
| Mine development expenditures | 17,237 |
| Other assets acquired | 706 |
| Total assets | 17,943 |
| Total liabilities acquired | (853) |
| Net assets acquired, before non-controlling interests | 17,090 |
| Non-controlling interests | (9,324) |
| **Net identifiable assets acquired** | **7,766** |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS**
**(Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

## 4. REVENUE

| | Three months ended March 31, | |
|---|---|---|
| | **2018** | **2017** |
| Gold sales - spot price | 80,504 | 64,726 |
| Silver sales | 113 | 104 |
| Revenue generated from contract liability(i) | 5,625 | 5,492 |
| **Revenue(ii)** | **86,242** | **70,322** |

(i) The Company realized cash proceeds from the sale of gold to Franco-Nevada equivalent to 20 percent of the spot gold price. Refer to note 18 for further details.
(ii) If IFRS 15 had not been adopted, revenue for three months ended March 31, 2018 would have been $86.5 million. Refer to note 2 and note 18 for further details.

For the three months ended March 31, 2018, 65,234 ounces of gold were sold at an average price of $1,326 per ounce, including 5,625 ounces delivered to Franco-Nevada (2017: 57,271 ounces were sold, including 5,625 ounces delivered to Franco-Nevada at an average price of $1,226 per ounce).

The Company delivered all of its production to three customers in 2018 and 2017 as follows:

| | Three months ended March 31, | |
|---|---|---|
| | **2018** | **2017** |
| Customer 1 | 40,819 | 29,770 |
| Customer 2 | 38,301 | 33,686 |
| Customer 3 | 7,122 | 6,866 |
| **Total Revenue** | **86,242** | **70,322** |

## 5. MINE OPERATION EXPENSES

| | Three months ended March 31, | |
|---|---|---|
| | **2018** | **2017** |
| Mine production costs | 43,754 | 40,914 |
| Royalties(i) | 5,681 | 4,546 |
| Regional administration costs | 363 | 505 |
| Capitalized deferred stripping | (10,097) | (11,600) |
| Inventory movements | 3,658 | 7,467 |
| **Total Mine Operation Expenses** | **43,359** | **41,832** |

(i) Includes royalties to Axmin Inc. on account of their 1.5 percent net smelter royalty on the Gora deposit. During the three months ended March 31, 2018, the Company incurred $0.5 million of Axmin royalties (2017: $0.3 million).

## 6. DEPRECIATION AND AMORTIZATION

| | Three months ended March 31, | |
|---|---|---|
| | **2018** | **2017** |
| Depreciation and amortization - property, plant and equipment and mine development expenditures | 10,387 | 10,079 |
| Depreciation and amortization - deferred stripping assets | 11,199 | 2,939 |
| Inventory movements - depreciation | (4,867) | 428 |
| Capitalized deferred stripping - depreciation | (608) | (820) |
| **Total Depreciation and Amortization** | **16,111** | **12,626** |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS**
**(Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

## 7. ADMINISTRATION EXPENSES

| | Three months ended March 31, | |
|---|---|---|
| | **2018** | **2017** |
| Corporate office | 2,537 | 1,691 |
| Legal and other | 375 | 347 |
| Audit fees | 193 | 79 |
| Depreciation | 37 | 28 |
| **Total Administration Expenses** | **3,142** | **2,145** |

## 8. FINANCE COSTS

| | Three months ended March 31, | |
|---|---|---|
| | **2018** | **2017** |
| Interest and deferred financing costs on borrowings | 406 | 372 |
| Accretion expense (i) | 2,559 | 169 |
| Stocking fees | 207 | 179 |
| Bank charges | 473 | 122 |
| Other | - | 13 |
| **Total Finance Costs** (i) | **3,645** | **855** |

(i) Includes $2.4 million of accretion expense on the contract liability (2017 - nil). If IFRS 15 had not been adopted, total finance costs for three months ended March 31, 2018 would have been $1.3 million. Refer to note 2 and note 18 for further details.

