



**NOTICE OF 2017 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
AND  
MANAGEMENT INFORMATION CIRCULAR**

**April 3, 2017**

Teranga Gold Corporation's Annual and Special Meeting of the holders of common shares will be held on Tuesday, May 2, 2017 at 9:30 AM (Toronto time) at the TMX Broadcast Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario.

Shareholders may exercise their rights by attending the Meeting or by completing a Form of Proxy, Voting Instruction Form ("**VIF**") or CDI VIF.

**YOUR VOTE AS A SHAREHOLDER IS IMPORTANT**

## TABLE OF CONTENTS

---

1.	THE MEETING.....	1
2.	SOLICITATION OF PROXIES.....	1
3.	VOTING BY REGISTERED SHAREHOLDERS.....	2
4.	VOTING BY NON-REGISTERED SHAREHOLDERS.....	3
5.	INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON.....	5
6.	VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES.....	5
7.	PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING.....	5
8.	STATEMENT OF CORPORATE GOVERNANCE PRACTICES.....	19
9.	EXECUTIVE COMPENSATION.....	25
10.	SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.....	38
11.	INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS.....	38
12.	AUDIT COMMITTEE.....	38
13.	INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS.....	39
14.	ADDITIONAL INFORMATION.....	39

---

SCHEDULE A – MANDATE OF THE BOARD OF DIRECTORS  
SCHEDULE B – AUDIT COMMITTEE CHARTER  
SCHEDULE C – INCENTIVE STOCK OPTION PLAN

## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Teranga Gold Corporation (“**Teranga**” or the “**Corporation**”) invites you to attend its 2017 annual and special meeting (the “**Meeting**”) of holders of common shares (“**Shareholders**”).

**When:** 9:30 a.m. (Toronto time) on Tuesday, May 2, 2017

**Where:** TMX Broadcast Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario, M5X 1J2

### Business of the 2017 Annual and Special Meeting of Shareholders

The Meeting is being held for the following purposes:

1. To receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2016, together with the report of the auditors thereon;
2. To elect the board of directors of the Corporation;
3. To appoint the auditors of the Corporation and to authorize the directors of the Corporation to fix their remuneration;
4. To consider and, if deemed appropriate, to pass an ordinary resolution to re-approve the Stock Option Plan, as amended, of the Corporation as more particularly described in the accompanying management proxy circular and set forth in Schedule C thereto;
5. To consider and, if deemed appropriate, to pass a special resolution to approve a consolidation of the Corporation's issued and outstanding common shares on the basis of five (5) old common shares for one (1) new common share, and further authorizing the Corporation's directors to determine when and if to effect any such consolidation as more particularly described in the accompanying management proxy circular; and
6. To transact such further or other business that may properly come before the Meeting or any adjournment or postponement thereof.

### Other Important Information

The board of directors of the Corporation (the “**Board**”) fixed March 28, 2017 as the record date for determining Shareholders who are entitled to receive notice of and to vote at the Meeting. Only Shareholders of record of the Corporation on March 28, 2017 are entitled to receive notice of the Meeting and to attend and vote at the Meeting. This notice of Meeting (the “**Notice**”) is accompanied by a management proxy circular (the “**Circular**”). The specific details of the matters to be put before the Meeting as identified above are set forth in the Circular accompanying and forming part of this Notice. This Notice and Circular have been sent to each director of the Corporation, to each Shareholder entitled to notice of the Meeting and to the auditors of the Corporation.

The Circular provides additional information relating to the matters to be dealt with at the Meeting and should be reviewed carefully by Shareholders. Any adjourned or postponed meeting resulting from an adjournment or postponement of the Meeting will be held at a time and place to be specified either by the Corporation before the Meeting or by the Chair at the Meeting to be adjourned or postponed.

DATED at Toronto this 3<sup>rd</sup> day of April, 2017.

BY ORDER OF THE BOARD OF DIRECTORS



David Savarie  
General Counsel & Corporate Secretary

SHAREHOLDERS MAY EXERCISE THEIR RIGHTS BY ATTENDING THE MEETING OR BY COMPLETING A FORM OF PROXY, VIF OR CDI VIF. SHOULD YOU BE UNABLE TO ATTEND THE MEETING IN PERSON, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED FORM OF PROXY AND RETURN IT IN THE ENVELOPE PROVIDED FOR THAT PURPOSE. PROXIES MUST BE RECEIVED BY THE TRANSFER AGENT AND REGISTRAR OF THE CORPORATION (COMPUTERSHARE INVESTOR SERVICES INC., 100 UNIVERSITY AVENUE, 8th FLOOR, TORONTO, ONTARIO, CANADA M5J 2Y1) NO LATER THAN 9:30 A.M. (TORONTO TIME) ON FRIDAY, APRIL 28, 2017. YOUR SHARES WILL BE VOTED IN ACCORDANCE WITH YOUR INSTRUCTIONS AS INDICATED ON THE FORM OF PROXY, OR FAILING INSTRUCTIONS, IN THE MANNER SET FORTH IN THE ACCOMPANYING MANAGEMENT PROXY CIRCULAR.

## ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

### CDI VOTING PROCESS

This year, the annual and special meeting (the “**Meeting**”) of holders of common shares (“**Shareholders**”) of Teranga Gold Corporation (the “**Corporation**”) will be held at the TMX Broadcast Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario, M5X 1J2 on May 2, 2017 at 9:30 a.m. (Toronto time). The Meeting provides Shareholders with an opportunity to participate directly in the affairs of the Corporation and to meet our directors and senior management. Please see the accompanying Notice of Annual and Special Meeting for further details.

As the common shares of the Corporation (“**Common Shares**”) are listed on the Australian Securities Exchange (the “**ASX**”) in the form of CHESS Depository Interests (“**CDIs**”), the Corporation would like to remind CDI holders of the particular requirements and restrictions that their votes will be subject to. Each CDI represents a beneficial interest in one Common Share. CDI holders do not actually own direct legal title to Common Shares, which is held for and on behalf of CDI holders by CHESS Depository Nominees Pty Ltd. (“**CDN**”), a wholly-owned subsidiary of ASX Limited. This structure exists because the Corporation is a Canadian company with a right to have its securities traded on the ASX by way of CDIs.

This arrangement impacts how CDI holders can record their votes for the matters to be tabled at the Meeting. As CDIs are technically rights to Common Shares held on behalf of CDI holders by CDN, CDI holders need to provide confirmation of their voting intentions to CDN before the Meeting. CDN will then exercise the votes at the Meeting on behalf of CDI holders. If a CDI holder wishes to vote, they must register their vote with CDN by using the CDI Voting Instruction Form (“**CDI VIF**”) provided.

**To have a CDI vote counted, CDI holders must return their completed CDI VIF to CDN at least 48 hours, excluding Saturdays, Sundays and holidays, prior to the start of the Meeting, or any adjournment or postponement thereof. Given the multi-jurisdictional location of Teranga’s Shareholders, and the need to ensure all CDI VIFs are duly received and incorporated ahead of the Meeting, it is necessary that all CDI VIFs be returned by no later than 9:30 a.m. on Friday, April 28, 2017 (Perth, Australia time).**

We appreciate your support and your interest in the Corporation and encourage CDI holders to lodge their votes ahead of the Meeting in the manner specified above.

We look forward to your continued support.

Yours sincerely,

**TERANGA GOLD CORPORATION**

A handwritten signature in black ink, appearing to read 'Alan Hill', written in a cursive style.

Alan Hill  
Chairman of the Board

## MANAGEMENT INFORMATION CIRCULAR

### 1. THE MEETING

#### Date, Time and Place of the Annual and Special Meeting

The annual and special meeting (the “**Meeting**”) of the common shareholders (“**Shareholders**”) of Teranga Gold Corporation (“**Teranga**” or the “**Corporation**”) will be held at 9:30 a.m. (Toronto time) on Tuesday, May 2, 2017 at the TMX Broadcast Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario, M5X 1J2.

Information contained in this management proxy circular (the “**Circular**”) is given as at April 3, 2017, unless otherwise indicated.

No person is authorized to give any information or to make any representation not contained in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized by Teranga.

#### Record Date

The record date for determining Shareholders entitled to receive notice of and vote at the Meeting is March 28, 2017 (the “**Record Date**”). Shareholders of record as at the close of business on such date will be entitled to attend and vote at the Meeting, or any adjournment or postponement thereof, in the manner and subject to the procedures described in this Circular.

#### Currency

Unless stated otherwise, all references to dollar (\$) amounts in this Circular are to Canadian dollars. However, Teranga reports its financial results in US\$ and as a result in certain circumstances amounts disclosed are shown in US\$ and marked as such. Where US\$ are reported the exchange rate used is the average of the C\$ to US\$ exchange rate over 2016 being C\$1.00 = US\$0.755, unless indicated otherwise.

### 2. SOLICITATION OF PROXIES

#### Proxy Solicitation

**This Circular is furnished in connection with the solicitation of proxies by management of the Corporation for use at the Meeting to be held at the time and place and for the purposes set forth in the attached notice of meeting (the “Notice”).** The solicitation of proxies in connection with the Meeting is being made primarily by mail, but proxies may also be solicited by telephone, fax or other personal contact by directors, officers or other employees of the Corporation. The Corporation has also engaged Kingsdale Advisors (“**Kingsdale**”) to act as the Corporation’s strategic advisor proxy solicitation agent in connection with the Meeting and will pay fees of approximately \$46,200 to Kingsdale for the proxy solicitation service in addition to certain out-of-pocket expenses. Shareholders with questions about voting their Common Shares can contact Kingsdale by toll-free telephone in North America at 1-855-682-2019 or collect call outside North America at +1-416-867-2272, or by e-mail at [contactus@kingsdaleadvisor.com](mailto:contactus@kingsdaleadvisor.com).

## VOTING INFORMATION

#### General

The following questions and answers provide guidance on how to vote your common shares (“**Common Shares**”) or CHESS Depository Interests (“**CDIs**”) of the Corporation.

#### Who can vote?

Each holder of Common Shares is entitled to one vote at the Meeting or any adjournment or postponement thereof for each Common Share registered in the holder’s name as at the close of business on the Record Date, March 28, 2017.

As of the date hereof, the Corporation had 536,727,732 Common Shares outstanding. To the knowledge of the directors and officers of the Corporation and based on applicable public filings, only Tablo Corporation and Van Eck Associates Corporation beneficially own or exercise control or direction over, directly or indirectly, 10% or more of the votes attached to the Common Shares. For further details, please see VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES on page 5.

#### What will I be voting on?

Shareholders will be voting to: (i) elect directors; (ii) appoint the external auditors; (iii) to re-approve the Stock Option Plan (as defined below), and (iv) to approve a share consolidation of the Corporation’s Common Shares, all as outlined below.

The board of directors of the Corporation (the “**Board**”) recommends that Shareholders vote FOR each of the above items of business.

## How will these matters be decided at the Meeting?

A simple majority of the votes cast, in person or by proxy, will constitute approval of all matters set forth herein other than in connection with the proposed Consolidation (as defined herein) which requires a special majority of the votes cast, in person or by proxy at the Meeting.

## How do I vote?

If you are eligible to vote and your Common Shares are registered in your name, you can vote your Common Shares in person at the Meeting or by proxy, see the instructions below under "Voting by Registered Shareholders". If your Common Shares are held in the name of a nominee (for example, a broker) or are listed on the Australian Securities Exchange (the "**ASX**"), see the instructions below under "Voting by Non-Registered Shareholders".

## Who can I call with questions?

If you have questions about the information contained in this Circular or require assistance in completing your form of proxy, VIF or CDI VIF, please contact Kingsdale at 1-855-682-2019 or collect outside North America at +1-416-867-2272 or via email at [contactus@kingsdaleadvisor.com](mailto:contactus@kingsdaleadvisor.com).

## 3. VOTING BY REGISTERED SHAREHOLDERS

As outlined below, the Common Shares represented by a properly executed form of proxy will be voted for or withheld against both the election of directors and the appointment of the external auditors. All matters to be voted on at the Meeting shall be voted on in accordance with the instructions of the registered holder of Common Shares (a "**Registered Shareholder**") on any vote that may be called for.

### Voting by proxy

You are a Registered Shareholder if your name appears on a share certificate or on the list of Registered Shareholders maintained by the Corporation's transfer agent and registrar, Computershare Investor Services Inc. ("**Computershare**"). If this is the case, you may appoint someone else to vote for you as your proxy holder by using the enclosed form of proxy. The persons named in the enclosed form of proxy are directors or officers of the Corporation.

**A Shareholder has the right to appoint as proxy holder, a person or entity other than those whose names are printed as proxy holders in the accompanying form of proxy, by striking out said printed names and inserting the name of his/her chosen proxy holder in the blank space provided for that purpose in the form of proxy. In either case, the completed form of proxy must be delivered to Computershare, in the envelope provided for that purpose, prior to the Meeting at which it is to be used. A person acting as proxy holder need not be a Shareholder of the Corporation. If applicable, make sure that the person you appoint is aware that he or she is appointed and attends the Meeting.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to the matters identified in the Notice and with respect to other matters which may properly come before the Meeting. At the date of this Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. If any such amendments, variations or other matters do properly come before the Meeting, it is intended that the person appointed as proxy shall vote on such other business in such manner as that person then considers being proper.

### How can I vote my Common Shares by proxy?

**By Telephone:** Call the toll-free number indicated on the proxy form (1.866.732.VOTE) and follow the instructions. If you choose to vote by telephone, you cannot appoint any person other than the directors or officers named on your form of proxy as your proxy holder.

**Online:** Go to the website indicated on the proxy form ([www.investorvote.com](http://www.investorvote.com)) and follow the instructions on the screen. If you return your proxy via the Internet, you can appoint a person other than the directors or officers of Teranga named in the form of proxy as your proxy holder. This person does not have to be a Shareholder. Indicate the name of the person you are appointing in the space provided on the form of proxy. Complete your voting instructions, and date and submit the form. If applicable, make sure that the person you appoint is aware that he or she has been appointed and attends the Meeting.

**By Mail:** Complete your form of proxy and return it in the envelope provided. If you return your proxy by mail, you can appoint a person other than the directors or officers of Teranga named in the form of proxy as your proxy holder. This person does not have to be a Shareholder. Fill in the name of the person you are appointing in the blank space provided on the form of proxy. Complete your voting instructions on the form of proxy, and date and sign the form. If applicable, make sure that the person you appoint is aware that he or she has been appointed and attends the Meeting.

## What is the deadline for receiving the form of proxy?

The deadline for receiving duly completed forms of proxy or a vote using the telephone or over the Internet is 9:30 a.m. (Toronto time) on Friday, April 28, 2017, or if the Meeting is adjourned or postponed, by no later than 48 hours (excluding weekends and statutory holidays) prior to the day fixed for the adjourned or postponed Meeting. The proxy deadline may be waived or extended by the Chairman of the Meeting, in his sole discretion without notice.

## How will my Common Shares be voted if I give my proxy?

Common Shares represented by proxies in the accompanying form of proxy will be voted in accordance with the instructions indicated thereon. If no contrary instruction is indicated, the Common Shares represented by such form of proxy will be voted in favour of: (1) the election as directors of the persons named under the heading "Election of Directors"; (2) the appointment of the external auditor of the Corporation and authorizing the Board to fix their remuneration, as described under the heading "Appointment of External Auditors"; and (3) the re-approval of the Stock Option Plan, as described under the heading "Re-approval of the Stock Option Plan", and (4) the approval of a share consolidation of the Common Shares, as described under the heading "Approval of the Proposed Share Consolidation".

The form of proxy also confers discretionary voting authority on those persons designated therein with respect to amendments or variations to the proposals identified in the Notice and with respect to other matters which may properly come before the Meeting. At the time of printing this Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. If such amendments, variations or other matters properly come before the Meeting, the management nominees designated in such form of proxy shall vote the Common Shares represented thereby in accordance with their best judgment.

## If I change my mind, how can I revoke my proxy?

A Registered Shareholder who has given a proxy may revoke the proxy by completing and signing a form of proxy bearing a later date and depositing it with Computershare (100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1) no later than 9:30 a.m. (Toronto time) on Friday, April 28, 2017 or with the Chairman of the Meeting on the day of the Meeting, prior to the commencement of the Meeting, or any adjournment or postponement thereof, or in any other manner permitted by law.

## Voting in Person

If you wish to vote in person, you may present yourself at the Meeting to a representative of Computershare. Your vote will be taken at the Meeting. If you wish to vote in person at the Meeting, do not complete or return the form of proxy.

## 4. VOTING BY NON-REGISTERED SHAREHOLDERS

If your Common Shares are not registered in your name and are held in the name of a nominee, you are a **"Non-Registered Shareholder"**. If your Common Shares are listed in an account statement provided to you by your broker, those Common Shares will, in all likelihood, not be registered in your name. Such Common Shares will more likely be registered in the name of a depository or your broker or an agent of that broker, or in the name of a clearing agency (such as CDS Clearing and Depository Services Inc. ("**CDS**") or Chess Depository Nominees Pty Ltd. ("**CDN**") of which the intermediary is a participant. Without specific instructions, brokers and their agents or nominees are prohibited from voting shares beneficially held by their clients. Non-Registered Shareholders are either "objecting beneficial owners" or "OBOs", who object to intermediaries disclosing information about their identity and ownership in the Corporation or "non-objecting beneficial owners" or "NOBOs", who do not object to such disclosure. The Corporation does not send proxy-related materials directly to OBOs or NOBOs and intends to pay for an intermediary to deliver to OBOs and NOBOs the proxy-related materials. If you are a Non-Registered Shareholder, there are two ways, listed below, that you can vote your Common Shares.

Additionally, Teranga may use Broadridge Financial Services Inc.'s ("**Broadridge**") QuickVote™ service to assist non-registered shareholders with voting their shares. Non-registered shareholders may be contacted by Kingsdale to conveniently obtain voting instructions directly over the telephone. Broadridge then tabulates the results of all the instructions received and then provides the appropriate instructions respecting the shares to be represented at the Meeting.

## Giving your Voting Instructions

Applicable securities laws require your nominee to seek voting instructions from you in advance of the Meeting. Accordingly, you will receive or have already received from your nominee a request for voting instructions for the number of Common Shares you hold. Every nominee has its own mailing procedures and provides its own signature and return instructions, which should be carefully followed by Non-Registered Shareholders to ensure that their Common Shares are voted at the Meeting.

## Voting in Person

However, if you wish to vote in person at the Meeting, insert your own name in the space provided on the request for voting instructions provided by your nominee to appoint yourself as proxy holder and follow the instructions of your nominee. Non-Registered Shareholders who appoint themselves as proxy holders should present themselves at the Meeting to a representative of Computershare. Do not otherwise complete the request for voting instructions sent to you as you will be voting at the Meeting.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to the matters identified in the Notice and with respect to other matters which may properly come before the Meeting. At the date of this Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. If any such amendments, variations or other matters do properly come before the Meeting, it is intended that the person appointed as proxy shall vote on such other business in such manner as that person then considers proper.

## Canada

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators (“**NI 54-101**”), the Corporation has distributed copies of this Circular and the accompanying Notice together with the form of proxy (collectively, the “**Meeting Materials**”) to the clearing agencies and intermediaries for onward distribution to non-registered holders of Common Shares.

Intermediaries are required to forward the Meeting Materials to non-registered holders. Very often, intermediaries will use service companies to forward the Meeting Materials to non-registered holders. Generally, non-registered holders will either:

- a) be given a form of proxy which has already been signed by the intermediary (typically by a facsimile stamped signature), which is restricted as to the number and class of securities beneficially owned by the non-registered holder but which is not otherwise completed. Because the intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the non-registered holder when submitting the proxy. In this case, the non-registered holder who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified; or
- b) be given a form of proxy which is not signed by the intermediary and which, when properly completed and signed by the non-registered holder and returned to the intermediary or its service company, will constitute voting instructions (often called a “**Voting Instruction Form**” or “**VIF**”) which the intermediary must follow.

In either case, the purpose of this procedure is to permit non-registered holders to direct the voting of the shares they beneficially own.

## Australia

Non-registered holders in Australia hold CDIs of the Corporation, or units of beneficial ownership of the underlying Common Shares, which are registered in the name of CDN. As holders of CDIs are not the legal owners of the underlying Common Shares, CDN is entitled to vote at the Meeting at the instruction of the holders of the CDIs.

As a result, holders of CDIs can expect to receive a CDI Voting Instruction Form (“**CDI VIF**”), together with the Meeting Materials from Computershare in Australia. These CDI VIFs are to be completed and returned to Computershare in Australia in accordance with the instructions contained therein. CDN is required to follow the voting instructions properly received from holders of CDIs.

A non-registered holder of a CDI can request that CDN appoint the Non-Registered Holder (or a person nominated by the non-registered holder) as proxy to exercise the votes attaching to the underlying Common Shares represented by the CDIs. In such case, a non-registered holder of CDIs may, as proxy, attend and vote in person at the Meeting.

If you hold your interest in CDIs through an intermediary, you will need to follow the instructions of your intermediary and request that your intermediary provide a form of legal proxy which will grant you the right to attend the Meeting and vote in person.

To obtain a copy of CDN’s Financial Services Guide, go to [www.asx.com.au/cdis](http://www.asx.com.au/cdis). Phone +61 2 9338 0000 (within Australia) or +02 9227 0885 (overseas) if you would like a copy sent to you in the mail.

## Information for CDI Holders

CDI holders should note that the Corporation has been granted in-principle waivers from certain Listing Rules of the ASX. In particular, the Corporation has received an in-principle waiver from ASX Listing Rule 14.2.1 which requires that a form of proxy allow a security holder to vote for or against each resolution. Under applicable Canadian securities laws, the form of proxy to be provided must only allow security holders to vote in favour of or to withhold their vote in respect of a resolution to elect a director or in respect of appointment of auditor, but not to vote against it. The Corporation’s waiver from ASX Listing Rule 14.2.1 only applies to the extent necessary to permit it to comply with the proxy requirements under applicable Canadian securities laws and for so long as such laws prevent the Corporation from permitting Shareholders to vote against a resolution to elect a director or appoint an auditor.

The Corporation has also received an in-principle waiver from ASX Listing Rule 14.3 to the extent necessary to permit the Corporation to accept nominations for the election of directors in accordance with Canadian securities laws. Under ASX Listing Rule 14.3, an ASX listed entity must accept nominations for the election of directors up to 35 business days (in the case of a meeting that security holders have requested directors to call, 30 business days) before the date of the meeting at which directors may be elected, unless the entity’s constitution provides otherwise. Section 137 of the *Business Corporations Act* (Canada) provides a mechanism for shareholders to submit proposals for consideration at an annual meeting, including nominations for election of directors, up to 90 days prior to the anniversary date of the previous annual meeting. If the proposal includes a nomination for election, the proposal must be signed by one or more holders of shares representing an aggregate of not less than 5% of the voting shares.



## 5. INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Except as otherwise disclosed herein, no person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, nor any Nominee (as defined below), nor any of the associates or affiliates of the foregoing persons, has a material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors or the appointment of auditors.

## 6. VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

### Share Capital

The Corporation's authorized share capital currently consists of an unlimited number of Common Shares of which 536,727,732 were issued and outstanding as of the Record Date. Each Common Share entitles the holder thereof to one vote at all meetings of Shareholders of the Corporation, including the Meeting.

### Principal Shareholders

As of the date of this Circular, to the knowledge of the directors and executive officers of the Corporation, no person or company beneficially owns, or exercises control or direction over, directly or indirectly, more than 10% of the voting rights attached to the Common Shares, except as set forth below:

Name of Shareholder	# of Common Shares held	% of Common Shares Outstanding
Tablo Corporation	103,281,500	19.24% <sup>(1)</sup>
Van Eck Associates Corporation	71,620,412	13.34% <sup>(2)</sup>

(1) According to a report filed on the System for Electronic Disclosure by Insiders (SEDI) dated December 29, 2016.

(2) According to Alternative Monthly Report filed under Part 4 of NI 62-103 on SEDAR dated March 8, 2017.

