Management's Discussion and Analysis of

TERANGA GOLD CORPORATION

For the three months ended March 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2017

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial conditions and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the three months ended March 31, 2017. The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto ("Statements") of Teranga Gold Corporation ("Teranga" or the "Company") and MD&A as at and for the three months ended March 31, 2017, as well as, with the audited consolidated financial statements of Teranga as at and for the twelve months ended December 31, 2016. The Company's Statements and MD&A are presented in United States dollars, unless otherwise specified, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Additional information about Teranga, including the Company's Annual Information Form for the year ended December 31, 2016, as well as all other public filings, is available on the Company's website at www.terangagold.com and on the SEDAR website (www.sedar.com).

This report is dated as of April 27, 2017. All references to the Company include its subsidiaries unless the context requires otherwise.

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

OVERVIEW OF THE BUSINESS

Teranga is a multi-jurisdictional gold producer, developer and exploration company based in West Africa. Teranga's producing asset, the Sabodala Gold operations is based in Senegal. Teranga is currently completing work on an updated feasibility study for its fully permitted Banfora Gold project in Burkina Faso, which is anticipated to be completed by mid-year 2017. Depending on the results of the feasibility study and an investment decision of the Board, the Banfora Gold project may move into construction and development in 2017. In addition, Teranga has committed to invest $12-$15 million in exploration activities over its most prospective properties in Senegal, Burkina Faso and in Côte d'Ivoire. The majority of the exploration budget will be split between Senegal and Burkina Faso, which have the most advanced prospects to date.

Teranga's significant investment in corporate social responsibility ("CSR") initiatives has helped establish a mutually beneficial partnership with the regional and local levels of government in Senegal. This strengthening relationship is expected to continue and to generate significant positive spin-offs for the local and regional population in terms agriculture and food security, youth education and training, health care and long-term employment. In recognition of Teranga's outstanding commitment and lasting contributions to the communities surrounding its Sabodala Gold operations, the Company received a number of CSR awards in 2016, in particular, the Canadian UN Sustainable Development Goals Award and the Prospectors & Developers Association of Canada ("PDAC") Award for Environmental and Social Responsibility.

MISSION, VISION, STRATEGY

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

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

Our strategy is to maximize shareholder value by focusing on increasing long-term sustainable cash flows through diversification and scale. Our core strategic pillars include (i) optimization of our existing asset portfolio for growth; (ii) on-time and on-budget project development; (iii) targeted multi-jurisdictional exploration; and (iv) cost and balance sheet strength.

i. *Optimizing our existing asset portfolio for growth:* Teranga has a 7 year track record of operations, project development and exploration in Senegal. We remain focused on leveraging our operating, development and community relations expertise to further expand our footprint within the mine license and regional land position. In Senegal there is considerable opportunity to increase reserves and resources with the resumption of drilling at Niakafiri (our most prospective Senegalese mine license target located within five kilometres of the Sabodala mill) as well as a number of advanced exploration prospects and targets on the mine license and regional land package. As the owner of the only operating large-scale gold processing facility in Senegal we also continue to pursue local strategic opportunities to leverage our Sabodala mill in order to increase mill feed and displace processing of our lower grade stockpile to the far future in the life of mine plan. The recent implementation of our mill optimization project, new grade control procedures, and build-up of high-grade inventory are expected to further de-risk and optimize the operation. Over the longer-term we will seek to opportunistically add to our prospect pipeline by seeking opportunities that leverage our existing gold footprint in Senegal, Burkina Faso, and Côte d'Ivoire. All of our capital projects are evaluated using minimum after-tax internal rates of return to govern our capital allocation and investment decisions.

ii. *On-time and on-budget project development:* We are focused on the completion of the feasibility study required to complete a National Instrument 43-101 ("NI 43-101") technical report for the Banfora gold project by mid-2017. Subject to the results of the feasibility studies and a board investment decision, construction of the Banfora Gold project is expected to leverage Teranga's extensive project development and operational skills developed at Sabodala, and to benefit from an experienced management team and technical consultants focused on delivery of project cost and timelines.

iii. *Targeted multi-jurisdictional exploration:* With the recent addition of the Burkina Faso and Côte d'Ivoire prospective land positions, multi-jurisdictional exploration is a key priority of the Company's diversification and scale strategy. With $12-$15 million earmarked for exploration, our multi-jurisdiction advanced exploration programs in Senegal, Burkina Faso, and the Côte d'Ivoire are focused on increasing the likelihood of an exploration discovery on Teranga's West African gold properties. A multi-year exploration program is underway at Banfora with a comprehensive drilling program already completed for the Nogbele, Fourkoura, Samavogo and Stinger deposits. An additional 11 priority targets are being explored within trucking distance to the proposed Banfora mill. At the Golden Hill property on the prospective Hounde belt in Burkina Faso we have prioritized ten prospects for more advanced work in 2017 on the back of previously defined high quality prospects. In Côte d'Ivoire, Guitry is an early stage discovery warranting a priority exploration program amongst the five greenfield exploration tenements totaling nearly 1,838 km^2.

iv. *Cost and balance sheet strength:* We are committed to the ongoing reduction of our cost profile through continued focus on productivity improvements in order to maximize Sabodala's sustainable free cash flow generation capacity, which, in combination with our existing strong cash balance is expected to strengthen Teranga's liquidity and optionality as it looks to fund its project development, exploration and future growth activities.

FINANCIAL AND OPERATING HIGHLIGHTS

		Three months ended March 31,		
Financial Data		**2017**	**2016**	**Change**
Revenue	($000's)	70,322	79,198	(11%)
Cost of sales	($000's)	(54,458)	(52,531)	4%
Profit attributable to shareholders of Teranga	($000's)	5,592	7,812	(28%)
Per share	($)	0.01	0.02	(48%)
EBITDA[1]	($000's)	21,874	28,968	(24%)
Operating cash flow	($000's)	21,258	24,143	(12%)
Sustaining capital expenditures (before deferred stripping)	($000's)	5,317	11,333	(53%)
Capitalized deferred stripping - sustaining	($000's)	11,600	3,049	280%
Growth capital expenditures	($000's)	2,198	-	N/A

		Three months ended March 31,		
Operating Data		**2017**	**2016**	**Change**
Gold Produced	(oz)	56,903	70,727	(20%)
Gold Sold	(oz)	57,271	67,672	(15%)
Average realized gold price[1]	($ per oz)	1,226	1,169	5%
Cost of sales per ounce	($ per oz sold)	951	776	22%
Total cash costs[1]	($ per oz sold)	722	568	27%
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)[1]	($ per oz sold)	939	801	17%

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

FIRST QUARTER FINANCIAL, OPERATING AND ORGANIC GROWTH HIGHLIGHTS

Financial Highlights

- 2017 is off to a solid start, putting the Company on track for a similar, if not better year than 2016. First quarter 2016 operating and financial results were among the strongest results in the Company's history, benefitting from high grade Gora material deferred from 2015.
- Net income attributable to shareholders of $5.6 million or $0.01 per share.
- EBITDA[1] of $21.9 million.
- Operating activities generated cash inflows of $21.3 million.
- Strong balance sheet maintained with cash and cash equivalents of $94.5 million.