## 9. OTHER EXPENSES/ (INCOME)

| | Three months ended March 31, | |
|---|---|---|
| | **2018** | **2017** |
| Acquisition (i) | - | 20 |
| Losses on derivative instruments (ii) | 3,061 | - |
| Business and other taxes (iii) | 1,315 | 1,151 |
| Interest income and other expenses /(income) | 347 | (324) |
| **Total Other Expenses** | **4,723** | **847** |

(i) Includes costs for legal, advisory and consulting related to the acquisition of Gryphon Minerals Limited.
(ii) On September 11, 2017, the Company entered into forward gold sales contracts with Macquarie Bank Limited for a total of 131,000 ounces of gold at a price of $1,336 per ounce. During 2017, the Company amended these contracts to defer quarterly settlements by a quarter, and as a result, the contracts extend through the first quarter of 2019. Furthermore, the Company entered into additional forward gold sales contracts for a total of 56,500 ounces of gold at a price of $1,350 per ounce. The Company settled 26,500 ounces in the first quarter of 2018 and anticipates settling 26,500 ounces in each of the remaining quarter in 2018, 25,000 ounces in the first quarter of 2019, 26,500 ounces in the second quarter of 2019 and 30,000 ounces in third quarter of 2019.
(iii) Senegalese business taxes which are calculated based on the gross value of fixed assets of the preceding year.

## 10. INCOME TAX EXPENSE

The Company records a current income tax expense on taxable income earned in Senegal at a rate of 25 percent. Current income tax is calculated using local tax rates on taxable income, which is estimated in accordance with local statutory requirements and is denominated in the Senegalese currency (CFA Franc). The tax basis of all assets and non-current intercompany loans are recorded using historical exchange rates and translated to the functional currency using the period end exchange rate, and as a result, the Company’s deferred tax balances will fluctuate due to changes in foreign exchange rates. Current income taxes are also affected by changes in foreign exchange rates as unrealized foreign exchange gains as well as losses, recorded in the local financial statements, are taxable / deductible for

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS**
**(Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

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 March 31, 2018, the Company recorded income taxes of $2.5 million, comprised of current income tax expense of $2.4 million and deferred income taxes of $0.1 million (2017: $0.6 million income tax expense, $1.5 million current income tax expense net of a recovery of deferred income tax expense of $0.9 million).

## 11. TRADE AND OTHER RECEIVABLES

| | As at March 31, 2018 | As at December 31, 2017 |
|---|---|---|
| **Current** | | |
| Value added tax ("VAT") recoverable (i) | 3,112 | 4,378 |
| Other receivables (ii) | 1,161 | 1,106 |
| **Total Trade and Other Receivables** | **4,273** | **5,484** |

(i) VAT is levied at a rate of 18 percent on supply of goods and services and is recoverable on the majority of purchases in Senegal. Non-recoverable VAT is expensed to net profit. In February 2016, the Company received an exemption for the payment and collection of refundable VAT. This exemption is governed by an amendment to our mining convention and expires on May 2, 2022. The balance at the end of March 31, 2018 primarily relates to VAT amounts paid prior to May 2017. On December 20, 2017, the Company received exoneration from VAT during the construction phase from the Burkinabe government on the Wahgnion Gold Project.

(ii) Other receivables primarily include receivables from suppliers for services, materials and utilities used at the Sabodala Gold Mine, a $0.1 million receivable related to the sale of exploration rights (2017: $0.1 million), $0.2 million of Canadian sales tax refunds as at March 31, 2018 (2017: $0.2 million) and a receivable from Sodim of $0.5 million (2017: nil).

## 12. INVENTORIES

| | As at March 31, 2018 | As at December 31, 2017 |
|---|---|---|
| **Current** | | |
| Gold bullion | 2,587 | 2,929 |
| Gold in circuit | 5,190 | 5,451 |
| Ore stockpile | 27,691 | 16,356 |
| **Total gold inventories** | **35,468** | **24,736** |
| Diesel fuel | 1,924 | 1,891 |
| Materials and supplies | 30,957 | 28,581 |
| Goods in transit | 2,855 | 1,816 |
| **Total other inventories** | **35,736** | **32,288** |
| **Total current inventories** | **71,204** | **57,024** |
| **Non-current** | | |
| Ore stockpile | 94,115 | 103,638 |
| **Total Inventories** | **165,319** | **160,662** |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
**(Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

## 13. MARKETABLE SECURITIES

| | Amount |
|---|---|
| **Balance at January 1, 2017** | 1,171 |
| Marketable securities acquired | 1,583 |
| Change in fair value of marketable securities during the year | 2,178 |
| Marketable securities disposed | (4,245) |
| Foreign exchange gain | 277 |
| **Balance at December 31, 2017** | **964** |
| Marketable securities acquired | 77 |
| Change in fair value of marketable securities during the period | 167 |
| Foreign exchange loss | (29) |
| **Balance at March 31, 2018** | **1,179** |