## 7. PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING

1. **Presentation of Audited Financial Statements**
2. **Election of Directors**
3. **Appoint the Auditors**
4. **Re-approval of the Stock Option Plan**
5. **Approval of the Share Consolidation**

### Audited Financial Statements

The audited comparative consolidated financial statements of the Corporation for the fiscal period ended December 31, 2016, and the report of the auditors thereon will be placed before the Meeting. Receipt at the Meeting of the audited comparative consolidated financial statements of the Corporation for the fiscal year ended December 31, 2016 will not constitute approval or disapproval of any matters referred to therein. No vote will be taken on the financial statements. These financial statements are included in the Corporation's 2016 Annual Report which can be accessed on the Corporation's website at [www.terangagold.com](http://www.terangagold.com) and are also available at [www.sedar.com](http://www.sedar.com).

Pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators ("**NI 51-102**") and NI 54-101, a person or corporation who in the future wishes to receive annual and interim financial statements from the Corporation must deliver a written request for such material to the Corporation. Shareholders who wish to receive annual and interim financial statements are encouraged to complete the appropriate section at the bottom of the form of proxy and send it to Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Canada, Attention: Proxy Department.

### Election of Directors

Our articles and by-laws provide that the maximum number of directors of the Corporation shall be ten. The Board is authorized to set the number of directors to be elected at a meeting of Shareholders and passed a resolution on March 29, 2017 to the effect that nine directors are to be elected. At the Meeting, Shareholders will be asked to elect the nine directors proposed by management (the "**Nominees**") all of whom currently serve on the Board.

The following table provides the names of the Nominees and information concerning them. Disclosure on "Securities Held" is as of the date of this Circular. The persons named in the enclosed form of proxy entitled to vote at the Meeting intend to vote for the election of the Nominees. Management does not contemplate that any of the Nominees will be unable to serve as a director. Each director elected

will hold office until his or her successor is elected at the next annual meeting of the Corporation, or any adjournment or postponement thereof, or until his or her successor is otherwise elected or appointed.

Amendments to the Corporation's Corporate Governance Guidelines in 2016 require Board members who intend to resign or not to stand for re-election to provide the Board with a letter of resignation. No such resignations have been provided and all of the Nominees herein have confirmed their willingness to stand for re-election.

If any of the Nominees is for any reason unavailable to serve as a director, proxies in favour of management will be voted for another nominee in their discretion unless the Shareholder has specified in the proxy that his or her Common Shares are to be withheld from voting in the election of directors.

#### Nominee Biographies

The following are brief biographies of the Nominees:



**Alan R. Hill, 74**  
**Chairman**  
 Toronto, Ontario, Canada  
 Director since October 2010  
 Non-Independent  
 (Formerly Executive Chairman and CEO of Teranga)

Mr. Hill joined Teranga as its Executive Chairman and CEO on December 3, 2010. On April 30, 2014 Mr. Hill transitioned from Executive Chairman to Non-Executive Chairman of Teranga. Mr. Hill served as a director of Gold Fields Ltd from 2009 to 2016. Mr. Hill served as President and CEO of Gabriel Resources Ltd. ("Gabriel") from 2005 to 2009. Prior to leading Gabriel, Mr. Hill served as Non-Executive Chairman of Alamos Gold Inc. from 2005 through 2007. Prior to that, Mr. Hill spent 20 years at Barrick Gold Corporation ("Barrick"), where as Executive Vice President, Development, he oversaw project evaluations, acquisitions and development of many of Barrick's major mines in North America, South America, Africa and Australia. Mr. Hill holds undergraduate and graduate degrees in mining engineering and a post graduate degree in rock mechanics from Leeds University in the U.K.

Areas of Expertise: Metals and Mining, Mine Engineering, International Business

#### **SECURITIES HELD**

Common Shares	2,156,000		
Deferred Share Units	731,667		
Stock Options	<i>Granted</i> 2,200,000	<i>Vested</i> 2,200,000	<i>Exercise Price</i> \$3.00

<b>MEMBER</b>	<b>ATTENDANCE (2016)</b>	<b>OTHER PUBLIC BOARDS DURING PAST FIVE YEARS</b>
Board of Directors	15 of 15	NuLegacy Gold Corporation (2016 to present) Gold Fields Ltd. (2009 to 2016)
Committees:		
Technical	4 of 4	
Risk (Chair)	1 of 1	



**Richard S. Young, 53**  
Oakville, Ontario Canada  
Director since October 2010

Non-Independent  
(President and CEO of Teranga)

Mr. Young joined Teranga as its President and CFO on December 3, 2010 and was appointed as CEO on September 6, 2012. Mr. Young served as Vice President and CFO of Gabriel Resources Ltd. from May 2005 to March 2010. Prior to Gabriel, Mr. Young served in a series of positions of increasing responsibility at Barrick Gold Corporation over a 13-year period rising from positions in the finance group, mine operations and development — primarily the Goldstrike and the Pierina projects — before becoming Vice President, Investor Relations. A Chartered Professional Accountant/CA, Mr. Young is a graduate of the University of Western Ontario and has a graduate diploma in public accountancy from McGill University.

Areas of Expertise: Finance and Accounting, Metals and Mining, International Business

#### SECURITIES HELD

Common Shares	878,030
Restricted Share Units (outstanding as at March 20, 2017)	1,113,079

	<i>Granted</i>	<i>Vested</i>	<i>Exercise Price</i>
Stock Options	2,000,000	2,000,000	\$3.00
	750,000	458,326	\$0.64
	450,000	125,000	\$0.67
	725,000	NIL	\$0.83

MEMBER	ATTENDANCE (2016)	OTHER PUBLIC BOARDS DURING PAST FIVE YEARS
Board of Directors	15 of 15	Nil



**Christopher R. Lattanzi, 80**  
Toronto, Ontario Canada  
Director since October 2010

Independent

Mr. Lattanzi is currently a director of Argonaut Gold Inc. and Spanish Mountain Gold Ltd. Mr. Lattanzi is an associate consultant for Micon International Limited ("**Micon**"). He was the founding member of Micon in 1988 and served as its president from formation until mid-2005. Mr. Lattanzi was appointed a director of Meridian Gold Inc. ("**Meridian**") in 1999 and from mid-2004 until December 2006 he was the chairman of the board of Meridian. Mr. Lattanzi holds a B.Eng. (Mining) from Melbourne University. He has worked within the mineral industry for more than 50 years.

Areas of Expertise: Metals and Mining (Technical), International Business

#### SECURITIES HELD

Common Shares	70,000
Deferred Share Units	335,556

	<i>Granted</i>	<i>Vested</i>	<i>Exercise Price</i>
Stock Options	375,000	375,000	\$3.00

MEMBER	ATTENDANCE (2016)	OTHER PUBLIC BOARDS DURING PAST FIVE YEARS
Board of Directors	15 of 15	Argonaut Gold Inc. (2009 to present) Spanish Mountain Gold Ltd. (2008 to present)
Committees:		
Technical (Chair)	4 of 4	
Audit	4 of 4	
Risk	1 of 1	



**Jendayi E. Frazer, 55**  
Alexandria, Virginia, USA  
Director since March 2014  
Independent

Dr. Frazer is President and CEO of 50 Ventures, LLC, a strategic consulting and investment firm focused on Africa. She is also Managing Partner of Africa Exchange Holdings, Ltd., a private sector initiative to build Africa's equity and commodity markets. She serves as Chairman of the Board of the East Africa Exchange, Ltd. Dr. Frazer was a Distinguished Public Service Professor at Carnegie Mellon University, where she was on faculty at the Heinz College School of Public Policy and Management and in the Department of Social and Decision Sciences. She was also the Director of Carnegie Mellon University's Center for International Policy and Innovation and is an Adjunct Senior Fellow for Africa Studies at the Council on Foreign Relations where she chaired the "Africa After 50" high-level roundtable series. Dr. Frazer was the first woman U.S. Ambassador to South Africa from 2004 through 2005 and thereafter served as the U.S. Assistant Secretary of State for African Affairs to President Bush and Senior Director for African Affairs at the National Security Council from 2005 to January 2009. Dr. Frazer received her B.A. in Political Science and African and Afro-American Studies, M.A. degrees in International Policy Studies and International Development Education, and a Ph.D. in Political Science, all from Stanford University.

Areas of Expertise: International Development, Finance and Capital Markets, Government Relations

#### SECURITIES HELD

Common Shares	Nil
Deferred Share Units	365,833
Stock Options	Nil

#### MEMBER

#### ATTENDANCE (2016)

#### OTHER PUBLIC BOARDS DURING PAST FIVE YEARS

Board of Directors	14 of 15	Nil
Committees:		
Corporate Social Responsibility (Chair)	1 of 1	
Corporate Governance	4 of 4	



**Edward Goldenberg, 68**  
Ottawa, Ontario Canada  
Director since July 2013  
Non-Independent

Mr. Goldenberg is a senior partner at the law firm of Bennett Jones LLP where he has a corporate practice, advising clients on governance issues, public policy and government relations. Mr. Goldenberg has a distinguished background working with the Government of Canada, having been the Senior Policy Advisor to the Prime Minister of Canada (1993-2003) and the Prime Minister's Chief of Staff (2003). Prior to these roles, Mr. Goldenberg acted in various capacities in the federal government, including in all the major economic departments and as General Constitutional Advisor to the Minister of Justice (1980-1982). In 2013, Mr. Goldenberg was named as a Member of the Order of Canada "for his contributions to public policy in Canada". He is one of the authors of the Charter of Rights and Freedoms. Mr. Goldenberg was awarded an Honourary Doctorate of Laws from McGill University in 2004. Mr. Goldenberg holds a BA, MA and BCL from McGill University and also studied at the Institut d'Études Politiques de Paris (France).

Areas of Expertise: Legal, Government Relations, International Business

#### SECURITIES HELD

Common Shares	100,000
Deferred Share Units	365,833
Stock Options	Nil

#### MEMBER

#### ATTENDANCE (2016)

#### OTHER PUBLIC BOARDS DURING PAST FIVE YEARS

Board of Directors	15 of 15	Nil
Committees:		
Technical	4 of 4	
Corporate Governance	4 of 4	
Corporate Social Responsibility	1 of 1	



**David J. Mimran, 50**  
Abidjan, Cote D'Ivoire  
Director since October 2015  
Independent

Mr. Mimran is currently CEO of Grands Moulins d'Abidjan and Grands Moulins de Dakar, one of the largest producers of flour and agri-food in West Africa. Mr. Mimran is also head of Tablo Corporation, the largest shareholder of Teranga, Miminvest SA, and Mimran Natural Resources, all established as investment vehicles into West Africa's natural resource sector by the Mimran Group, a family conglomerate with a history of successful business operations in Africa and Europe. Mr. Mimran is currently on the Board of Trustees at Mount Sinai Hospital in New York City. In addition, Mr. Mimran acts as Special Advisor to the Government of the Republic of Ivory Coast where he has led negotiations with the International Monetary Fund, the World Bank, the European Union, and the Government of the Republic of France. Previously, Mr. Mimran was Vice Chairman and founding partner of Breeden Partners, L.P. from 2006 to 2012, a U.S. based investment firm.

#### SECURITIES HELD

Common Shares	103,281,500
Deferred Share Units	175,000
Stock Options	Nil

Areas of Expertise: International Development, Finance and Capital Markets, Government Relations

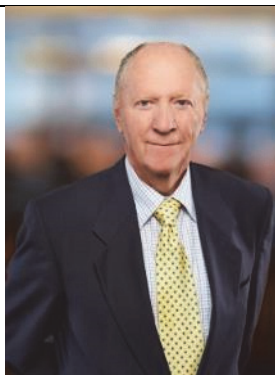
MEMBER	ATTENDANCE (2016)	OTHER PUBLIC BOARDS DURING PAST FIVE YEARS
--------	-------------------	--

Board of Directors	14 of 15	Avenira Limited (2016 to present)
--------------------	----------	-----------------------------------

Committees:

Finance	1 of 2 <sup>(1)</sup>
Corporate Social Responsibility	

(1) Mr. Mimran was unable to attend one committee meeting due to illness and there were no meetings of the CSR Committee post his appointment.



**Alan R. Thomas, 74**  
Toronto, Ontario Canada  
Director since October 2010  
Independent

Mr. Thomas has been the Chief Financial Officer of Labrador Iron Ore Royalty Corporation (formerly Labrador Iron Ore Trust) since 2006. Mr. Thomas served on the board of directors of Labrador Iron Ore Royalty Corporation from 2004 to 2016. Mr. Thomas served on the board of directors of Gabriel Resources Ltd. from June 2006 until June 2010. Mr. Thomas is a Chartered Professional Accountant/CA and graduate of the University of Toronto.

Areas of Expertise: Finance and Accounting, Metals and Mining, International Business

#### SECURITIES HELD

Common Shares	10,000		
Deferred Share Units	335,556		
Stock Options	<i>Granted</i>	<i>Vested</i>	<i>Exercise Price</i>
	375,000	375,000	\$3.00

MEMBER	ATTENDANCE (2016)	OTHER PUBLIC BOARDS DURING PAST FIVE YEARS
--------	-------------------	--

Board of Directors	15 of 15	Labrador Iron Ore Royalty Corporation (2004 to 2016)
--------------------	----------	--

Committees:

Audit (Chair)	4 of 4
Compensation	7 of 7
Risk	1 of 1





**Frank D. Wheatley, 58**  
North Vancouver, British  
Columbia, Canada  
Director since October 2010  
  
Independent

Mr. Wheatley is the CEO of Yellowhead Mining Inc., a position he has held since July 1, 2013. Prior to that, Mr. Wheatley was the Executive Director — Corporate Affairs and Strategy of Talison Lithium Limited, from January 2010 until March 31, 2013 when it was acquired by Chengdu Tianqi Industry (Group) Co. Mr. Wheatley has 30 years' experience as a director and senior officer of, and legal counsel to, a number of Canadian public mining companies and has extensive legal and business experience in the mineral industry, particularly in the areas of public financing, project debt financing, permitting of large scale mining projects, and strategic mergers and acquisitions in the international minerals industry. Mr. Wheatley received his Bachelor of Commerce and LL.B. degrees from the University of British Columbia.

Areas of Expertise: Legal, International Finance and Capital Markets, Metals and Mining, International Business

#### SECURITIES HELD

Common Shares	Nil		
Deferred Share Units	335,556		
Stock Options	<i>Granted</i> 375,000	<i>Vested</i> 375,000	<i>Exercise Price</i> \$3.00

MEMBER	ATTENDANCE (2016)	OTHER PUBLIC BOARDS DURING PAST FIVE YEARS
Board of Directors	15 of 15	Yellowhead Mining Inc. (2013 to 2014) Talison Lithium Limited (2010 to 2013)
Committees:		Galileo Petroleum Ltd. (2004 to 2012) Lithic Resources Ltd. (2002 to 2012) Selwyn Resources Ltd. (2013 to 2014)
Compensation (Chair)	7 of 7	
Corporate Governance (Chair)	4 of 4	
Finance	4 of 4	



**William J. Biggar, 64**  
Toronto, Ontario Canada  
Director since June 2016  
  
Independent

Mr. Biggar is a corporate director who has previously held senior executive positions in the mining, real estate and investment industries. From 2008 to 2012, Mr. Biggar was President and Chief Executive Officer of TSX-listing mining company North American Palladium Ltd. Prior to that, he was Managing Director of private equity investor Richardson Capital Ltd. from 2004 to 2007, and President and Chief Executive Officer of TSX/NYSE listed Granite REIT from 2003 to 2004. Mr. Biggar has also held senior executive positions with Magna International Inc. and Barrick Gold Corporation, and Managing Director positions (with a particular emphasis on mergers and acquisitions) at Merrill Lynch Canada and UBS Securities. Mr. Biggar has served on the board of a number of public and private companies and is currently on the board of TSX-listed Milestone Apartments REIT and True North Commercial REIT. Mr. Biggar is a CPA, CA and holds Bachelor of Commerce and Master of Business Administration degrees from the University of Toronto.

Areas of Expertise: International Finance and Capital Markets, Metals and Mining, Real Estate

#### SECURITIES HELD

Common Shares	100,000
Deferred Share Units	175,000
Stock Options	Nil

MEMBER	ATTENDANCE (2016)	OTHER PUBLIC BOARDS DURING PAST FIVE YEARS
Board of Directors	8 of 8	Milestone Apartments Real Estate Investment Trust (2013-present) True North Commercial Real Estate Investment Trust (2012-present)
Committees:		Primaris Retail Real Estate Investment Trust (2003-2013) North American Palladium Ltd. (2008-2012) Silver Bear Resources Inc. (2007-2012)
Finance (Chair)	2 of 2	
Compensation	3 of 3	
Audit	2 of 2	

## Board of Directors Skills Matrix

Below is a matrix of the relevant skill sets the Board uses as its selection criteria for new directors and reflects the skill sets represented among the Nominees.

Skills and Experience	Alan R. Hill	Richard S. Young	Christopher R. Lattanzi	Jendayi E. Frazer	Edward Goldenberg	David J. Mimran <sup>(3)</sup>	Alan R. Thomas	Frank D. Wheatley	William J. Biggar
Senior Executive <sup>(1)</sup>	✓	✓					✓	✓	✓
Other Directorships <sup>(2)</sup>	✓		✓	✓			✓	✓	✓
Legal Expertise					✓			✓	
Technical Expertise	✓		✓						
Capital Markets	✓	✓				✓	✓	✓	✓
Government Relations/Political Experience				✓	✓	✓			
Financial/Accounting Expertise		✓					✓		✓
Mining Industry Experience	✓	✓	✓		✓		✓	✓	✓
Environment/Sustainable Development	✓	✓		✓				✓	
African Experience	✓	✓	✓	✓	✓	✓			

(1) Served as a senior officer of another major public company.

(2) Served as a director of another major organization (public, private or non-profit).

(3) Mr. Mimran is the controlling shareholder of Tablo Corporation, the largest shareholder of Teranga.

### Corporate Cease Trade Orders or Bankruptcies

Except as set out below, to the best of the Corporation's knowledge, information and belief, no Nominee, is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation), that:

- was subject to an order that was issued while the Nominee was acting in the capacity as director, chief executive officer or chief financial officer; or
- was subject to an order that was issued after the Nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that Nominee was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of the above paragraph, "order" means a cease trade order, an order similar to a cease trade order; or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

Except as set out below, to the best of the Corporation's knowledge, information and belief, no Nominee:

- is, as at the date of this Circular, or has been within the 10 years before the date of this Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets; or
- has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the Nominee.

Mr. Wheatley, was a director of Constellation Copper Corporation ("**Constellation**") from June 1999 to December 23, 2008. On November 14, 2007, Constellation and management were issued a management cease trade order for failure to file interim financial statements and management discussion and analysis for the period ended September 30, 2007 within the prescribed time period due to an impairment review of the Lisbon Valley mine. This order was rescinded on January 16, 2008 following the filing of the required documents. In November, 2008, Constellation and its management applied for a management cease trade order and on January 14, 2009, Constellation was issued a cease trade order for failure to file interim unaudited financial statements and management discussion and analysis for the period ended September 30, 2008. On December 23, 2008, Constellation announced that it filed an assignment into bankruptcy under the *Bankruptcy and Insolvency Act* (Canada).

## Penalties or Sanctions

To the best of the Corporation's knowledge, information and belief, no Nominee has been subject to:

- a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a Nominee.

## Personal Bankruptcies

To the best of the Corporation's knowledge, information and belief, none of the Nominees has individually, within the 10 years prior to the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets.

## Indemnification and Insurance

The by-laws of the Corporation provide an indemnity to the directors and officers of the Corporation in certain circumstances. In addition, the Corporation has a director and officer insurance program in place along with indemnification agreements with each of its directors and officers. The indemnification agreements generally require that the Corporation indemnify and hold the indemnitees harmless to the greatest extent permitted by applicable law for liabilities arising out of the indemnitees' service to the Corporation as directors and officers, if the indemnitees acted honestly and in good faith with a view to the best interests of the Corporation and, with respect to criminal and administrative actions or proceedings, if the indemnitee had reasonable grounds for believing that his or her conduct was lawful. The indemnification agreements also provide that the Corporation advance defence expenses to the indemnitees.

## Director Compensation

In 2016, non-executive directors of the Corporation received an annual cash retainer of \$40,000 other than the Chairman of the Board who received an annual retainer of \$100,000. The chair of the Audit Committee receives a further annual cash retainer of \$20,000, and the chair of each other committee of the Board receives a further annual cash retainer of \$12,500. The lead independent director of the Corporation is entitled to receive a further annual cash retainer of \$12,500. Each non-executive member of the Board receives a fee of \$1,500 for each Board meeting attended and a further \$1,400 for each committee meeting they attend. Directors are also reimbursed for their out-of-pocket expenses incurred in connection with rendering services to the Corporation.

## **Option-Based Compensation**

Prior to the Corporation's initial public offering in December 2010 (the "**IPO**"), each of the non-executive directors were awarded an initial grant of 300,000 stock options ("**Stock Options**" or "**Options**") to purchase Common Shares under the Corporation's incentive stock option plan (the "**Stock Option Plan**") at an exercise price of \$3.00, which was equal to the IPO price for Common Shares and in accordance with the Stock Option Plan. In addition, each such non-executive director was intended to receive a further annual grant of 75,000 Options in each of the following three years. In 2012, the first of these annual grants of 75,000 Options was awarded, again at an exercise price of \$3.00. All such Options vested on an equal 36-month basis from the date of grant and had a 10-year term. In 2013, the Board decided not to provide such annual Option awards to the non-executive directors based on a consideration of a number of factors including corporate performance the prior year and evolving compensation practices for directors of Canadian public companies. In 2014, the Board amended its compensation philosophy with respect to non-executive directors and adopted a deferred share unit plan (described below). In lieu of additional Option grants, an initial allotment of deferred share units to each non-executive director was made in 2014 and additional grants have followed in each year since. No Options have been granted to any non-executive director of the Board since 2012.

## **Share-based Compensation**

The Corporation adopted a deferred share unit plan (the "**DSU Plan**") on March 24, 2014 to provide non-executive directors of the Corporation and its affiliates (collectively, "**Designated Directors**") with the opportunity to acquire deferred share units ("**DSUs**") in order to allow them to participate in the long-term success of the Corporation and to promote a greater alignment of interests between directors and Shareholders. DSUs represent a right to receive an amount of cash (subject to applicable withholdings), on ceasing to be a Designated Director, equal to the product of (i) the number of DSUs held by such Designated Director, and (ii) the volume weighted average trading price of a Common Share on the TSX for the five trading days prior to such date (the "**Market Price**").

Pursuant to the DSU Plan, Designated Directors may elect to receive all or part of their annual retainer, meeting fees and additional compensation, which compensation is paid quarterly, in DSUs. Elections are irrevocable for the period in respect of which they are made. In addition, the Board may, from time to time, make discretionary awards of DSUs to Designated Directors. DSUs do not entitle a Designated Director to any voting or other rights as a Shareholder.



DSUs are credited quarterly to each participating Designated Director's account and are determined by dividing the amount the Designated Director elects to receive in DSUs by the Market Price at such time. Additional DSUs are automatically credited to a Designated Director's DSU account if and when the Corporation pays a distribution to Shareholders. The additional DSUs to be credited are calculated by multiplying the number of DSUs in the Designated Director's account at the time such distribution is paid by the amount of the distribution, and then dividing that amount by the Market Price when the distribution is paid.

#### *Outstanding Option-Based and Share-Based Awards*

The following table sets forth details of all Options and DSUs provided to non-executive directors of the Board as at December 31, 2016. For simplicity, the exercise price of Options awarded is stated in Canadian dollars as the Common Shares are traded in Canadian dollars on the TSX. All other figures are in US dollars at the exchange rate indicated.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (C\$)	Option expiration date	Value of unexercised in-the-money options (US\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#) <sup>(2)</sup>	Market or payout value <sup>(3)</sup> of share-based awards that have not vested (US\$)	Market or payout value <sup>(3)</sup> of vested share-based awards not paid out or distributed (US\$)
Alan R. Hill	2,000,000	3.00	26-Nov-2020	Nil	37,500	22,875	301,442
	200,000	3.00	20-Jan-2021	Nil			
Christopher R. Lattanzi	300,000	3.00	26-Nov-2020	Nil	18,750	11,438	132,251
	75,000	3.00	20-Jan-2021	Nil			
Jendayi E. Frazer	Nil	N/A	N/A	N/A	18,750	11,438	150,721
Edward Goldenberg	Nil	N/A	N/A	N/A	18,750	11,438	150,721
David J. Mimran	Nil	N/A	N/A	N/A	18,750	11,438	34,313
Alan R. Thomas	300,000	3.00	26-Nov-2020	Nil	18,750	11,438	132,251
	75,000	3.00	20-Jan-2021	Nil			
Frank D. Wheatley	300,000	3.00	26-Nov-2020	Nil	18,750	11,438	132,251
	75,000	3.00	20-Jan-2021	Nil			
William J. Biggar	Nil	N/A	N/A	N/A	22,500	13,725	32,025
Total	3,325,000			Nil	172,500	105,225	1,065,975

(1) Based on the closing price for the Common Shares on the TSX of C\$0.82 on December 31, 2016.

