Management's Discussion and Analysis of

TERANGA GOLD CORPORATION

For the three and six months ended June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial conditions and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the three and six months ended June 30, 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") as at and for the three and six months ended June 30, 2017, as well as, with the audited consolidated financial statements of Teranga as at and for the twelve months ended December 31, 2016. The Company's Statements and MD&A are presented in United States dollars, unless otherwise specified, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Additional information about Teranga, including the Company's Annual Information Form for the year ended December 31, 2016, as well as all other public filings, is available on the Company's website at www.terangagold.com and on the SEDAR website (www.sedar.com).

This report is dated as of July 28, 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 mining company focused on production, development and exploration in West Africa. Sabodala, the Company's flagship gold mine, which is situated in Senegal, produces over 200,000 ounces of gold per year and has a reserve base of 2.7 million ounces as of June 30, 2017[1]. In Burkina Faso, the Company is completing a feasibility study for its Banfora Gold Project, the details of which are expected to be announced in August. In addition, Teranga has active exploration programs on its prospective properties in three West African countries: Burkina Faso, Senegal and Côte d'Ivoire.

Teranga's significant investment in corporate social responsibility ("CSR") initiatives has helped establish a mutually beneficial partnership with the communities, and national, regional and local levels of government in Senegal. This relationship is expected to continue to generate positive results for the Company's regional social license, and provide sustainable livelihoods for the communities in the areas of agriculture and food security, youth education and training, health care and long-term employment. In recognition of Teranga's commitment and lasting contributions to the communities surrounding its Sabodala gold mine, the Company received several CSR awards in 2016, including, the Canadian UN Sustainable Development Goals Award, as well as, the Prospectors & Developers Association of Canada Award for Environmental and Social Responsibility.

MISSION

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

VISION

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

STRATEGY

Our strategy is to maximize shareholder value by focusing on increasing long-term sustainable cash flows through diversification and growth. To achieve our growth objectives we are focused on i) optimizing our existing assets; ii)

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

building new mines; iii) carrying out targeted exploration and reserve/resource drill programs in Burkina Faso, Senegal and Côte D'Ivoire; iv) continued cost and productivity improvements and v) maintaining balance sheet strength.

FINANCIAL AND OPERATING HIGHLIGHTS

		Three months ended June 30,			Six months ended June 30,		
Financial Data		**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenue	($000's)	72,040	73,562	(2%)	142,362	152,760	(7%)
Cost of sales	($000's)	(54,281)	(48,227)	13%	(108,739)	(100,758)	8%
Profit attributable to shareholders of Teranga	($000's)	9,640	6,146	57%	15,803	13,958	13%
Per share[1]	($)	0.09	0.08	15%	0.15	0.18	(17%)
EBITDA[2]	($000's)	23,827	26,693	(11%)	45,701	55,661	(18%)
Operating cash flow excluding changes in non-cash working capital other than inventories	($000's)	22,191	21,693	2%	46,018	44,079	4%
Operating cash flow	($000's)	7,434	20,958	(65%)	28,692	45,101	(36%)
Sustaining capital expenditures (before deferred stripping)	($000's)	9,611	7,722	24%	14,928	19,055	(22%)
Capitalized deferred stripping - sustaining	($000's)	4,704	7,555	(38%)	16,304	10,604	54%
Growth capital expenditures	($000's)	6,932	-	N/A	9,130	-	N/A
		Three months ended June 30,			**Six months ended June 30,**		
Operating Data		**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Gold Produced	(oz)	57,557	52,540	10%	114,460	123,267	(7%)
Gold Sold	(oz)	57,167	58,297	(2%)	114,438	125,968	(9%)
Average realized gold price[2]	($ per oz)	1,260	1,261	0%	1,243	1,212	3%
Cost of sales per ounce	($ per oz sold)	950	827	15%	950	800	19%
Total cash costs[2]	($ per oz sold)	710	621	14%	716	592	21%
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)[2]	($ per oz sold)	933	931	0%	934	857	9%

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

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

FIRST HALF OF 2017 HIGHLIGHTS

Financial Highlights

- Net income attributable to shareholders increased to $9.6 million or $0.09 per share.
- EBITDA[1] of $23.8 million decreased due to an increase in non-cash charges.
- Cash flow from operations (before working capital adjustments) similar to prior year at $22.2 million.
- Strong balance sheet maintained with cash and cash equivalents of $80.3 million.

Operating Highlights

- Record second quarter gold production of 57,557 ounces, bringing half-year total to 114,460 ounces.
- Per ounce metrics, including cost of sales, total cash costs[1] and all-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)[1] are within 2017 guidance ranges.
- Reconciling well to reserves.

Organic Growth Highlights

- Increased Sabodala gold reserves by more than 400,000 ounces to a total of 2.7 million ounces. Sabodala now

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

expected to produce a minimum of 200,000 ounces annually at least through 2022[1].

- Banfora project feasibility results expected to be released in August 2017. Based on work to date, an additional $10 million has been committed towards construction readiness.
- In April, two new gold discoveries were reported at Golden Hill in Burkina Faso. Ma and Nahiri Prospects display good grades, widths, continuity and strike length, with mineralized zones from surface. In July, the Company reported positive Phase 2 drilling for both Ma and Nahiri as well as favourable initial drilling results at the Peksou and Jackhammer Hill Prospects.

2017 FULL YEAR OUTLOOK UPDATE

The Company remains on track 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.

In July, the Company's board approved the investment of an additional $10 million towards construction readiness activities related to the Banfora Gold Project, such as improvements to local site infrastructure and commencement of front-end engineering designs. This decision has been made prior to the completion of the feasibility study and in advance of a full construction decision, both of which are expected in August. As a result, construction readiness spending for the Banfora Gold Project is now expected to be $20 million, representing a total increase of approximately $12 million from the Company's original guidance. Please see the Banfora Gold Project Update section for further details.

During the second quarter, the Company continued to receive encouraging exploration results from active programs underway in Burkina Faso and Senegal. Based on these results, the Company increased its planned exploration activities for the second half of 2017 and now expects exploration and reserve development expenditures of $20 million, an increase of approximately $5 million from the Company's original guidance. Please see the Exploration section of this MD&A for further details.

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

SABODALA MINE PLAN 5-YEAR OUTLOOK

As at June 30, 2017 the Company's proven and probable reserves at its Sabodala gold operation in Senegal increased to 2.7 million ounces of gold representing an increase of more than 400,000 ounces over the previous mineral reserves estimate. This organic growth significantly improves Sabodala's mine plan with gold production expected to exceed 1 million ounces in total over the next five years, or a minimum of 200,000 ounces per year at least through 2022[1]. As a result, Sabodala's five-year production and cash flow profile increases as the mine plan is re-sequenced to bring forward the development of the Niakafiri open pit deposit and defer underground development. The Company is continuing with multi-year drilling program intended to further define near surface resources and reserves on the prospective Niakafiri trend. This could result in a further deferral of underground production and associated capital expenditures of $50 million beyond 2023, if beneficial to the annual cash flows in the life of mine plan. Based on the positive exploration results to date, the Sabodala village relocation will move forward in the mine plan. The ongoing drill program is expected to run concurrently with the village relocation.

[1] This production target is based on proven and probable reserves only from the Sabodala project. The estimated ore reserves underpinning this production target have been prepared by a competent person or persons (see Competent Persons section).

REVIEW OF OPERATING RESULTS

Operating Results		Three months ended June 30, 2017	2016	% Change	Six months ended June 30, 2017	2016	% Change
Ore mined	('000t)	420	363	16%	849	1,268	(33%)
Waste mined - operating	('000t)	7,631	6,307	21%	12,820	13,307	(4%)
Waste mined - capitalized	('000t)	-	2,787	(100%)	4,631	3,448	34%
Total mined	('000t)	8,051	9,457	(15%)	18,300	18,023	2%
Grade mined	(g/t)	3.64	3.53	3%	3.59	2.55	41%
Ounces mined	(oz)	49,219	41,272	19%	98,112	104,085	(6%)
Strip ratio	waste/ore	18.17	25.0	(27%)	20.6	13.2	56%
Ore milled	('000t)	1,039	1,006	3%	2,094	2,058	2%
Head grade	(g/t)	1.87	1.76	6%	1.85	2.00	(8%)
Recovery rate	%	91.9	92.1	0%	92.1	93.0	0%
Gold produced[1]	(oz)	57,557	52,540	10%	114,460	123,267	(7%)
Gold sold	(oz)	57,167	58,297	(2%)	114,438	125,968	(9%)
Average realized price[2]	$/oz	1,260	1,261	0%	1,243	1,212	3%
Cost of sales per ounce	$/oz sold	950	827	15%	950	800	19%
Total cash costs[2]	$/oz sold	710	621	14%	716	592	21%
All-in sustaining costs[2]	$/oz sold	1,018	970	5%	1,048	892	17%
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)[2]	$/oz sold	933	931	0%	934	857	9%
Mining	($/t mined)	2.28	2.25	1%	2.24	2.20	2%
Mining long haul	($/t hauled)	3.21	4.00	(20%)	2.87	4.47	(36%)
Milling	($/t milled)	11.57	10.46	11%	11.78	10.62	11%
G&A	($/t milled)	4.39	4.68	(6%)	4.09	4.34	(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 June 30, 2017				Six months ended June 30, 2017			
		Gora	Golouma South	Kerekounda	Total	Gora	Golouma South	Kerekounda	Total
Ore mined	('000t)	143	184	93	420	289	402	158	849
Waste mined - operating	('000t)	3,563	702	3,366	7,631	5,992	2,150	4,678	12,820
Waste mined - capitalized	('000t)	-	-	-	-	2,117	-	2,514	4,631
Total mined	('000t)	3,706	886	3,459	8,051	8,398	2,552	7,350	18,300
Grade mined	(g/t)	4.66	3.20	2.98	3.64	4.70	3.18	2.63	3.59
Ounces mined	(oz)	21,402	18,919	8,898	49,219	43,688	41,074	13,350	98,112