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

## 14. OTHER ASSETS

| | As at March 31, 2018 | As at December 31, 2017 |
|---|---|---|
| **Current** | | |
| Prepayments (i) | 4,464 | 4,086 |
| Advanced royalty (ii) | 1,853 | 2,857 |
| Derivative assets (iii) | - | 1,659 |
| VAT certificates held (iv) | 43 | 1,084 |
| **Total Other Current Assets** | **6,360** | **9,686** |
| **Non-current** | | |
| Advanced royalty (ii) | 3,579 | 3,451 |
| Intangible assets | 841 | 816 |
| Deferred financing costs (v) | 1,404 | - |
| Derivative assets (iii) | - | 173 |
| **Total Other Non-Current Assets** | **5,824** | **4,440** |
| **Total Other Assets** | **12,184** | **14,126** |

(i) As at March 31, 2018, prepayments include $4.0 million (2017: $2.9 million) of advances to vendors and contractors and $0.5 million for insurance (2017: $1.2 million).

(ii) As at March 31, 2018, there is $1.9 million in other current assets and $3.6 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 months ended March 31, 2018, the Company expensed $0.9 million as amortization of the OJVG and Gora advanced royalties (2017: $0.7 million). The advanced royalty recorded within other current assets is based on the expected production from the OJVG and Gora deposits over the next year and the remaining balance is recorded within other non-current assets. Refer to note 16 for further details.

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

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

(v) Financing fees paid related to the development finance facility ("Finance Facility") (refer to note 29 for further details).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
**(Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

### 15. PROPERTY, PLANT AND EQUIPMENT

| | Land, building, plant and equipment | Mine development costs subject to depreciation | Mine development costs not subject to depreciation(i) | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **Balance as at January 1, 2017** | **448,910** | **451,693** | **52,595** | **953,198** |
| Additions | 21,829 | 45,723 | 18,916 | **86,468** |
| Disposals | (937) | - | - | **(937)** |
| **Balance as at December 31, 2017** | **469,802** | **497,416** | **71,511** | **1,038,729** |
| Additions | 23,045 | 12,020 | 22,008 | **57,073** |
| Disposals | (57) | - | - | **(57)** |
| **Balance as at March 31, 2018** | **492,790** | **509,436** | **93,519** | **1,095,745** |
| | | | | |
| **Accumulated depreciation** | | | | |
| **Balance as at January 1, 2017** | **263,511** | **192,612** | - | **456,123** |
| Disposals | (885) | - | - | **(885)** |
| Depreciation expense | 23,165 | 39,492 | - | **62,657** |
| **Balance as at December 31, 2017** | **285,791** | **232,104** | - | **517,895** |
| Disposals | (45) | - | - | **(45)** |
| Depreciation expense | 6,124 | 15,650 | - | **21,774** |
| **Balance as at March 31, 2018** | **291,870** | **247,754** | - | **539,624** |
| | | | | |
| **Carrying amounts** | | | | |
| **Balance as at December 31, 2017(ii)** | **184,011** | **265,312** | **71,511** | **520,834** |
| **Balance as at March 31, 2018(ii)** | **200,920** | **261,682** | **93,519** | **556,121** |

(i) Wahgnion Property, Plant and Equipment includes all buildings, office furniture, plant and equipment, mobile equipment, and motor vehicles at the Wahgnion Gold Project.

(ii) Balance as at March 31, 2018 includes $32.8 million (2017: $8.9 million) of construction and $77.3 million (2017: $72.5 million) of mine development costs associated with Wahgnion, $426.5 million (2017: $438.3 million) of costs associated with Sabodala, $17.4 million (2017: nil) of costs associated with Afema and $2.1 million (2017: $1.1 million) of cost associated with other projects.

Additions made to property, plant and equipment during the three months ended March 31, 2018 relate mainly to buildings, plant, equipment and construction at the Wahgnion Gold Project. Mine development expenditures are related to the Sabodala Gold Mine in Senegal, the Wahgnion Gold Project in Burkina Faso and the Afema mining license in Côte d'Ivoire. As the Wahgnion Gold project is currently under construction and the Afema project is currently in exploration stage, these assets are not currently subject to depreciation.