(2) DSU awards vest one year after the date of grant unless they are issued to a director in lieu of a cash payment for annual retainer and meeting fees, in which case they vest on a quarterly basis. On a change of control event, DSUs do not automatically vest but may do so at the discretion of the Board. For the purposes of this disclosure, partial vesting of DSUs between date of grant and December 31, 2016 have been factored in.

(3) Market or payout value of share-based awards (DSUs) is based on a per unit value of US\$0.61, which is the closing price of Common Shares on the TSX on December 31, 2016 (C\$0.82) converted into US\$ at the exchange rate of C\$ 1.00 = US\$ 0.74 as of that date

*Incentive Plan Awards – Value Vested or Earned during the year ending December 31, 2016*

All figures are in US dollars.

Name	Option-based awards – Value vested (US\$) <sup>(1)</sup>	Share-based awards – Value vested (US\$) <sup>(2)</sup>	Non-equity incentive plan compensation – Value earned (US\$) <sup>(3)</sup>
Alan R. Hill	Nil	112,873	N/A
Christopher R. Lattanzi	Nil	56,436	N/A
Jendayi E. Frazer	Nil	56,436	N/A
Edward Goldenberg	Nil	56,436	N/A
David J. Mimran	Nil	39,071	N/A
Alan R. Thomas	Nil	56,436	N/A
Frank D. Wheatley	Nil	56,436	N/A
William J. Biggar	Nil	36,467	N/A

(1) The value of option-based awards (Options) is determined by the number of Options vested during the year multiplied by Black-Scholes value of the Options as at the date.

(2) The value of Share-based awards (DSUs) is determined by the number of DSUs that vested during the year multiplied by the average closing price of Common Shares over the year (\$C0.92) converted into US\$ using the average exchange rate for 2016 which was C\$1.00 = US\$0.755 for a per unit value of US\$0.69.

(3) The Corporation does not offer any such non-equity incentive compensation plan other than as disclosed herein.

### Director Compensation Summary

The following table provides information regarding compensation earned by the Corporation's non-executive directors for the period from January 1, 2016 to December 31, 2016. All figures are in United States dollars.

Name	Annual Board Retainer (US\$) <sup>(1)</sup>	Committee Chair/Lead Independent Director Retainer (US\$)	Board Meeting Fees (US\$)	Committee Meeting Fees (US\$)	Professional Service Fees (US\$)	Option Based Awards (US\$)	Non-Equity Based Awards <sup>(2)</sup> (US\$)	TOTAL Compensation (US\$)
Alan R. Hill (Chairman)	75,460	3,541	16,979	9,659	81,497 <sup>(3)</sup>	0	103,846	290,981
Christopher R. Lattanzi	30,184	18,865 <sup>(4)</sup>	16,979	15,998	0	0	51,923	133,948
Jendayi E. Frazer	30,184	9,433 <sup>(5)</sup>	15,847	5,282	0	0	51,923	112,668
Edward Goldenberg	30,184	0	16,979	10,715	13,538 <sup>(6)</sup>	0	51,923	123,338
David Mimran	30,184	0	15,847	1,056	0	0	51,923	99,010
Alan R. Thomas	30,184	19,808 <sup>(7)</sup>	16,979	21,280	0	0	51,923	140,173
Frank D. Wheatley	30,184	18,865 <sup>(8)</sup>	16,979	20,223	0	0	51,923	138,173
William J. Biggar <sup>(9)</sup>	18,865	4,716	9,055	9,659	0	0	51,923	94,218
<b>Total</b>	<b>275,429</b>	<b>75,228</b>	<b>125,641</b>	<b>93,872</b>	<b>95,035</b>		<b>467,307</b>	<b>1,132,508</b>

(1) The Board set the annual retainer for non-executive directors at C\$40,000 and C\$100,000 for the Chairman in 2014 and did not change these amounts in 2016.

(2) Non-Equity Based Awards refer to DSUs awarded under the DSU Plan. All DSUs vest one year from the date of grant but only become exercisable and payable upon ceasing to be a member of the Board. The value of such awards (DSUs) is determined by the number of DSUs that vested during the year, including partial vesting of DSUs between date of grant and December 31, 2016 multiplied by the average closing price of Common Shares over the year (C\$0.92) converted into US\$ using the average exchange rate for 2016 which was C\$1.00 = US\$0.755 for a per unit value of \$0.69.

(3) Professional services fees relate to consultancy services provided by Mr. Hill to the Corporation following Mr. Hill's transition from Executive Chairman to Non-Executive Chairman on April 30, 2014.

(4) Retainer to Mr. Lattanzi is as lead independent director and Chair of the Technical & Safety Committee.

(5) Retainer to Ms. Frazer is as Chair of the Corporate Social Responsibility Committee.

(6) Mr. Goldenberg's professional services fees relate to legal and political advisory work provided by Mr. Goldenberg through Bennett Jones LLP, a law firm in which Mr. Goldenberg has been a partner since November 2007.

(7) Retainer to Mr. Thomas includes C\$20,000 as Chair of the Audit Committee and C\$12,500 as Chair of the Finance Committee.

(8) Retainer to Mr. Wheatley includes C\$12,500 as Chair of the Corporate Governance Committee and C\$12,500 as Chair of the Compensation Committee.

(9) Retainer to Mr. Biggar pro-rated from date of his appointment to the Board on June 7, 2016. As of the third quarter of 2016, Mr. Biggar has served as Chair of the Finance Committee.

The Board recommends that Shareholders vote in favour of the election of the Nominees.

**UNLESS SUCH AUTHORITY IS WITHHELD, THE PERSONS NAMED IN THE ACCOMPANYING PROXY WILL VOTE FOR THE NOMINEES.**

### Appointment of External Auditors

The Board, on recommendation from the Audit Committee, recommends the re-appointment of the Corporation's existing auditors, Ernst & Young LLP, Chartered Accountants ("E&Y") as Teranga's independent auditors until the next annual meeting of Shareholders at the remuneration to be determined by the Board.

The resolution appointing the auditors must be passed by a simple majority of the votes cast with respect to the resolution by Shareholders present in person or by proxy at the Meeting. E&Y was first appointed as the Corporation's auditor on April 12, 2013.

The following table sets forth the aggregate fees billed by E&Y to the Corporation for the 2015 and 2016 fiscal years:

<b>Financial Period</b>	<b>Audit Fees<sup>(1)</sup> (\$)</b>	<b>Audit-Related Fees<sup>(2)</sup> (\$)</b>	<b>Tax Fees<sup>(3)</sup> (\$)</b>	<b>All Other Fees (\$)</b>
January 1, 2016 to December 31, 2016	607,000	34,000	Nil	Nil
January 1, 2015 to December 31, 2015	395,000	163,000	Nil	Nil

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Corporation's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

**UNLESS SUCH AUTHORITY IS WITHHELD, THE PERSONS NAMED IN THE ACCOMPANYING PROXY WILL VOTE FOR THE RE-APPOINTMENT OF E&Y AS THE CORPORATION'S EXTERNAL AUDITORS AND TO AUTHORIZE THE BOARD TO FIX THEIR REMUNERATION.**

### Re-approval of the Stock Option Plan

#### *Background of the Stock Option Plan and the Proposed Amendments*

To provide a long-term component to the executive compensation program of the Corporation, directors and certain officers, employees and consultants of Teranga and/or its subsidiaries participate in the Corporation's incentive stock option plan (the "**Stock Option Plan**") dated as of November 26, 2010, as amended, which was approved by the Board prior to closing of the initial public offering ("**IPO**") on December 7, 2010.

Teranga's Compensation Committee is responsible for making recommendations to the Board regarding the granting of Options to participants under the Stock Option Plan. The duties, responsibilities and contributions of participants to the success of Teranga and its subsidiaries, together with market compensation data, are taken into account when the Compensation Committee and the Board determines whether, and how many, new Options grants should be made. The granting of Options is subject to the terms and conditions contained in the Stock Option Plan and any additional terms and conditions fixed by the Board at the time of the grant. The Board sets the exercise price of the Options, but under no circumstances can such exercise price be less than the weighted average trading price per Common Share on the TSX for the five trading days preceding the date of the grant. The Corporation does not provide any financial assistance to participants under the Stock Option Plan to purchase Options under the Stock Option Plan.

The Compensation Committee believes that long-term incentives in the form of Options, with vesting provisions, play an important part in aligning the interests of directors, officers, employees and consultants with those of Shareholders and in preserving cash for project development and attracting and motivating new directors, officers, employees and consultants in a competitive market environment.

On March 29, 2017, the Board, on recommendation of the Compensation Committee, approved two amendments to the Stock Option Plan. The first change involves the reduction of the maximum exercise period for any Options granted under the Stock Option Plan from ten (10) to six (6) years. The second change reduces the number of Common Shares issuable under the Stock Option Plan from a rolling 10% of issued and outstanding Common Shares to a new 9% rolling maximum amount. The Board believes these changes will not impact the long-term incentive nature of the program nor its alignment with the interests of Teranga shareholders. However, the changes do reflect an emerging trend in compensation practices for such incentive programs to limit their overall potential dilutive impact as well as reduce their potential tenure.

### *Common Shares Available for Issuance upon Exercise of Stock Options*

As of the date hereof, the Stock Option Plan is a “rolling 10%” plan, which means that at any point in time Teranga is authorized to issue that number of Options which is equal to 10% of its then currently issued and outstanding number of Common Shares. Under the terms of the Stock Option Plan, any Common Shares underlying Options (the “**Underlying Shares**”) which are cancelled or terminated for any reason without having been exercised, as well as Underlying Shares which have been exercised, will be available for future grant under the Stock Option Plan.

As of the date hereof, an aggregate of 536,727,732 Common Shares are issued and outstanding, therefore the maximum number of Options issuable by the Corporation is 53,672,773 Options. As of the date hereof an aggregate of 22,936,308 Options (representing approximately 4.27% of currently issued and outstanding Common Shares) are outstanding. For the period from May 1, 2014 (being the date of the annual and special meeting of Shareholders at which the Stock Option Plan was last approved by Shareholders) to the date hereof, Options have been exercised for a total of 261,164 Common Shares. If the Stock Option Plan is re-approved in the manner proposed above with a maximum 9% of Common Shares reserved for issuance as Options, then based on Options currently outstanding a further 25,369,188 Options (representing approximately 4.73% of currently issued and outstanding Common Shares) would be available for issuance under the Stock Option Plan.

### *Summary of Stock Option Plan*

An Option may be exercised at a price that is fixed by the Board at the time that the Option is granted, but in no event shall it be less than the Market Price (as defined in the Stock Option Plan) and permissible under the rules of TSX and ASX. Stock options are generally granted for a term of 5 years and vest over a period of 3 years. The Board may also affix other vesting conditions to any Option at the date of grant.

Subject to certain limited exceptions, including by will or the laws of descent and distribution, Options granted under the Stock Option Plan are not transferable or assignable. As a general matter and subject to Board discretion and certain specified exceptions, if the Board service, employment or consulting relationship of a participant terminates, then vested Options held by the participant will cease to be exercisable on the earlier of the original expiry date of the Option and six (6) months after the applicable termination date and all unvested options will terminate.

The maximum number of Options issuable to insiders and their associates under the Stock Option Plan, or any other share compensation arrangement, shall not exceed a number of Common Shares which exceeds 10% of Teranga’s then currently issued and outstanding number of Common Shares (calculated on a non-diluted basis). Similarly, the maximum number of Common Shares that may be issued to insiders and their associates within any one year period pursuant to the exercise of Options granted under the Stock Option Plan, or any other share compensation arrangement, shall not exceed 10% of the Common Shares outstanding (calculated on a non-diluted basis). However, any Option granted prior to the grantee becoming an insider is excluded for the purposes of the 10% limits set out in the immediately foregoing two sentences. In addition, the Corporation must comply with the ASX Listing Rules in respect of the grant of Options under the Stock Option Plan, which includes a requirement that prior approval of Shareholders be obtained for the grant of Options to a “related party” (which includes directors of the Corporation) under Chapter 10 of the ASX Listing Rules.

Under the terms of the Stock Option Plan, grants of Options to non-executive directors may not exceed an equity value of \$100,000 to each director per year (calculated at the date of each grant based on the Market Price multiplied by the number of Options granted) and grants of Options, together with grants or awards under all other security-based compensation arrangements of the Corporation to non-executive Directors, may not exceed an equity value of \$150,000 per Director per year.

Notwithstanding any other provision of the Stock Option Plan, if the expiry date of any vested Option ceases falls on, or within nine business days immediately following, a date upon which the participant is prohibited from exercising the Option due to a black-out period or other trading restriction imposed by the Corporation, then the expiry date of the Option shall be automatically extended to the tenth business day following the date the relevant black-out period or other trading restriction imposed by the Corporation is lifted, terminated or removed.

Subject to any applicable stock exchange rules, the Board may from time to time, in its absolute discretion and without the approval of Shareholders, make the following amendments to the Stock Option Plan or any Option: (i) amend the vesting provisions of the Stock Option Plan and any Options; (ii) amend the Stock Option Plan or an Option as necessary to comply with applicable law or the requirements of any stock exchange or any other regulatory body having authority over the Corporation, the Stock Option Plan or the Shareholders; (iii) any amendment of a “housekeeping” nature, including, without limitation, to clarify the meaning of an existing provision of the Stock Option Plan, correct or supplement any provision of the Stock Option Plan that is inconsistent with any other provision of the Stock Option Plan, correct any grammatical or typographical errors or amend the definitions in the Stock Option Plan regarding administration of the Stock Option Plan; (iv) any amendment respecting the administration of the Stock Option Plan; and (v) any other amendment that does not require the approval of Shareholders under Section 1.6(d) or the ASX Listing Rules. Shareholder approval and applicable waiver or consent by the ASX is required for the following amendments to the Plan: (i) any increase in the maximum number of Common Shares that may be issuable pursuant to Options granted (ii) under the Stock Option Plan set out in Section 1.4(c) of the Stock Option Plan; (iii) any cancellation and reissuance of Options; (iv) amendments to the category of eligible persons that may permit the introduction or reintroduction of non-executive Directors on a discretionary basis or amendments that increase limits previously imposed on non- executive Director participation set out in Section 1.4(e) of the Stock Option Plan; (v) any amendments which would permit Options granted under the Plan to be transferable or assignable other than for normal estate settlement purposes; (vi) any amendments to Section 1.6 (d) of the Stock Option Plan that would permit the Board to amend the Stock Option Plan without Shareholder

approval; (vii) any reduction in the Exercise Price or extension of the expiry date of an Option held by any participant under the Stock Option Plan; and (viii) any change that would materially modify the eligibility requirements for participation in the Stock Option Plan.

A copy of the Stock Option Plan is attached as Schedule C to this Circular.

#### *Shareholder Approval*

The policies of the TSX require that every three years the Stock Option Plan be re-approved at a meeting of the Shareholders. Therefore, the holders of Common Shares of Teranga will be asked to re-approve the Stock Option Plan at the Meeting. The text of the resolution re-approving the Stock Option Plan including the amendments to the Stock Option Plan referred to in this Circular is set out below. In order to be passed, this resolution must be approved by at least a majority of the votes cast by Shareholders represented in person or by proxy at the meeting.

#### *Recommendation of Management and the Board*

Management has recommended and the Board has determined that re-approving the Stock Option Plan including the amendments to the Stock Option Plan referred to in this Circular for an additional three years is in the best interests of Teranga and its Shareholders. Accordingly, Teranga requests that its Shareholders pass an ordinary resolution in the following terms:

“BE IT RESOLVED as an ordinary resolution that:

1. the Incentive Stock Option Plan (“Stock Option Plan”), in the form attached as Schedule C to the Management Proxy Circular of Teranga Gold Corporation (“Teranga”) dated April 3, 2017, is hereby approved and adopted as the incentive stock option plan of Teranga, and Teranga has the ability to continue granting options under the Stock Option Plan until May 1, 2020, being the date that is three (3) years from the date of the shareholder meeting at which this resolution is passed;
2. unallocated options to be granted under the Stock Option Plan are hereby approved;
3. upon the valid exercise of any options granted under the Option Plan, including the payment of the applicable exercise price, the underlying common shares in the capital of Teranga shall be issued from treasury as fully paid and non-assessable common shares of Teranga; and
4. any officer of Teranga is authorized and directed, for and on behalf of Teranga, to do, or cause to be done, all such acts and things and execute, whether under the corporate seal or otherwise, and deliver, or cause to be delivered, such other documents, agreements, certificates and statements, as any such officer may deem necessary or desirable in order to carry out the foregoing resolutions, the authority for the execution of such documents, agreements, certificates and statements and the doing of such other acts or things to be conclusively evidenced thereby.”

<b>UNLESS SUCH AUTHORITY IS WITHHELD, THE PERSONS NAMED IN THE ACCOMPANYING PROXY WILL VOTE FOR THE RE APPROVAL OF THE STOCK OPTION PLAN, AS AMENDED.</b>
---

#### **Approval of the Proposed Share Consolidation**

The Board believes, for the reasons listed below, that a consolidation of the current number of outstanding Common Shares may be of benefit to the Corporation. Shareholders are being asked to consider and, if thought fit, to pass a special resolution (the “**Consolidation Resolution**”) authorizing the Board, in its sole discretion, to consolidate the Common Shares on the basis of one (1) new Common Share for five (5) old Common Shares (the “**Consolidation**”) and to amend the Corporation’s articles accordingly. Notwithstanding approval of the Consolidation Resolution by shareholders of the Corporation, the Board may, in its sole discretion, revoke this special resolution, and abandon the Consolidation Resolution without further approval or action by or prior notice to Shareholders.

Prior to making any amendment to effect the Consolidation, the Corporation shall first be required to obtain any and all applicable regulatory and relevant stock exchange approvals.

#### *Reasons for the Consolidation*

The Consolidation may increase the trading price of the Common Shares, which the Board believes will enhance their marketability and may increase the liquidity of the Common Shares if implemented at an appropriate time. This may be important to the Corporation in the future should it wish to explore potential listings on other stock exchanges that require a minimum trading price. The Board also believes that the Consolidation could result in broader interest and demand from those institutional and other investors that have internal guidelines and policies discouraging or prohibiting investments in lower priced shares.

If the special resolution is approved by the Shareholders, the Consolidation would only be implemented, if at all, upon a determination by the Board that it is in the best interest of the Corporation and the Shareholders at that time. In connection with any determination to implement the Consolidation, the Board will set the timing for such Consolidation. In proposing share ratio in connection with the proposed Consolidation following receipt of shareholder approval, the Board has considered, among other things, factors such as:

- The historical trading prices and trading volume of the Common Shares;
- The prevailing trading price and trading volume of the Common Shares and the anticipated impact of the Consolidation on the trading market(s) for the Common Shares;
- The outlook for the trading price of the Common Shares;
- Threshold prices of brokerage firms or institutional investors that could impact their ability to invest or recommend investments in the Common Shares;
- Prevailing general market and economic conditions.

#### *Certain Risks Associated with the Consolidation*

There can be no assurance that the total market capitalization of the Common Shares of the Corporation (the aggregate value of all Common Shares at the then market price) immediately after the Consolidation will be equal to or greater than the total market capitalization immediately before the Consolidation. In addition, there can be no assurance that the per-share market price of the Common Shares following the Consolidation will remain higher than the per share market price immediately before the Consolidation or equal or exceed the direct arithmetical result of the Consolidation. In addition, a decline in the market price of the Common Shares after the Consolidation may result in a greater percentage decline than would occur in the absence of a Consolidation, and the liquidity of the Common Shares could be adversely affected. Further, there can be no assurance that, if the Consolidation is implemented, the margin terms associated with the purchase of Common Shares will improve or that the Corporation will be successful in receiving increased attention from institutional investors.

#### *Principal Effects of the Consolidation*

As at the Record Date, the Corporation had 536,727,732 Common Shares issued and outstanding. Following the completion of the proposed Consolidation, the number of Common Shares that would remain after giving effect to the consolidation would be 107,345,546.

As the Corporation currently has an unlimited number of Common Shares authorized for issuance, the Consolidation will not have any effect on the number of Common Shares that remain available for future issuances. The Common Shares reserved for issuance pursuant to the Stock Option Plan would also be consolidated on a proportionate basis. The Corporation's other share-based compensation schemes, the RSU Plan and DSU Plan (discussed below), would have all such outstanding awards similarly consolidated.

The Consolidation may result in some Shareholders owning "odd lots" of Common Shares on a post-Consolidation basis. Odd lots may be more difficult to sell, or require greater transaction costs per share to sell, than Common Shares in "board lots". Brokerage commissions and other costs of transactions in odd lots are often higher than the costs of transactions in "roundlots" of even multiples of "board lots".

The Consolidation will not give rise to a capital gain or loss under the *Income Tax Act* (Canada) for a Shareholder who holds such Common Shares as capital property. The adjusted cost base to the Shareholder of the new Common Shares immediately after the Consolidation will be equal to the aggregate adjusted cost base to the Shareholder of the old Common Shares immediately before the Consolidation.

#### *Notice of Consolidation and Letter of Transmittal*

Assuming the implementation of the Consolidation, promptly after the date the Corporation files its articles of amendment in respect of the Consolidation, the Corporation will give written notice thereof to all the Shareholders and will provide them with a form of a letter of transmittal to be used for the purpose of surrendering their certificates representing the currently outstanding Common Shares to the Corporation's registrar and transfer agent in exchange for new share certificates representing whole post-Consolidation Common Shares. After the Consolidation, current issued share certificates representing pre-Consolidation Common shares will (i) not constitute good delivery for the purposes of trades of post-Consolidation Common Shares; and (ii) be deemed for all purposes to represent the number of post-Consolidation Common Shares to which the Shareholder is entitled as a result of the Consolidation. No delivery of a new certificate to a shareholder will be made until the Shareholder has surrendered his, her or its current issued certificate(s).

Existing Common Shares held by CDN on behalf of CDI holders will be replaced with post-Consolidation Common Shares. CDI holders will receive one (1) CDI representing one (1) post-Consolidation Common Share for every five (5) CDIs held pre-Consolidation. CDI holders will receive a holding statement for the number of post-Consolidation CDIs held following completion of the Consolidation. Teranga will publically release the timetable for Consolidation when it is finalized.

#### *Fractional Shares*

No fractional Common Shares will be issued upon the Consolidation. All fractions of post-Consolidation Common Shares will be rounded down.

### *Percentage Shareholdings*

The Consolidation will not affect any Shareholder's percentage ownership in the Corporation other than by the minimal effect of eliminating fractional Common Shares, even though such ownership will be represented by a smaller number of Common Shares. Instead, the Consolidation will reduce proportionately the number of Common Shares held by all Shareholders.

### *Implementation*

The implementation of the Consolidation Resolution is subject to the Corporation obtaining the necessary regulatory consents. The Consolidation Resolution provides that the Board is authorized, in its sole discretion, to determine not to proceed with the proposed Consolidation, without further approval of the Shareholders. In particular, the Board may determine not to present the Consolidation Resolution to the Meeting or, if the Consolidation Resolution is presented to the Meeting and approved, may determine after the Meeting not to proceed with completion of the proposed Consolidation and filing of the articles of amendment.

### *Effect on Non-Registered Shareholders*

Non-registered shareholders holding their Common Shares through a bank, broker or other nominee should note that such banks, brokers or other nominees may have different procedures for processing the proposed Consolidation than those that will be put in place by the Corporation for Registered Shareholders. If you hold your Common Shares with such a bank, broker or other nominee and if you have any questions in this regard, you are encouraged to contact your nominee.