Operating Highlights

- Gold production of 56,903 ounces is ahead of full year mine plan.
- Record mill throughput.
- Cost of sales per ounce, total cash costs per ounce[1] and all-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) per ounce[1] were within the Company's full year guidance ranges.
- Received 2017 Prospectors & Developers Association of Canada Environmental & Social Responsibility Award.

Organic Growth Highlights

- Reported exploration results in Burkina Faso, include:
  - two gold discoveries at Golden Hill; and
  - completion of reserve confirmation program and initiation of an exploration program at Banfora
- In Senegal, the Company announced two consecutive rounds of positive drilling results at Niakafiri on the Sabodala mine license
- The Company remains on track to deliver, by mid-year, both a NI 43-101 technical report for its Banfora gold development project in Burkina Faso and an updated company-wide mineral resource and mineral reserve statement.

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

Outlook 2017

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

		Year Ended December 31
		2017 Guidance
Operating Results		
Ore mined	('000t)	2,000 – 2,500
Waste mined	('000t)	35,000 – 37,000
Total mined	('000t)	37,000 – 39,500
Grade mined	(g/t)	2.50 – 3.00
Strip ratio	waste/ore	15.5 – 17.5
Ore milled	('000t)	4,000 – 4,300
Head grade	(g/t)	1.70 – 1.90
Recovery rate	%	90.0 – 91.5
Gold produced [A]	(oz)	205,000 – 225,000
Cost of sales per ounce sold	$/oz sold	950 – 1,025
Total cash cost per ounce sold [B]	$/oz sold	725 – 775
All-in sustaining costs [C]	$/oz sold	1,000 – 1,075
Cash / (non-cash) inventory movements and amortized advanced royalty costs [C]	$/oz sold	(100)
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) [C]	$/oz sold	900 – 975
Mining	($/t mined)	2.25 – 2.50
Mining long haul	($/t hauled)	2.50 – 3.50
Milling	($/t milled)	11.00 – 12.00
General and Administration	($/t milled)	4.25 – 4.50
Mine Production Costs	$ millions	155.0 – 165.0
Corporate Administration Expense	$ millions	10.0 – 11.0
Regional Administration Costs	$ millions	3.0
Community Social Responsibility Expense	$ millions	3.5 – 4.0
Exploration & Evaluation (Expensed)	$ millions	6.0 – 7.0
Sustaining Capital Expenditures		
Mine site sustaining	$ millions	10.0 – 15.0
Capitalized reserve development	$ millions	3.0 – 4.0
Site development costs	$ millions	2.0
Total Sustaining Capital Expenditures [D]	$ millions	15.0 – 21.0
Growth Capital Expenditures (Banfora)		
Feasibility study	$ millions	3.0
Capitalized reserve development	$ millions	3.0 – 4.0
Construction readiness	$ millions	7.0 – 10.0
Total Growth Capital Expenditures	$ millions	13.0 – 17.0

Notes to Guidance Table Above:

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

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

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

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

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

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

The Company expects to produce between 205,000 and 225,000 ounces of gold in 2017. The quarterly production profile is expected to be reasonably consistent through the year.

Construction readiness capital for the Banfora project is now expected to be in the range of $7.0 - $10.0 million, an increase of $2.0 million from the Company's original guidance. The additional expenditures will be used to initiate an early works program commencing in May, in advance of a formal construction decision expected mid-2017. Please see the Banfora Gold Project Update section for further details. All other guidance remains unchanged from those originally published on February 23, 2017.

REVIEW OF OPERATING RESULTS

		Three months ended March 31,		
Operating Results		**2017**	**2016**	**% Change**
Ore mined	('000t)	429	905	(53%)
Waste mined - operating	('000t)	5,189	7,000	(26%)
Waste mined - capitalized	('000t)	4,631	661	601%
Total mined	('000t)	10,249	8,566	20%
Grade mined	(g/t)	3.54	2.16	64%
Ounces mined	(oz)	48,893	62,813	(22%)
Strip ratio	waste/ore	22.9	8.5	170%
Ore milled	('000t)	1,055	1,052	0%
Head grade	(g/t)	1.82	2.23	(19%)
Recovery rate	%	92.3	93.7	0%
Gold produced[1]	(oz)	56,903	70,727	(20%)
Gold sold	(oz)	57,271	67,672	(15%)
Average realized price[2]	$/oz	1,226	1,169	5%
Cost of sales per ounce	$/oz sold	951	776	22%
Total cash costs[2]	$/oz sold	722	568	27%
All-in sustaining costs[2]	$/oz sold	1,078	825	31%
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)[2]	$/oz sold	939	801	17%
Mining	($/t mined)	2.22	2.15	3%
Mining long haul	($/t hauled)	2.58	5.08	(49%)
Milling	($/t milled)	11.98	10.77	11%
G&A	($/t milled)	3.79	4.02	(6%)

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

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

		Three months ended March 31, 2017			
		Gora	**Golouma**	**Kerekounda**	**Total**
Ore mined	('000t)	146	218	65	429
Waste mined - operating	('000t)	2,429	1,448	1,312	5,189
Waste mined - capitalized	('000t)	2,117	-	2,514	4,631
Total mined	('000t)	4,692	1,666	3,891	10,249
Grade mined	(g/t)	4.75	3.16	2.12	3.54
Ounces mined	(oz)	22,286	22,155	4,452	48,893

		Three months ended March 31, 2016			
		Masato	Gora	Golouma	Total
Ore mined	('000t)	455	272	178	905
Waste mined - operating	('000t)	166	3,949	2,885	7,000
Waste mined - capitalized	('000t)	-	661	-	661
Total mined	('000t)	621	4,882	3,063	8,566
Grade mined	(g/t)	1.16	3.16	3.19	2.16
Ounces mined	(oz)	16,969	27,560	18,284	62,813

First Quarter Operating Results

Mining

Mining activities in the first quarter were focused on Golouma South, Kerekounda as well as the lower benches of Gora Phases 2 and 3. Pre-production stripping activities commenced at Golouma West in February. Total tonnes mined during the first quarter were a Company record and 20 percent higher compared to the prior year period mainly due to higher than planned equipment availability and utilization rates for the mining fleet. In the prior year period, mining was focused on Gora Phase 1 and 2, the first production benches of Golouma South, as well as completion of the lower benches of Masato Phase 1 and 2.