Depreciation of property, plant and equipment was $6.1 million for the three months ended March 31, 2018 (2017: $5.8 million). Depreciation of capitalized mine development of $15.7 million was expensed as cost of sales for the three months ended March 31, 2018 (2017: $7.4 million).

| | As at March 31, 2018 | As at December 31, 2017 |
|---|---|---|
| **Capitalized mine development additions** | | |
| Deferred stripping costs | 10,705 | 31,405 |
| Capitalized mine development - Golouma South | - | 130 |
| Capitalized mine development - Golouma West | 1,048 | 7,740 |
| Capitalized reserve development - Sustaining (Sabodala) | 267 | 5,799 |
| Capitalized mine development - Growth (Wahgnion) (i) | 5,853 | 18,916 |
| Capitalized mining license - Afema | 17,378 | - |
| Other | - | 649 |
| **Total Capitalized Mine Development Additions** | **35,251** | **64,639** |

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
**(Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

## 16. TRADE AND OTHER PAYABLES

| | As at March 31, 2018 | As at December 31, 2017 |
|---|---|---|
| **Current** | | |
| Trade payables (i) | 23,093 | 20,623 |
| Sundry creditors and accrued expenses | 14,732 | 17,152 |
| Government royalties (ii) | 4,312 | 4,462 |
| Amounts payable to the Republic of Senegal (iii) (iv) (viii) | 11,157 | 11,294 |
| Financial derivative liabilities (v) | 538 | - |
| Contingent consideration (vii) | 634 | 634 |
| **Total Current Trade and Other Payables** | **54,466** | **54,165** |
| **Non-Current** | | |
| Amounts payable to the Republic of Senegal (vi) | 7,855 | 7,762 |
| Financial derivative liabilities (v) | 933 | - |
| Contingent consideration (vii) | 2,338 | 2,297 |
| **Total Other Non-Current Liabilities** | **11,126** | **10,059** |
| **Total Trade and Other Payables** | **65,592** | **64,224** |

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

(ii) Government royalties are accrued based on the mine head value of the gold and related substances produced at a rate of 5 percent of sales, which was $2,295 million XOF (2017: $2,083 million XOF). For the three months ended March 31, 2018, royalty payments totaling $4.6 million related to the fourth quarter 2017 royalties were made to the Republic of Senegal (2017: $2.9 million related to the fourth quarter 2016 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 March 31, 2018, $2.1 million remains accrued as a current liability.

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

(v) Refer to note 9(ii) for further details.

(vi) 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 $7.9 million.

(vii) The Company acquired Badr Investment Ltd's ("Badr") 13 percent carried interest in the OJVG for cash consideration of $7.5 million and further contingent consideration which will be based on realized gold prices and increases to the former OJVG's mining reserves through 2020, of which $3.8 million was accrued upon finalization of the purchase price allocation in 2014. As at March 31, 2018, $1.3 million has been paid, $0.6 million has been recorded as a current liability and $2.3 million has been recorded as a non-current liability and is recorded at its net present value (2017: $1.3 million has been paid, $0.6 million in current liabilities and $2.3 million in non-current liabilities).

(viii) 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 March 31, 2018, $1.3 million remains outstanding and has been accrued as a current liability.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
**(Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

## 17. BORROWINGS

| | As at March 31, 2018 | As at December 31, 2017 |
|---|---|---|
| Revolving credit facility | 15,000 | 15,000 |
| Deferred financing costs | (578) | (693) |
| **Total Borrowings** | **14,422** | **14,307** |

### 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 matures on September 30, 2019, with the available amount decreasing to $15.0 million on June 30, 2018. The Revolver Facility carries an interest rate of LIBOR plus 4.65 percent with any unused facility amounts subject to a commitment fee of 1.6 percent. As at March 31, 2018, $15.0 million was drawn on the Revolver Facility (2017: $15.0 million).

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. As at March 31, 2018, the Company was compliant with all covenants.

## 18. CONTRACT LIABILITY

| | Amount |
|---|---|
| **Balance as at January 1, 2017** | **68,815** |
| Amortization of contract liability | (22,606) |
| **Balance as at December 31, 2017**(i) | **46,209** |
| Cumulative adjustment due to IFRS 15 | 56,097 |
| Accretion of contract liability | 2,358 |
| Amortization of contract liability | (5,625) |
| **Balance as at March 31, 2018** | **99,039** |

| | As at March 31, 2018 | As at December 31, 2017 |
|---|---|---|
| Current | 13,862 | 24,206 |
| Non-Current | 85,177 | 22,003 |
| **Total Contract Liability**(i) | **99,039** | **46,209** |

(i) If IFRS 15 had not been adopted, the current contract liability, non-current contract liability and the total contract liability as at December 31, 2017 would have been $24.0 million, $16.3 million and $40.3 million, respectively. Refer to note 2 for further details.