### *Vote Required and Recommendation of Board*

At the Meeting, Shareholders will be asked to pass the Consolidation Resolution. The Board unanimously recommends that shareholders vote FOR the following special resolution to approve the Consolidation:

"BE IT RESOLVED as a special resolution that:

1. The issued and outstanding common shares in the capital of the Corporation (the "Common Shares") be consolidated on the basis of one (1) new Common Share for every five (5) Common Shares presently issued and outstanding (the "Consolidation");
2. that any director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such documents, agreements and instruments, and to do or to cause to be done all such other acts and things, as such person determines to be necessary or desirable or required by any regulatory authority in order to carry out the intent of this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing; and
3. notwithstanding that this special resolution has been duly passed by the shareholders of the Corporation, the board of directors of the Corporation is hereby authorized, at its discretion, to determine, at any time prior to the Consolidation, to proceed or not proceed with the Consolidation and to abandon the Consolidation at any time prior to the implementation of the Consolidation without further approval of the shareholders of the Corporation at any time prior to the Consolidation becoming effective."

In order to be effective, the Consolidation Resolution must be approved by the affirmative vote of not less than two-thirds of the votes cast at the Meeting in respect of such resolution.

<b>UNLESS SUCH AUTHORITY IS WITHHELD, THE PERSONS NAMED IN THE ACCOMPANYING PROXY WILL VOTE FOR THE CONSOLIDATION RESOLUTION.</b>
---

## **8. STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to Shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Corporation. The Board is committed to sound corporate governance practices which are both in the interest of Shareholders and contribute to effective and efficient decision-making. Among other important considerations, Teranga recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and the need to foster and promote diversity among Board members that reflect the diversity of Teranga's stakeholders, including its customers and employees. The Board is committed to continued growth and development with respect to diversity among its board members. This includes but is not limited to diversity in regards to attributes such as gender, ethnicity, age, nationality origin, culture and disability.

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and National Policy 58-201 – *Corporate Governance Guidelines* of the Canadian Securities Administrators together establish corporate governance practices and guidelines which apply to all public companies. In light of these regulatory requirements, the Corporation has instituted its own corporate governance practices and provides disclosure around those practices consistent with these regulatory requirements.

## Board of Directors

At present, the Board is currently composed of nine directors, six of whom are considered to be independent of the Corporation. An “independent” director is a director who has no direct or indirect “material relationship” with the Corporation. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a director’s independent judgment. On this basis, Jendayi E. Frazer, Christopher R. Lattanzi, Alan R. Thomas, William J. Biggar, David J. Mimran and Frank D. Wheatley are considered to be independent directors.

Mr. Hill, the Non-Executive Chairman of the Board, and Mr. Young, the President and Chief Executive Officer (“CEO”) of the Corporation and Mr. Edward Goldenberg are not considered to be independent directors.

Mr. Lattanzi, the lead independent director of the Board, provides leadership for the Corporation’s independent directors. The primary responsibilities of the lead independent director are to: (i) seek to ensure that appropriate structures and procedures are in place so that the Board may function independently; and (ii) lead the process by which the independent directors seek to ensure that the Board represents and protects the interests of all Shareholders.

## Independent Directors’ Meetings

The independent Board members meet before or after meetings of the Board and committee meetings in in-camera sessions, as and when necessary and appropriate, without the presence of management and under the chairmanship of the lead independent director of the Board. In-camera sessions routinely follow meetings of the Audit Committee, and generally follow each Board meeting as well. At such in-camera sessions, the non-independent directors and management are excluded from attendance.

## Attendance Record

The table below shows the record of attendance by directors at meetings of the Board and its committees, as well as the number of Board and Board committee meetings held during the 12-month period ended December 31, 2016.

Name	Board (15)	Audit Committee (4)	Compensation Committee (7)	Corporate Governance Committee (4)	Technical & Safety Committee (4)	Corporate Social Responsibility Committee (1)	Finance Committee (4)	Risk Committee (1)	Overall Attendance
Alan R. Hill <sup>(1)</sup>	15/15	-	-	-	4/4	1/1	-	1/1 (Chair)	21/21 (100%)
Richard S. Young <sup>(1)</sup>	15/15	-	-	-	-	-	-	-	15/15 (100%)
Christopher R. Lattanzi <sup>(1)</sup>	15/15	4/4	4/4	-	4/4 (Chair)	-	-	1/1	28/28 (100%)
Jendayi E. Frazer	14/15	-	-	4/4	-	1/1 (Chair)	-	-	19/20 (95%)
Edward Goldenberg	15/15	-	-	-	4/4	1/1	3/3	-	23/23 (100%)
David J. Mimran	14/15	-	-	-	-	-	1/2	-	15/17 (88%)
Alan R. Thomas	15/15	4/4 (Chair)	7/7	4/4	-	-	2/2	1/1	33/33 (100%)
Frank D. Wheatley	15/15	2/2	7/7 (Chair)	4/4 (Chair)	-	-	4/4	-	32/32 (100%)
William J. Biggar <sup>(2)</sup>	8/8	2/2	3/3	-	-	-	2/2 (Chair)	-	15/15 (100%)

(1) Messrs. Hill and Young, as well as Mr. Lattanzi as lead independent director attended all committee meetings of the Board during 2016.

(2) Mr. Biggar was appointed to the Board in June 2016 and attended all Board meetings held by the Corporation after his appointment.

## Other Reporting Issuer Directorships

The following directors are currently directors of other reporting issuers (or the equivalent) in Canada or foreign jurisdictions, as follows:

Name	Name of Other Reporting Issuer
Alan R. Hill	NuLegacy Gold Corporation
Christopher R. Lattanzi	Argonaut Gold Inc. Spanish Mountain Gold Ltd.
David J. Mimran	Avenira Limited
William J. Biggar	True North Commercial Real Estate Investment Trust Milestone Apartments Real Estate Investment Trust



## **Board Mandate**

The Board is responsible for managing the business and affairs of the Corporation and, in doing so, must act honestly and in good faith with a view to the best interests of the Corporation. The Board has adopted a written mandate (the “**Board Mandate**”), a copy of which is attached to this Circular as Schedule “A”. The Board Mandate includes approving long-term goals and objectives for the Corporation, ensuring the plans and strategies necessary to achieve those objectives are in place, and supervising senior management who are responsible for the implementation of long-term strategies and day-to-day management of the Corporation. The Corporate Governance and Nominating Committee is responsible for reviewing and assessing the adequacy of the Board Mandate at least annually or otherwise, as it deems appropriate, and recommending any changes to the Board for consideration. The Board retains a supervisory role and ultimate responsibility for all matters relating to the Corporation and its business. The Board discharges its responsibilities both directly and through its Audit Committee, Corporate Governance and Nominating Committee, Compensation Committee, Finance Committee, Technical, Safety & Environment Committee and the Corporate Social Responsibility Committee. The Board may also appoint ad hoc committees periodically to address issues of a more short-term nature.

## **Shareholder engagement**

### *Engagement Policy*

The Board values regular and constructive engagement with Shareholders and regularly communicates through the Teranga’s website and other disclosures, including annually in the management proxy circular. Information regarding the Teranga’s business operations, financial results and strategy is also provided by senior management periodically throughout the year at various conferences, webcasts and by news release.

Members of the Board may also meet with Shareholders, shareholder organizations and governance groups. These discussions are intended for the Board to be able to listen to Shareholders and engage in constructive dialogue, having regard to ensuring that discussions are limited to otherwise publicly available material information in accordance with Teranga’s Corporate Disclosure Policy and general legal restrictions on selective disclosure of material information.

### *Manner of Engagement*

Key information relating to Teranga’s governance and executive compensation practices, as well as information about individual directors, is provided annually through Teranga’s management proxy circular. The Board encourages shareholder attendance and participation at the annual shareholder meeting as it provides a valuable opportunity to engage with Teranga with regard to corporate governance and other important matters. Board members and proposed nominees for the Board are encouraged to attend annual meetings absent a compelling reason. It is also Teranga’s policy to have the Chair and lead independent director as well as chairs of each of the Board’s key committees attend the annual meeting and be available to respond to questions from Shareholders as appropriate.

Outside of the annual meetings, Shareholders may contact the Board by mail or email to the following address:

Corporate Secretary  
121 King Street  
Suite 2600  
Toronto, ON M5H 3T9  
corporatesecretary@terangagold.com

The Corporate Secretary has been designated by the Board as its agent to receive and review communications and meeting requests addressed to the Board. Once received, the Corporate Secretary shall determine whether the communication is appropriate for the Board or should be addressed by management or otherwise. Communications deemed to be appropriate for the Board will be distributed to the Board, Board or committee Chair or individual director, as appropriate, depending on the facts and circumstances outlined in the communication. The Board will endeavor to respond to all appropriate correspondence in a timely manner. Appropriate topics for engagement with the Board include board oversight of strategy, risk, corporate mission and goals and executive compensation, and communications relating to topics that are unrelated to the duties and responsibilities of the Board shall be excluded.

## **Position Descriptions**

### *Non- Executive Chairman*

The Board has adopted a position description for the Non-Executive Chairman of the Corporation. The Corporate Governance and Nominating Committee annually reviews the position description for the Non- Executive Chairman and recommends any changes to the Board.

### *Chief Executive Officer*

The Board has adopted a position description for the Chief Executive Officer of the Corporation. The Corporate Governance and Nominating Committee annually reviews the position description for the Chief Executive Officer and recommends any changes to the Board.

### *Chair of Each Standing Committee*

The Board has not developed written position descriptions for the chair of each board committee. The Board has determined that given the size of the Board, the stage of development of the Corporation and the fact that each committee has a comprehensive written charter, a written position description for the chairman of each committee is not required at this time.

### **Orientation and Continuing Education**

The Board is responsible for ensuring that all new directors receive a comprehensive orientation, that they fully understand the role of the Board and its committees, and that they understand the nature and operation of Teranga's business. In addition, the Board is responsible for providing continuing education opportunities designed to maintain or enhance the skills and abilities of the Corporation's directors and to ensure that their knowledge and understanding of Teranga's business remains current.

The Board revised its Corporate Governance Guidelines in 2016 to provide more specific details of the "Onboarding" orientation program to be provided to any new director. The orientation program is aimed at familiarizing new directors with Teranga's industry, strategic plans, significant risk management issues, and financial standing. The program will include presentations from senior management, visits to operational facilities, and meetings with the Chairman, and the other Board members as well as members of the senior executive team. New directors will be presented with a director manual that reviews and includes copies of all policies and procedures of the Corporation, an overview of the Corporation's operations and strategic direction, the Corporation's financial and capital plan, recent annual and quarterly reports and materials relating to key business issues. On the conclusion of the program, directors are expected to be able to make substantial contributions to the functioning and effectiveness of the Board.

Each director is expected to participate in continuing education throughout their tenure as a director. Senior management may provide educational programs for directors on relevant company or industry matters during Board meetings. Additional educational programs may be necessary for committee members. Each director is expected to attend one continuing educational experience per year. With prior approval of the Chairman of the Corporate Governance and Nominating Committee, directors may attend independent continuing education programs to help them better discharge their duties. The Corporation will reimburse directors for reasonable expenses incurred in connection with attendance at such continuing education programs.

### **Change of Status/Occupation**

Each director is obligated to report any changes in their primary occupation or business association to the Chairman of the Board and the Chair of the Corporate Governance and Nominating Committee. Directors who are in a management role in the Corporation are expected to provide a letter of resignation when they no longer hold a management role in the Corporation.

### **Ethical Business Conduct**

The Board has adopted a Code of Business Conduct and Ethics (the "**Code**") outlining the principles of ethical conduct to which the Corporation's directors, officers and employees are expected to adhere and establishing mechanisms to report unethical conduct. The objective of the Code is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of Teranga and its subsidiaries and business units. The Code addresses conflicts of interest, protecting the Corporation's assets, confidentiality, fair dealing with security holders, customers, suppliers, competitors and employees, insider trading, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code, any person subject to the Code is required to avoid or fully disclose interests or relationships that are harmful or detrimental to the Corporation's best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Corporation is committed to operating in a responsible manner that complies with applicable laws, rules and regulations, and providing full, fair, accurate, timely and understandable disclosure in reports and documents filed with any governing body or which are publicly disclosed. A copy of the Code is provided to each director, officer and employee on an annual basis and such person will be required to sign an acknowledgement form under which they acknowledge they have received and read the Code, and that they agree to adhere to the standards set forth in the Code. A copy of the Code is available on SEDAR at [www.sedar.com](http://www.sedar.com) and may also be obtained from the Corporation upon request.

As part of the Code and to encourage an ethical code of conduct, directors, officers and employees are required to comply with the Corporation's Corporate Disclosure Policy, Foreign Corrupt Practices Policy, Insider Trading Policy and Whistle Blower Policy. Copies of such policies may be obtained from the Corporation's website at [www.terangagold.com](http://www.terangagold.com).

### **Nomination of Directors**

The Board is responsible for approving directors for nomination and election and filling vacancies among the directors. In connection with the nomination or appointment of individuals as directors, the Board will consider the recommendations of the Corporate Governance and Nominating Committee. The Committee is required under its charter to annually review the characteristics, qualities, skills and

experience which form the criteria for candidates to be considered for nomination to the Board. In addition, the Board is committed to ensuring that its members are reflective of diverse professional experience, skills, knowledge and other attributes that are essential to its successful operation and the achievement of Teranga's current and future plans and objectives. The objective of this review will be to maintain the composition of the Board in a way that provides, in the judgment of the Board, the best mix of skills and experience to provide for the overall stewardship of Teranga. All directors are required to possess fundamental qualities of intelligence, honesty, integrity, ethical behavior, fairness and responsibility and be committed to representing the long-term interests of shareholders. They must also have a genuine interest in Teranga, the ability to be objective at all times about what is in the best interests of Teranga, have independent opinions on all issues and be both willing and able to state them in a constructive manner and be able to devote sufficient time to discharge their duties and responsibilities effectively.

### **Audit Committee**

For further details on the mandate and composition of the Audit Committee please see "Audit Committee" on page 38.

### **Other Board Committees**

#### *Corporate Governance and Nominating Committee*

The Corporate Governance and Nominating Committee is currently comprised of Frank D. Wheatley (Chair), Edward Goldenberg and Jendayi E. Frazer, each of whom is an independent director. The responsibilities of the Corporate Governance and Nomination Committee include assisting the Board in fulfilling its oversight responsibilities with respect to: (a) developing corporate governance guidelines and principles for Teranga; (b) identifying individuals qualified to be nominated as members of the Board with particular attention to the level of representation of women and other diverse candidates on the Board; (c) the structure and composition of Board committees; and (d) evaluating the performance and effectiveness of the Board including recognizing the need for the considered and effective progression of, among other things, the relative increase of diversity on the Board over time, as well as the implementation of specific processes designed to foster the progression of diverse candidates to be considered for nomination or appointment to the Board.

#### *Compensation Committee*

The Compensation Committee is currently comprised of Frank D. Wheatley (Chair), William J. Biggar and Alan R. Thomas, each of whom is an independent director. Annually, the Compensation Committee is responsible for providing the Board with a recommendation regarding the compensation levels for the Corporation's directors and Chief Executive Officer, as well as reviewing the Chief Executive Officer's recommendations for the senior executives' compensation. While the Board is responsible for determining all forms of compensation to be awarded to the directors, Chief Executive Officer and senior executives, the Compensation Committee will annually review the Corporation's compensation policies and the performance objectives of the Chief Executive Officer and senior executives, and recommend any changes to the Board.

#### *Finance Committee*

The Finance Committee is comprised of William J. Biggar (Chair), David J. Mimran and Frank D. Wheatley. The Finance Committee's purpose is to assist the Board in fulfilling its oversight responsibilities with respect to financial policies and strategies, including capital structure, financial risk management practices, and proposed issues of securities and the utilization of financial instruments.

#### *Technical, Safety & Environment Committee*

The Technical, Safety & Environment Committee is comprised of Christopher R. Lattanzi (Chair), Edward Goldenberg and Alan R. Hill. The Technical, Safety & Environment Committee's purpose is to assist the Board in fulfilling its oversight responsibilities with respect to technical matters relating to: exploration, development, permitting, construction and operation of the Corporation's mining activities; resources and reserves on the Corporation's mineral resource properties; material technical commercial arrangements regarding engineering, procurement and construction management activities; operating and production plans for proposed and existing operating mines; due diligence in the development, implementation and monitoring of systems and programs for management and compliance with applicable law related to health, safety and environment; ensuring the Corporation implements best-in-class property development and operating practices; monitoring safety and environmental performance; and monitoring compliance with applicable laws related to safety and the environment.

#### *Corporate Social Responsibility Committee*

The Corporate Social Responsibility Committee is comprised of Jendayi E. Frazer (Chair), David J. Mimran and Edward Goldenberg. The Corporate Social Responsibility Committee's purpose is to assist the Board in the development, implementation and monitoring of systems and programs for management of corporate social responsibility, monitoring corporate social responsibility performance, and monitoring compliance with applicable laws related to corporate social responsibility.

## *Risk Committee*

The Risk Committee is comprised of Alan R. Hill (Chair), Alan R. Thomas and Christopher R. Lattanzi. The Risk Committee's purpose is to assist the Board in fulfilling its oversight responsibilities with respect to: (i) Teranga's enterprise risk management systems, policies and procedures; (ii) implementation of appropriate standards for identifying monitoring and mitigating such risks; and (iii) ensuring risk management systems are utilized to support strategic plans and objectives for Teranga.

## **Assessments**

On an annual basis, each standing Committee of the Board evaluates its own performance and reports to the Corporate Governance and Nominating Committee on such evaluation.

The Corporate Governance and Nominating Committee is responsible for assessing the effectiveness and contribution of the Board, its committees and individual directors. Each year, the Corporate Governance and Nominating Committee issues a questionnaire which covers self-evaluation and evaluation of the Board as a whole. The results of the evaluation are presented to the Board by the Corporate Governance and Nominating Committee together with any recommendations for improving the performance and effectiveness of the Board and its committees.

## **Advanced Notice By-Law**

The Corporation adopted an advance notice by-law in 2013. This by-law sets forth procedures for any Shareholder who intends to nominate any person for election as director of the Corporation other than pursuant to shareholder rights instilled within the Corporation's governing statute or via Shareholder proposal. The requirement stipulates a deadline by which Shareholders must notify the Corporation of their intention to nominate directors and also sets out the information that Shareholders must provide regarding each director nominee and the nominating Shareholder in order for the advance notice requirement to be met. These requirements are intended to provide all Shareholders with the opportunity to evaluate and review the proposed candidates and vote on an informed and timely manner regarding said nominees. As of the date of this Circular, the Corporation has not received any nominations via the advance notice mechanism.

## **Director Term Limits and Other Mechanisms of Board Renewal**

The Board has not established term limits for Board members at this time. Teranga is only entering its seventh year of operations and believes the continuity of the five (5) directors who have been members of the Board since Teranga's initial public offering (Messrs. Hill, Lattanzi, Thomas, Wheatley and Young) is a beneficial resource to the Corporation as it continues to work towards executing on its vision of expansion and consolidation in Senegal and West Africa through a prudent allocation of capital. The Board does not believe that an arbitrary term limit for Board members is the most effective way of ensuring overall Board effectiveness.

The Board has tasked the Corporate Governance and Nominating Committee with the following responsibilities with respect to the nomination of directors for election to the Board: (a) report and engage in the periodic evaluation and assessment of the Board to identify strengths and areas for improvement including an assessment of the Board's performance and effectiveness; (b) develop and maintain a director skills matrix that identifies the skills and expertise required for the Board along with potential areas for growth and improvement; (c) take measures designed to ensure that nominee recruitment and identification processes are appropriate in terms of depth and scope to foster identification and progression of diverse candidates; (d) maintain an evergreen list of potential candidates, to the extent feasible, that addresses the needs identified through the processes undertaken above; and (e) annually prepare and review a succession plan for the Chairman of the Board, the Chief Executive Officer and the executive management of Teranga with particular consideration to the level of representation of women and other diverse candidates as the Chairman of the Board, as members of the Board and on Committees of the Board.

Teranga values the need to retain institutional knowledge and expertise while fostering objectivity, innovation and creativity through diversity and renewal, and will accordingly strive to reflect a proportional balance in its Board composition over time. This includes having a proportional balance of directors with varying tenures as a means to foster Board renewal and refresh.

## **Representation of Women on the Board**

In 2015, the Board amended its Corporate Governance Guidelines as well as Corporate Governance and Nominating Committee Charter (the "**Committee Charter**") to address the importance of the identification and nomination of women directors, as well as other characteristics, to ensure an appropriate representation of diversity of background and perspective at the Board level. While Teranga has not adopted any specific targets with respect to the representation of women, its current focus on board renewal includes increased representation of women at the Board and executive management level.

The Corporate Governance Guidelines as well as the Committee Charter have been expanded to confirm and highlight the importance Teranga places on maintaining an appropriate level of diversity. While the primary objectives of the Committee are to ensure consideration of individuals who are highly qualified, based on their talents, experience, functional expertise and personal skills, character and qualities, the Corporate Governance and Nominating Committee will balance these objectives with the need to identify and promote individuals who are reflective of diversity for nomination for election to the Board. In particular, the Corporate Governance and Nominating Committee will consider the level of representation of women and other diverse candidates on the Board when making recommendations for nominees to the Board. Given the nature of Teranga's business and its industry, it may be challenging for Teranga to identify a qualified

pool of candidates that adequately reflects the various diverse characteristics that the Corporation seeks to promote. Teranga has therefore not adopted any specific targets, but has stated that it expects women to continue to be represented at both the Board and executive management level. In addition, the Committee Charter has also been amended to require an annual review of succession plans for the Chairman, Chief Executive Officer and the executive management team of the Corporation specifically taking into account the level of women and other diverse candidates in each of these roles.

### **Representation of Women in Executive Officer Positions**

As noted above, the Board has expanded its governance practices to confirm and reflect the importance of a diversity within its executive management team, paying specific attention to the representation of women. The Corporation has always maintained at least one woman within its relatively small executive management team and is committed to maintaining this minimum level of representation and expanding upon it depending on suitability. Currently, there is one woman on the Corporation's nine-member Board as well as two women on its seven-member executive management team. The Board and management recognize the value brought by a diversity of perspectives and background and have made specific amendments to its governance practices to ensure the level of women's representation is a key factor when the composition of the executive management team is being considered.

As noted above, and given established practise of women represented at the Board and executive management levels, Teranga has not deemed it necessary to adopt any specific targets with respect to the representation of woman. However, through initiatives set out in the Corporate Governance Guidelines, Teranga will continue to promote its objectives by continuing to identify and foster the development of a suitable pool of diverse candidates for appointment to the Board or executive management over time.

### **Majority Voting Policy**

The Board has adopted a majority voting policy relating to the election of directors. Pursuant to this policy, any nominee for director of the Corporation who, in an uncontested election\*, receives a greater number of votes withheld than number of votes in favour will promptly submit his or her resignation to the Board for consideration following the meeting. Such proposed resignations will be accepted by the Board unless there are exceptional circumstances that should delay the acceptance of the resignation or justify rejecting it. In any event, it is expected that the resignation will be considered and a decision taken in respect thereof within 90 days of the meeting. The resignation will be effective when accepted by the Board. The Corporation will issue a press release within 90 days following the date of the meeting disclosing if the directors accepted or rejected the resignation. The Board should accept the resignation absent exceptional circumstances. If the proposed resignation was rejected, the reasons therefor will also be included in the press release.