		Three months ended June 30, 2016			Six months ended June 30, 2016			
		Gora	Golouma South	Total	Masato	Gora	Golouma South	Total
Ore mined	('000t)	144	219	363	455	416	397	1,268
Waste mined - operating	('000t)	2,602	3,705	6,307	166	6,551	6,590	13,307
Waste mined - capitalized	('000t)	2,787	-	2,787	-	3,448	-	3,448
Total mined	('000t)	5,533	3,924	9,457	621	10,415	6,987	18,023
Grade mined	(g/t)	3.13	3.79	3.53	1.16	3.15	3.53	2.55
Ounces mined	(oz)	14,517	26,755	41,272	16,969	42,077	45,039	104,085

		Three months ended June 30			Six months ended June 30		
		2017	2016	% Change	2017	2016	% Change
Total mined (as above)	('000t)	8,051	9,457	(15%)	18,300	18,023	2%
Capitalized pre-stripping	('000t)	1,723	-	N/A	1,943	502	287%
Total mined (including pre-strip tonnes)	('000t)	9,774	9,457	3%	20,243	18,525	9%

Operating results for the three months ended June 30, 2017

Mining

Mining activities in the second quarter were focused on Gora Phase 3, Kerekounda and Golouma South. Pre-production stripping activities continued at Golouma West with production expected to commence in August 2017. Total tonnes mined decreased by 15 percent during the quarter mainly due to the capitalization of 1.7 million tonnes of waste at Golouma West during the quarter. Including waste capitalized during the quarter, total tonnes mined are similar to the prior year period. Ore tonnes mined were 16 percent higher than the prior year period mainly as a result of ore mined from Kerekounda, while ore grades mined were similar 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 milled for the second quarter was 3 percent higher than the prior year period despite a higher proportion of hard ore in the mill feed. Throughput rates benefited from operation of the second primary crusher commissioned last year and optimization of the SAG and ball mill circuit. In the prior year period, throughput rates benefitted from a softer blend of 60% oxide, compared to the current year period with only a 30% oxide blend.

Head grade for the second quarter was 6 percent higher when compared to the same prior year quarter. Mill feed was primarily sourced from high-grade hard ore from Gora, Golouma South and Kerekounda, supplemented with lower grade stockpiles, similar to the prior year period.

Gold production of 57,557 ounces for the second quarter increased by 10 percent as result of higher mill throughput and higher head grade compared to the prior year period.

Costs – site operations

Total mining costs for the second quarter were $18.3 million, 14 percent lower than the prior year period. The decrease over the prior year period is due to the capitalization of ongoing pre-stripping activities in the Golouma West pit. On a unit cost basis, mining costs for the second quarter were similar to the prior year period. Total long haul costs for the second quarter were $1.5 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 second quarter increased to $12.0 million, 14 percent higher than the prior year period, mainly due higher fuel prices and an increase in tonnes milled. Accordingly, unit processing costs for the second quarter are 11 percent higher than the prior year period.

Total mine site general and administrative costs for the second quarter totalled $4.6 million, similar to the prior year period. On a unit basis, general and administrative costs decreased by 6 percent over the prior year period mainly due to an increase in tonnes milled.

Total cash costs increased by 14 percent to $710 per ounce for the second quarter compared to the prior year period, mainly due to higher inventory movement expense attributable to the processing of low grade stockpiles.

All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) of $933 were similar to the prior year period.

Operating results for the six months ended June 30, 2017

Mining

Mining activities in the first half of the year were focused on the lower benches of Gora phases 2 and 3, Golouma South, Kerekounda, and pre-production stripping activities at Golouma West. Total tonnes mined for the six months were 2 percent higher than the prior year period. Including pre-stripping waste tonnes capitalized at Golouma West, total tonnes mined were 9 percent higher than the prior year period. Higher tonnes mined were mainly due to higher than planned equipment availability and utilization rates for the mining fleet during the first quarter 2017. In the prior year period, mining activities were mainly focused on the lower benches of the Masato deposit completed during the first quarter and the Gora and Golouma South deposits, which were active throughout the first half of the year.

Ore tonnes mined for the six months were 33 percent lower compared to the prior year period, while ore grades mined were 41 percent higher, as mining shifted to higher grade areas of the Gora Phase 3 and Golouma South deposits.

Processing

Ore tonnes milled for the six months were 2 percent higher than the prior year period mainly due to operation of the second primary crusher and continuous focus to optimize the crushing and grinding circuit with a higher proportion of hard ore in the mill feed.

Head grade for the six months was 8 percent lower when compared to the prior year period. Mill feed was sourced from high grade hard ore from Gora, Golouma South and Kerekounda supplemented with lower grade stockpiles. In the prior year period, mill feed included a greater proportion of higher grade ore.

Gold production for the six months was 114,460 ounces, 7 percent lower than the prior year period, mainly due to lower head grade and slightly lower recovery compared to the same prior year period. The Company remains on track to produce between 205,000 and 225,000 ounces of gold in 2017.

Costs – site operations

Total mining costs for the six months were $41.1 million, 4 percent higher than the prior year period mainly due to higher material movement and higher fuel prices. On a unit basis, mining costs for the six months were slightly higher than the prior period due to higher fuel prices and comparatively lower equipment productivities as a result of mining primarily harder material during the first quarter. Total long haul costs for the six months were $2.9 million, $0.9 million higher than the prior year period mainly due to an increase in ore tonnes hauled from satellite deposits.

Total processing costs for the six months were $24.7 million, 13 percent higher than the prior year period, mainly due to higher fuel prices and an increase in tonnes milled. Accordingly, unit processing costs increased by 11 percent compared to the prior year period.

Total mine site general and administrative costs for the six months were $8.6 million, 4 percent lower than the prior year period mainly due to timing of expenditures. On a unit basis, mine site general and administrative costs decreased by 6 percent over the prior year period due to an increase in tonnes milled and lower costs.

Total cash costs increased by 21 percent to $716 per ounce for the six months, compared to the prior year period, mainly due to higher inventory movement expense attributable to the processing from low grade stockpiles and higher production costs.

All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) increased by 9 percent to $934 per ounce due to higher production costs, higher mine development cost relating to the pre-stripping of the Golouma West deposit and higher capitalized stripping costs, partly offset by lower shared based compensation expense and sustaining capital expenditures. In the prior year period, construction of the second primary crusher project was still in progress resulting in higher sustaining capital expenditures.

REVIEW OF FINANCIAL RESULTS

	Three months ended June 30,			Six months ended June 30,		
(US$000's)	**2017**	**2016**	**% Change**	**2017**	**2016**	**% Change**
Revenue	72,040	73,562	(2%)	142,362	152,760	(7%)
Mine operation expenses	(41,092)	(36,716)	12%	(82,924)	(75,662)	10%
Depreciation and amortization	(13,189)	(11,511)	15%	(25,815)	(25,096)	3%
Cost of sales	**(54,281)**	**(48,227)**	**13%**	**(108,739)**	**(100,758)**	**8%**
Gross profit	**17,759**	**25,335**	**(30%)**	**33,623**	**52,002**	**(35%)**
Exploration and evaluation expenditures	(2,336)	(1,511)	55%	(4,296)	(2,924)	47%
Administration expenses	(2,368)	(1,976)	20%	(4,674)	(3,549)	32%
Corporate social responsibility expenses	(765)	(1,065)	(28%)	(1,653)	(2,032)	(19%)
Share-based compensation	(553)	(2,601)	(79%)	(1,430)	(3,549)	(60%)
Finance costs	(864)	(1,266)	(32%)	(1,719)	(2,337)	(26%)
Net foreign exchange losses	(2,441)	(366)	567%	(2,962)	(1,849)	60%
Other income / (expenses)	1,160	(2,937)	N/A	474	(7,897)	N/A
Profit before income tax	**9,592**	**13,613**	(30%)	**17,363**	**27,865**	(38%)
Income tax recovery / (expense)	803	(5,750)	N/A	245	(10,659)	N/A
Net profit	**10,395**	**7,863**	**32%**	**17,608**	**17,206**	**2%**
Profit attributable to non-controlling interests	(755)	(1,717)	(56%)	(1,805)	(3,248)	(44%)
Profit attributable to shareholders of Teranga	**9,640**	**6,146**	**57%**	**15,803**	**13,958**	**13%**
Basic earnings per share[1]	0.09	0.08	15%	0.15	0.18	(17%)