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

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
**(Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

During the three months ended March 31, 2018, the Company delivered 5,625 ounces of gold to Franco-Nevada (2017: 5,625 ounces) and recorded revenue of $7.1 million, consisting of $1.5 million received in cash proceeds and $5.6 million recorded as a reduction of contract liability (2017: revenue of $6.9 million, consisting of $1.4 million received in cash proceeds and $5.5 million recorded as a reduction of contract liability).

## 19. PROVISIONS

| | As at March 31, 2018 | As at December 31, 2017 |
|---|---|---|
| **Current** | | |
| Mine restoration and rehabilitation (i) | 1,259 | - |
| Employee benefits (ii) | 2,375 | 2,289 |
| Cash settled share-based compensation (iii) | 4,094 | 2,630 |
| **Total Current Provisions** | **7,728** | **4,919** |
| | | |
| **Non-Current** | | |
| Mine restoration and rehabilitation (i) | 27,172 | 27,510 |
| Employee benefits (ii) | 826 | 872 |
| Cash settled share-based compensation (iii) | 1,206 | 1,002 |
| **Total Non-Current Provisions** | **29,204** | **29,384** |
| **Total Provisions** | **36,932** | **34,303** |

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

(ii) The current provisions for employee benefits include $1.1 million accrued vacation and $1.3 million long service leave entitlements for the period ended March 31, 2018 (2017: $1.1 million and $1.2 million). The non-current provisions for employee benefits include $0.8 million accrued vacation (2017: $0.9 million).

(iii) The provision for cash settled share-based compensation represents the amortization of the fair value of the fixed bonus plan units and the amortization of the fair value of the RSUs and DSUs. Refer to note 25 for further details.

## 20. ISSUED CAPITAL

| | Number of shares | Amount |
|---|---|---|
| **Balance as at January 1, 2017** | **107,342,775** | **496,326** |
| Cancellation of fractional shares as a result of share consolidation | (1,636) | - |
| Stock options exercised | 2,763 | 7 |
| **Balance as at December 31, 2017** | **107,343,902** | **496,333** |
| **Balance as at March 31, 2018** | **107,343,902** | **496,333** |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS**
**(Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

## 21. EARNINGS PER SHARE (EPS)

| | Three months ended March 31, | |
|---|---|---|
| | **2018** | **2017** |
| Basic EPS (US$) | 0.03 | 0.05 |
| Diluted EPS (US$) | 0.03 | 0.05 |
| Basic EPS: | | |
| Net profit used in the calculation of EPS | 2,981 | 5,592 |
| Weighted average number of common shares for the purposes of basic EPS ('000) | 107,346 | 107,343 |
| Effect of dilutive share options ('000) | 140 | 396 |
| Weighted average number of common shares for the purpose of diluted EPS ('000) | 107,486 | 107,739 |

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 3.1 million and 2.8 million shares relating to share options that were anti-dilutive for the periods ended March 31, 2018 and March 31, 2017, respectively.

## 22. COMMITMENTS FOR EXPENDITURES

The Company has entered into various capital purchase obligations at the Sabodala Gold operations and the Wahgnion Gold project. As at March 31, 2018, total future purchase obligations related to these projects were approximately $5.0 million for Sabodala and $23.9 million for Wahgnion Gold Project. In addition, the Company has an additional three-year $11.0 million exploration and community relations work program under the agreement with Sodim. Refer to note 3 for further details.

## 23. CASH FLOW INFORMATION

### a. Change in working capital

| | Three months ended March 31, | |
|---|---|---|
| | **2018** | **2017** |
| **Changes in working capital other than inventory** | | |
| Decrease in trade and other receivables | 344 | 1,023 |
| Decrease/(Increase) in other assets | 58 | (1,047) |
| Decrease in trade payables and other | (8,405) | (3,928) |
| Decrease in provisions | - | (74) |
| (Decrease)/Increase in current income taxes payable | (3,144) | 1,457 |
| **Net Change in Working Capital Other Than Inventory** | **(11,147)** | **(2,569)** |

### 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.

## 24. 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 March 31, 2018, the Company's financial instruments consisted of cash and cash equivalents, trade and other receivables, marketable securities, other assets, trade and other payables and borrowings.