*\*A contested meeting is defined as a meeting at which the number of directors nominated for election is greater than the number of seats available on the board.*

## **9. EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

#### **Overview**

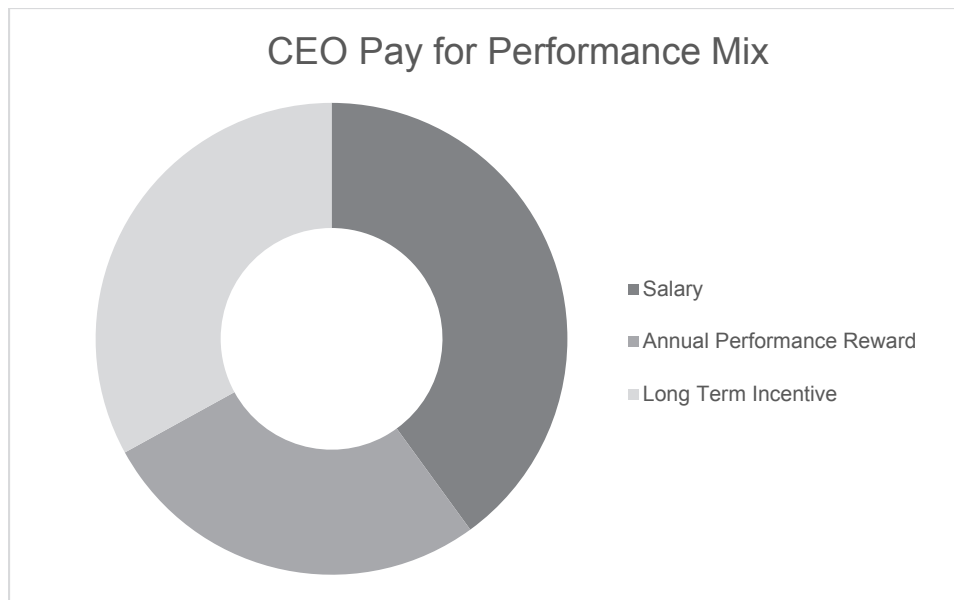
The Board of Directors is committed to ensuring the long-term growth and success of Teranga as a mid-tier gold mining company in Senegal, and in greater West Africa. Executive compensation is critical to attracting and retaining qualified executives with the skills and experience necessary to ensure such growth and success. This section describes our approach to executive compensation for 2016 and provides insight into how Teranga's executives are paid and the reasons why they are paid as they are.

#### ***Compensation Philosophy***

We try to make our compensation philosophy simple and clear, so it can be easily communicated to and understood by our executive officers, our shareholders and other stakeholders. Pay for performance is the foundation of our compensation philosophy and our guiding principle is that an appropriate mix of fixed and variable compensation, short and long-term incentives, and risk and reward will motivate executives to increase long-term shareholder value.

#### ***At-Risk Compensation***

To ensure management's interests are aligned with those of shareholders and the performance of Teranga, a substantial portion of our CEO's and our executive officers' compensation is at-risk and will vary above or below target levels depending on Company performance. For 2016, the CEO's target compensation was comprised of approximately 40% salary, 27% annual performance incentive and 33% long-term incentive.



With our pay-for-performance philosophy, executives can earn in excess of short-term incentive target levels (up to a maximum) when performance exceeds established objectives. And, if performance falls below established objectives, our short-term incentive plans pay below target levels.

Teranga's at-risk compensation is designed to include short and long-term incentives that are directly linked to corporate and individual performance. We have historically provided executives with short-term incentives through an annual cash bonus, and provided long-term incentives through a combination of restricted share units and stock options. Short-term incentives are based upon a combination of corporate and individual performance metrics established at the beginning of each financial year. Long-term incentives in the form of restricted share units are designed to vest with respect to one half of the award over a period of 3 years, and with respect to the second half of the award upon the satisfaction of operational performance measures over a period of 3 years. Stock options are generally granted for a term of 5 years and vest over a period of 3 years.

#### **2016 Company Performance**

Teranga's business is mining and producing gold in Senegal, West Africa, with one development project in Burkina Faso. During 2016, Teranga met its public guidance for annual production of gold, as well for as all-in sustaining costs, from its producing gold mine in Senegal. In addition, safety performance, measured by lost time incidents, set another record with zero (0) lost time incidents during 2016. Similarly, environmental performance during 2016 was outstanding with no environmental incidents (please see page 31 for more information).

#### **Compensation Committee Decisions**

During 2016 Teranga met all of its public guidance with respect to gold production and all in sustaining cost per ounce of gold produced, and continued with its record setting safety record without a lost time incident. Teranga received both the United Nations Award for CSR as well as the PDAC Award for CRS for its CSR programs in Senegal. In addition, Teranga completed the acquisition of Gryphon Minerals Inc. which owns a development stage gold project in Burkina Faso.

The Compensation Committee began its work for 2016 by reviewing and confirming its compensation philosophy of targeting median levels of the competitive market and undertook an empirical analysis of compensation practices of the comparator group in order to determine the positioning of Teranga's compensation practices. This review confirmed that all Teranga executive salaries were below the median salaries of the comparator group of companies, and in order to be consistent with its compensation philosophy, the Compensation Committee recommended to the Board that executive salaries be increased in order to bring them up to the median salary of the comparator group of companies.

In considering annual performance incentives, the Compensation Committee reviewed and compared corporate and individual performance against a series of metrics designed to reflect the material components of Teranga's business. Teranga did meet or exceed all metrics and also successfully completed the acquisition of Gryphon Minerals Inc, which owns a development stage gold project in Burkina Faso. As a result, the Compensation Committee recommended an annual performance incentive, payable as a cash bonus, which represented approximately 45% of the executives' base salaries, which was in line with the median annual bonus of the comparator companies.

With respect to long term incentives, and in order to align the interest of all executives with those of shareholders in creating long-term shareholder value, awards of long term incentives were consistent with the previous year and the Compensation Committee ensured that such awards remained below one (1) % of total shares outstanding.

Further detail on each of these items is provided below.

## **Compensation Governance**

### ***Role of the Compensation Committee***

The Compensation Committee has been established by the Board to assist the Board in fulfilling its oversight responsibilities relating to executive compensation. The Compensation Committee helps to ensure that Teranga has a compensation program that will attract, retain, motivate and reward its executive officers for their performance and contribution in achieving Teranga's long-term strategy.

The Compensation Committee's primary responsibilities include:

- *Compensation Philosophy, Policies and Practices* – ensure executive compensation philosophy, policies and practices for Chief Executive Officer, the executive officers and the directors:
  - properly reflect their respective duties and responsibilities;
  - are competitive in attracting, retaining and motivating people of the highest quality;
  - align the interests of the directors, the CEO and the executive officers with Shareholders as a whole;
  - are based on established corporate and individual performance objectives; and
  - do not encourage the taking of inappropriate or excessive risks.
- *Evaluation of Performance* – annually review and evaluate the performance of the CEO and the executive officers and, in light of pre-established performance objectives, report its conclusions to the Board;
- *Performance Objectives* – annually review the performance objectives for the CEO and the executive officers and, in the Committee's discretion, recommend any changes to the Board for consideration;
- *Chief Executive Officer Compensation* – annually review the compensation for the CEO and, in the Committee's discretion, recommend any changes to the Board for consideration;
- *Executive Officers Compensation* – annually review the CEO's recommendations for the executive officers' compensation and, in the Committee's discretion, recommend any changes to the Board for consideration;
- *Succession Planning* – annually review Teranga's succession plan for the CEO and the executive officers, including appointment, training and evaluation;
- *Directors' Compensation* – annually review directors' compensation and, in the Committee's discretion, recommend any changes to the Board for consideration; and
- *Mitigation of Compensation Risk* – annually consider the risks associated with Teranga's compensation policies and practices, and ensure appropriate risk mitigation measures are adopted.

### ***Members of the Compensation Committee***

The Compensation Committee is currently comprised of three independent directors, Frank D. Wheatley (Chair), William J. Biggar and Alan R. Thomas. Mr. Wheatley has direct experience relating to executive compensation matters, having served on compensation committees of publicly traded mining companies where such matters have been considered with the advice and assistance of third party executive compensation consultants. The significant industry experience of each of the Compensation Committee members, either as directors or executive officers of publicly traded international mining companies, provides them with a suitable perspective to make decisions on the appropriateness of the Corporation's compensation policies and practices.

### ***Role of the Chief Executive Officer***

The CEO's role in executive compensation matters includes making recommendations to the Compensation Committee regarding the Corporation's annual business plan and objectives, which provide the basis for establishing both corporate objectives and individual performance objectives for all executive officers. The CEO reviews the performance of the other executive officers, and also makes

recommendations with respect to adjustments in base salary, awarding of annual performance incentives, and awarding of long-term equity incentives to such executive officers. The CEO is not involved in the selection process for the Compensation Committee, or in making recommendations with respect to his own compensation package.

The Compensation Committee reviews with the CEO the basis for his recommendations. While the Compensation Committee takes the CEO's recommendations into consideration, the Compensation Committee formulates its own recommendations based upon corporate and executive performance, consultation with the independent compensation consultant engaged by the Compensation Committee, review of comparator company practices, and a variety of other quantitative and qualitative factors in making its recommendations to the Board. Finally, the Compensation Committee retains the right to exercise its sole discretion in making recommendations to the Board.

### ***Role of the Compensation Consultant***

Since 2012 to present, the Compensation Committee has retained Lane Caputo Compensation Inc. ("**Lane Caputo**") to provide an independent review of current market practices regarding executive compensation, to assist the Compensation Committee in developing and updating an appropriate comparator group of companies, developing a deferred share unit plan for directors and a restricted share unit plan for executives, market standard severance and change of control provisions, as well as to provide advice and recommendations with respect to best practices in disclosure of compensation practices regarding the Corporation's executive compensation programs. In the course of conducting its activities, Lane Caputo attended meetings of the Compensation Committee and presented its findings for discussion by the Compensation Committee. The Chair of the Compensation Committee also met separately with Lane Caputo in order to provide further direction.

In all cases, the Compensation Committee considered the advice, guidance and recommendations provided by Lane Caputo as part of its deliberations on its recommendations to the Board with respect to salary, annual performance incentives and long-term equity incentives.

For the financial years ended December 31, 2016 and 2015, the following fees were paid to Lane Caputo:

<b>Consultant</b>	<b>Financial Year ended December 31, 2016</b>	<b>Financial Year ended December 31, 2015</b>
Lane Caputo Compensation Inc.	\$67,866	\$38,279

### ***Mitigation of Compensation Risks***

As part of its annual review of the Corporation's compensation policies and practices, including the setting of annual corporate and individual performance objectives, as discussed below, the Compensation Committee considers any risks associated with such policies and practices. The Compensation Committee is satisfied that the current compensation policies and practices, combined with the enterprise risk management of the Corporation, offer a balanced combination that promotes adequate risk-taking with appropriate and reasonable compensation incentives. The Compensation Committee believes that the executive compensation program of Teranga should not raise its risk profile. Accordingly, the Corporation's compensation programs include safeguards designed to mitigate compensation risks. The following measures seek to impose appropriate limits to avoid excessive or inappropriate risk-taking or payments:

- Cash components of annual performance incentives are capped to ensure preservation of capital and to provide upper payout boundaries;
- An annual review of Teranga's annual performance incentives, long-term equity incentives, and corresponding performance objectives to ensure continued relevance, applicability and comparator group competitiveness; and
- An anti-hedging policy which, in addition to Teranga's insider trading policy, prohibits directors and executive officers from hedging equity-based compensation positions in the Corporation.

## **Compensation**

### ***Compensation Philosophy***

The objective of Teranga's compensation program is to attract, retain, motivate and reward its executive officers for their performance and contribution to executing Teranga's long-term strategy to maximize shareholder value. Teranga's compensation policy revolves around a pay for performance philosophy whereby fixed elements of pay, such as salary, are positioned at median levels for the competitive market, while short and longer term incentives are structured to provide above-market total compensation for high levels of corporate and personal performance. The Compensation Committee believes it is necessary to adopt this compensation philosophy in order to attract and retain qualified executive officers with the skills and experience necessary to execute Teranga's strategy.

The achievement of corporate and individual performance is rewarded through short term cash incentives while long-term equity incentives align executives with long-term shareholder value creation. The Board seeks to set company performance goals that reach across all aspects of the business and to tie individual goals to the area of the executive officer's primary responsibility.



The Compensation Committee does not anticipate making any significant changes to its compensation philosophy, policies and practices at this stage of the Company's development. The Compensation Committee will continue to review best practice developments in this regard to ensure that current practices do not create undue risk to Teranga and to continue to ensure the alignment of compensation packages with the objective of enhancing shareholder value through an increased share price.

### Comparator Group

In order to benchmark the competitiveness of the compensation program for the executive officers of Teranga, Lane Caputo developed a peer group of mining companies with internationally focused operations, with the majority of them having operations in West Africa or the broader African continent. All of the peer companies have achieved commercial production and have sustainable cash flow. In order to ensure a statistically valid sample, a number of companies with mining operations in other foreign jurisdictions were also included. This comparator group is a proxy for the competitive market in which Teranga competes to attract and retain executive talent. The Compensation Committee discussed, modified and ultimately approved the companies included in the comparator group below.

The following table sets out the 17 companies included in the comparator group for the financial year ended December 31, 2016:

Company	Exchange	Share Price <sup>1</sup>	Shares Outstanding <sup>1</sup>	Market Capitalization <sup>1</sup>	Annual Revenue <sup>2</sup> (\$000s)	Operational Geography
Alacer Gold Corp.	TSX / ASX	\$3.24	292,042,258	\$946,216,916	\$247,942	Turkey
Argonaut Gold Inc.	TSX	\$3.38	158,469,446	\$535,626,727	\$183,803	Mexico, Canada
Asanko Gold Inc.	TSX / AMEX	\$5.33	197,033,107	\$1,050,186,460	\$57,477	Ghana
Banro Corp.	TSX / AMEX	\$0.41	302,482,336	\$124,017,758	\$237,884	Democratic Republic of the Congo
Endeavour Mining Corp.	TSX	\$24.88	92,701,222	\$2,306,406,403	\$852,382	Ghana, Mali, Burkina Faso, Cote d'Ivoire
Endeavour Silver Corp.	TSX / NYSE	\$6.58	125,643,481	\$826,734,105	\$226,639	Mexico
Fortuna Silver Mines Inc.	TSX / NYSE	\$9.34	145,639,029	\$1,360,268,531	\$216,566	Mexico, Peru
Golden Star Resources Ltd.	TSX / AMEX	\$1.10	328,745,758	\$361,620,334	\$299,043	Ghana
Katanga Mining Ltd.	TSX	\$0.13	1,907,380,413	\$247,959,454	\$228,215	Democratic Republic of the Congo
Mandalay Resources Ltd.	TSX	\$0.90	450,689,008	\$405,620,107	\$254,119	Chile, Australia, Sweden
Nevsun Resources Ltd.	TSX / AMEX	\$3.91	300,465,679	\$1,174,820,805	\$407,388	Eritrea
Perseus Mining Ltd.	TSX / ASX	\$0.56	1,024,319,675	\$573,619,018	\$243,508	Ghana
Primero Mining Corp.	TSX / NYSE	\$2.09	188,065,612	\$393,057,129	\$345,758	Canada, Mexico
Resolute Mining Ltd.	ASX	\$1.87	641,580,000	\$1,198,157,066	\$443,318	Ghana, Mali, Australia
SEMAFO Inc.	TSX	\$5.37	324,840,476	\$1,744,393,356	\$392,908	Burkina Faso
Sierra Metals Inc.	TSX	\$1.91	161,939,959	\$309,305,322	\$151,306	Mexico, Peru
Silver Standard Resources Inc.	TSX / NASDAQ	\$15.46	119,334,929	\$1,844,918,002	\$514,871	Canada, USA, Mexico, Peru, Argentina
<b>25th Percentile</b>			<b>158,469,446</b>	<b>\$393,057,129</b>	<b>\$226,639</b>	
<b>50th Percentile</b>			<b>292,042,258</b>	<b>\$826,734,105</b>	<b>\$247,942</b>	
<b>75th Percentile</b>			<b>328,745,758</b>	<b>\$1,198,157,066</b>	<b>\$392,908</b>	
<b>Teranga Gold Corp.</b>	<b>TSX/ASX</b>	<b>\$1.14</b>	<b>392,138,368</b>	<b>\$447,037,740</b>	<b>\$330,127</b>	<b>Senegal, Burkina Faso, Côte d'Ivoire</b>

<sup>1</sup> All share price and market capitalization measures are as at October 3, 2016.

<sup>2</sup> Revenue figures represent most recent four quarters of reported revenue. Figures reported in 000's.

The comparator group is reviewed annually by the Compensation Committee in connection with LaneCaputo to ensure it continues to constitute an appropriate comparator group and for 2016 the size of the comparator group was reduced from 19 companies to 17 companies as two (2) companies were no longer considered to be appropriate as comparator companies to Teranga

### Elements of Compensation

Teranga's strategy is to provide a competitive compensation package for its executive officers that is in alignment with the Company's business strategy and compensation philosophy. The performance of the executive officers is reviewed annually by the Compensation Committee at the end of the financial year, when considering recommendations with respect to adjustments in base salary, awarding of annual performance incentives, and awarding of long-term equity incentives. The Compensation Committee reviews the performance of the CEO, and enlists the assistance of the CEO with respect to reviewing the performance of the other executive officers.

#### Base Salary

Teranga's compensation policy targets executive officer salaries at the median of the comparator group, and Teranga will pay salaries either above or below the median depending on market factors discussed below, and the annual assessment of the executive officer's performance. Competitive base salaries enable the Corporation to attract and retain the qualified executives with the skills and experience necessary to enable the Corporation to execute its long-term strategy.

Base salaries for Teranga's executive officers are established based on the scope of their responsibilities and their prior relevant experience, taking into account competitive market compensation paid by the comparator group for similar positions, as well as the overall

market demand for such executives. An executive officer's base salary will also be determined by reviewing the executive officer's other compensation to ensure that the executive officer's total compensation package is in line with the Corporation's overall compensation philosophy.

Base salaries are reviewed annually and increased for merit reasons, including an executive officers' success in meeting or exceeding individual performance objectives, as well as contribution to achieving company performance objectives. Additionally, Teranga adjusts base salaries as warranted throughout the year for promotions or other changes in the scope or breadth of an executive officer's role or responsibilities.

For the financial year ended December 31, 2016 Teranga's base salaries for the executive officers continued to be at or below the median of the comparator group.

### ***Annual Performance Incentive***

Teranga's compensation policy targets annual performance incentive ("**API**") payments to achieve total cash compensation (salary + annual performance incentives) at the median of the comparator group when performance achieves targeted levels. APIs are designed to provide motivation to executive officers to achieve near-term corporate and individual objectives, and to reward them when such objectives are met or exceeded. Annual awards can range from 0% to 70% of the executive's salary and the Compensation Committee has the ability to apply its discretion to either increase, or decrease, an award within such range where circumstances warrant.

The Compensation Committee assesses corporate performance along three guiding performance categories linked to the Corporation's strategic plan:

- Operational Metrics – Teranga is in the business of mining and producing gold. It currently has one producing mine in Senegal, West Africa and is working on a feasibility study for what it hopes will be a second producing asset in Burkina Faso. Operational excellence encompasses targeted annual gold production, growth in reserves of gold, disciplined project development with a focus on project schedule and budget, as well as developing and maintaining a license to operate in its areas of operation.
- Financial Metrics - Commensurate with the mining and production of gold is doing so in a manner that manages costs and generates positive free cash flow. All in sustaining costs are the measurement used by participants in the global gold mining industry to measure whether a company can be considered a low cost or a high cost gold producer.
- Health, Safety & Environment Metrics - Safety is paramount to Teranga's operations and is established as a core principle by the CEO and permeates the entire company. Similarly, environmental performance and compliance is also a critical indicator of how Teranga undertakes its stewardship role in protecting the environmental impact of its mining operations. Corporate social responsibility and maintaining Teranga's license to operate in Senegal and Burkina Faso is also of utmost importance to Teranga being successful in achieving its business strategy.

### ***Long-Term Equity Incentives***

Teranga's compensation policy targets annual grants of long-term equity incentives at the median of the comparator group. Teranga has two forms of long-term equity incentives for executive officers: stock options and restricted share units.

#### ***Stock Options***

The Stock Option Plan allows Teranga to grant stock options to purchase Common Shares. The Fixed Bonus Unit Plan (as defined below) allows officers and employees to participate in a non-equity based compensation plan to which they may be awarded units ("Units") in lieu of the Stock Option Plan. The Board does not award Stock Options or Units according to a prescribed formula or target, but rather takes into account the individual's position, scope of responsibility, ability to affect profits, the individual's historic and recent performance, and the value of the awards in relation to other elements of the executive's total compensation. All stock options granted will be at an exercise price at least equal to the 5-day volume weighted average price of Teranga's common shares at the time of grant.

#### ***Restricted Share Units***

In order to allow executive officers to participate in the long-term success of the Corporation and to promote a greater alignment of interests between executives and shareholders, the Corporation adopted a restricted share unit plan (the "**RSU Plan**") on March 24, 2014. Pursuant to the RSU Plan, the Board may, from time to time, award RSUs to designated executives (including the Corporation's named executive officers) ("**Designated Executives**"). The RSUs represent a right to receive an amount of cash (subject to withholdings), on vesting, equal to the product of (i) the number of vested RSUs held by such Designated Executive, and (ii) the Market Price (as defined in the RSU Plan) at such time. RSUs will generally vest, subject to Board determination, as to 50% of the RSUs in thirds over a three-year period, and as to the other 50% of the RSUs in thirds over a three-year period upon satisfaction of at least two (2) operational performance measures. The two (2) operational performance measures currently used by the Compensation Committee are publicly announced guidance on annual gold production and all-in sustaining cost per ounce, as these measures represent the most critical aspects of Teranga's business. The Compensation Committee retains the discretion to amend these performance measures at the time of grant of RSUs in order to ensure they properly reflect the business strategy of the Company at that time.

RSUs do not entitle a Designated Executive to any voting or other Shareholder rights.

Additional RSUs will be automatically credited to a Designated Executive's RSU account if and when the Corporation pays a dividend or similar payments are made to Shareholders. The additional RSUs to be credited will be calculated by multiplying the number of RSUs in the Designated Executive's account at the time such distribution is paid by the amount of the distribution, and then dividing that amount by the Market Price when the distribution is paid.

### **Decisions of the Compensation Committee**

#### **Base Salary**

In considering whether to recommend adjustments to base salaries for 2016, the Compensation Committee considered a variety of factors, including a reconsideration/reaffirmation of the Committee's stated philosophy to continue to pay at or median levels of the current state of the global commodities industry and in particular the gold industry, current inflation rates in Canada, comparator group practices and the CEO's recommendations. After consideration of all of these factors, and taking into account that executives were being paid below the median in 2016, the Compensation Committee recommended an increase in all executive base salaries for 2017 in order to bring them into line with the median salary for the comparator group companies.

#### **Annual Performance Incentive**

In order to assist the Compensation Committee in determining whether to award an annual performance incentive, it developed a scorecard utilizing the performance metrics described above, and assigned a weighting of 60% to corporate performance metrics and 40% to individual performance metrics. Corporate performance metrics are quantitative in nature and were assigned a weighting of 60%, while personal performance metrics are qualitative in nature and were assigned a 40% weighting. During its deliberations, the Compensation Committee reviewed both the corporate performance of Teranga, together with the individual performance of all of the executive officers, during 2016.

#### **2016 Corporate Performance**

A tabular summary of the performance metrics used to measure Teranga's corporate performance in 2016 is set out in the following table.

Performance Category	Performance Metric	Target	2016 Performance	Target Achieved
<b>Operational Performance</b>				
Public Guidance on Production	Ounces of gold produced	200,000 to 215,000 ounces	216,735 ounces	Yes
Reserves Growth	Ounces of gold added to reserves	250,000 ounces	Gryphon – 836,000 oz Historical Reserve	Partial
Project Development	Progress on capital projects	Progress on Golouma and mill optimization project	Initiated production on Golouma Completed mill optimization ahead of schedule and under budget	Yes Yes
License to Operate	CSR Objectives Drilling at Niakafiri	CSR Objectives Drilling at Niakafiri	Met CSR Objectives Drilling initiated at Niakafiri	Yes Yes
<b>Financial Performance</b>				
Public Guidance on Cash Costs	Cash cost per ounce	US\$600 – US\$650 per ounce	US\$622 per ounce	Yes
Public Guidance on All-In Sustaining Costs	All in sustaining cost per ounce	US\$900 – US\$975 per ounce	US\$929 per ounce	Yes
Cash Flow	Positive free cash flow	Positive free cash flow	Positive Pre/Negative Post Gryphon	Partial
<b>Health, Safety &amp; Environment</b>				
Safety	Loss time injury frequency	0.25 LTI per year	0 LTIs	Yes
Environment	Environmental non-compliance events (ENCE)	0 ENCE per year	0 ENCE	Yes

With respect to corporate performance, the table set forth above indicates that Teranga met or partially met all operational performance metrics. With respect to Reserves Growth, the Committee recognized only partial success on the conversion of reserves within the existing asset base while acknowledging the growth in potential future reserves related to the historical reserves associated with the Gryphon acquisition. All of the other corporate performance metrics were met or exceeded, including production. The Compensation

Committee noted in particular that the safety and environmental performance was outstanding, and that with respect to safety Teranga has again achieved zero (0) lost time incidents during 2016. The Compensation Committee is of the view that, based on the CEO's review of each executive's individual performance during 2016, each of the executive officers achieved all of their individual performance metrics and, accordingly, a 100% score was assigned to individual metrics.