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

(US$000's)	Three months ended June 30,			Six months ended June 30,		
Mine operation expenses	**2017**	**2016**	**% Change**	**2017**	**2016**	**% Change**
Mine production costs	36,413	37,595	(3%)	77,327	72,597	7%
Royalties	4,775	4,563	5%	9,321	9,936	(6%)
Regional administration costs	519	539	(4%)	1,024	1,051	(3%)
Capitalized deferred stripping	(4,704)	(7,555)	(38%)	(16,304)	(10,604)	54%
Inventory movements	4,089	1,574	160%	11,556	2,682	331%
Total mine operation expenses	**41,092**	**36,716**	**12%**	**82,924**	**75,662**	**10%**

Financial Results for the three months ended June 30, 2017

Revenue

Revenue for the three months ended June 30, 2017 decreased by 2 percent over the prior year period due to slightly fewer ounces sold. The average realized gold price of $1,260 per ounce was similar to the prior year period.

	Three months ended June 30,		
Spot price per ounce of gold	**2017**	**2016**	**% Change**
Average	$1,257	$1,260	0%
Low	$1,220	$1,212	1%
High	$1,294	$1,325	(2%)
Average Realized	$1,260	$1,261	0%

Mine Operation Expenses

For the three months ended June 30, 2017, mine operation expenses increased by 12 percent over the prior year period to $41.1 million primarily due to higher inventory movement expense and lower capitalized deferred stripping costs. The increases were partially offset by lower mine production costs.

Mine production costs of $36.4 million were 3 percent lower than the prior year period. See Review of Operating Results section for additional information.

Royalties expense was $4.8 million in the current year period, compared to $4.6 million in the prior year period. The increase was due to higher royalties related to Gora compared to the prior year period.

In the three months ended June 30, 2017, $4.7 million of deferred stripping costs were capitalized compared to $7.6 million capitalized in the prior year period, mainly due to a lower strip ratio at Gora partially offset by stripping activities at Kerekounda in the current year period. Kerekounda entered into production in December 2016. Capitalized costs are amortized to expense as the deposit is mined.

Inventory movement expense resulted in a $4.1 million increase to mine operation expenses in the current period compared to an increase of $1.6 million in the prior year period. During both the current and prior year periods, the Company had net drawdowns of the stockpile inventory, but the current quarter drawdowns occurred at a higher average cost due to differences in the source composition of the stockpile.

Depreciation and amortization expenses

(US$000's)	**Three months ended June 30,**			**Six months ended June 30,**		
Depreciation and amortization expenses	**2017**	**2016**	**% Change**	**2017**	**2016**	**% Change**
Depreciation and amortization - property, plant and equipment and mine development expenditures	9,973	9,121	9%	19,940	19,512	2%
Depreciation and amortization - deferred stripping assets	5,627	413	1262%	8,678	964	800%
Inventory movements - depreciation	(2,049)	2,568	N/A	(1,621)	5,485	N/A
Capitalized deferred stripping - depreciation	(362)	(591)	(39%)	(1,182)	(865)	37%
Total depreciation and amortization expenses	**13,189**	**11,511**	**15%**	**25,815**	**25,096**	**3%**

Total depreciation and amortization expense for the three months ended June 30, 2017 was $13.2 million, or $1.7 million higher than the prior year period. Depreciation and amortization expense for property, plant and equipment and mine development expenditures increased due to a higher asset depreciation base. Depreciation and amortization of deferred stripping assets increased by $5.2 million, mainly related to amortization of previously capitalized deferred stripping costs at Gora and Kerekounda. 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 60 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 June 30, 2017 were $2.3 million, or $0.8 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 June 30, 2017 was $2.4 million compared to $2.0 million in the prior year period. The higher costs were due to incremental costs related to the growth of the Company beyond our Sabodala Gold operations in Senegal. As a result, we incurred costs related to our Perth office and other miscellaneous corporate costs.

Corporate social responsibility expenses

Corporate social responsibility expenses for the three months ended June 30, 2017 were $0.8 million, or $0.3 million lower than the prior year period. This variance was a result of differences in the timing of program expenditures between the comparative periods. Teranga's annual corporate social responsibility commitments remain consistent from the prior year.

Share-based compensation

During the second quarter 2017, share-based compensation expense decreased by $2.0 million to $0.6 million due to a decline in the Company's share price in the second quarter of 2017.

Finance costs

Finance costs decreased by $0.4 million to $0.9 million for the three months ended June 30, 2017 mainly due to lower interest costs.

Net foreign exchange losses

Net foreign exchange losses of $2.4 million were recorded by the Company in the three months ended June 30, 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 $0.4 million were realized by the Company primarily due to realized and unrealized foreign exchange losses recorded as the Euro appreciated relative to the US dollar. The average USD to Euro rate during second quarter 2017 was 0.91 compared to 0.89 in the prior year period.

Other income/expense

Other income for the three months ended June 30, 2017 was $1.2 million compared with other expense of $2.9 million in the prior year. Other income in the current quarter includes $1.2 million income as a result of certain milestones being met in an option agreement with Algold Resources Ltd. The Company expects to receive $1.2 million in equivalent shares of Algold in the third quarter. Other expense in the prior year quarter included $2.0 million in losses on gold derivative contracts, $0.6 million in costs related to the acquisition of Gryphon, as well as miscellaneous other non-recurring costs incurred during the period.

Income tax expense

For the three months ended June 30, 2017, the Company recorded a recovery of income taxes of $0.8 million, comprised of a recovery of deferred income taxes of $2.3 million net of current income tax expense of $1.5 million. In the same prior year period, the Company recorded income tax expense of $5.8 million, comprised of current income tax expense of $4.9 million and deferred income taxes of $0.9 million.

Net profit

Consolidated net profit attributable to shareholders for the three months ended June 30, 2017 was $9.6 million ($0.09 per share), compared to consolidated net profit of $6.1 million ($0.08 per share) in the prior year period. The increase in profit in the current quarter is primarily due lower other expenses.

Financial Results for the six months ended June 30, 2017

Revenue

Revenue for the six months ended June 30, 2017 decreased by $10.4 million over the prior year period due to lower sales volume, partly offset by higher average realized gold prices in the current year period.

	Six months ended June 30,		
Spot price per ounce of gold	**2017**	**2016**	**% Change**
Average	$1,238	$1,221	1%
Low	$1,151	$1,077	7%
High	$1,294	$1,325	(2%)
Average Realized	$1,243	$1,212	3%

Mine Operation Expenses

For the six months ended June 30, 2017, mine operation expenses increased by 10 percent over the prior year period to $82.9 million primarily due to higher mine production costs and inventory movement expense. The increases were partially offset by higher capitalized deferred stripping costs.

Mine production costs of $77.3 million were 7 percent higher than the prior year period. See Review of Operating Results section for additional information.

Royalties expense was $9.3 million in the current year period, compared to $9.9 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 six months ended June 30, 2017, $16.3 million of deferred stripping costs were capitalized compared to $10.6 million capitalized in the prior year period, mainly due to stripping activities occurring at Kerekounda partially offset by a lower strip ratio at Gora 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 an $11.6 million increase to mine operation expenses in the current period compared to an increase of $2.7 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 period drawdowns occurred at a higher average cost due to the nature and timing of pit sequencing.

Depreciation and amortization expenses

Total depreciation and amortization expense for the six months ended June 30, 2017 was $25.8 million, or $0.7 million higher than the prior year period. Depreciation and amortization expense for property, plant and equipment and mine development expenditures increased due to a higher asset depreciation base partially offset by lower gold sales. Depreciation and amortization of deferred stripping assets increased by $7.7 million, mainly related to amortization of previously capitalized deferred stripping costs at Gora and Kerekounda. 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 60 percent of the Sabodala mine's fixed assets are depreciated using the units of production method.

Exploration and evaluation

Exploration and evaluation expenditures for the six months ended June 30, 2017 were $4.3 million, or $1.4 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 six months ended June 30, 2017 was $4.7 million compared to $3.5 million in the prior year period. Higher administration expense in the current year 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 six months ended June 30, 2017, share-based compensation expense decreased by $2.1 million to $1.4 million in the current year period due to a smaller fluctuation in the Company's share price in the year to date.