Ore grades mined were 64 percent higher than the prior year quarter while ore tonnes mined were 53 percent lower, reflecting the concentration of mining at higher grade and strip ratio deposits in the current year period. Overall ounces mined during the first quarter were above plan while 22 percent lower compared to the prior year period.

At Gora, total mined ounces continue to reconcile well to the reserves models. At both Golouma South and Kerekounda, ore tonnes and grades continue to reconcile above their respective reserves models.

Processing

Ore tonnes milled for the first quarter was another record for the Company, slightly surpassing the previous record set in the same prior year period despite a higher proportion of fresh ore in the mill feed. Throughput rates benefited from operation of the second primary crusher commissioned last year and continuous optimization of the SAG and ball mill circuit control. In the prior year period, throughput rates benefitted from a high percentage of softer ore feed in the blend.

Head grade for the first quarter was 19 percent lower than the prior year period. First quarter 2016 head grade was higher due to the benefit of the high-grade material deferred from 2015. Gold production for the first quarter decreased by 20 percent compared to the same prior year period, due to lower head grade. First quarter production was in line with the full year plan.

Costs – site operations

Total mining costs for the first quarter were $22.7 million, 24 percent higher than the prior year period. The increase is primarily due to a 20 percent increase in tonnes mined, higher fuel prices and comparatively lower equipment productivities as a result of mining primarily harder material during the first quarter. On a unit basis, mining costs for the first quarter were 3 percent higher than the prior year mainly due to higher fuel prices and an increase in operating hours due to the mining of harder material. Total long haul costs for the first quarter were $1.4 million, $0.5 million higher than the prior year period mainly due to an increase in ore tonnes hauled from satellite deposits.

Total processing costs for the first quarter were $12.6 million, 11 percent higher than the prior year period, due to higher fuel prices and the timing of maintenance activities. Accordingly, unit processing costs for the first quarter were 11 percent higher than the prior year period.

Total mine site general and administrative costs for the first quarter totaled $4.0 million, 5 percent lower than in the prior year mainly due to a decrease in refinery rates. Accordingly, unit general and administrative costs decreased by 6 percent over the prior year period.

Cost of sales increased by 22 percent to $951 per ounce for the first quarter, compared to the prior year period, due to higher mine operation expenses and depreciation of deferred stripping assets.

Total cash costs increased by 27 percent to $722 per ounce[1] for the first quarter, compared to the prior year period, mainly due to higher mine operation expenses, from greater total tonnes mined and higher fuel prices.

All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) increased by 17 percent to $939 per ounce[1] due to higher mine operation expenses and a decrease in gold ounces sold. This was partly offset by a reduction in sustaining capital expenditures in the current year period. In the prior year period, construction of the second primary crusher was still in progress resulting in higher sustaining capital expenditures.

REVIEW OF FINANCIAL RESULTS

	Three months ended March 31,		
(US$000's, except where indicated)	**2017**	**2016**	**% Change**
Revenue	70,322	79,198	(11%)
Mine operation expenses	(41,832)	(38,946)	7%
Depreciation and amortization	(12,626)	(13,585)	(7%)
Cost of sales	**(54,458)**	**(52,531)**	**4%**
Gross profit	**15,864**	**26,667**	**(41%)**
Exploration and evaluation expenditures	(1,960)	(1,413)	39%
Administration expenses	(2,306)	(1,573)	47%
Corporate social responsibility expenses	(888)	(967)	(8%)
Share-based compensation	(877)	(948)	(7%)
Finance costs	(855)	(1,071)	(20%)
Net foreign exchange losses	(521)	(1,483)	(65%)
Other expenses	(686)	(4,960)	(86%)
Profit before income tax	**7,771**	**14,252**	(45%)
Income tax expense	(558)	(4,909)	(89%)
Net profit	**7,213**	**9,343**	**(23%)**
Profit attributable to non-controlling interests	(1,621)	(1,531)	6%
Profit attributable to shareholders of Teranga	**5,592**	**7,812**	**(28%)**
Basic earnings per share	0.01	0.02	(48%)

First Quarter Financial Results

Revenue

Revenue for the three months ended March 31, 2017 decreased by $8.9 million over the prior year period due to lower sales volume, partly offset by higher average realized gold prices in the current year period.

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

	Three months ended March 31,		
Spot price per ounce of gold	**2017**	**2016**	**% Change**
Average	$1,219	$1,182	3%
Low	$1,151	$1,060	9%
High	$1,258	$1,271	(1%)
Average Realized	$1,226	$1,169	5%

Mine Operation Expenses

(US$000's)	Three months ended March 31,		
Mine operation expenses	**2017**	**2016**	**% Change**
Mine production costs	40,914	35,002	17%
Royalties	4,546	5,373	(15%)
Regional administration costs	505	512	(1%)
Capitalized deferred stripping	(11,600)	(3,049)	280%
Inventory movements	7,467	1,108	574%
Total mine operation expenses	**41,832**	**38,946**	**7%**

For the three months ended March 31, 2017, mine operation expenses increased by 7 percent over the prior year period to $41.8 million primarily due to higher mine production costs and inventory movements. The increases were partially offset by higher capitalized deferred stripping costs.

Mine production costs of $40.9 million were 17 percent higher than the prior year period. See Review of Operating Results section for additional information.

Royalties expense was $4.5 million in the current year period, compared to $5.4 million in the prior year period. The decrease was due to lower revenues in the current quarter**,** lower amortization of advanced royalties related to production from the former Oromin Joint Venture Group ("OJVG") deposits and lower royalties related to Gora.

In the three months ended March 31, 2017, $11.6 million of deferred stripping costs were capitalized compared to $3.0 million capitalized in the prior year period, mainly due to a higher strip ratio at Gora and stripping activities occurring at Kerekounda in the current year period. Kerekounda entered into production in December 2016. Costs capitalized are amortized to expense as the deposit is mined.