After calculating a target annual incentive based on these metrics, weighting and performance, the Compensation Committee was of the view that the calculated award was generally reflective of overall corporate performance for 2016 and, with minor adjustments, recommended such calculated awards to the Board. With respect to the CEO, the Compensation Committee was of the view that a portion of the calculated award should be assigned to long term incentives, rather than the annual award, and accordingly, the Compensation Committee made that recommendation to the Board with respect to the CEO's annual award.

For 2017, the Compensation Committee has in discussions with the CEO, increased the corporate performance weighting and decreased the individual performance weighting to better align Teranga's compensation practices with its pay for performance compensation philosophy. Accordingly, for 2017 the CEO will have a weighting of 80% corporate and 20% individual, while the executive officers will have a 75% corporate weighting and a 25% individual weighting.

#### *Total Cash Compensation*

Total cash compensation [salary + annual performance incentive] for the executive officers for 2016 was generally at the median for the comparator group due primarily to corporate performance during 2016 and the granting of the annual performance incentive for 2016.

#### *Long Term Incentives*

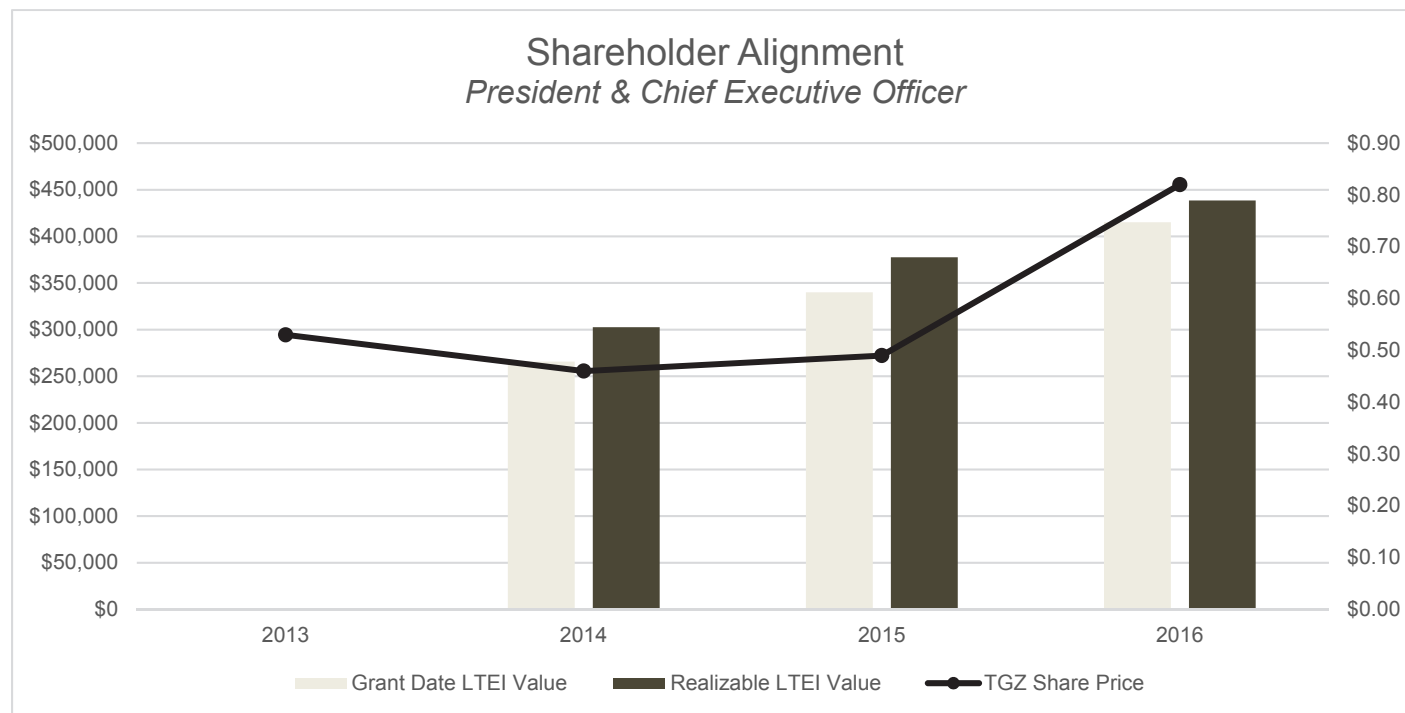
In considering an annual award of long-term equity incentives, the Compensation Committee continued its practice from the previous year of utilizing a portfolio approach with respect to long-term incentives that incorporates both stock options and RSUs. This approach takes advantage of the availability of room under the Stock Option Plan to grant new stock options, and also continues to incorporate RSUs as a full value equity-based component of the portfolio of long-term incentives.

RSUs vest over a period of three (3) years, with the first half of the award vesting in equal parts over three (3) years, and with the second half of the award vesting upon achievement of the two performance criteria of public guidance regarding annual production of gold and all in sustaining cost per ounce of gold produced. The Compensation Committee is of the view that vesting tied in part to corporate performance criteria would continue to align the executive officers with the creation of long-term shareholder value.

In determining the final award of long-term incentives, the Compensation Committee targeted an aggregate award below one percent (1%) of the total shares outstanding (TSO) for the executive officers in order to manage potential shareholder dilution and conserve the number of shares authorized by Shareholders for issuance as equity-based incentives. The Compensation Committee continues to be of the view that final award of Stock Options and RSUs to the senior executives provides a market competitive long-term equity incentive award and provides the executives the ability to achieve the stated compensation philosophy with superior share price performance.

## Shareholder Alignment

Long-term equity incentives are designed to encourage executive officers to remain with the Corporation, to reward them for their sustained contributions to long-term performance and the creation of shareholder value and, most importantly, to align the interests of the executive officers with long-term interest of Shareholders. Alignment of long-term equity incentives with shareholder fortunes is illustrated in the exhibit below (noted no long-term equity incentives were granted during 2013):



While shareholders have experienced a 67% increase in share price year-over-year, and a 55% increase in share price since December 31, 2013, the realizable value of the long-term equity incentives granted to the Corporation's President & Chief Executive Officer is approximately 10% higher than the value originally awarded by the Committee.

## Total Compensation

Total compensation (salary + annual performance incentive + long-term incentive) for the executive officers for 2016 was generally at the median for the comparator group.

## Summary Compensation Table

The following table, presented in accordance with NI 51-102, sets forth all annual short-term and long-term incentive compensation for services rendered in all capacities to Teranga for the three prior financial years ending December 31, 2016 in respect of the Corporation's named executive officers ("NEOs"). All figures are in United States dollars unless otherwise indicated and are based on the average exchange rate for C\$ into US\$ in each applicable year.

Name and principal position	Fiscal Year Ended	Salary (US\$)	Bonus <sup>(1)</sup> (US\$)	Share-based Awards <sup>(2)</sup> (US\$)	Option Based Awards <sup>(3)</sup> (US\$)	Non-equity Incentive Plan Comp	Pension Value	All other comp <sup>(4)</sup> (US\$)	Total Comp. (US\$)
<b>Richard Young</b> President and Chief Executive Officer	2016	\$430,109	\$226,373	\$231,056	\$123,017	\$0	N/A	\$7,770	\$1,018,325
	2015	\$446,424	\$0	\$125,968	\$208,971	\$0	N/A	\$7,454	\$788,817
	2014	\$489,694	\$280,705	\$273,252	\$0	\$0	N/A	\$7,735	\$1,051,386

Name and principal position	Fiscal Year Ended	Salary (US\$)	Bonus <sup>(1)</sup> (US\$)	Share-based Awards <sup>(2)</sup> (US\$)	Option Based Awards <sup>(3)</sup> (US\$)	Non-equity Incentive Plan Comp	Pension Value	All other comp <sup>(4)</sup> (US\$)	Total Comp. (US\$)
<b>Paul Chawrun</b> Chief Operating Officer	2016	\$282,967	\$128,278	\$192,546	\$102,514	\$0	N/A	\$3,656	\$709,961
	2015	\$266,288	\$19,580	\$50,387	\$83,588	\$0	N/A	\$3,737	\$423,580
	2014	\$271,650	\$113,188	\$134,142	\$0	\$0	N/A	\$4,118	\$523,098
<b>Navindra Dyal</b> Chief Financial Officer	2016	\$256,557	\$116,960	\$141,201	\$75,177	\$0	N/A	\$3,513	\$593,408
	2015	\$246,708	\$19,580	\$50,387	\$83,588	\$0	N/A	\$3,515	\$403,778
	2014	\$235,430	\$99,605	\$134,142	\$0	\$0	N/A	\$3,905	\$473,082
<b>David Savarie</b> General Counsel & Corporate Secretary	2016	\$245,238	\$113,187	\$141,201	\$75,177	\$0	N/A	\$3,684	\$578,487
	2015	\$254,540	\$19,580	\$50,387	\$83,588	\$0	N/A	\$3,694	\$411,789
	2014	\$282,516	\$117,715	\$134,142	\$0	\$0	N/A	\$4,155	\$538,528
<b>Sepanta Dorri<sup>(5)</sup></b> Vice President, Corporate and Stakeholder Development	2016	\$234,045	\$79,231	\$141,201	\$75,177	\$0	N/A	\$5,996	\$535,650
	2015	\$190,566	\$16,316	\$50,387	\$83,588	\$0	N/A	\$1,856	\$342,713

(1) Bonus refers to cash bonus paid to the NEOs in 2017 with respect to 2016 performance converted into US\$ using the average exchange rate for 2016 which was C\$1.00 = US\$0.755.

(2) Share based awards refer to RSUs issued under Restricted Share Unit Plan. Amounts set out herein reflect the fair value of RSUs at the date of grant. Fair value for RSUs is determined by the number of RSUs multiplied by the Common Share price on the date of grant. In 2016, RSUs were granted to each of the NEOs as of the date of grant at a common share price of C\$0.67 per share (2015: C\$0.64 per share). The value of Share-based awards is converted into US\$ using the average exchange rate for 2016 which was C\$1.00 = US\$0.755.

(3) Teranga values Options using the Black-Scholes option pricing method as described in Teranga's audited financial statements for the year ended December 31, 2016. These amounts represent the fair value of Options at the grant date. The value of Option-based awards is translated into United States dollars at the exchange rate in effect on the date of the Option grant which was C\$1.00 = US\$0.77.

(4) Other compensation includes parking fees and benefit premiums paid for life insurance, long-term disability, and health in US\$ at the exchange rate noted in footnote 1.

(5) Ms. Dorri was employed and appointed Vice President, Corporate and Stakeholder Development as of March 23, 2015 and her annualized 2015 salary was \$315,000.

## Incentive Plan Awards

### Outstanding Option-Based & Share-Based Awards

In 2016, 1,650,000 Options were granted and 1,650,000 RSUs were awarded to the NEOs under the Option and RSU Plan. The following table sets forth details of all Options and RSUs outstanding as at December 31, 2016. For simplicity, the exercise price of Options is stated in Canadian dollars as the Common Shares trade in Canadian dollars on the TSX. All other figures are in US dollars at exchange rate indicated.

Name	Option-based Awards Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-money Options (US\$) <sup>(1)</sup>	Number of option-based awards that have not vested	Market or payout value <sup>(2)</sup> of share-based awards that have not vested (US\$)	Market or payout value <sup>(2)</sup> of vested share-based awards not paid out or distributed (US\$)
Richard S. Young	1,800,000	\$3.00	11/26/2020	Nil	616,674	\$76,198	\$75,572
	200,000	\$3.00	12/20/2021	Nil			
	750,000	\$0.64	03/31/2020	\$100,244			
	450,000	\$0.67	03/31/2021	\$51,526			

Name	Option-based Awards Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-money Options (US\$) <sup>(1)</sup>	Number of option-based awards that have not vested	Market or payout value <sup>(2)</sup> of share- based awards that have not vested (US\$)	Market or payout value <sup>(2)</sup> of vested share-based awards not paid out or distributed (US\$)
Paul Chawrun	600,000	\$3.00	10/09/2022	Nil	387,514	\$46,606	\$36,430
	300,000	\$0.64	03/31/2020	\$40,098			
	375,000	\$0.67	03/31/2021	\$42,938			
Navin Dyal	600,000	\$3.00	9/27/2022	Nil	315,288	\$38,336	\$33,249
	300,000	\$0.64	03/31/2020	\$40,098			
	275,000	\$0.67	03/31/2021	\$31,488			
David Savarie	700,000	\$3.00	12/03/2020	Nil	315,288	\$38,336	\$33,249
	400,000	\$3.00	12/20/2021	Nil			
	300,000	\$0.64	03/31/2020	\$40,098			
	275,000	\$0.67	03/31/2021	\$31,488			
Sepanta Dorri	300,000	\$0.64	03/31/2020	\$40,098	315,288	\$38,336	\$33,249
	275,000	\$0.67	03/31/2021	\$31,488			

<sup>(1)</sup> Based on the closing price for the Common Shares on the TSX of C\$0.82 on December 31, 2016.

<sup>(2)</sup> Market or payout value of share-based awards (RSUs) is based on a per unit value of US\$0.61 which is the closing price of Common Shares on the TSX on December 31, 2016 (C\$ 0.82) converted into US\$ at the exchange rate of C\$1.00 = US\$0.743 as of that date

### ***Incentive Plan Awards – Value Vested or Earned during the Year***

The table below sets out the value of Options and RSUs that would have been realized on the vesting date by each NEO for the year ended December 31, 2016. All figures are in United States dollars.

Name	Option-based awards – Value vested during the year (US\$) <sup>(1)</sup>	Share-based awards – Value vested during the year (US\$) <sup>(2)</sup>	Non-equity incentive plan <sup>(3)</sup> compensation – Value earned during the year (US\$) <sup>(3)</sup>
Richard S. Young	100,196	253,651	N/A
Paul Chawrun	54,565	139,441	N/A
Navin Dyal	47,136	137,864	N/A
David Savarie	47,136	137,864	N/A
Sepanta Dorri	47,136	117,911	N/A

<sup>(1)</sup> The value of option-based awards (Options) is determined by number of Options vested during the year multiplied by the Black-Scholes value for the Corporation's Options as at date of grant converted into US\$ using the average exchange rate for 2016 which was C\$1.00 = US\$0.7550.

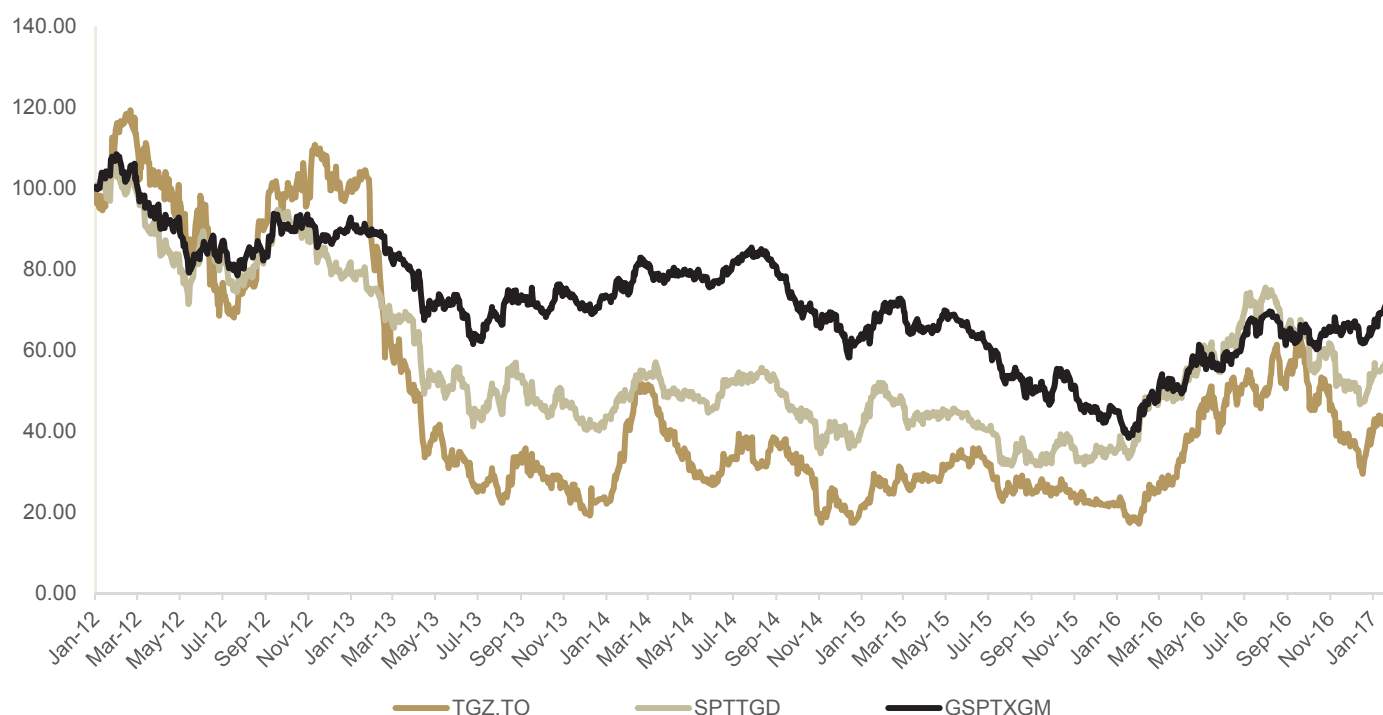
<sup>(2)</sup> The value of Share-based awards (RSUs) is determined by the number of units that vested during the year multiplied by the average closing price of Common Shares over the year (\$C0.92) converted into US\$ using the average exchange rate for 2016 which was C\$1.00 = US\$0.7550 for a per unit value of \$0.69.

<sup>(3)</sup> The Corporation does not offer any such Non-equity incentive compensation plan other than as disclosed within the share-based awards disclosure herein.

### **Performance Graph**

The following graph illustrates, since December 31, 2012, the cumulative Shareholder return of an investment in Common Shares compared to the cumulative return of an investment in the S&P/TSX Global Gold Index and S&P/TSX Global Mining Index, assuming that C\$100 was invested on that same date.

## 5 Year Performance vs Major Indices



	Jan-12	Jan-13	Jan-14	Jan-15	Jan-16	Jan-17
Teranga Gold Corporation	100	101.79	22.87	21.52	21.75	40.36
S&P/TSX Global Gold Index ("SPTTGD")	100	81.79	43.75	40.53	35.99	53.89
S&P/TSX Global Mining Index ("GSPTXGM")	100	92.79	73.61	63.99	45.04	65.60

Source: Thomson Reuters

The trend in the above graph shows a significant industry wide decline in investment returns across the two major indices (including Teranga) from 2013, following a significant decline in the gold price, through 2015. Over 2016, investment returns increased for both major indices and Teranga in line with a strengthening gold price and gold related equities. Compensation to the NEOs over this time frame reflected the above trends with nominal salary increases and minimal cash bonus, including zero bonus awarded to the CEO following the 2014 year.

### Termination and Change of Control Benefits

Teranga has entered into employment agreements with each of the NEOs. The employment agreements are governed by and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. None of the agreements contain provision providing for any benefits upon a change of control other than as set out below. For the purposes of this section, "change of control" means any of the following: (a) a "Change of Control Event" as defined in Teranga's Stock Option Plan; and (b) in any eighteen month consecutive period, the following individuals cease for any reason to constitute a majority of the Board: (i) directors who were directors at the beginning of such period (the "**Incumbent Directors**"), and (ii) any new directors (the "**New Directors**") following May 27, 2013 whose appointment to the Board, or nomination for election as a director by Shareholders, was approved by a vote of at least a majority of the directors who, at such time, were either (A) Incumbent Directors, or (B) directors whose appointment or nomination for election as a director was previously approved by the Incumbent Directors and New Directors then on the Board.

### Description of Employment Agreements for Named Executive Officers (NEOs)

All executive employment agreements contain provisions consistent with current market practices, including quantum of payment upon a change of control or termination without cause, and a double trigger provision to trigger a payment upon a change of control. Given that all executive employment agreements are market-competitive; there was no need for the Compensation Committee to review these agreements to ensure consistency with current market practices. If current market practices change, the Compensation Committee will review the executive employment agreements in light of changing market practices.



*Richard S. Young*

The employment agreement with Mr. Young is for an indefinite term, subject to the termination provisions provided for in the agreement. As at the date hereof, the agreement provides for annual salary of \$442,252, benefits, an annual bonus and long term equity incentives to be approved by the Board.

*Paul Chawrun*

The employment agreement with Mr. Chawrun is for an indefinite term, subject to the termination provisions provided for in the agreement. As at the date hereof, the agreement provided for an annual salary of \$318,572, benefits, an annual bonus and long term equity incentives to be approved by the Board.

*Navin Dyal*

The employment agreement with Mr. Dyal is for an indefinite term, subject to the termination provisions provided for in the agreement. As at the date hereof, the agreement provided for an annual salary of \$281,093, benefits, an annual bonus and long term equity incentives to be approved by the Board.

*David Savarie*

The employment agreement with Mr. Savarie is for an indefinite term, subject to the termination provisions provided for in the agreement. As at the date hereof, the agreement provided for an annual salary of \$262,353, benefits, an annual bonus and long term equity incentives to be approved by the Board.

*Sepanta Dorri*

The employment agreement with Ms. Dorri is for an indefinite term, subject to the termination provisions provided for in the agreement. As at the date hereof, the agreement provided for an annual salary of \$251,109, benefits, an annual bonus and long term equity incentives to be approved by the Board.

In the event that any of the above NEOs are terminated without cause at any time, or within twelve months of a Change of Control their position, responsibilities, salary, bonus arrangement, or benefits provided are materially reduced without the express written consent of the NEO, then such NEO will be entitled to receive a lump sum payment equal to two (2) times the sum of his or her base salary and actual bonus, including the cash component and the cash equivalent as of the date of grant of any deferred or restricted share units comprising part of the bonus, with such aggregate amount to be averaged over the two (2) preceding years. The agreement also contains confidentiality, non-compete and non-solicitation covenants in favour of Teranga. The NEO may terminate the agreement by giving Teranga ninety (90) days prior written notice.

**Summary of Termination Benefits**

The following table provides details regarding the estimated incremental payments from Teranga to each of the Named Executive Officers in the event of a change of control or termination without cause, and assuming the event took place as of the date hereof:

Name	Triggering Event	Base Salary/Total Cost Remuneration Package (US\$)	Bonus (US\$)	Options (US\$) <sup>(1)</sup>	Other Benefits (US\$) <sup>(2)</sup>	Total (US\$)
Richard S. Young	Termination without cause	\$884,505	\$226,373	\$76,288	\$224,388	\$1,411,553
Paul Chawrun	Termination without cause	\$637,143	\$128,278	\$36,775	\$153,429	\$955,625
Navin Dyal	Termination without cause	\$562,185	\$116,960	\$33,564	\$125,445	\$838,154
David Savarie	Termination without cause	\$524,706	\$113,187	\$33,564	\$125,445	\$796,902
Sepanta Dorri	Termination without cause	\$502,219	\$79,231	\$33,564	\$106,598	\$721,612

(1) Based on the closing price for the Common Shares on the TSX of C\$0.82 on March 20, 2017 and using a C\$:US\$ exchange rate of 0.750 (March 20, 2017).

(2) Based on the closing price for the Common Shares on the TSX of C\$0.82 on March 20, 2017 and using a C\$:US\$ exchange rate of 0.750 (March 20, 2017). Other Benefits refers to RSUs that would, under the terms of the grant agreement and the RSU Plan itself would vest upon a termination without cause. Similar to the Option Plan, RSUs do not automatically vest upon a change of control event, but may do so at discretion of the Board.

Teranga estimates that the aggregate incremental payments to all of the current Named Executive Officers in the event of a termination without cause would be approximately \$4.72 million.

## 10. SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of the date of this Circular with respect to the Common Shares that may be issued under the Stock Option Plan.