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:

	Six months ended June 30, 2017		As of June 30, 2017	
	Grant Units	**Grant Price**[1]	**Outstanding**	**Total Vested**[2]
RSUs	837,960	C$4.15-C$4.20	1,689,197	635,024
DSUs	180,000	C$4.18	563,998	428,998
Fixed Bonus Plan Units	-	-	359,500	328,044

[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 June 30, 2017 closing post-consolidation share price of C$3.51 to value the vested DSUs and RSUs.

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2016[1]	3,789,106	C$10.48
Exercised	(2,763)	C$3.33
Granted [2]	875,988	C$4.17
Forfeited	(187,308)	C$11.51
Balance as at June 30, 2017	4,475,023	C$9.21

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

[2] The exercise price of new common share stock options granted during the 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 4,475,023 common share stock options issued and outstanding as at June 30, 2017, 3,138,412 vested and 1,336,611 vest over a three-year period. 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 80 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 $0.6 million to $1.7 million for the six months ended June 30, 2017 mainly due to lower interest and deferred financing costs on borrowings.

Net foreign exchange losses

Net foreign exchange losses of $3.0 million were recorded by the Company in the six months ended June 30, 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 $1.8 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 income/expense

Other income for the six months ended June 30, 2017 was $0.5 million compared with $7.9 million expense in the prior year. Other income in the current period includes $1.2 million in milestone payments owed, business taxes expense of $1.2 million and interest income of $0.5 million. The Company has accrued $1.2 million in income as a result of certain milestone being met in an option agreement with Algold. Other expense in the prior year period included $2.9 million in losses on gold derivative contracts, $2.5 million for business taxes, $1.0 million related to registration fees to administratively merge the Sabodala and Golouma mining concessions, as well as miscellaneous non-recurring costs incurred during the period.

Income tax expense

For the six months ended June 30, 2017, the Company recorded a recovery of income taxes of $0.2 million, comprised of a recovery of deferred income taxes of $3.2 million net of current income tax expense of $3.0 million. In the same prior year period, the Company recorded income tax expense of $10.7 million, comprised of current income tax expense of $10.0 million and deferred income taxes of $0.7 million.

Net profit

Consolidated net profit attributable to shareholders for the six months ended June 30, 2017 was $15.8 million ($0.15 per share), compared to consolidated net profit of $14.0 million ($0.18 per share) in the prior year period. The decrease in profit was primarily due to lower gross profit.

REVIEW OF QUARTERLY FINANCIAL RESULTS

(US$000's, except where indicated)	2017		2016				2015	
	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Revenue	72,040	70,322	55,764	60,316	73,562	79,198	58,235	37,830
Average realized gold price ($/oz)	1,260	1,226	1,197	1,333	1,261	1,169	1,099	1,112
Cost of sales	54,281	54,458	43,022	37,748	48,227	52,531	49,266	33,018
Net earnings (loss)	9,640	5,592	(1,286)	10,437	6,146	7,812	(71,824)	1,567
Net earnings (loss) per share [1]	0.09	0.05	(0.01)	0.13	0.08	0.10	(0.92)	0.02
Operating cash flow	7,434	21,258	(13,627)	13,255	20,958	24,143	9,755	(8,221)

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

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

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

Operating cash flows during the first three quarters of 2016 were higher mainly due to higher gold sales. Operating cash flows during the fourth quarter 2016 was negative mainly due to royalty payments of $17.2 million made during the quarter, representing all of the 2015 and first three quarters of 2016 royalty expense. Previously, royalties related to the prior year were paid in the third quarter of the following year. The Company has now moved to paying royalties one quarter in arrears. Operating cash flows during the second quarter 2017 were lower due to payment of income taxes related to 2016.

BUSINESS AND PROJECT DEVELOPMENT

Banfora Gold Project Update

At present, the process flowsheet, resource modeling, operating and capital costs are meeting the expectations envisaged when management initially reviewed the Banfora project prior to our decision to acquire Gryphon Minerals. As a result, the Board has determined that it has sufficient comfort with the project to approve the investment of an additional $10 million towards further advancement of construction readiness activities, such as improvements to local site infrastructure and commencement of front-end engineering designs, prior to completion of a National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") compliant feasibility study and in advance of a full construction decision, both of which are expected in August. 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 Gold Project.

Reserves and Resources

Mineral Resources for Sabodala at June 30, 2017 are presented in Table 1. Total open pit and underground Proven and Probable Mineral Reserves for Sabodala at June 30, 2017 are set forth in Table 2. The reported Mineral Resources are inclusive of the Mineral Reserves.

The Proven and Probable Mineral Reserves were based on the Measured and Indicated Resources that fall within designed open pits or underground mine design parameters. The basis for the resources and reserves is consistent with NI 43-101 regulations.

Table 1 Open Pit and Underground Mineral Resources Summary

Deposit	Domain	Measured			Indicated			Measured and Indicated			Inferred		
		Tonnes	Grade	Au	Tonnes	Grade	Au	Tonnes	Grade	Au	Tonnes	Grade	Au
		('000s)	(g/t Au)	('000s)	('000s)	(g/t Au)	('000s)	('000s)	(g/t Au)	('000s)	('000s)	(g/t Au)	('000s)
Sabodala	Open Pit	11,725	1.17	442	6,488	1.59	332	18,213	1.32	774	2,525	1.23	100
	Underground				1,631	3.65	191	1,631	3.65	191	460	3.60	53
	Combined	**11,725**	**1.17**	**442**	**8,119**	**2.01**	**524**	**19,844**	**1.51**	**965**	**2,985**	**1.60**	**153**
Masato	Open Pit	4,163	0.68	92	22,212	1.16	829	26,375	1.09	921			
	Underground				1,163	2.75	103	1,163	2.75	103	1,984	2.85	182
	Combined	**4,163**	**0.68**	**92**	**23,375**	**1.24**	**932**	**27,537**	**1.16**	**1,024**	**1,984**	**2.85**	**182**
Gora	Open Pit	439	2.47	35	471	8.67	131	911	5.68	166	35	5.60	6
	Underground				315	5.14	52	315	5.14	52	59	4.83	9
	Combined	**439**	**2.47**	**35**	**786**	**7.26**	**183**	**1,226**	**5.54**	**218**	**95**	**5.12**	**16**
Golouma	Open Pit	40	1.38	2	5,857	2.85	536	5,897	2.84	538	84	2.49	7
	Underground				2,134	4.09	280	2,134	4.09	280	854	3.66	100
	Combined	**40**	**1.38**	**2**	**7,991**	**3.18**	**816**	**8,031**	**3.17**	**818**	**939**	**3.55**	**107**
Kerekounda	Open Pit	30	3.30	3	1,153	4.45	165	1,184	4.42	168	5	1.12	0
	Underground				499	4.88	78	499	4.88	78	235	5.70	43
	Combined	**30**	**3.30**	**3**	**1,653**	**4.58**	**243**	**1,683**	**4.56**	**247**	**239**	**5.61**	**43**
Niakafiri East	Open Pit	4,776	1.37	210	14,140	1.14	516	18,916	1.19	726	4,515	0.93	135
	Underground				224	2.72	20	224	2.72	20	514	2.70	45
	Combined	**4,776**	**1.37**	**210**	**14,364**	**1.16**	**536**	**19,140**	**1.21**	**746**	**5,030**	**1.11**	**180**
Niakafiri West	Open Pit				3,061	1.02	100	3,061	1.02	100	673	0.86	19
	Underground				74	2.67	6	74	2.67	6	71	2.84	6
	Combined				**3,135**	**1.06**	**107**	**3,135**	**1.06**	**107**	**744**	**1.05**	**25**
Maki Medina	Open Pit				2,112	1.22	83	2,112	1.22	83	114	0.81	3
	Underground				109	2.71	10	109	2.71	10	85	2.54	7
	Combined				**2,221**	**1.30**	**93**	**2,221**	**1.30**	**93**	**199**	**1.55**	**10**
Goumbati West - Kobokoto	Open Pit				2,678	1.35	116	2,678	1.35	116	498	0.81	13
	Underground				131	3.25	14	131	3.25	14	79	2.90	7
	Combined				**2,809**	**1.44**	**130**	**2,809**	**1.44**	**130**	**577**	**1.09**	**20**
Golouma North	Open Pit				170	1.32	7	170	1.32	7	295	1.42	14
	Underground				14	2.64	1	14	2.64	1	19	2.93	2
	Combined				**184**	**1.42**	**8**	**184**	**1.42**	**8**	**314**	**1.51**	**15**
Diadiako	Open Pit										178	1.27	7
	Underground										663	2.89	61
	Combined										**841**	**2.54**	**69**
Kinemba	Open Pit				24	1.06	1	24	1.06	1	91	0.95	3
	Underground										56	2.52	5
	Combined				**24**	**1.06**	**1**	**24**	**1.06**	**1**	**147**	**1.55**	**7**
Koulouqwinde	Open Pit										230	1.42	11
	Underground										60	2.67	5
	Combined										**290**	**1.68**	**16**
Kouroulouou	Open Pit				96	11.51	36	96	11.51	36	22	6.71	5
	Underground				59	9.15	18	59	9.15	18	86	13.58	38
	Combined				**156**	**10.61**	**53**	**156**	**10.61**	**53**	**108**	**12.18**	**42**
Kouroundi	Open Pit				67	0.93	2	67	0.93	2	42	0.74	1
	Underground												
	Combined				**67**	**0.93**	**2**	**67**	**0.93**	**2**	**42**	**0.74**	**1**
Koutouniokolla	Open Pit										85	1.58	4
	Underground										22	2.54	2
	Combined										**108**	**1.78**	**6**
Mamasato	Open Pit				560	1.45	26	560	1.45	26	305	1.25	12
	Underground										42	2.32	3
	Combined				**560**	**1.45**	**26**	**560**	**1.45**	**26**	**347**	**1.38**	**15**
Marougou	Open Pit										1,198	1.41	54
	Underground												
	Combined										**1,198**	**1.41**	**54**
Sekoto	Open Pit										485	0.89	14
	Underground										25	2.11	2
	Combined										**510**	**0.95**	**16**
Soukhoto	Open Pit										550	1.46	26
	Underground												