Inventory movements resulted in a $7.5 million increase to mine operation expenses in the current period compared to an increase of $1.1 million in the prior year period. During both the current and prior year periods, the Company had net drawdowns on the stockpile inventory, but the current quarter drawdowns occurred at a higher average cost due to the nature and timing of pit sequencing.

Depreciation and amortization expenses

(US$000's)	Three months ended March 31,		
Depreciation and amortization expenses	**2017**	**2016**	**% Change**
Depreciation and amortization - property, plant and equipment and mine development expenditures	9,967	10,391	(4%)
Depreciation and amortization - deferred stripping assets	3,051	551	454%
Inventory movements - depreciation	428	2,917	(85%)
Capitalized deferred stripping - depreciation	(820)	(274)	199%
Total depreciation and amortization expenses	**12,626**	**13,585**	**(7%)**

Total depreciation and amortization expense for the three months ended March 31, 2017 was $12.6 million, or $1.0 million lower than the prior year period. Depreciation and amortization expense for property, plant and equipment and mine development expenditures decreased due to lower gold sales partially offset by a higher asset depreciation base. Depreciation and amortization of deferred stripping assets increased by $2.5 million, mainly related to amortization of previously capitalized deferred stripping costs at Gora. The decrease to inventory movements – depreciation was a result of more expensive ounces being placed onto the stockpile in the current year quarter due to the nature and timing of pit sequencing. Approximately 65 percent of the Sabodala mine's fixed assets are depreciated using the units of production method of depreciation.

Exploration and evaluation

Exploration and evaluation expenditures for the three months ended March 31, 2017 were $2.0 million, or $0.5 million higher than the prior year period. The majority of expenditures during the quarter were in Burkina Faso. Please see the Exploration section for additional information.

Administration expense

Administration expense for the three months ended March 31, 2017 was $2.3 million compared to $1.6 million in the prior year period. Higher administration expense in the current quarter is mainly due to higher corporate office employee costs and the reversal of an estimate based accrual in the prior period.

Share-based compensation

During the first quarter 2017, share-based compensation expense decreased by $0.1 million to $0.9 million in the current year period due to a smaller fluctuation in the Company's share price in the first quarter of 2017.

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

	Three months ended March 31, 2017		As of March 31, 2017	
	Grant Units	Grant Price[1]	Outstanding	Total Vested[2]
RSUs	4,190,000	C$0.83-C$0.84	9,976,181	3,568,390
DSUs	900,000	C$0.84	2,820,000	1,920,000
Fixed Bonus Plan Units	-	-	1,797,500	1,603,375

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

[2] Directors have the option to elect to receive their Director compensation in the form of DSUs. These DSUs vest as they are granted. All remaining DSUs that are granted vest on the first anniversary of the grant date. RSUs vest over a three year period, with 50 percent of the award vesting upon achievement of two predetermined operational criteria, and 50 percent vesting with the passage of time. Both DSUs and RSUs and are payable in cash. The Company used the March 31, 2017 closing share price of C$0.85 to value the vested DSUs and RSUs.

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2016	18,945,527	C$2.10
Exercised	(13,817)	C$0.67
Granted [1]	4,365,000	C$0.84
Forfeited	(355,402)	C$1.45
Balance as at March 31, 2017	22,941,308	C$1.87

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

Of the 22,941,308 common share stock options issued and outstanding as at March 31, 2017, 15,296,441 are vested, 7,619,867 vest over a three-year period and 25,000 vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized based on management's best estimate of outcome of achieving desired results. Under IFRS, the graded method of amortization is applied to new grants of stock options and fixed bonus plan units, which results in approximately 75 percent of the cost of the stock options and fixed bonus plan units recorded in the first twelve months from the grant date.

Finance costs

Finance costs decreased by $0.2 million to $0.8 million for the three months ended March 31, 2017 mainly due to lower interest and deferred financing costs on borrowings.

Net foreign exchange losses

Net foreign exchange losses of $0.5 million were realized by the Company in the three months ended March 31, 2017 primarily due to realized and unrealized foreign exchange losses recorded in the quarter as the Euro appreciated relative to the US dollar. In the prior year period, net foreign exchange losses of $1.5 million were realized by the

Company primarily due to realized and unrealized foreign exchange losses recorded as the Euro appreciated relative to the US dollar since the start of 2016.

Other expense

Other expense for the three months ended March 31, 2017 was $0.7 million compared with $5.0 million in the prior year. Other expense in the current quarter includes $1.2 million for business taxes and interest income of $0.5 million. Other expense in the prior year quarter included $2.5 million for business taxes, $1.0 million related to registration fees to merge the Sabodala and Golouma mining concessions as part of the acquisition of the Oromin Joint Venture Group ("OJVG"), $0.9 million in unrealized losses on gold forward sales contracts, and $0.7 million in business improvement consulting fees.

Income tax expense

For the three months ended March 31, 2017, the Company recorded income tax expense of $0.6 million, comprised of current income tax expense of $1.5 million net of a recovery of deferred income taxes of $0.9 million. In the same prior year period, the Company recorded income tax expense of $4.9 million, comprised of current income tax expense of $5.1 million net of a recovery of deferred income taxes of $0.2 million.

Net profit

Consolidated net profit attributable to shareholders for the three months ended March 31, 2017 was $5.6 million ($0.01 per share), compared to consolidated net profit of $7.8 million ($0.02 per share) in the prior year period. The decrease in profit in the current quarter is primarily due to lower gross profits partly offset by lower other expenses.

REVIEW OF QUARTERLY FINANCIAL RESULTS

(US$000's, except where indicated)	2017	2016				2015		
	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Revenue	70,322	55,764	60,316	73,562	79,198	58,235	37,830	60,064
Average realized gold price ($/oz)	1,226	1,197	1,333	1,261	1,169	1,099	1,112	1,198
Cost of sales	54,458	43,022	37,748	48,227	52,531	49,266	33,018	43,827
Net earnings (loss)	5,592	(1,286)	10,437	6,146	7,812	(71,824)	1,567	6,726
Net earnings (loss) per share	0.01	(0.00)	0.03	0.02	0.02	(0.19)	0.00	0.02
Operating cash flow	21,258	(13,627)	13,255	20,958	24,143	9,755	(8,221)	12,269

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

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

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

BUSINESS AND PROJECT DEVELOPMENT

Banfora Gold Project Update

Preparation of the feasibility study has progressed during the first quarter with a focus towards the delivery of a NI 43-101 compliant resource and reserve estimate, revised plant design, construction execution plan and updated capital and operating costs. The new study is expected to leverage Teranga's extensive operational and construction experience in West Africa to optimize the study along with independent technical consultants. The completed feasibility study is nearing completion and is expected by mid-year 2017 at which point a construction decision will be made. At present, the process flowsheet, geological modeling, operating and capital costs are meeting the expectations envisaged when management initially reviewed the project prior to a decision to acquire Gryphon Minerals. During the first quarter, exploration activities on the Banfora mine license were initiated on highly prospective targets within 10km of the proposed plant location. In parallel, progress of the relocation action plan and livelihood restoration plan is well under way to meet construction and operating goals for the Banfora project.