Plan Category	Number of Common Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (#)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (\$)	Number of Securities Currently Remaining Available for Future Issuance under Equity Compensation Plans
Equity Compensation Plans Approved by Securityholders	11,507,500	3.00	22,936,308
	3,430,002	0.64	
	3,524,651	0.67	
	4,360,000	0.83	
	91,125	1.07	
	23,030	1.26	
Equity Compensation Plans Not Approved by Securityholders	N/A	N/A	N/A

## 11. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

To the best of the Corporation's knowledge, information and belief, no director or executive officer of the Corporation, nor any Nominee, nor any of their associates, is currently or was at any time since the beginning of the financial year ended December 31, 2016, indebted to the Corporation or any of its subsidiaries, and no indebtedness of such persons to another entity is currently or was at any time since the beginning of the financial year ended December 31, 2016 the subject of a guarantee, support agreement, letter of credit or other similar agreement provided by the Corporation or any of its subsidiaries.

## 12. AUDIT COMMITTEE

The primary function of the audit committee of the Board (the "**Audit Committee**") is to assist the Board in fulfilling its financial reporting and controls responsibilities to Shareholders. In accordance with National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators ("**NI 52-110**"), information with respect to the Corporation's Audit Committee is contained below. A copy of the Audit Committee Charter is attached to this Circular as Schedule "B".

### Composition of the Audit Committee

The Audit Committee of the Corporation is currently comprised of Mr. Thomas (Chair), Mr. Wheatley and Mr. Lattanzi. Each member of the Audit Committee is considered to be independent within the meaning of NI 52-110. All members of the Audit Committee are financially literate in that they have the ability to read and understand a set of financial statements that are of the same breadth and level of complexity of accounting issues as can be reasonably expected to be raised by the Corporation's financial statements. In addition, Mr. Thomas was previously an audit partner at Ernst & Young LLP for 13 years.

### Relevant Education and Experience

For details regarding the relevant education and experience of each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee, please see "Election of Directors — Nominee Biographies".

### Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year did the Board decline to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

### Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year did the Corporation rely on (a) the exemption in section 2.4 of NI 52-110 - *De Minimis Non-Audit Services*, or (b) an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions).

## Pre-approval Policies and Procedures

The Audit Committee is responsible for pre-approving all non-audit services to be provided by the external auditor to the Corporation or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. Furthermore, the Audit Committee is required to evaluate the independence and objectivity of the external auditors. The Audit Committee also has the authority to engage independent legal counsel and other advisors as it determines necessary to carry out its duties and responsibilities.

### External Auditor Services

Financial Period	Audit Fees <sup>(1)</sup> (\$)	Audit-Related Fees <sup>(2)</sup> (\$)	Tax Fees <sup>(3)</sup> (\$)	All Other Fees (\$)
January 1, 2016 to December 31, 2016	607,000	34,000	Nil	Nil
January 1, 2015 to December 31, 2015	395,000	163,000	Nil	Nil

(1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Corporation's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

## 13. INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the best of the Corporation's knowledge, information and belief, except as otherwise disclosed herein, no informed person of the Corporation, proposed director of the Corporation, or any of their associates or affiliates, has had a material interest, direct or indirect, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

## 14. ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com). A holder of Common Shares may contact the Corporation to request a copy of the Corporation's consolidated financial statements and accompanying management's discussion and analysis by contacting Teranga's Chief Financial Officer, Navin Dyal, through e-mail at [ndyal@terangagold.com](mailto:ndyal@terangagold.com), or through the Corporation's website at [www.terangagold.com](http://www.terangagold.com). Financial information is provided in the Corporation's comparative financial statements and accompanying management's discussion and analysis for the fiscal year ended December 31, 2016.

## APPROVAL

The contents and sending of this Circular have been approved by all of the directors of the Corporation.

DATED April 3, 2017.

## BY ORDER OF THE BOARD OF DIRECTORS



David Savarie  
General Counsel & Corporate Secretary

## SCHEDULE “A”

### TERANGA GOLD CORPORATION

#### MANDATE OF THE BOARD OF DIRECTORS

##### 1. Introduction

The board of directors (the “**Board**”) of Teranga Gold Corporation (“**Teranga**”) is elected by the shareholders of Teranga and is responsible for the stewardship of Teranga. The purpose of this mandate is to describe the principal duties and responsibilities of the Board, as well as some of the policies and procedures that apply to the Board in discharging its duties and responsibilities.

##### 2. Chairman of the Board

The chairman of the Board (“**Chairman**”) will be appointed by the Board, after considering the recommendation of the Corporate Governance and Nomination Committee, for such term as the Board may determine.

##### 3. Independence

The Board will be comprised of a majority of independent directors.

Where the Chairman is not independent, the independent directors will select one of their number to be appointed lead Independent director of the Board for such term as the independent directors may determine. If Teranga has a non-executive, independent Chairman, then the role of the lead Independent director will be filled by the non-executive Chairman. The lead director or non-executive Chairman will chair regular meetings of the independent directors and assume other responsibilities that the independent directors as a whole have designated. Given the purpose of the lead Independent director is to ensure that the board functions adequately independent of management, the lead Independent director shall be given the opportunity to review, comment and set agendas for board meetings (full board or independent directors only), oversee the information that is made available to directors by management and dealing with requests from or other issues that independent directors may have.

##### 4. Role and Responsibilities of the Board

The role of the Board is to represent the shareholders of Teranga, enhance and maximize shareholder value and conduct the business and affairs of Teranga ethically and in accordance with the highest standards of corporate governance. The Board is ultimately accountable and responsible for providing independent, effective leadership in supervising the management of the business and affairs of Teranga. The responsibilities of the Board include:

- adopting a strategic planning process;
- understanding and monitoring the political, cultural, legal and business environments in which Teranga operates;

- risk identification and ensuring that procedures are in place for the management of those risks;
- review and approve annual operating plans and budgets;
- corporate social responsibility, ethics and integrity;
- succession planning, including the appointment, training and supervision of management;
- delegations and general approval guidelines for management;
- monitoring financial reporting and management;
- monitoring internal control and management information systems;
- corporate disclosure and communications;
- adopting measures for receiving feedback from stakeholders; and
- adopting key corporate policies designed to ensure that Teranga, its directors, officers and employees comply with all applicable laws, rules and regulations and conduct their business ethically and with honesty and integrity.

Meetings of the Board will be held at least quarterly, with additional meetings to be held depending on the state of Teranga’s affairs and in light of opportunities or risks which Teranga faces. In addition, separate, regularly scheduled meetings of the independent directors of the Board will be held at which members of management are not present.

The Board will delegate responsibility for the day to day management of Teranga’s business and affairs to Teranga’s senior officers and will supervise such senior officers appropriately.

The Board may delegate certain matters it is responsible for to Board committees, presently consisting of the Audit Committee, Corporate Governance and Nominating Committee, Compensation Committee, Finance Committee, and the Technical, Safety, Environment and Social Responsibility Committee. The Board will, however, retain its oversight function and ultimate responsibility for these matters and all delegated responsibilities.

##### 5. Strategic Planning Process and Risk Management

The Board will adopt a strategic planning process to establish objectives and goals for Teranga’s business and will review, approve and modify as appropriate the strategies proposed by senior management to achieve such objectives and goals. The Board will review and approve, at least on an annual basis, a

strategic plan which takes into account, among other things, the opportunities and risks of Teranga's business and affairs.

The Board, in conjunction with management, will identify the principal risks of Teranga's business and oversee management's implementation of appropriate systems to effectively monitor, manage and mitigate the impact of such risks. Pursuant to its duty to oversee the implementation of effective risk management policies and procedures, the Board will delegate to the Compensation Committee the responsibility for assessing and implementing risk management policies and procedures directly connected to Teranga's compensation practices. Similarly, the Board will delegate the responsibility of assessing and implementing risk management policies and procedures directly connected to environmental risk management to the Technical, Safety, Environmental and Social Responsibility Committee. The Board will work in conjunction with each Committee, respectively, to oversee the implementation of such policies and procedures.

#### **6. Corporate Social Responsibility, Ethics and Integrity**

The Board will provide leadership to Teranga in support of its commitment to Corporate Social Responsibility, set the ethical tone for Teranga and its management and foster ethical and responsible decision making by management. The Board will take all reasonable steps to satisfy itself of the integrity of the Chief Executive Officer and management and satisfy itself that the Chief Executive Officer and management create a culture of integrity throughout the organization.

#### **7. Succession Planning, Appointment and Supervision of Management**

The Board will approve the succession plan for Teranga, including the selection, appointment, supervision and evaluation of the Chief Executive Officer and the other senior officers of Teranga, and will also approve the compensation of the Chief Executive Officer and the other senior officers of Teranga.

#### **8. Delegations and Approval Authorities**

The Board will delegate to the Chief Executive Officer and senior management authority over the day-to-day management of the business and affairs of Teranga. This delegation of authority will be subject to specified financial limits and any transactions or arrangements in excess of general authority guidelines will be reviewed by and subject to the prior approval of the Board.

#### **9. Monitoring of Financial Reporting and Management**

The Board will approve all regulatory filings, including the annual audited financial statements, interim financial statements, the

notes and management discussion and analysis accompanying such financial statements, quarterly and annual reports, management proxy circulars, annual information forms, prospectuses, and all capital investments, equity financings, borrowings and all annual operating plans and budgets.

The Board will adopt procedures that seek to: ensure the integrity of internal controls and management information systems; ensure compliance with all applicable laws, rules and regulations; and prevent violations of applicable laws, rules and regulations relating to financial reporting and disclosure, violation of Teranga's code of business conduct and ethics and fraud against shareholders.

#### **10. Corporate Disclosure and Communications**

The Board will seek to ensure that all corporate disclosure complies with all applicable laws, rules and regulations and the rules and regulations of the stock exchanges upon which Teranga's securities are listed. In addition, the Board will adopt procedures that seek to ensure the Board receives feedback from security holders on material issues.

#### **11. Corporate Policies**

The Board will adopt and annually review policies and procedures designed to ensure that Teranga, its directors, officers and employees comply with all applicable laws, rules and regulations and conduct Teranga's business ethically and with honesty and integrity. Principal policies consist of:

- Code of Business Conduct and Ethics;
- Corporate Disclosure Policy;
- Corporate Governance Guidelines;
- Foreign Corrupt Practices Policy;
- Majority Voting Policy;
- Insider Trading Policy; and
- Whistleblower Policy.

#### **12. Review of Mandate**

The Corporate Governance and Nominating Committee will annually review and assess the adequacy of this mandate and recommend any proposed changes to the Board for consideration.

Dated: March 29, 2017

Approved Board of Directors  
by:

## SCHEDULE “B”

### TERANGA GOLD CORPORATION

#### AUDIT COMMITTEE CHARTER

This charter (the “**Charter**”) sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Teranga Gold Corporation (“**Teranga**”).

##### 1. Purpose

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- financial reporting and disclosure requirements;
- ensuring that an effective risk management and financial control framework has been implemented and tested by management of Teranga; and
- external and internal audit processes.

##### 2. Composition and Membership

- (a) The Board will appoint the members (“**Members**”) of the Committee. The Members will be appointed to hold office until the next annual general meeting of shareholders of Teranga or until their successors are appointed. The Board may remove a Member at any time and may fill any vacancy occurring on the Committee. A Member may resign at any time and a Member will automatically cease to be a Member upon ceasing to be a director.
- (b) The Committee will consist of at least three directors. Each Member will meet the criteria for independence and financial literacy established by applicable laws and the rules of any stock exchanges upon which Teranga’s securities are listed, including National Instrument 52-110 — Audit Committees. In addition, each director will be free of any relationship which could, in the view of the Board, reasonably interfere with the exercise of a Member’s independent judgment.
- (c) The Board will appoint one of the Members to act as the chairman of the Committee (the “**Chairman**”). The secretary of Teranga (the “**Secretary**”) will be the secretary of all meetings and will maintain minutes of all meetings and deliberations of the Committee. If the Secretary is not in attendance at any meeting, the Committee will appoint another person who may, but need not, be a Member to act as the secretary of that meeting.
- (d) The Committee may delegate any or all of its functions to any of its Members or any sub-set thereof, or other persons, from time to time as it sees fit.

##### 3. Meetings

- (a) Meetings of the Committee will be held at such times and places as the Chairman may determine, but in any event not less than four (4) times per year. Twenty-four (24) hours advance notice of each meeting will be given to each Member orally, by telephone, by facsimile or email, unless all Members are present and waive notice, or if those absent waive notice before or after a meeting. Members may attend all meetings either in person or by telephone.
- (b) At the request of the external auditors of Teranga, the Chief Executive Officer or the Chief Financial Officer of Teranga or any Member, the Chairman will convene a meeting of the Committee. Any such request will set out in reasonable detail the business proposed to be conducted at the meeting so requested.
- (c) The Chairman, if present, will act as the chairman of meetings of the Committee. If the Chairman is not present at a meeting of the Committee, the Members in attendance may select one of their number to act as chairman of the meeting.
- (d) A majority of Members will constitute a quorum for a meeting of the Committee. Each Member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority. The Chairman will not have a deciding or casting vote in the case of an equality of votes. Powers of the Committee may also be exercised by written resolutions signed by all Members.
- (e) The Committee may invite from time to time such persons as it sees fit to attend its meetings and to take part in the discussion and consideration of the affairs of the Committee. The Committee will meet in camera without members of management in attendance for a portion of each meeting of the Committee.
- (f) In advance of every regular meeting of the Committee, the Chairman, with the assistance of the Secretary, will prepare and distribute to the Members and others as deemed appropriate by the Chairman, an agenda of matters to be addressed at the meeting together with appropriate briefing materials. The Committee may require officers and employees of Teranga to produce such information and reports as the Committee may deem appropriate in order for it to fulfill its duties.

##### 4. Duties and Responsibilities

The duties and responsibilities of the Committee as they relate to the following matters, are as follows:

**(1) Financial Reporting and Disclosure**

- (a) review and recommend to the Board for approval, the audited annual financial statements, including the auditors' report thereon, the quarterly financial statements, management discussion and analysis, financial reports, and any guidance with respect to earnings per share to be given, prior to the public disclosure of such information, with such documents to indicate whether such information has been reviewed by the Board or the Committee;
- (b) review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms, annual report to shareholders, management proxy circular, press releases and material change disclosures of a financial nature and similar disclosure documents prior to the public disclosure of such information;
- (c) review with management of Teranga, and with external auditors, significant accounting principles and disclosure issues and alternative treatments under International Financial Reporting Standards ("IFRS"), with a view to gaining reasonable assurance that financial statements are accurate, complete and present fairly Teranga's financial position and the results of its operations in accordance with IFRS, as applicable;
- (d) seek to ensure that adequate procedures are in place for the review of Teranga's public disclosure of financial information extracted or derived from Teranga's financial statements, periodically assess the adequacy of those procedures and recommend any proposed changes to the Board for consideration;
- (e) on a quarterly basis, the Chairman shall review the minutes from each meeting of the disclosure committee, established pursuant to Teranga's corporate disclosure policy.

**(2) Internal Controls and Audit**

- (a) review the adequacy and effectiveness of Teranga's system of internal control and management information systems through discussions with management and the external auditor to ensure that Teranga maintains: (i) the necessary books, records and accounts in sufficient detail to accurately and fairly reflect Teranga's transactions; (ii) effective internal control systems; and (iii) adequate processes for assessing the risk of material misstatement of the financial statement and other identified risks, including risks associated with operating in emerging markets, detecting control weaknesses and detecting fraud. From time to time the Committee shall assess whether it is necessary or desirable to establish a formal internal audit department having regard to the size and stage of development of Teranga at any particular time;
- (b) satisfy itself that management has established adequate procedures for the review of Teranga's disclosure of financial information extracted or derived directly from Teranga's financial statements;

- (c) satisfy itself, through discussions with management, that the adequacy of internal controls, systems and procedures has been periodically assessed in order to ensure compliance with regulatory requirements and recommendations;
- (d) review and discuss Teranga's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities;
- (e) review, and in the Committee's discretion make recommendations to the Board regarding, the adequacy of Teranga's risk management policies and procedures with regard to identification of Teranga's principal risks and implementation of appropriate systems to manage such risks including an assessment of the adequacy of insurance coverage maintained by Teranga;
- (f) recommend the appointment, or if necessary, the dismissal of the head of Teranga's internal audit process;

**(3) External Audit**

- (a) recommend to the Board a firm of external auditors to be nominated for appointment as the external auditor of Teranga;
- (b) ensure the external auditors report directly to the Committee on a regular basis;
- (c) review the independence of the external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;
- (d) review and recommend to the Board the fee, scope and timing of the audit and other related services rendered by the external auditors;
- (e) review the audit plan of the external auditors prior to the commencement of the audit;
- (f) establish and maintain a direct line of communication with Teranga's external and internal auditors;
- (g) meet at least once a year in camera with only the auditors, and with only the members of the Committee;
- (h) oversee the performance of the external auditors who are accountable to the Committee and the Board as representatives of the shareholders, including the lead partner of the independent auditor's team;
- (i) oversee the work of the external auditors appointed by the shareholders of Teranga with respect to preparing and issuing an audit report or performing other audit, review or attest services for Teranga, including the resolution of issues between management of Teranga and the external auditors regarding financial disclosure;

- (j) review the results of the external audit and the report thereon including, without limitation, a discussion with the external auditors as to the quality of accounting principles used, any alternative treatments of financial information that have been discussed with management of Teranga, the ramifications of their use as well as any other material changes. Review a report describing all material written communication between management and the auditors such as management letters and schedule of unadjusted differences;
- (k) discuss with the external auditors their perception of Teranga's financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto;
- (l) discuss with the external auditors their perception of Teranga's identification and management of risks, including the adequacy or effectiveness of policies and procedures implemented to mitigate such risks;
- (m) review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendations to the Board;
- (n) review annually a report from the external auditors in respect of their internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues; and
- (o) pre-approve all non-audit services to be provided to Teranga or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its members the authority to pre-approve non-audit services but pre-approval by such member or members so delegated shall be presented to the full Committee at its first scheduled meeting following such pre-approval.

#### **(4) Compliance**

- (a) monitor and periodically review the Whistleblower Policy and associated procedures for:
  - (i) the receipt, retention and treatment of complaints received by Teranga regarding accounting, internal accounting controls or auditing matters;
  - (ii) the confidential, anonymous submission by directors, officers and employees of Teranga of concerns regarding questionable accounting or auditing matters;
  - (iii) any violations of any applicable law, rule or regulation that relates to corporate reporting and disclosure, or violations of Teranga's Code of Business Conduct & Ethics;
- (b) review and approve Teranga's hiring policies regarding employees and partners, and former employees and partners, of the present and former external auditors of Teranga; and
- (c) review and monitor the implementation of the Company's Code of Business Conduct and Ethics.

#### **5. Oversight Function**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that Teranga's financial statements are complete and accurate or comply with IFRS and other applicable requirements. These are the responsibilities of Management and the external auditors. The Committee, the Chairman and any Members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of Teranga, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of Teranga's financial information or public disclosure.

#### **6. Reporting**

The Chairman will report to the Board at each Board meeting on the Committee's activities since the last Board meeting. The Committee will annually review and approve the Committee's report for inclusion in the Annual Information Form. The Secretary will circulate the minutes of each meeting of the Committee to the members of the Board.



## **7. Access to Information and Authority**

The Committee will be granted unrestricted access to all information regarding Teranga that is necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by Members. The Committee has the authority to retain, at Teranga's expense, independent legal, financial and other advisors, consultants and experts, to assist the Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve any such firm's fees and other retention terms without prior approval of the Board. The Committee also has the authority to communicate directly with internal and external auditors.

The Committee shall at least annually evaluate its own performance and report to the Corporate Governance and Nominating Committee on such evaluation.

## **8. Review of Charter**

The Committee will annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.

Dated: March 29, 2017

Approved by: Audit Committee  
Board of Directors

## SCHEDULE “C”

### TERANGA GOLD CORPORATION

#### INCENTIVE STOCK OPTION PLAN

##### Section 1 General Provisions

##### 1.1 Interpretation

For the purposes of this Plan (as defined below), the following terms shall have the following meanings:

- (a) **“Applicable Withholdings and Deductions”** has the meaning given to that term in Section 1.10;
- (b) **“Associate”** has the meaning ascribed to that term under Section 1 of the *Securities Act* (Ontario);
- (c) **“Associated Companies”, “Affiliated Companies”, “Controlled Companies”** and **“Subsidiary Companies”** have the meanings ascribed to those terms under Section 1 of the *Securities Act* (Ontario);
- (d) **“ASX”** means ASX Limited;
- (e) **“ASX Listing Rules”** means the listing rules of ASX;
- (f) **“Board”** has the meaning given to that term in Section 1.3 (c);
- (g) **“Business Day”** means any day other than a Saturday, Sunday or a statutory or civic holiday in Ontario, Canada;
- (h) **“Cause”** means (i) if the Participant has a written employment agreement with the Corporation or a Subsidiary Company of the Corporation in which “cause” is defined, “cause” as defined therein; or otherwise (ii) (A) the inability of the Participant to perform his or her duties due to a legal impediment such as an injunction, restraining order or other type of judicial judgment, decree or order entered against the Participant; (B) the failure of the Participant to follow the Corporation’s reasonable instructions with respect to the performance of his or her duties; (C) any material breach by the Participant of his or her obligations under any code of ethics, any other code of business conduct or any lawful policies or procedures of the Corporation; (D) excessive absenteeism, flagrant neglect of duties, serious misconduct, or conviction of crime or fraud; and (E) any other act or omission of the Participant which would in law permit an employer to, without notice or

payment in lieu of notice, terminate the employment of an employee;

- (i) **“Certificate”** has the meaning given to that term in Section 1.3(d);

- (j) **“Change of Control Event”** means:

- (i) The sale by the Corporation of all or substantially all of its assets;
- (ii) The acceptance by the Shareholders, representing in the aggregate fifty percent (50%) or more of all of the issued Common Shares, of any offer, whether by way of a takeover bid or otherwise, for all or any of the outstanding Common Shares; provided that no change of control event shall be deemed to have occurred if upon completion of any such transaction individuals who were members of the Board immediately prior to the effective date of such transaction constitute a majority of the board of directors of the resulting corporation following such effective date;
- (iii) The acquisition, by whatever means, by a person (or two or more persons who, in such acquisition, have acted jointly or in concert or intend to exercise jointly or in concert any voting rights attaching to the Common Shares acquired), directly or indirectly, of beneficial ownership of such number of Common Shares or rights to Common Shares, which together with such person’s then-owned Common Shares and rights to Common Shares, if any, represent (assuming the full exercise of such rights) fifty percent (50%) or more of the combined voting rights attached to the then-outstanding Common Shares;
- (iv) The entering into of any agreement by the Corporation to merge, consolidate, restructure, amalgamate, initiate an arrangement or be absorbed by, into or with another corporation; provided that no change of control event shall be deemed to have occurred if upon completion of any such transaction

- individuals who were members of the Board immediately prior to the effective date of such transaction constitute a majority of the board of directors of the resulting corporation following such effective date;
- (v) The passing of a resolution by the Board or Shareholders to substantially liquidate the assets of the Corporation or wind up the Corporation's business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such re-arrangement is part of a bona fide reorganization of the Corporation in circumstances where the business of the Corporation is continued and the shareholdings remain substantially the same following the re-arrangement); or
- (vi) The circumstance in which individuals who were members of the Board immediately prior to a meeting of the Shareholders involving a contest for the election of directors no longer constitute a majority of the Board following such election;
- (k) **"Code"** has the meaning given to that term in Section 3.1;
- (l) **"Common Shares"** means the common shares in the capital of the Corporation;
- (m) **"Corporation"** means Teranga Gold Corporation;
- (n) **"Consultant"** means an individual (including an individual whose services are contracted through a personal holding corporation) with whom the Corporation or a Subsidiary Company has a contract for substantial services;
- (o) **"Eligible Person"** means:
- (i) any director, officer, employee or Consultant of the Corporation or any of its Subsidiary Companies; and
- (ii) any Personal Holding Company;
- (p) **"Eligible U.S. Participants"** has the meaning given to that term in Section 3.1;
- (q) **"Exercise Price"** has the meaning given to that term in Section 2.2;
- (r) **"Expiry Date"** has the meaning given to that term in Section 2.3 (b);
- (s) **"Insider"** means:
- (i) an insider as defined under Section 1(1) of the Securities Act (Ontario), other than a person who falls within that definition solely by virtue of being a director or senior officer of a Subsidiary Company of the Corporation, and
- (ii) an associate as defined under Section 1(1) of the Securities Act (Ontario) of any person who is an insider by virtue of (i) above;
- (t) **"Market Price"** means:
- (i) prior to an initial public offering of the Common Shares, such price as is determined by the Board to constitute their fair market value, using such reasonable valuation mechanism as it selects; and
- (ii) after an initial public offering of the Common Shares, the volume weighted average trading price of the Shares as reported on the TSX for the five (5) trading days immediately preceding the day on which the Option is granted; provided, however, that the Exercise Price of an Option shall not be less than the minimum Exercise Price required by the applicable rules of the TSX;
- (u) **"Option"** means an option to purchase Common Shares granted to an Eligible Person pursuant to the terms of the Plan;
- (v) **"Option Period"** has the meaning given to that term in Section 2.3 (a);
- (w) **"Participant"** means an Eligible Person to whom Options have been granted;
- (x) **"Personal Holding Company"** means a personal holding corporation that is either wholly owned, or controlled by, the Participant, and the shares of which are held directly or indirectly by any of the Participant or the Participant's spouse, minor children and/or minor grandchildren;
- (y) **"Plan"** means this incentive stock option plan of the Corporation;

- (z) **"Share Compensation Arrangement"** means any stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism of the Corporation involving the issuance or potential issuance of Common Shares, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise;
- (aa) **"Shareholders"** means holders of Common Shares;
- (bb) **"Stock Exchange"** means the TSX, the ASX, and any other stock exchange on which the Common Shares are listed or traded;
- (cc) **"Termination Date"** means the date on which a Participant ceases to be an Eligible Person; and
- (dd) **"TSX"** means the Toronto Stock Exchange.