Deposit	Domain	Measured			Indicated			Measured and Indicated			Inferred		
		Tonnes	Grade	Au	Tonnes	Grade	Au	Tonnes	Grade	Au	Tonnes	Grade	Au
		('000s)	(g/t Au)	('000s)	('000s)	(g/t Au)	('000s)	('000s)	(g/t Au)	('000s)	('000s)	(g/t Au)	('000s)
	Combined										**550**	**1.46**	**26**
Total	**Open Pit**	**21,174**	**1.15**	**783**	**59,091**	**1.52**	**2,882**	**80,264**	**1.42**	**3,665**	**11,933**	**1.13**	**434**
	Underground				**6,354**	**3.78**	**773**	**6,354**	**3.78**	**773**	**5,315**	**3.34**	**570**
	Combined	**21,174**	**1.15**	**783**	**65,444**	**1.74**	**3,655**	**86,618**	**1.59**	**4,438**	**17,247**	**1.81**	**1,004**

Notes for Mineral Resources Estimate:

1. CIM definitions were followed for Mineral Resources.
2. Open pit oxide Mineral Resources are estimated at a cut-off grade of 0.35 g/t Au, except for Gora and Marougou at 0.48 g/t Au.
3. Open pit transition and fresh rock Mineral Resources are estimated at a cut-off grade of 0.40 g/t Au, except for Gora and Marougou at 0.55 g/t Au.
4. Underground Mineral Resources are estimated at a cut-off grade of 2.00 g/t Au.
5. Measured Resources at Sabodala include stockpiles which total 7.2 Mt at 0.75 g/t Au for 174,000 oz.
6. Measured Resources at Masato include stockpiles which total 4.2 Mt at 0.68 g/t Au for 92,000 oz.
7. Measured Resources at Gora include stockpiles which total 0.4 Mt at 1.28 g/t Au for 15,000 oz.
8. Measured Resources at Golouma include stockpiles which total 0.04 Mt at 1.38 g/t Au for 2,000 oz.
9. Measured Resources at Kerekounda include stockpiles which total 0.03 Mt at 3.30 g/t Au for 3,000 oz.
10. High grade assays were capped at grades ranging from 1.5 g/t Au to 110 g/t Au.
11. The figures above are "Total" Mineral Resources and include Mineral Reserves.
12. Open pit shells were used to constrain open pit resources.
13. Mineral Resources are estimated using a gold price of USD $1,450 per ounce.
14. Sum of individual amounts may not equal due to rounding.

Table 2 Open Pit and Underground Mineral Reserves Summary

Deposits	Proven			Probable			Proven and Probable		
	Tonnes (Mt)	Grade (g/t)	Au (Moz)	Tonnes (Mt)	Grade (g/t)	Au (Moz)	Tonnes (Mt)	Grade (g/t)	Au (Moz)
Masato				18.62	1.10	0.66	18.62	1.10	0.66
Niakafiri East	4.61	1.32	0.20	9.92	1.10	0.35	14.53	1.17	0.55
Golouma West				4.11	1.91	0.25	4.11	1.91	0.25
Sabodala	2.04	1.56	0.10	3.18	1.33	0.14	5.22	1.42	0.24
Gora				0.82	5.25	0.14	0.82	5.25	0.14
Kerekounda				0.53	4.71	0.08	0.53	4.71	0.08
Goumbati West and Kobokoto				1.42	1.31	0.06	1.42	1.31	0.06
Maki Medina				0.98	1.12	0.04	0.98	1.12	0.04
Niakafiri West				1.20	1.06	0.04	1.20	1.06	0.04
Golouma South				0.24	3.23	0.02	0.24	3.23	0.02
Subtotal Open Pit	**6.65**	**1.39**	**0.30**	**41.02**	**1.35**	**1.78**	**47.66**	**1.35**	**2.07**
Stockpiles	11.80	0.75	0.28				11.80	0.75	0.28
Total Open Pit with Stockpiles (OP)	**18.45**	**0.98**	**0.58**	**41.02**	**1.35**	**1.78**	**59.47**	**1.23**	**2.36**
Golouma West 1				0.62	6.07	0.12	0.62	6.07	0.12
Kerekounda				0.61	4.95	0.10	0.61	4.95	0.10
Golouma West 2				0.45	4.39	0.06	0.45	4.39	0.06
Golouma South				0.47	4.28	0.06	0.47	4.28	0.06
Subtotal Underground (UG)				**2.15**	**5.01**	**0.35**	**2.15**	**5.01**	**0.35**
TOTAL OPEN PIT & UNDERGROUND	**18.45**	**0.98**	**0.58**	**43.17**	**1.53**	**2.12**	**61.62**	**1.37**	**2.70**

Notes for Mineral Reserves Estimate

1. CIM definitions were followed for Mineral Reserves.
2. Mineral Reserve cut-off grades range from 0.38 g/t to 0.57 g/t Au for oxide and 0.44 g/t to 0.63 g/t Au for fresh rock based on a $1,200/oz gold price.
3. Underground Mineral Reserve cut-off grades range from 2.3 g/t to 2.6 g/t Au based on a $1,200/oz gold price.
4. Mineral Reserves account for mining dilution and mining ore loss.
5. Proven Mineral Reserves are based on Measured Mineral Resources only.
6. Probable Mineral Reserves are based on Indicated Mineral Resources only.
7. Sum of individual amounts may not equal due to rounding.
8. The Niakafiri East and West deposits are adjacent to the Sabodala village and relocation of at least some portion of the village will be required which will necessitate a negotiated resettlement program with the affected community members.

EXPLORATION

During the second quarter, the Company received encouraging drill results from all three of its projects in Burkina Faso, as well as, on its Sabodala mine license in Senegal. Based on these results, the Company has increased its reserve development and exploration budget to $20 million. The majority of the expenditures are to convert resources to reserves and establish new resources.

Burkina Faso

Banfora Mine License Reserve Development

The focus of drilling activities during the second quarter was at the Stinger, Samavogo, Fourkoura and Nogbele deposits comprising the in-progress Banfora project NI 43-101 report.

Two distinct drill programs were undertaken. The first was a detailed drilling program to evaluate the potential impact that artisanal mining might have had on the near-surface mineralization at the two deposits impacted by artisanal mining: Fourkoura and Nogbele.

In total, 41 reverse circulation holes (1,380 metres) were drilled at the Fourkoura deposit, and 390 reverse circulation holes (9,300 metres) were drilled at the Nogbele deposit during the quarter. Initial field logging observations for these holes indicate that the overall impact of artisanal mining is minimal at both deposits.

The second drill program, which is expected to run through the end of the year, is designed to convert inferred resources to reserves. Management believes there is a reasonable basis for such anticipated conversion given drilling is taking place within the wire-framed blocks of inferred mineralization that lies within the resource and reserve pit shells of the current resource model. At present, drill spacing is too wide to enable inclusion within the indicated category and this drill program is designed to infill that spacing. Drill programs will take place at all four deposits. The drill program has been completed at the Fourkoura deposit where 46 holes (2,725 metres) were drilled. Drilling is well along the path towards conclusion at the Samavogo deposit where 110 holes (4,500 metres) of the planned 188 holes have already been drilled. Drilling has also begun at both Stinger and Nogbele. This resource conversion program will continue through the fourth quarter. An updated reserve estimate for the Banfora Project, including the results of this program is expected by mid-year 2018.