EXPLORATION

During the first quarter, the Company received encouraging drill results from active programs underway in Burkina Faso and Senegal. Based on these results, the Company expects exploration expenditures at the high end of its initial guidance range of $12 to $15 million. If the Company continues to receive positive exploration results, the 2017 exploration budget may be increased beyond $15 million.

Burkina Faso

Banfora Mine License Reserve Development

Stinger Deposit

As a part of the resource and reserve definition-drilling program for the upcoming feasibility study, drilling evaluation that started at the Stinger deposit in late 2016, was completed in the first quarter 2017. In total, 11 holes comprising 1,350 metres were completed in early 2017 at the Stinger deposit. At its conclusion, this drilling campaign completed the project-wide drilling evaluation for updated resource/reserve estimations of the four deposits comprising the in-progress Banfora Gold Project National Instrument 43-101 Technical Report ("43-101 Report"), Stinger, Samavogo, Fourkoura and Nogbele.

Konatvogo Prospect

Elsewhere on the mine license, an initial four hole RC drilling program was completed at the Konatvogo prospect, a northwest-trending quartz vein system located between the Fourkoura and Nogbele deposits. Results that include 6 metres of 2.13 g/t Au, warrant a more extensive follow-up drilling evaluation along the current 1,300-metre strike length of this prospect. Additional exploration drilling is planned for the second quarter of 2017.

Banfora Regional Exploration

Kafina West and Ouahiri Prospects

Early-stage RC and diamond core drilling programs were initiated at both the Kafina West and Ouahiri prospects, where auger drill programs late in 2016 and during the first quarter of 2017 refined previously known targets and outlined new areas of interest. These two prospects, within 10 kilometres of the proposed processing facility, are rated high priority based on the Company's current understanding of the numerous prospects throughout the Banfora regional ground. Both of these prospects cover large areas hosting multiple targets of varying orientations and projected dimensions. As such, considerable exploration drilling will be required to evaluate these two high priority areas. Results from the initial RC and diamond core drilling programs warrant further follow-up, planned for the second quarter of 2017.

Petit Colline and Hillside Prospects

At the Petite Colline prospect, both diamond core and RC drill holes were completed during the first quarter 2017. Positive results, including 3 metres of 3.29 g/t Au, were received from the limited RC drill program with results pending for the initial two diamond core holes completed late in the first quarter 2017.

In addition, an early-stage drilling evaluation was initiated at the Hillside prospect late in the first quarter of 2017. A previous scout-drilling program at the Hillside area reported an intersection of 5 metres of 15.55 g/t Au, from an area of previously extensive artisanal activity. The recent drilling has extended an altered-veined-mineralized hosting shear zone for a minimum of 350-metres in strike extent. Further drilling is planned for the second quarter of 2017.

Other Regional Prospects

Auger drilling will continue as an early-stage screening tool at a number of other regional prospects. Favourable results from these auger programs will be followed-up with a combination of RC and diamond core drilling.

Golden Hill

Ma Prospect

During the first quarter of 2017, the Company completed a field exploration program consisting of geological and structural mapping as well as an initial drilling program at the Ma prospect. In total, thirteen diamond core holes comprising 1,100 metres were drilled over the currently defined 1,300-metre strike length during this Phase 1 evaluation program. Field reports were generally positive, with most holes intersecting multiple intersections of favourable alteration, veining, structure and mineralization over a variety of core widths commonly ranging up to 5-6 metres. Analytical results from the Ma prospect drill program arrived early in the second quarter, confirming the field observations. Positive grade and width intervals were returned along the entire 1,300-metre strike extent of the primary Ma structure, as well as a parallel structure and cross structures. A few of the better drill intersections from this initial drill evaluation include: 6.5 m @ 2.67 g/t Au and 3 m @ 8.86 g/t Au in drill hole GHDD-010; 9.8 m @ 1.92 g/t Au (including 5.3 m @ 2.62 g/t Au) in drill hole GHDD-011; 7.9 m @ 2.71 g/t Au in GHDD-015; 5.2 m @ 5.15 g/t Au in GHDD-017 and 4.9 m @ 3.64 g/t Au in GHDD-020. A complete table of results for all thirteen drill holes can be found on the Company's website at www.terangagold.com under "Exploration". A Phase 2, multi-drill follow-up evaluation program is planned for the second quarter of 2017 to extend both along trend and to depth of these encouraging results, and initiate in-fill sectional drilling along the entire Ma structure.

Nahiri Prospect

The Company's first round of exploration at the Nahirindron (Nahiri) Prospect(s) included a series of auger drill profiles to complement previous geochemical results and earlier auger drilling campaigns. Subsequent to receiving positive results from detailed auger profile sections; a seventeen-hole RC drill program was completed across four individual sections. Three of the four section lines returned encouraging results, of which the central two section show a very broad, highly anomalous gold zone. Within this highly anomalous, broad halo of gold mineralization that measures upwards of 50-80 metres in three of the drill holes, a number of very positive higher-grade intersections are present. Highlights include 14 m @ 2.85 g/t Au (including 5 m @ 6.56 g/t Au) and 18 m @ 1.46 g/t Au (including 4 m @ 2.38 g/t Au) in GHRC-011, 13 m @ 1.56 g/t Au (including 6 m of 2.23 g/t Au) in GHRC-010, 12 m @ 1.25 g/t Au in GHRC-001 and 12 m @ 1.06 g/t Au in GHRC-015. A complete table of results can be found on the Company's website at www.terangagold.com under "Exploration".

Based on this very successful first-ever drilling campaign at Nahiri, an 8-hole, follow-up, diamond core-drilling program was completed late in the first quarter of 2017. Assays are pending from the diamond core drill program. Further exploration drilling is planned for Nahiri during the second quarter 2017.

Other Golden Hill Prospects

A limited 2-hole diamond core-drilling program was completed at the Jackhammer Hill prospect in order to assess the structural controls of mineralization. During the same drill campaign, five diamond core holes were drilled at the Pourey-Peksou Prospects to follow-up on some previously obtained auger and RC results suggesting that a structurally controlled mineralized trend is present within this volcanic, sedimentary and intrusive complex. Assays were not available at end of the first quarter 2017.