Words importing the singular number only shall include the plural and vice versa and words importing the masculine shall include the feminine.

This Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

## 1.2 Purpose

The purpose of the Plan is to advance the interests of the Corporation by: (i) providing Eligible Persons with additional incentive; (ii) encouraging stock ownership by such Eligible Persons; (iii) increasing the proprietary interest of Eligible Persons in the success of the Corporation; (iv) encouraging Eligible Persons to remain with the Corporation or its Subsidiary Companies; and (v) attracting new directors, employees and officers.

## 1.3 Administration

- (a) This Plan shall be administered by the Board.
- (b) Subject to the terms and conditions set forth herein, the Board is authorized to provide for the granting, exercise and method of exercise of Options (as hereinafter defined), all on such terms (which may vary between Options granted from time to time) as it shall determine. In addition, the Board shall have the authority to (i) construe and interpret this Plan and all agreements entered into hereunder; (ii) prescribe, amend and rescind rules and regulations relating to this Plan; and (iii) make all other determinations necessary or advisable for the administration of this Plan. All

determinations and interpretations made by the Board shall be binding on all Participants and on their legal, personal representatives and beneficiaries.

- (c) Notwithstanding the foregoing or any other provision contained herein, the Board shall have the right to delegate the administration and operation of this Plan, in whole or in part, to a committee of the Board and/or to any member of the Board. Whenever used herein, the term **"Board"** means the board of directors of the Corporation, and shall be deemed to include any committee or director to which the Board has, fully or partially, delegated the administration and operation of this Plan pursuant to this Section 1.3.
- (d) An Option shall be evidenced by an incentive stock option agreement certificate (**"Certificate"**), signed on behalf of the Corporation, which Certificate shall be in such form as the Board shall approve from time to time.

## 1.4 Shares Reserved

- (a) Subject to Section 1.4 (d), the securities that may be acquired by Participants under this Plan shall consist of authorized but unissued Common Shares.
- (b) The Corporation shall at all times during the term of this Plan ensure that the number of Common Shares it is authorized to issue shall be sufficient to satisfy the requirements of this Plan.
- (c) The aggregate number of Common Shares issuable under this Plan, and under all other Share Compensation Arrangements, shall not exceed 9% of the total number of Common Shares issued and outstanding from time to time. Any Common Shares subject to an Option which for any reason is cancelled or terminated without having been exercised shall again be available for grants under the Plan, and under all other Share Compensation Arrangements. Any Common Shares subject to an Option which has been exercised by a Participant, shall again be available for grants under the Plan, and under all other Share Compensation Arrangements. Fractional shares will not be issued and will be treated as specified in Section 1.11(d).
- (d) If there is a change in the outstanding Common Shares by reason of any stock dividend or split, recapitalization, amalgamation, consolidation, combination or exchange of shares, or other corporate change, the Board shall make, subject where required to the prior approval of the Stock

Exchange or the ASX Listing Rules, appropriate substitution or adjustment in:

- (i) the number or kind of Common Shares or other securities reserved for issuance pursuant to the Plan, and
- (ii) the number and kind of Common Shares or other securities subject to unexercised Options theretofore granted and in the Exercise Price of such securities;

without any change in the total price applicable to the unexercised portion of the Option, but with a corresponding adjustment in the price for each Common Share covered by the Option; provided, however, that no substitution or adjustment shall obligate the Corporation to issue or sell fractional shares. If the Corporation is reorganized, amalgamated with another corporation or consolidated, the Board shall make such provisions for the protection of the rights of Participants as the Board in its discretion deems appropriate.

- (e) Grants of Options to non-executive Directors of the Corporation shall not exceed an equity value of \$100,000 to each Director per year (calculated at the date of each grant based on the Market Price of the Common Shares multiplied by the number of Options granted); and further provided that grants of Options, together with grants or awards under all other security-based compensation arrangements of the Corporation to non-executive Directors, shall not exceed an equity value of \$150,000 per Director per year.

#### **1.5 Limits with Respect to Insiders, including under the ASX Listing Rules**

- (a) The maximum number of Options which may be issued to Insiders, and to such Insiders' Associates under the Plan, and any other Share Compensation Arrangement, shall not cover a number of Common Shares which exceeds 9% of the Common Shares outstanding from time to time (calculated on a non-diluted basis).
- (b) The maximum number of Common Shares that may be issued to Insiders and their Associates within any one year period pursuant to the exercise of Options granted under this Plan, and any other Share Compensation Arrangement, shall not exceed 9% of the Common Shares outstanding (calculated on a non-diluted basis).
- (c) Any Option granted pursuant to the Plan, or any other Share Compensation Arrangement, prior to the grantee becoming an Insider shall be

excluded for the purposes of the limits set out in (a) and (b) above.

- (d) The Corporation must comply with the ASX Listing Rules in respect of the grant of Options under the Plan, which includes a requirement that prior shareholder approval be obtained for the grant of Options to a "related party" (which includes directors of the Corporation) under Chapter 10 of the ASX Listing Rules.

#### **1.6 Amendment and Termination**

- (a) The Board may from time to time, suspend, terminate or discontinue the Plan at any time, or amend or revise the terms of the Plan or of any Option granted under the Plan and any Certificate relating thereto, provided that no such suspension, termination, amendment or revision will be made:

- (i) except in compliance with applicable law and with the prior approval, if required, of the Stock Exchange or any other regulatory body having authority over the Corporation, the Plan or the Shareholders; and
- (ii) in the case of an amendment or revision, if it materially adversely affects the rights of any Participant, without the consent of the Participant.

- (b) If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force on the date of termination will continue in effect as long as any Option or any rights pursuant thereto remain outstanding and, notwithstanding the termination of the Plan, the Board will remain able to make such amendments to the Plan or the Options as they would have been entitled to make if the Plan were still in effect.

- (c) Subject to any applicable rules of the Stock Exchange, the Board may from time to time, in its absolute discretion and without the approval of Shareholders, make the following amendments to the Plan or any Option:

- (i) amend the vesting provisions of the Plan and any Certificate;
- (ii) amend the Plan or an Option as necessary to comply with applicable law or the requirements of the Stock Exchange or any other regulatory body having authority over the Corporation, the Plan or the Shareholders;

- (iii) any amendment of a “housekeeping” nature, including, without limitation, to clarify the meaning of an existing provision of the Plan, correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan, correct any grammatical or typographical errors or amend the definitions in the Plan regarding administration of the Plan;
  - (iv) any amendment respecting the administration of the Plan; and
  - (v) any other amendment that does not require the approval of Shareholders under Section 1.6(d) or the ASX Listing Rules.
- (e) Shareholder approval and applicable waiver or consent by the ASX is required for the following amendments to the Plan:
- (i) any increase in the maximum number of Common Shares that may be issuable pursuant to Options granted under the Plan set out in Section 1.4(c);
  - (ii) any cancellation and reissuance of Options;
  - (iii) amendments to the category of Eligible Persons that may permit the introduction or reintroduction of non-executive Directors on a discretionary basis or amendments that increase limits previously imposed on non-executive Director participation set out in Section 1.4(e);
  - (iv) any amendments which would permit Options granted under the Plan to be transferable or assignable other than for normal estate settlement purposes;
  - (v) any amendments to this Section 1.6 (d) hereof that would permit the Board to amend the Plan without Shareholder approval;
  - (vi) any reduction in the Exercise Price or extension of the Expiry Date of an Option held by any Participant under the Plan; and
  - (vii) any change that would materially modify the eligibility requirements for participation in the Plan.

## 1.7 Compliance with Legislation

- (a) The Plan (including an amendment to the Plan), the terms of the issue or grant of any Option under the Plan, the grant and exercise of Options hereunder, and the Corporation’s obligation to sell and deliver Common Shares upon the exercise of Options, shall be subject to all applicable federal, provincial and foreign laws, rules and regulations, the rules and regulations of the Stock Exchange and to such approvals by any regulatory or governmental agency as may, in the opinion of counsel to the Corporation, be required. The Corporation shall not be obliged by any provision of the Plan or the grant of any Option hereunder to issue or sell Common Shares in violation of such laws, rules and regulations or any condition of such approvals.
- (b) No Option shall be granted, and no Common Shares issued hereunder, where such grant, issue or sale would require registration of the Plan or of Common Shares under the securities laws of any foreign jurisdiction, and any purported grant of any Option or purported issue of Common Shares hereunder in violation of this provision shall be void.
- (c) The Corporation shall have no obligation to issue any Common Shares pursuant to the Plan unless such Common Shares shall have been duly listed, upon official notice of issuance, with the Stock Exchange. Common Shares issued and sold to Participants pursuant to the exercise of Options may be subject to limitations on sale or resale under applicable securities laws.
- (d) If Common Shares cannot be issued to a Participant upon the exercise of an Option due to legal or regulatory restrictions, the obligation of the Corporation to issue such Common Shares shall terminate and any funds paid to the Corporation in connection with the exercise of such Option will be returned to the applicable Participant as soon as practicable.

## 1.8 Effective Date

The Plan shall be effective upon the approval of the Plan by:

- (a) The Stock Exchange and any other exchange upon which the Common Shares of the Corporation may be posted or listed for trading, and shall comply with the requirements from time to time of the Stock Exchange; and
- (b) the Shareholders, by written resolution signed by all Shareholders or given by the affirmative vote of a majority of the votes attached to the

Common Shares entitled to vote and be represented and voted at an annual or special meeting of Shareholders held, among other things, to consider and approve the Plan.

## 1.9 Proceeds from Exercise of Options

The proceeds from any sale of Shares issued upon the exercise of Options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

## 1.10 Tax Withholdings

Notwithstanding any other provision contained herein, in connection with the exercise of an Option by a Participant from time to time, as a condition to such exercise (i) the Corporation shall require such Participant to pay to the Corporation or the relevant Subsidiary Company an amount as necessary so as to ensure that the Corporation or such Subsidiary Company, as applicable, is in compliance with the applicable provisions of any federal, provincial or local law relating to the withholding of tax or other required deductions (the “**Applicable Withholdings and Deductions**”) relating to the exercise of such Options; or (ii) in the event a Participant does not pay the amount specified in (i), the Corporation shall be permitted to engage a broker or other agent, at the risk and expense of the Participant, to sell an amount of underlying Common Shares issuable on the exercise of such Option through the facilities of the Stock Exchange, and to apply the cash received on the sale of such underlying Common Shares as necessary so as to ensure that the Corporation or the relevant Subsidiary Company, as applicable, is in compliance with the Applicable Withholdings and Deductions relating to the exercise of such Options. In addition, the Corporation or the relevant Subsidiary Company, as applicable, shall be entitled to withhold from any amount payable to a Participant, either under this Plan or otherwise, such amount as may be necessary so as to ensure that the Corporation or the relevant Subsidiary Company is in compliance with Applicable Withholdings and Deductions relating to the exercise of such Options.

## 1.11 Miscellaneous

- (a) Nothing contained herein shall prevent the Board from adopting other or additional Share Compensation Arrangements or compensation arrangements, subject to any required approval.
- (b) Nothing contained in the Plan nor in any Option granted thereunder shall be deemed to give any Participant any interest or title in or to any Common Shares or any rights as a Shareholder or any other legal or equitable right against the Corporation or any of its Subsidiary Companies whatsoever other than as set forth in the Plan and pursuant to the exercise of any Option.

- (c) The Plan does not give any Participant or any employee of the Corporation or any of its Associated Companies, Affiliated Companies, Subsidiary Companies or Controlled Companies the right or obligation to or to continue to serve as a Consultant, director, officer or employee, as the case may be, to or of the Corporation or any of its Associated Companies, Affiliated Companies, Subsidiary Companies or Controlled Companies. The awarding of Options to any Eligible Person is a matter to be determined solely in the discretion of the Board. The Plan shall not in any way fetter, limit, obligate, restrict or constrain the Board with regard to the allotment or issue of any Common Shares or any other securities in the capital of the Corporation other than as specifically provided for in the Plan. The grant of an Option to, or the exercise of an Option by, a Participant under the Plan does not create the right for such Participant to receive additional grants of Options hereunder.
- (d) No fractional Common Shares shall be issued upon the exercise of Options granted under the Plan and, accordingly, if a Participant would become entitled to a fractional Common Share upon the exercise of an Option, or from an adjustment pursuant to Section 1.4 (d) such Participant shall only have the right to purchase the next lowest whole number of Common Shares, and no payment or other adjustment will be made with respect to the fractional interest so disregarded.
- (e) The Corporation makes no representation or warranty as to the future market value of the Common Shares or with respect to any income tax matters affecting the Participant resulting from the grant or exercise of an Option and/or transactions in the Common Shares. Neither the Corporation, nor any of its directors, officers, employees, shareholders or agents shall be liable for anything done or omitted to be done by such person or any other person with respect to the price, time, quantity or other conditions and circumstances of the issuance of Common Shares hereunder, with respect to any fluctuations in the market price of Common Shares or in any other manner related to the Plan.

## Section 2 Options

### 2.1 Grants

- (a) Subject to the provisions of the Plan, the Board shall have the authority to determine the limitations, restrictions and conditions, if any, in addition to those set forth in Section 1.3 (b) and Section 2.3 hereof, applicable to the exercise of

an Option. An Eligible Person may receive Options on more than one occasion under the Plan and may receive separate Options on any one occasion.

- (b) The Board may, in its discretion, select any directors, officers, employees or Consultants of or to the Corporation or Subsidiary Companies of the Corporation to participate in this Plan.
- (c) The Board may from time to time, in its discretion, grant Options to any Participant upon the terms, conditions and limitations set forth herein and such other terms, conditions and limitations permitted by and not inconsistent with this Plan as the Board may determine, provided that Options granted to any Participant shall be approved by the Shareholders if the rules of the Stock Exchange require such approval.

## 2.2 Exercise Price

An Option may be exercised at a price (the “**Exercise Price**”) that shall be fixed by the Board at the time that the Option is granted, but in no event shall it be less than the Market Price. The Exercise Price shall be subject to adjustment in accordance with the provisions of Section 1.4 (d) hereof.

## 2.3 Exercise of Options

- (a) The period during which an Option may be exercised (the “**Option Period**”) shall be determined by the Board at the time the Option is granted, subject to any vesting limitations that may be imposed by the Board in its sole and unfettered discretion at the time such Option is granted, provided that:
  - (i) no Option shall be exercisable for a period exceeding six (6) years from the date the Option is granted;
  - (ii) the Option Period shall be automatically reduced in accordance with Section 2.3 (f) below upon the occurrence of any of the events referred to therein; and
  - (iii) no Option in respect of which Shareholder approval is required under the rules of the Stock Exchange shall be exercisable until such time as such Option has been approved by the Shareholders.
- (b) Notwithstanding any other provision of the Plan, if the date that any vested Option ceases to be exercisable (the “**Expiry Date**”) falls on, or within nine (9) Business Days immediately following, a date upon which such Participant is prohibited

from exercising such Option due to a black-out period or other trading restriction imposed by the Corporation, then the Expiry Date of such Option shall be automatically extended to the tenth (10<sup>th</sup>) Business Day following the date the relevant black-out period or other trading restriction imposed by the Corporation is lifted, terminated or removed.

- (c) Notwithstanding any other provision of this Plan, but subject to the ASX Listing Rules, in the event of an actual or potential Change of Control Event, the Board may, in its discretion, without the necessity or requirement for the agreement of any Participant: (i) accelerate, conditionally or otherwise, on such terms as it sees fit, the vesting date of any Option; (ii) permit the conditional exercise of any Option, on such terms as it sees fit; (iii) otherwise amend or modify the terms of the Option, including for greater certainty permitting Participants to exercise any Option, to assist the Participants to tender the underlying Common Shares to, or participate in, the actual or potential Change of Control Event or to obtain the advantage of holding the underlying Common Shares during such Change of Control Event; and (iv) terminate, following the successful completion of such Change of Control Event, on such terms as it sees fit, the Options not exercised prior to the successful completion of such Change of Control Event. The determination of the Board in respect of any such Change of Control Event shall for the purposes of this Plan be final, conclusive and binding.

- (d) Notwithstanding any other provision of this Plan, in the event that:

- (i) an actual or potential Change of Control Event is not completed within the time specified therein; or
- (ii) all of the Common Shares subject to an Option that were tendered by a Participant in connection with an actual or potential Change of Control Event are not taken up or paid for by the offeror in respect thereof,

then the Board may, in its discretion, without the necessity or requirement for the agreement of any Participant, permit the Common Shares received upon such exercise, or in the case of subsection (ii) above the Common Shares that are not taken up and paid for, to be returned by the Participant to the Corporation and reinstated as authorized but unissued Common Shares and, with respect to such returned Common Shares, the related Options may be reinstated



as if they had not been exercised and the terms for such Options becoming vested will be reinstated pursuant to this Section 2.3. If any Common Shares are returned to the Corporation under this Section 2.3, the Corporation will immediately refund the Exercise Price to the Participants for such Common Shares.

- (e) Options shall not be transferable or assignable by the Participant otherwise than by will or the laws of descent and distribution, and shall be exercisable during the lifetime of a Participant only by the Participant and after death only by the Participant's legal representative.

- (f) Subject to Section 2.3(a) and except as otherwise determined by the Board:

- (i) if a Participant who is a non-executive director of the Corporation ceases to be an Eligible Person as a result of his or her retirement from the Board other than for Cause, each unvested Option held by such Participant shall automatically vest on the date of his or her retirement from the Board, and thereafter each vested Option held by such Participant will cease to be exercisable on the earlier of the original Expiry Date of the Option and six (6) months after the date of his or her retirement from the Board;

- (ii) if the Board service, consulting relationship, or employment of a Participant with the Corporation or a Subsidiary Company is terminated for Cause, each vested and unvested Option held by the Participant will automatically terminate and become void on the Termination Date;

- (iii) if a Participant dies, the legal representative of the Participant may exercise the Participant's vested Options for a period until the earlier of the original Expiry Date of the Option and 12 months after the date of the Participant's death, but only to the extent the Options were by their terms exercisable on the date of death. For greater certainty, all unvested Options held by a Participant who dies shall terminate and become void on the date of death of such Participant;

- (iv) if a Participant ceases to be an Eligible Person for any reason whatsoever other than (x) in the case of a non-executive director, his or her retirement

from the Board other than for Cause; (y) the termination of Board service, consulting relationship, or employment of a Participant with the Corporation or a Subsidiary Company for Cause; or (z) his or her death, each vested Option held by the Participant will cease to be exercisable on the earlier of the original Expiry Date of the Option and six (6) months after the Termination Date; provided that all unvested Options held by such Participant shall automatically terminate and become void on the Termination Date of such Participant. Without limitation, and for greater certainty only, this provision will apply regardless of whether the Participant received compensation in respect of dismissal or was entitled to a period of notice of termination which would otherwise have permitted a greater portion of the Option to vest with the Participant.

- (g) The Exercise Price of each Common Share purchased under an Option shall be paid in full in cash or by bank draft or certified cheque at the time of such exercise, and upon receipt of payment in full, the number of Common Shares in respect of which the Option is exercised shall be duly issued as fully paid and non-assessable.

- (h) Upon the exercise of Options pursuant to this section, the Corporation shall forthwith deliver, or cause the registrar and transfer agent of the Common Shares to deliver, to the relevant Participant (or his or her legal or personal representative) or to the order thereof, a certificate representing the number of Common Shares with respect to which Options have been exercised.

- (i) Subject to the other provisions of this Plan and any vesting limitations imposed by the Board at the time of grant, Options may be exercised, in whole or in part, at any time or from time to time, by a Participant by written notice given to the Corporation as required by the Board from time to time.

## 2.4 Notice

Any notice required to be given by this Plan shall be in writing and shall be given by registered mail, postage prepaid, or delivered by courier or by facsimile transmission addressed, if to the Corporation, to the office of the Corporation in Toronto, Ontario, Attention: Corporate Secretary; or if to a Participant, to such Participant at his address as it appears on the books of the Corporation or in the event of the address of any such

Participant not so appearing, then to the last known address of such Participant; or if to any other person, to the last known address of such person.

reported on the TSX on the business day immediately preceding the day on which the Option is granted.

## **2.5 Rights of Participants**

No person entitled to exercise any Option granted under this Plan shall have any of the rights or privileges of a Shareholder in respect of any underlying Common Shares issuable upon exercise of such Option, including without limitation, the right to participate in any new issue of Common Shares to existing holders of Common Shares, until such Option has been exercised and such underlying Common Shares have been paid for in full and issued to such person.

## **2.6 Right to Issue Other Shares**

The Corporation shall not by virtue of this Plan be in any way restricted from declaring and paying stock dividends, issuing further Common Shares, varying or amending its share capital or corporate structure.

## **2.7 Quotation of Common Shares**

So long as the Common Shares are listed on the TSX and the ASX, the Corporation must apply to the TSX and the ASX, as applicable, for the listing or quotation, as applicable, of the Common Shares issued upon the exercise of all Options granted under the Plan, however, the Corporation cannot guarantee that such Common Shares will be listed or quoted, as applicable, on the TSX or the ASX.

## **Section 3 Special Rules for U.S. Eligible Persons**

### **3.1 Section 409A Compliance**

Notwithstanding any other provision of this Plan, the following special rules will apply to all Eligible Persons ("**Eligible U.S. Participants**") who are subject to U.S. income tax with respect to Options issued under the Plan to them:

- (a) all Options granted under this Plan to Eligible U.S. Participants are intended to be exempt from Section 409A of the United States Internal Revenue Code of 1986, as amended (the "**Code**") and will be construed accordingly. However, the Corporation will not be liable to any Eligible U.S. Participant or beneficiary with respect to any adverse tax consequences arising under Section 409A or other provision of the Code; and
- (b) the Exercise Price for all Options granted to Eligible U.S. Participants shall in no event be less than the greater of (i) the Market Price; and (ii) the closing price of the Common Shares as

Any questions and requests for assistance may be directed to the  
Proxy Solicitation Agent:



**KINGSDALE**  
Shareholder Services

The Exchange Tower  
130 King Street West, Suite 2950, P.O. Box 361  
Toronto, Ontario  
M5X 1E2  
[www.kingsdaleshareholder.com](http://www.kingsdaleshareholder.com)

**North American Toll Free Phone:**

**1-855-682-2019**

**Email:** [contactus@kingsdaleadvisor.com](mailto:contactus@kingsdaleadvisor.com)

**Facsimile: 416-867-2271**

**Toll Free Facsimile: 1-866-545-5580**

**Outside North America, Banks and Brokers Call Collect: 416-867-2272**