Banfora Regional Exploration

Kafina West Prospect

The Kafina West Prospect is located within 10 kilometres of the proposed Banfora processing facility and is highly rated as a prospect of interest. Results from the initial reverse circulation and core drilling programs were followed-up with additional core drilling during the second quarter. A table of results from this recent program can be found under the "Exploration" section of the Company's website at www.terangagold.com. Drilling highlights included: 2.2 grams per tonne gold over 10 metres in BNDD85, 1.7 grams per tonne gold over 7 metres in BNDD3888 and 1.7 grams per tonne gold over 6 metres in BNDD3863.

Raul Prospect

A three-profile rotary air blast drill program was completed at the Raul Prospect, which is located within 5 kilometres of the proposed Banfora processing facility. In total, 98 holes (2,950 metres) were drilled during this evaluation with results pending.

Other Regional Prospects

Early drilling success at the Petit Colline Prospect will be followed up with additional drilling during the fourth quarter. At the Hillside Prospect, where a strike-extensive structural corridor has been partially evaluated to-date, auger drilling and additional core drilling will be undertaken in the fourth quarter. Auger drilling will continue as an early-stage screening tool at a number of other regional prospects, including Bassangoro, Stinger North, Fourkoura North and Bagu Sud, while mechanical trenching will be introduced as an early-stage evaluation technique at Bazogo, Korindougou, and Samavogo North.

Golden Hill

Ma Prospect

During the second quarter, the Company initiated a Phase 2 exploration drill program at the Ma Prospect to follow-up the successful results from the Phase 1 drill program. In total, 30 core holes (2,620 metres) were drilled over the currently defined 1,300-metre strike length partially tested by widely spaced drilling during the Phase 1 evaluation program. The Phase 2 drill holes continued the sectional evaluation on tighter spaced intervals along the currently known strike extent as well as initiating a series of second tier (down dip) tests of the primary and secondary structures identified to-date.

Field observations continue to be positive overall, with most holes intersecting favourable alteration, veining, structure and mineralization over a variety of core widths commonly ranging up to 5-6 metres. Analytical results available from the Phase 2 drilling at the Ma Prospect were announced in a Company news release dated July 24, 2017. Positive grade and width intervals continue across the entire strike length as well as within the second tier holes drilled thus far. The Ma Prospect remains open to further expansion in both directions along strike and to depth. Drilling will resume in early August after a brief hiatus and is anticipated to continue into the fourth quarter. A complete table of results for all available Phase 2 drill holes contained in the recent Golden Hill news release can be found on the Company's website at www.terangagold.com under "Exploration".

Nahiri and Nahiri West Prospects

Based on the very successful first-ever drilling campaign at Nahiri, an 8-hole, follow-up, core-drilling program was completed late in the first quarter. Assay results are now available from this core drilling program and were included in the Company's Golden Hill news release dated July 24, 2017. Further exploration drilling is planned for the Nahiri Prospect in the fourth quarter, following the rainy season.

In addition, an initial drill evaluation at the Nahiri West Prospect was undertaken during the quarter. A series of reverse circulation profiles comprising 20 reverse circulation holes (1,440 metres) were drilled across a lateritic plateau evaluating soil, rock chip and auger results that suggest mineralization may lie beneath the lateritic cover. Results are pending, and based on positive results, further drilling would occur in the fourth quarter.

Peksou Prospect

The Company's initial drill evaluation of the Peksou Prospect consisted of 5 core holes (360 metres) drilled during the first quarter for which results are now available. This drill program was designed to confirm the nature of hosting geology and mineralizing structure orientations as well as evaluate previous historical drill results largely restricted to reverse circulation chips. The Peksou results from this initial drill program are included in the Company's news release dated July 24, 2017. Favorable grade and width intervals were intersected in all of the confirmatory drill holes. Based on this encouraging set of results, follow-up drill evaluation will begin early in the fourth quarter once the rainy season has ended.

Other Golden Hill Prospects

Results are now available for the limited 2-hole core drill program completed at the Jackhammer Hill Prospect in order to assess the structural controls of mineralization. The results for this initial drill test of the extensive target area are included within the Company's July 24, 2017 news release. Drill evaluation of this large target area will continue in the third quarter.

Additional drilling during the quarter included a 20-hole reverse circulation drill program testing the undrilled 500-metre gap between the easternmost drilled extent of the Ma Prospect and the westernmost drilled extent of the Ma East Prospect. A second area of drilling was at the structurally complex Pourey region of the Golden Hill property where 23 reverse circulation holes (1,870 metres) were drilled at C-Zone, Pourey, Peksou Basin and Peksou Bas-Fond targets. Results are pending from all second quarter reverse circulation drilling.

Gourma

An exploration program consisting of geological mapping, prospecting and auger sampling was completed in the second quarter. Field crews mobilized during the first week of April to undertake this exploration effort which began with a detailed structural mapping program to better define the mineralizing structures of greatest potential. In total, 1,150 auger holes comprising 4,870 metres were completed at a variety of prioritized exploration prospects within the property. Based on positive auger results, an initial core drilling evaluation began late in the second quarter resulting in five holes (350 metres) completed at three prospects thus far.

A follow-up evaluation is planned for the fourth quarter once the rainy season has concluded.

Senegal

Sabodala Mine Lease Reserve Development

Niakafiri Deposit

The Niakafiri deposit area, located within 5 kilometres of the Sabodala Plant, has just had a Resource and Reserve estimation update completed. A major component of this updated estimation was a two-phase drilling program which commenced at the Niakafiri deposit in fourth quarter 2016 and has continued throughout the first and second quarters. 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 second quarter, 62 core holes comprising 6,925 metres were completed at both the eastern (Niakafiri Main, Dinkokono, Niakafiri Southeast) and western (Niakafiri West) components of the Niakafiri deposit area. This Phase 2 program, undertaken during the second quarter, continued to follow-up on the many positive results obtained during the initial drill phase at each area comprising the Niakafiri deposit. Year-to-date drilling at the Niakafiri area totals 143 holes comprising 16,190 metres of core drilling.

The updated Niakafiri mineral resource estimate, incorporating all of the recent drilling results available as of April, was announced as a component of an overall Sabodala Gold Project Resource and Reserve update in a Company news release dated July 19, 2017. Niakafiri remains a highly prospective area on our mine license and we have a multi-year drill program designed to continue identifying resources and reserves. As a result of Niakafiri‘s encouraging results, the Company is reviewing mine sequencing with a view to bringing forward the development of the Niakafiri deposit, which is expected to increase near term production and cash flows, allowing for the deferral of underground development. Community resettlement activities are ongoing alongside the drilling evaluation program, with community site selection activities and household and land survey team mobilization in progress.

The current measured and indicated resources for Niakafiri is 22,275,000 tonnes at 1.19 g/t Au for 853,000 ounces and inferred resources of 5,774,000 tonnes at 1.10 grams per tonne gold for 205,000 ounces. The proven and probable reserves is 15,730,000 tonnes at 1.17 grams per tonne gold for 590,000 ounces.

The Niakafiri drill program will shut down temporarily during the rainiest portion of the third quarter and resume early in the fourth quarter once the rains subside.

Goumbati West Deposit

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

In the first half of the year, results from the fourth quarter 2016 program were incorporated into an upgrade of the initial mineral resource estimate for the Goumbati West-Kobokoto South deposit.

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

The Company plans to continue drilling at both Niakafiri and Goumbati West over the next several years with the objective to further increase resources and reserves, which if successful, and assuming it would be beneficial to the annual cash flows, could result in a further deferral of underground production and associated capital expenditures of $50 million beyond 2023, when it is currently scheduled in the mine plan. Based on the positive exploration results to date, we have brought forward the Sabodala village relocation in the mine plan. As the village relocation progresses, we expect to be able to complete the drill program at Niakafiri.

Other Mine Lease Prospects

Elsewhere on Sabodala’s mine lease, in addition to ongoing second quarter drilling at the Niakafiri deposit, a property-wide bulk leach extractable gold (“BLEG”) sampling program was completed in conjunction with the regional sampling campaign.

Senegal Regional Exploration

Trenching and detailed soil sampling was undertaken at several regional exploration targets during the second quarter. In addition, a property-wide BLEG sampling program was conducted.

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. Second quarter exploration at Marougou Main focused on the A1 and A2 Zones where twelve additional trenches (1,340 metres) were excavated to confirm and extend the gold mineralization intersected by both trenching and drilling in late 2016 drilling as well as first quarter trenching. 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 for Zone A1 and a minimum 300 metre strike extent for Zone A2. Results from the recent trenching program have been tabulated for presentation on the company's website at www.terangagold.com. Additional trenching, along strike of both the A1 and A2 Zones as well as follow-up drilling both along trend of, and to-depth beneath previous positive drilling results is proposed for the fourth quarter, at the conclusion of the rainy season.

Other Regional Prospects

In the second quarter, a systematic exploration program on various targets continued with new trenching completed at both the Honey Prospect and Jam Prospect. In addition, sampling programs were initiated on two soil grids at the adjacent Soreto and Diabougou Prospects.