Further drilling evaluations are planned for both Jackhammer Hill and Pourey-Peksou during the second quarter 2017. In addition, drilling is planned for the A-B-C Zones proximal to Pourey-Peksou, and early-stage evaluations, including auger drilling, are planned for a number of other targets including Ma East and Didro.

Gourma

An exploration program consisting of geological mapping, prospecting and auger sampling was planned late in the first quarter of 2017. Field crews mobilized during the first week of April to undertake this exploration effort. A detailed structural mapping program will be completed following the auger drilling and the Company's first drilling campaign, an RC program is scheduled for mid-second quarter 2017.

Senegal

Sabodala Mine Lease Reserve Development

Niakafiri Deposit

The Niakafiri deposit area, located within 5 kilometres of the Sabodala Plant, hosts a current combined measured and indicated resource of approximately 600,000 ounces, an inferred resource of approximately 220,000 ounces and reserves of over 300,000 ounces (proven and probable reserves of 8.95 Mt at 1.09 g/t Au for 314,000 ounces) included within the total resource estimate.

A two-phase drilling program commenced at the Niakafiri deposit in fourth quarter 2016 and has continued throughout the first quarter 2017. The objectives of the drill program are to confirm model interpretations, upgrade the resource classifications, fill-in gaps between current pit outlines and test mineralization extents both along trend and to depth.

For the first quarter 2017, 81 diamond core holes comprising 9,250 metres were completed at both the eastern (Niakafiri Main, Dinkokono, Niakafiri Southeast) and western (Niakafiri Southwest and Niakafiri West) components of the Niakafiri deposit area. Results have been received for the initial 60 of the planned 115 drill holes of the Phase 1 drill program and are available on the Company's website www.terangagold.com under "Exploration".

A Phase 2 program is planned for second quarter 2017, to follow-up on the many positive results obtained during the initial drill phase at each component of the Niakafiri deposit.

Community resettlement negotiations will take place alongside the drill program. An updated mineral resource incorporating these results is planned to be completed during the second quarter of this year.

As a result of the encouraging results at Niakafiri, the Company is reviewing mine sequencing with a view of bringing forward the development of the Niakafiri deposit, which would be expected to increase near term production and cash flows and would allow the deferral of underground development.

Goumbati West Deposit

The Goumbati West deposit comprises, a north-northeast trending gold in quartz vein system comprised of several Zones (A, B, C and D) located approximately 10 kilometres from the Sabodala Plant. Drilling evaluation remains at an early stage and continues to target shallow, near-surface oxide mineralization along strike and to depths where mineralization is transitioning into fresher material. The Goumbati West quartz vein system displays very good hole-to-hole and section-to-section continuity and remains open to further expansion to depth as well as along its current drill defined strike extent of 1,500-metres both north and south. To the north-northeast, the recent drilling success of Zone D validates a direct linkage of the Goumbati West deposit with the Kobokoto South deposit. As such, the Kobokoto South deposit will be incorporated into the upcoming resource estimate as a direct component of the Goumbati West deposit.

In the first half 2017, results from the fourth quarter 2016 program and additional drilling in early 2017, will be incorporated into an upgrade of the initial mineral resource estimate.

Other Mine Lease Prospects

Elsewhere on Sabodala's mine lease, in addition to ongoing second quarter 2017 drilling at the Niakafiri deposit, additional scheduled drilling programs are at the Goumbati West deposit, Kobokoto South deposit and as follow-up on successful initial drilling at the Maleko prospect. In addition, a trenching program is planned for the Khayrosita Prospect area (formerly referred to as Torosita).

Senegal Regional Exploration

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

Marougou Main Deposit

The Marougou Main deposit is located approximately 10 kilometres east of the Gora open pit, which is located approximately 25 kilometres north of the Sabodala Plant. First quarter 2017 exploration at Marougou Main focused on the A1 Zone were four trenches were excavated to confirm and extend the gold mineralization intersected in late 2016 drilling. Favourable results from this trenching activity, combined with historic and more recent drilling results defines a continuous zone of gold mineralization over a minimum 700 metre strike extent. Additional step-out trenching is scheduled for the second quarter 2017, with further drilling anticipated, based on continued favourable results.

Other Regional Prospects

On the Sounkounkou Permit, systematic exploration of the various targets continued with new trenching completed at both the Honey and KB prospects. Additional trenching is scheduled for the Honey prospect area, where a series of gold-in-soil geochemical anomalies have been partially outlined by prior trenching and drilling along a strike extent of approximately 1,200 metres. Recent exploration trenching of numerous geochemical gold-in-soil anomalies at the KB prospect have identified two broad mineralized zones warranting follow-up drilling evaluation in the second quarter of 2017.

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

A more detailed geologic summary of the first quarter 2017 exploration results is available on the Company's website at www.terangagold.com under "Exploration".

Côte d'Ivoire Exploration Highlights

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

Guitry

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

Teranga's initial field exploration program at Guitry is planned to begin early in the second quarter 2017. The current phase of exploration includes expansion of the soil grid coverage beyond the currently defined gold-in-soil anomaly outline, an extensive hand-pitting program and initial drilling of the highest priority portions of the gold anomaly.

Other Cote d'Ivoire Properties

A high precision bulk leach extractable gold ("BLEG") drainage survey is planned across much of the current land package at an average density of one sample per 5 km^2. The detailed BLEG survey, scheduled for the first half 2017, will incorporate high-resolution remote sensing data with reconnaissance-scale geological and regolith mapping to assist with the BLEG results interpretations. The BLEG sampling evaluation program is planned for the Dianra, Guitry and Sangaredougou properties.

HEALTH AND SAFETY

The Company has a strong health and safety record. The intensive training and rigorous application of the Company's Operational Health and Safety ("OHS") program has been pivotal to the successful yearly results. The operations as a whole recorded over 1,263 days and in excess of 12 million exposure hours since 2014 without a lost time injury ("LTI") prior to its most recent LTI described below. The operations have continuously maintained a LTI frequency rate well below acknowledged industry benchmarking standards, with LTI frequency rates of 0.00 in 2014 through 2016 (down from 0.69 in 2013), which is significantly better than 5.93 as per the mining profile of ANZSIC 2006, 2014/15 for metal ore mining. To date, there have been 12 lost time injuries at the Sabodala Gold operations since the commencement of operations in 2009. All of the affected employees are fully recovered and have returned to work save for the LTI described below on March 17, 2017. The focus of the OHS program is placed on proactive, people-based safety management which uses a documented systematic approach to focus on hazard identification, task observation and pre-job risk assessment in association with reward and recognition to employees demonstrating positive safety behavior. An annual external OHS audit ensures continuous improvement supported by a vigorous internal auditing program allow for proactive actions to be identified and actioned timeously. The OHS focus will continue to concentrate on refining management of change and maturing risk management in accordance with ISO 31000 to progress the loss prevention program.