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

(In thousands of United States dollars except for shares and per share amounts)

| | As at March 31, 2018 | As at December 31, 2017 |
|---|---|---|
| **Financial assets**: | | |
| Cash and cash equivalents | 60,253 | 87,671 |
| Measured at amortized cost | | |
| Trade and other receivables | 4,273 | 5,484 |
| Measured at fair value through profit or loss | | |
| Financial derivative assets | - | 1,832 |
| Measured at fair value through other comprehensive income | | |
| Marketable securities | 1,179 | 964 |
| **Financial liabilities:** | | |
| Measured at amortized cost | | |
| Trade and other payables | 70,892 | 67,856 |
| Borrowings | 14,422 | 14,307 |
| Measured at fair value through profit or loss | | |
| Financial derivative liabilities | 1,471 | - |

The Company's financial assets (excluding those acquired in the Gryphon acquisition and Côte d'Ivoire assets) have been pledged as collateral for Revolver Facility.

### b. Fair value of financial instruments

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

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

| | As at March 31, 2018 | | As at December 31, 2017 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial assets** | | | | |
| Trade and other receivables | 4,273 | 4,273 | 5,484 | 5,484 |
| **Financial liabilities** | | | | |
| Trade and other payables | 70,892 | 70,892 | 67,856 | 67,856 |
| Borrowings | 14,422 | 13,681 | 14,307 | 13,732 |

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

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
**(Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

| | As at March 31, 2018 | | | As at December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | 60,253 | - | - | 87,671 | - | - |
| Marketable securities | 1,179 | - | - | 964 | - | - |
| Financial derivative assets | - | - | - | - | 1,832 | - |
| **Total** | **61,432** | **-** | **-** | **88,635** | **1,832** | **-** |
| **Financial Liabilities** | | | | | | |
| Financial derivative liabilities | - | 1,471 | - | - | - | - |
| Cash settled share-based compensation | 5,144 | - | 156 | 3,511 | - | 121 |
| **Total** | **5,144** | **1,471** | **156** | **3,511** | **-** | **121** |

## 25. SHARE-BASED COMPENSATION

Share based compensation expense for the three months ended March 31, 2018 totaled $2.7 million (2017: $0.9 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 three months ended March 31, 2018, 1,257,000 stock options were granted at an exercise price of C$4.19. 27,225 stock options were forfeited and no stock options were exercised. The exercise price of new stock options granted during the current year was determined using a volume weighted average trading price of the Company's shares for the 5-day period ending on the grant date.

| | Number of options | Weighted average exercise price |
|---|---|---|
| **Balance as at January 1, 2017** | **3,789,106** | **C$10.48** |
| Granted during the period | 891,488 | C$4.16 |
| Forfeited during the period | (223,340) | C$10.91 |
| Exercised during the period(i) | (2,763) | C$3.33 |
| **Balance as at December 31, 2017** | **4,454,491** | **C$9.20** |
| Granted during the period | 1,257,000 | C$4.19 |
| Forfeited during the period | (27,225) | C$10.56 |
| **Balance as at March 31, 2018** | **5,684,266** | **C$9.20** |
| Number of options exercisable - December 31, 2017 | 3,488,194 | |
| Number of options exercisable - March 31, 2018 | 3,674,313 | |

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
(**Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

The following stock options were outstanding as at March 31, 2018:

| Option series | Number | Grant date | Expiry date | Exercise price (C$) | FV at grant date (C$) |
|---|---|---|---|---|---|
| Granted on November 26, 2010 | 1,064,000 | 26-Nov-10 | 26-Nov-20 | 15.00 | 5.95 |
| Granted on December 3, 2010 | 240,000 | 03-Dec-10 | 03-Dec-20 | 15.00 | 5.95 |
| Granted on February 9, 2011 | 85,000 | 09-Feb-11 | 09-Feb-21 | 15.00 | 4.95 |
| Granted on April 27, 2011 | 5,000 | 27-Apr-11 | 27-Apr-21 | 15.00 | 4.00 |
| Granted on 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 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 |
| Granted on March 29, 2018 | 1,257,000 | 29-Mar-18 | 29-Mar-23 | 4.19 | 1.86-2.37 |

As at March 31, 2018, approximately 5.1 million (2017: 6.3 million) options were available for issuance under the Company's stock option plan.

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

Of the 5,684,266 common share stock options issued and outstanding as at March 31, 2018, 3,674,313 are vested, 779,140 vest over a three-year period and 1,230,813 vest over a four-year period. The fair value of options that vest upon achievement of milestones will be recognized based on management's assessment of the likelihood of reaching those milestones. As at March 31, 2018, the weighted average remaining contractual term of outstanding stock options exercisable was 3.69 years.