Elsewhere, the Marougou North Prospect, proximal to the Marougou Main deposit, was the focus of a detailed soil sampling program and an initial trenching evaluation program. In addition to the Marougou North Prospect, the Marougou Main deposit is proximal to several other prospects as well, Tourokhoto, Marougou South and Dembala Hill, where trenching and drilling exploration programs are planned for the fourth quarter.

A more detailed geologic summary of the second quarter, 2017 exploration results for Burkina Faso and Senegal 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 began early in the second quarter. The exploration program included expansion of the soil grid coverage beyond the currently defined gold-in-soil anomaly outline. In addition, six hand dug pits were completed over the highest priority portions of the gold anomaly. The hand-pitting program was postponed and will be re-initiated in the fourth quarter after the rainy season concludes. Results are pending for both the soil and hand-pit samples.

Other Cote d'Ivoire Properties

In addition to exploration activities at our more advanced Guitry property, an initial soil sampling program, utilizing wide-spaced grid lines, was completed at the Dianra property during the second quarter. Our initial field exploration program also began at our newest permit, the Sangaredougou property, where soil samples were collected prior to postponement of the field activities due to onset of the rainy season. Sampling at Sangaredougou will conclude in the fourth quarter.

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

	As at June 30 ,2017	As at December 31, 2016
Balance Sheet		
Cash and cash equivalents	80,288	95,188
Trade and other receivables	7,210	9,882
Inventories	160,357	171,232
Deferred tax assets	22,486	20,084
Other assets[1]	528,505	515,820
Available for sale financial assets	2,070	1,171
Total assets	**800,916**	**813,377**
Trade and other payables	47,137	47,409
Borrowings	14,074	13,844
Provisions	33,724	34,473
Deferred revenue	57,661	68,815
Other liabilities[2]	14,987	31,903
Total liabilities	**167,583**	**196,444**
Total equity	**633,333**	**616,933**

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

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

Balance Sheet Review

Cash

The Company's cash balance at June 30, 2017 was $80.3 million, $14.9 million lower than the balance at the start of the year, mainly due to cash taxes paid of $15.2 million. Refer to the Liquidity and Cash Flow sections below for further details.

Trade and Other Receivables

The trade and other receivables balance of $7.2 million includes $5.1 million in VAT recoverable which is expected to be refunded over the balance of 2017 and $1.2 million receivable as a result of certain milestone being met in an option agreement with Algold. In February 2016, the Company received an exemption for the payment and collection of refundable VAT. This exemption is governed by an amendment to our mining convention and is enforceable for the next 5 years, expiring on May 2, 2022.

Other Assets

Other assets increased by $12.7 million to $528.5 million as at June 30, 2017. The increase was largely attributable to additions to capitalized mine development expenditures of $36.1 million during the period, less depreciation expense of $17.4 million.

Available for Sale Financial Assets

The Company holds marketable securities. As at June 30, 2017, these securities were valued at $2.1 million, compared to $1.2 million as at December 31, 2016.

Deferred Revenue

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

Other Liabilities

Other liabilities decreased by $16.9 million to $15.0 million as at June 30, 2017. The decrease was largely attributable to a reduction of taxes payable of $19.8 million, which was settled partially in cash and through the redemption of VAT certificates. The decrease in other liabilities was partly offset by current period tax accruals of $3.6 million.

Liquidity and Cash Flow

Cash Flow

(US$000's)	Three months ended June 30,		Six months ended June 30,	
Cash Flow	**2017**	**2016**	**2017**	**2016**
Operating activities excluding changes in non-cash working capital other than inventories	22,191	21,693	46,018	44,079
Changes in non-cash working capital other than inventories	(14,757)	(735)	(17,326)	1,022
Operating	7,434	20,958	28,692	45,101
Investing	(21,247)	(15,277)	(40,362)	(29,659)
Financing	(272)	(627)	(3,236)	(1,053)
Effect of exchange rates on cash holdings in foreign currencies	(94)	(414)	6	(687)
Change in cash and cash equivalents during the period	(14,179)	4,640	(14,900)	13,702
Cash and cash equivalents - beginning of period	**94,467**	**53,498**	**95,188**	**44,436**
Cash and cash equivalents - end of period	**80,288**	**58,138**	**80,288**	**58,138**

Sources and Uses of Cash

	Three months ended June 30, 2017				
Cash Flow - Sources and Uses (US$000's)	**Sabodala**	**Corporate**	**Banfora**	**Exploration**	**Consolidated Cash Flow**
Operating	**12,280**	**(2,543)**	**(29)**	**(2,274)**	**7,434**
Investing	**(14,155)**	**(155)**	**(6,932)**	**(5)**	**(21,247)**
- Expenditures for mine development - sustaining	*(10,037)*	*(88)*		*(5)*	
- Expenditures for property, plant and equipment - sustaining	*(4,075)*	*(48)*			
- Expenditures for mine development - growth			*(6,505)*		
- Expenditures for property, plant and equipment - growth			*(427)*		
- Expenditures for intangibles	*(43)*	*(19)*			
Financing	**(272)**				**(272)**
- Interest paid on borrowings	*(272)*				
Effect of exchange rates on cash holdings in foreign currencies	**(72)**	**(22)**			**(94)**
Change in cash and cash equivalents during the period	**(2,219)**	**(2,720)**	**(6,961)**	**(2,279)**	**(14,179)**

	Six months ended June 30, 2017				
Cash Flow - Sources and Uses (US$000's)	**Sabodala**	**Corporate**	**Banfora**	**Exploration**	**Consolidated Cash Flow**
Operating	**41,185**	**(7,879)**	**(652)**	**(3,962)**	**28,692**
Investing	**(30,861)**	**(351)**	**(9,130)**	**(20)**	**(40,362)**
- Expenditures for mine development - sustaining	*(23,915)*	*(166)*		*(20)*	
- Expenditures for property, plant and equipment - sustaining	*(6,831)*	*(146)*			
- Expenditures for mine development - growth			*(8,646)*		
- Expenditures for property, plant and equipment - growth			*(484)*		
- Expenditures for intangibles	*(115)*	*(39)*			
Financing	**(3,243)**	**7**			**(3,236)**
- Proceeds on stock options exercised		*7*			
- Dividend payment to the Government of Senegal	*(2,700)*				
- Interest paid on borrowings	*(543)*				
Effect of exchange rates on cash holdings in foreign currencies	**(15)**	**21**			**6**
Change in cash and cash equivalents during the period	**7,066**	**(8,202)**	**(9,782)**	**(3,982)**	**(14,900)**

During the second quarter, the Company's Sabodala mine ("Sabodala") used cash of $2.1 million. The funds generated from Sabodala were used to pay outstanding income taxes owing to the Republic of Senegal in the amount of $15.2 million. An additional $2.7 million of taxes owing were settled using VAT certificates, which did not have an impact on our cash balances. The Company also continues to invest in its sustaining and growth initiatives at Sabodala, Banfora, and exploration properties.

During the six months ended June 30, 2017, Sabodala generated net cash flows of $7.2 million which in addition to the Company's existing cash balances were used to pay outstanding income taxes owing to the Republic of Senegal, support the Corporate offices, advance pre-construction readiness activities at the Banfora Gold Project, and further our exploration programs.

Operating Cash Flow

(US$000's)	**Three months ended June 30,**		**Six months ended June 30,**	
Changes in working capital other than inventory	**2017**	**2016**	**2017**	**2016**
Increase in trade and other receivables	(3,328)	(1,147)	(2,305)	(5,051)
Decrease in other assets	2,018	5,477	971	6,937
Decrease in trade payables and other	(702)	(2,518)	(4,630)	(1,916)
Decrease in provisions	(61)	(533)	(135)	(618)
(Decrease)/Increase in current income taxes payable	(12,684)	(2,014)	(11,227)	1,670
Net change in working capital other than inventory	**(14,757)**	**(735)**	**(17,326)**	**1,022**

Cash provided by operations for the three months ended June 30, 2017 was $7.4 million compared to $21.0 million in the prior year period. The decrease in operating cash flow was primarily due to higher tax related payments made during the second quarter compared to the prior year period. As a result, operating activities excluding changes in non-cash working capital (excluding inventories) was $22.2 million in the three months ended June 30, 2017, which was slightly higher than the prior year period.

Cash provided by operations for the six months ended June 30, 2017 was $28.7 million compared to $45.1 million in the prior year period. The decrease in operating cash flow was primarily due to an increase of cash taxes paid of $9.6

million. Additionally, in the six month 2017 period, the Company made royalty payments of $6.5 million to the Republic of Senegal compared to $2.2 million in the prior year period. Accordingly, operating activities excluding changes in non-cash working capital (excluding inventories) was $46.0 million in the six months ended June 30, 2017, which was a $1.9 million increase from the same prior year period.