On March 17, 2017 the Company regretfully announced the death of an employee at its Sabodala Gold operations. The employee was fatally injured while working in the process plant. Teranga completed its own internal investigation and has implemented additional procedures and controls to mitigate the risk of an event of this nature from occurring again. The safety and well-being of Teranga employees is of paramount importance to the Company. The fatality is the first to occur at Sabodala since commencement.

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

	As at March 31, 2017	As at December 31, 2016
Balance Sheet		
Cash and cash equivalents	94,467	95,188
Trade and other receivables	6,731	9,882
Inventories	162,997	171,232
Deferred tax assets	20,790	20,084
Other assets	526,729	515,820
Available for sale financial assets	2,484	1,171
Total assets	**814,198**	**813,377**
Trade and other payables	48,771	47,409
Borrowings	13,909	13,844
Provisions	34,231	34,473
Deferred revenue	63,323	68,815
Other liabilities	30,981	31,903
Total liabilities	**191,215**	**196,444**
Total equity	**622,983**	**616,933**

Balance Sheet Review

Cash

The Company's cash balance at March 31, 2017 was $94.5 million, $0.7 million lower than the balance at the start of the year, due to cash outflows from investing activities of $19.1 million and financing activities of $3.0 million, offset by cash flow provided by operations of $21.3 million.

Trade and Other Receivables

The trade and other receivables balance of $6.7 million includes $5.0 million in VAT recoverable which is expected to be refunded over the balance of 2017. In February 2016, the Company received an exemption for the payment and collection of refundable VAT. This exemption is governed by an amendment to our mining convention and is enforceable for the next 6 years, expiring on May 2, 2022.

Other Assets

Other assets increased by $10.9 million to $526.7 million in 2017. The increase was largely attributable to additions to capitalized mine development expenditures of $20.1 million during the period net of depreciation expense of $7.4 million.

Available for Sale Financial Assets

The Company holds 13.5 million shares of Tawana Resources NL. As at March 31, 2017, these shares are valued at $2.5 million.

Deferred Revenue

During the three months ended March 31, 2017, the Company delivered 5,625 ounces of gold to Franco-Nevada and recorded revenue of $6.9 million, consisting of $1.4 million received in cash proceeds and $5.5 million recorded as a reduction of deferred revenue.

Liquidity and Cash Flow

Cash Flow

(US$000's)	Three months ended March 31,	
Cash Flow	**2017**	**2016**
Operating	21,258	24,143
Investing	(19,115)	(14,382)
Financing	(2,964)	(426)
Effect of exchange rates on cash holdings in foreign currencies	100	(273)
Change in cash and cash equivalents during the period	(721)	9,062
Cash and cash equivalents - beginning of period	**95,188**	**44,436**
Cash and cash equivalents - end of period	**94,467**	**53,498**

Sources and Uses of Cash

	Three months ended March 31, 2017				
Cash Flow - Sources and Uses (US$000's)	**Sabodala**	**Corporate**	**Banfora**	**Exploration**	**Consolidated Cash Flow**
Operating	**28,905**	**(5,336)**	**(793)**	**(1,518)**	**21,258**
- Acquisition costs incurred by Teranga			*(339)*		
- Operating expenditures incurred by Gryphon			*(454)*		
Investing	**(16,706)**	**(196)**	**(2,198)**	**(15)**	**(19,115)**
- Expenditures for mine development - sustaining	*(13,878)*	*(78)*		*(15)*	
- Expenditures for property, plant and equipment - sustaining	*(2,756)*	*(98)*			
- Expenditures for mine development - growth			*(2,141)*		
- Expenditures for property, plant and equipment - growth			*(57)*		
- Expenditures for intangibles	*(72)*	*(20)*			
Financing	**(2,971)**	**7**			**(2,964)**
- Proceeds on stock options exercised		*7*			
- Dividend payment to the Government of Senegal	*(2,700)*				
- Interest paid on borrowings	*(271)*				
Effect of exchange rates on cash holdings in foreign currencies	**57**	**43**			**100**
Change in cash and cash equivalents during the period	**9,285**	**(5,482)**	**(2,991)**	**(1,533)**	**(721)**
Cash and cash equivalents - beginning of period	**37,813**	**56,263**	**1,147**	**(35)**	**95,188**
Cash and cash equivalents - end of period	**47,098**	**50,781**	**(1,844)**	**(1,568)**	**94,467**

During the first quarter, Sabodala Gold Operations ("SGO") generated net cash flows of approximately $9.3 million which was used to fund Corporate expenditures as well as advancement of the Company's growth initiatives including the Banfora Gold project and the Company's exploration program.

Operating Cash Flow

(US$000's)	Three months ended March 31,	
Changes in working capital other than inventory	**2017**	**2016**
Decrease/(increase) in trade and other receivables	1,023	(3,904)
(Increase)/decrease in other assets	(1,047)	1,460
(Decrease)/increase in trade payables and other	(3,928)	277
Decrease in provisions	(74)	(85)
Increase in current income taxes payable	1,457	3,683
Net change in working capital other than inventory	**(2,569)**	**1,431**

Cash provided by operations for the three months ended March 31, 2017 was $21.3 million compared to $24.1 million in the prior year period. The decrease in operating cash flow was primarily due to a decrease in gold sales as well as higher mine production costs. Additionally, in first quarter 2017, the Company made royalty payments of $2.9 million to the Republic of Senegal incurred in the fourth quarter of 2016. The decreases were mostly offset by lower tax related payments during the first quarter compared to the prior year.