As at March 31, 2018, 2,180,000 and 3,512,180 share options had a contractual life of ten years and five years at issuance, respectively.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
**(Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

***Fair value of stock options granted***

The grant date fair value of options granted during the three months ended March 31, 2018 was calculated using the Black-Scholes option pricing model with the following assumptions:

| | Three months ended March 31, | |
|---|---|---|
| | **2018** | **2017** |
| Grant date share price | C$4.49 | C$3.85-C$4.15 |
| Weighted average fair value of awards | C$2.11 | C$1.81 |
| Exercise price(i) | C$4.19 | C$4.15-C$4.20 |
| Range of risk-free interest rates | 1.83%-2.00% | 0.82%-1.04% |
| Expected share market price volatility(ii) | 58%-63% | 66%-69% |
| Expected life of options (years) | 2.8-4.3 | 2.8-3.8 |
| Dividend yield | 0% | 0% |
| Forfeiture rate | 3%-14% | 3%-14% |

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

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

### b. Fixed Bonus Units ("FBUs")

As at March 31, 2018, 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 March 31, 2018, 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$1.02 per FBU at March 31, 2018. The total fair value of the FBUs at March 31, 2018 is $0.3 million (December 31, 2017: $0.1 million).

The estimated fair values of the FBUs is amortized over the period in which the FBUs vest. Of the 359,500 FBUs issued, 342,781 FBUs were vested at March 31, 2018 with the remaining FBUs to be fully vested by March 31, 2019.

***Fair value of Units granted***

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

| | Three months ended March 31 | |
|---|---|---|
| | **2018** | **2017** |
| Share price at the end of the period | C$4.49 | C$4.25 |
| Weighted average fair value of vested awards | C$1.02 | C$0.75 |
| Exercise price(i) | C$3.20-C$15.00 | C$3.20-C$15.00 |
| Range of risk-free interest rates | 1.76%-1.91% | 0.75%-1.12% |
| Expected share market price volatility(ii) | 62.78% | 65.60% |
| 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 in 2014. RSUs are not convertible into Company stock and simply represent a right to receive an amount of cash (subject to withholdings), on vesting, equal to the product of i) the number of RSUs held, and ii) the volume weighted average trading price of the Company's shares for the five trading days prior to such date. RSUs will generally vest as to 50 percent in thirds over a three-year period and as to the other 50 percent, in thirds upon satisfaction of annual production and cost targets, except for the options granted on March 29, 2018 and future grants, which vest as to 25 percent in thirds over a three-year period, 50 percent in thirds upon satisfaction of annual production and costs targets and 25 percent in thirds upon satisfaction of matching the average performance of the VanEck Vectors Junior Gold Miners ETF ("GDXJ").

During the three months ended March 31, 2018, 767,000 RSUs were granted at an average price of C$4.19 per unit and 18,800 RSUs were forfeited (2017: 838,000 RSUs granted and 32,789 forfeited). As of March 31, 2018 a total of 2,106,555 RSUs were outstanding of which 959,512 units were vested. As at March 31, 2018, $2.1 million of current RSU liability and $0.9 million of non-current RSU liability have been recorded in the consolidated financial statements of financial position (2017: $1.4 million and $0.9 million in current and non-current RSU liability respectively).

### d. Deferred Stock Units ("DSUs")

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

The Company granted 193,000 DSUs during the three months ended March 31, 2018 at a price of C$4.19 per unit. Of the 756,998 DSUs outstanding at March 31, 2018, 548,998 were vested and no units cancelled. As at March 31, 2018, $2.0 million of current DSU liability has been recorded in the consolidated statement of financial position (2017: $1.2 million).

## 26. RELATED PARTY TRANSACTIONS

### a. Equity interests in related parties

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

### b. Transactions with key management personnel

During the three months ended March 31, 2018, there were transactions totaling $14 thousand (2017 - $36 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 $km^2$ 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.

## 27. SEGMENT INFORMATION

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS
**(Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

| | Three months ended March 31, 2018 | | | | |
|---|---|---|---|---|---|
| | **Sabodala** | **Corporate** | **Wahgnion** | **Exploration** | **Total** |
| Revenue | 86,242 | - | - | - | 86,242 |
| Mine operation expenses | (43,359) | - | - | - | (43,359) |
| Depreciation and amortization | (16,111) | - | - | - | (16,111) |
| Cost of sales | **(59,470)** | **-** | **-** | **-** | **(59,470)** |
| **Gross profit** | **26,772** | **-** | **-** | **-** | **26,772** |
| | | | | | |
| Exploration and evaluation expenditures | - | - | - | (3,043) | (3,043) |
| Administration expenses | - | (3,142) | - | - | (3,142) |
| Corporate social responsibility expenses | (646) | (88) | - | - | (734) |
| Share-based compensation | - | (2,731) | - | - | (2,731) |
| Finance costs | (1,162) | (2,481) | (2) | - | (3,645) |
| Net foreign exchange gains/(losses) | (2,323) | 97 | (64) | 64 | (2,226) |
| Other expenses | (2,619) | (2,104) | - | - | (4,723) |
| **Operating expenses** | **(6,750)** | **(10,449)** | **(66)** | **(2,979)** | **(20,244)** |
| | | | | | |
| **Profit/(losses) before income tax** | **20,022** | **(10,449)** | **(66)** | **(2,979)** | **6,528** |
| Income tax expense | (3,209) | - | 677 | - | (2,532) |
| **Net profit /(loss)** | **16,813** | **(10,449)** | **611** | **(2,979)** | **3,996** |

| | Three months ended March 31, 2017 | | | | |
|---|---|---|---|---|---|
| | **Sabodala** | **Corporate** | **Wahgnion** | **Exploration** | **Total** |
| Revenue | 70,322 | - | - | - | 70,322 |
| Mine operation expenses | (41,832) | - | - | - | (41,832) |
| Depreciation and amortization | (12,626) | - | - | - | (12,626) |
| Cost of sales | **(54,458)** | **-** | **-** | **-** | **(54,458)** |
| **Gross profit** | **15,864** | **-** | **-** | **-** | **15,864** |
| | | | | | |
| Exploration and evaluation expenditures | - | - | - | (1,960) | (1,960) |
| Administration expenses | - | (2,145) | - | - | (2,145) |
| Corporate social responsibility expenses | (768) | (120) | - | - | (888) |
| Share-based compensation | - | (877) | - | - | (877) |
| Finance costs | (726) | (129) | - | - | (855) |
| Net foreign exchange losses | (686) | 1 | 69 | 95 | (521) |
| Other (expenses)/income | (904) | 31 | 26 | - | (847) |
| **Operating (expenses)/income** | **(3,084)** | **(3,239)** | **95** | **(1,865)** | **(8,093)** |
| | | | | | |
| **Profit/(loss) before income tax** | **12,780** | **(3,239)** | **95** | **(1,865)** | **7,771** |
| Income tax expense | (558) | - | - | - | (558) |
| **Net profit/(loss)** | **12,222** | **(3,239)** | **95** | **(1,865)** | **7,213** |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS**
(**Unaudited)**
**(In thousands of United States dollars except for shares and per share amounts)**

Selected non-current asset balances are detailed below:

| | As at March 31, 2018 | | | | |
|---|---|---|---|---|---|
| | **Sabodala** | **Corporate** | **Wahgnion** | **Exploration** | **Total** |
| Property, plant and equipment | 166,255 | 558 | 32,760 | 1,347 | 200,920 |
| Mine development expenditure | 260,233 | - | 77,250 | 17,718 | 355,201 |
| Total non-current assets | 547,660 | 2,128 | 113,544 | 19,089 | 682,421 |
| | **As at December 31, 2017** | | | | |
| | **Sabodala** | **Corporate** | **Wahgnion** | **Exploration** | **Total** |
| Property, plant and equipment | 174,069 | 414 | 8,869 | 659 | 184,011 |
| Mine development expenditures | 264,228 | - | 72,531 | 64 | 336,823 |
| Total non-current assets | 569,038 | 674 | 84,934 | 757 | 655,403 |

## 28. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

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

## 29. SUBSEQUENT EVENT

On April 16, 2018, the Company entered into a facility with Taurus Funds Management Pty Ltd ("Taurus Funds"). The Facility consist of 2 tranches to fund the development and advancement of the Company's projects in Burkina Faso, Africa.

The first tranche ("Wahgnion Tranche") consists of $165 million to be used to fund the development of the Wahgnion Gold Project and to repay all of the Company's outstanding debt drawn on the Revolver Facility. The second tranche ("Golden Hill Tranche") consists of $25 million to be used towards the advancement of a feasibility study for the Golden Hill Project.

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

Additionally, the Company on April 16, 2018 granted Taurus Funds 2 million unlisted 4-year warrants to acquire common shares of the Company at an exercise price of C$5.22. The value of these warrants will be treated as a deferred financing fee to the Finance Facility.

As at March 31, 2018, $1.4 million of deferred financing fees were included in prepayments under other assets (refer to note 14 for further details) in respect of the Finance Facility. The total deferred financing fees will be amortized over the term of the Facility.