Investing Cash Flow

(US$000's)	Three months ended March 31,	
Investing activities	**2017**	**2016**
Sustaining Capital		
Mine site capital expenditure - sustaining	2,893	989
Mine site capital expenditure - project	131	5,202
Development capital	581	3,588
Capitalized reserve development (mine site exploration)	1,712	1,554
Sustaining Capital Expenditures, before Deferred Stripping	**5,317**	**11,333**
Capitalized deferred stripping	11,600	3,049
Total Sustaining Capital Expenditures	**16,917**	**14,382**
Growth Capital		
Feasibility	849	-
Reserve development	482	-
Construction readiness	867	-
Total Growth Capital Expenditures	**2,198**	**-**
Investing Activities	**19,115**	**14,382**

Net cash used in investing activities for the first quarter 2017 was $19.1 million, $4.7 million higher than the prior year period, mainly due to higher capitalized deferred stripping costs related to activities at Sabodala and development expenditures related to the Banfora Gold project.

Financing Cash Flow

Net cash flow used in financing activities in the first quarter of 2017 was $3.0 million compared to $0.4 million in the prior year period. Financing activities in the current year period includes a $2.7 million prepayment of dividends to the Republic of Senegal related to the recommencement of drilling activities at the Niakafiri deposit.

LIQUIDITY AND CAPITAL RESOURCES OUTLOOK

Teranga's primary source of liquidity comes from the Company's cash balance of $94.5 million as at March 31, 2017. Additional sources of liquidity for the Company in 2017 are expected to come from Sabodala cash flows, $15.0 million in undrawn funds from an existing $30.0 million revolving credit facility and $7.6 million of VAT receivables and VAT certificates received as at March 31, 2017.

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

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

As at March 31, 2017, there were no outstanding derivative financial instruments.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company has entered into various capital purchase obligations at the Sabodala Gold operations and the Banfora Gold project of $3.9 million and $0.7 million, respectively.

CONTINGENT LIABILITIES

Outstanding tax assessments

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Production start date

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

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

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

Determination of purchase price allocation

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

NON-IFRS FINANCIAL MEASURES

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

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

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

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

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

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

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

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

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

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

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

RECONCILIATION OF NON-IFRS MEASURES

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

(US$000's, except where indicated)	Three months ended March 31,	
	2017	2016
Gold produced[1] (oz)	56,903	70,727
Gold sold (oz)	57,271	67,672
Cash costs per ounce sold		
Mine operation expenses	41,832	38,946
Less: Regional administration costs	(505)	(512)
Total cash costs	**41,327**	**38,434**
Total cash costs per ounce sold	**722**	**568**
Cost of sales per ounce sold		
Cost of sales	**54,458**	**52,531**
Total cost of sales per ounce sold	**951**	**776**
All-in sustaining costs		
Total cash costs	41,327	38,434
Administration expenses[2]	2,622	2,067
Share-based compensation	877	948
Capitalized deferred stripping	11,600	3,049
Capitalized reserve development	1,712	1,554
Mine site sustaining capital	3,605	9,779
All-in sustaining costs	**61,743**	**55,831**
All-in sustaining costs per ounce sold	**1,078**	**825**
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)		
All-in sustaining costs	61,743	55,831
Amortization of advanced royalties	(505)	(512)
Inventory movements - cash	(7,467)	(1,108)
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)	**53,771**	**54,211**
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) per ounce	**939**	**801**

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

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

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

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

	Three months ended March 31,	
(US$000's)	2017	2016
Profit for the period	7,213	9,343
Add: finance costs	686	846
Less: finance income	(57)	(7)
Add: income tax expense	558	4,909
Add: depreciation and amortization	13,474	13,877
Earnings before interest, taxes, depreciation and amortization	**21,874**	**28,968**

OUTSTANDING SHARE DATA

The Company's fully diluted share capital as at March 31, 2017, is as follows:

Outstanding	March 31, 2017
Ordinary shares	536,727,733
Stock options granted at an exercise price of C$3.00 per option	11,507,500
Stock options granted at an exercise price of C$0.64 per option	3,430,002
Stock options granted at an exercise price of C$0.67 per option	3,524,651
Stock options granted at an exercise price of C$1.07 per option	91,125
Stock options granted at an exercise price of C$1.26 per option	23,030
Stock options granted at an exercise price of C$0.84 per option	2,325,000
Stock options granted at an exercise price of C$0.83 per option	2,040,000
Fully diluted share capital	**559,669,041**

TRANSACTIONS WITH RELATED PARTIES

During the three months ended March 31, 2017, there were transactions totalling $36 thousand between the Company and a director-related entity. No loans were made to directors or director-related entities during the period.

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

Under the terms of the exploration agreement, a separate entity was created and is owned and funded by Teranga. Miminvest transferred its permits into the entity and in exchange retains a net smelter royalty interest of 3 percent and will provide ongoing in-country strategic advice. Furthermore, the entity will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest permits. During the three months ended March 31, 2017, Teranga paid Miminvest $0.5 million for all direct and reasonable costs associated with exploration work related to the transferred permits. As at March 31, 2017, no amounts were owing to Miminvest.

SHAREHOLDINGS

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

CEO/CFO CERTIFICATION

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

The Company's CEO and CFO certify that, as at March 31, 2017, the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The control framework the Company's CEO and CFO used to design the Company's ICFR is The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework issued on May 14, 2013. There is no material weakness relating to the design of ICFR. There has been no change in the Company's design of the ICFR that occurred during the three months ended March 31, 2017 which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

The Company has limited the scope of the design of ICFR and DC&P to exclude the controls, policies and procedures of the entities acquired as part of the Gryphon Minerals Limited acquisition, which was completed on October 13, 2016. The balance sheet and operating results of the entities are included in the interim condensed consolidated financial statements of Teranga for the three months ended March 31, 2017. The scope limitation is in accordance with Section 3.3 of NI 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings, which allows an issuer to limit its design of ICFR and DC&P to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates.

RISKS AND UNCERTAINTIES

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

CORPORATE DIRECTORY

Directors

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

Senior Management

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

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Auditor

Ernst & Young LLP

Share Registries

Canada: Computershare Trust Company of Canada T: +1 800 564 6253
Australia: Computershare Investor Services Pty Ltd T: 1 300 850 505

Stock Exchange Listings

Toronto Stock Exchange, TSX symbol: **TGZ**
Australian Securities Exchange, ASX symbol: **TGZ**

FORWARD LOOKING STATEMENTS

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

COMPETENT PERSONS STATEMENT

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

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

The information in this MD&A that relates to Mineral Reserve estimates has been extracted from the Technical Report dated March 22, 2016 ("Technical Report"). The Technical Report is available to be viewed on the company's website at: www.terangagold.com

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

Teranga's disclosure of mineral reserve and mineral resource information is governed by NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Mineral

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

Teranga confirms that it is not aware of any new information or data that materially affects the information included in the Technical Report or first quarter 2017 results, market announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.