Investing Cash Flow

(US$000's)	Three months ended June 30,		Six months ended June 30,	
Investing activities	**2017**	**2016**	**2017**	**2016**
Sustaining Capital (Sabodala)				
Mine site capital expenditure - sustaining	4,077	2,574	6,970	3,563
Mine site capital expenditure - project	205	3,190	336	8,392
Development capital	3,033	308	3,614	3,896
Capitalized reserve development (mine site exploration)	2,296	1,650	4,008	3,204
Sustaining Capital Expenditures, before Deferred Stripping	**9,611**	**7,722**	**14,928**	**19,055**
Capitalized deferred stripping	4,704	7,555	16,304	10,604
Total Sustaining Capital Expenditures	**14,315**	**15,277**	**31,232**	**29,659**
Growth Capital (Banfora)				
Feasibility	420	-	1,269	-
Reserve development	650	-	1,132	-
Construction readiness	5,862	-	6,729	-
Total Growth Capital Expenditures	**6,932**	**-**	**9,130**	**-**
Investing Activities	**21,247**	**15,277**	**40,362**	**29,659**

Net cash used in investing activities for the three months ended June 30, 2017 was $21.2 million, $6.0 million higher than the prior year period, mainly due to development expenditures related to the Golouma West deposit in Sabodala and the Banfora Gold Project. This increase was partially offset by lower capitalized deferred stripping costs related to activities at Sabodala.

Net cash used in investing activities for the six months ended June 30, 2017 were $40.4 million, $10.7 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. This increase was partially offset by lower capital expenditures at Sabodala as the Company's mill optimization project was completed in the prior year.

Financing Cash Flow

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

Net cash flow used in financing activities for the six month ended June 30, 2017 was $3.2 million compared to $1.1 million in the prior year period. Financing activities in the current year period includes a $2.7 million prepayment of dividends to the Republic of Senegal related to the recommencement of drilling activities at the Niakafiri deposit.

LIQUIDITY AND CAPITAL RESOURCES OUTLOOK

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

(i) Optimizing Existing Mines for Growth

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

(ii) Building New Mines

The Teranga board approved the investment of an additional $10 million towards the further advancement of construction readiness activities at the Banfora Gold Project prior to completion of the feasibility study and in advance of a full construction decision, both of which are expected in August.

(iii) Targeted Exploration Programs

Based on the success of the exploration programs in Burkina Faso and Senegal the exploration and reserve development budget for 2017 has been increased from $15 million to $20 million.

We believe we are in a strong position to continue to operate our existing Sabodala mine and to execute on the Company's growth strategy with the following sources of liquidity:

i. *Cash Balance.* As at June 30, 2017, we had a consolidated cash balance of $80.3 million.

ii. *Revolver Facility*. As at June 30, 2017, $15.0 million remained undrawn from an existing $30.0 million revolving credit facility.

iii. *Cash Flows from Sabodala.* Using a $1,200 per ounce gold price, we expect to generate free cash flows from Sabodala over the course of the next 5 years and beyond.

We are also in active discussions with various lenders to secure debt financing as part of our overall financing strategy for our Banfora Gold Project. We have received initial terms sheets from various lenders in amounts ranging between $100 million and $150 million and have appointed Cutfield Freeman & Co as our independent financial advisor in this regard.

In addition to the sources of liquidity noted above, we may also source additional funding in the form of equity. If required, these funds will be used to support our current and longer-term growth projects and our exploration initiatives. Our cornerstone investor, Mr. David Mimran, retains pre-emptive participation rights to maintain his current 19.81% ownership position in any future potential equity raise.

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

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

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 June 30, 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 approximately $1.7 million and $0.8 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 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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Gold produced[1] (oz)	57,557	52,540	114,460	123,267
Gold sold (oz)	57,167	58,297	114,438	125,968
Cash costs per ounce sold				
Mine operation expenses	41,092	36,716	82,924	75,662
Less: Regional administration costs	(519)	(539)	(1,024)	(1,051)
Total cash costs	**40,573**	**36,177**	**81,900**	**74,611**
Total cash costs per ounce sold	**710**	**621**	**716**	**592**
Cost of sales per ounce sold				
Cost of sales	**54,281**	**48,227**	**108,739**	**100,758**
Total cost of sales per ounce sold	**950**	**827**	**950**	**800**
All-in sustaining costs				
Total cash costs	40,573	36,177	81,900	74,611
Administration expenses[2]	2,743	2,488	5,365	4,555
Share-based compensation	553	2,601	1,430	3,549
Capitalized deferred stripping	4,704	7,555	16,304	10,605
Capitalized reserve development	2,296	1,650	4,008	3,204
Mine site sustaining capital	7,315	6,072	10,920	15,850
All-in sustaining costs	**58,184**	**56,543**	**119,927**	**112,374**
All-in sustaining costs per ounce sold	**1,018**	**970**	**1,048**	**892**
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)				
All-in sustaining costs	58,184	56,543	119,927	112,374
Amortization of advanced royalties	(764)	(717)	(1,496)	(1,682)
Inventory movements - cash	(4,089)	(1,574)	(11,556)	(2,682)
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs)	**53,331**	**54,252**	**106,875**	**108,010**
All-in sustaining costs (excluding cash / (non-cash) inventory movements and amortized advanced royalty costs) per ounce	**933**	**931**	**934**	**857**

[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 June 30,		Six months ended June 30,	
(US$000's)	**2017**	**2016**	**2017**	**2016**
Profit for the period	10,395	7,863	17,608	17,206
Add: finance costs	707	957	1,393	1,803
Less: finance income	(53)	(6)	(110)	(13)
Add: income tax expense	(803)	5,750	(245)	10,659
Add: depreciation and amortization	13,581	12,129	27,055	26,006
Earnings before interest, taxes, depreciation and amortization	**23,827**	**26,693**	**45,701**	**55,661**

OUTSTANDING SHARE DATA

The Company's fully diluted share capital as at June 30, 2017, presented on a post-consolidated share basis (see Share Capital section below), is as follows:

Outstanding	**June 30, 2017**
Ordinary shares	107,343,902
Stock options granted at an exercise price of C$15.00 per option	2,192,500
Stock options granted at an exercise price of C$3.20 per option	678,777
Stock options granted at an exercise price of C$3.33 per option	704,927
Stock options granted at an exercise price of C$5.34 per option	18,225
Stock options granted at an exercise price of C$6.28 per option	4,606
Stock options granted at an exercise price of C$4.20 per option	464,997
Stock options granted at an exercise price of C$4.15 per option	407,991
Stock options granted at an exercise price of C$3.34 per option	3,000
Fully diluted share capital	**111,818,925**

TRANSACTIONS WITH RELATED PARTIES

During the three and six months ended June 30, 2017, there were transactions totaling $27 thousand and $63 thousand (2016: $26 thousand and $35 thousand), respectively, between the Company and a director-related entity.

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 six months ended June 30, 2017, Teranga paid Miminvest $0.6 million for all direct and reasonable costs associated with exploration work related to the transferred permits. As at June 30, 2017, there were no outstanding payables 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.

SHARE CAPITAL

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

On July 27, 2017, the Company announced that the Australian Securities Exchange ("ASX") has provided conditional approval to the Company to delist from the ASX. Following the suspension of the Company's CHESS Depositary Interests ("CDIs"), expected to occur on or around September 8, 2017, it is anticipated that Teranga will be removed from the official list of the ASX at the close of trading on or around September 14, 2017, at which point Teranga's securities will no longer trade on the ASX. Following the removal from the ASX, Teranga securities will only be tradeable on the Toronto Stock Exchange.

CEO/CFO CERTIFICATION

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

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

The control framework the Company's CEO and CFO used to design the Company's ICFR is The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework issued on May 14, 2013. There is no material weakness relating to the design of ICFR. There has been no change in the Company's design of the ICFR that occurred during the six months ended June 30, 2017 which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

The Company has limited the scope of the design of ICFR and DC&P to exclude the controls, policies and procedures of the entities acquired as part of the Gryphon 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 and six months ended June 30, 2017. The scope limitation is in accordance with Section 3.3 of NI 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings, which allows an issuer to limit its design of ICFR and DC&P to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates.

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 "on track", "potential", "belief", "believe", "expects", "estimates", "plans", "anticipated", "ability", "intended to", "expected to", "objective to" and similar expressions or statements that certain actions, events or results "should" or "will" have been used to identify such forward looking information. Forward-looking statements include, without limitation, all disclosure regarding possible events, conditions or results of operations, future economic conditions and anticipated courses of action. Although the forward-looking statements contained in this MD&A reflect management's current beliefs based upon information currently available to management and based upon what management believes to be reasonable assumptions, Teranga cannot be certain that actual results will be consistent with such forward looking statements. Such forward-looking statements are based upon assumptions, opinions and analysis made by management in light of its experience, current conditions and its expectations of future developments that management believe to be reasonable and relevant but that may prove to be incorrect. These assumptions include, among other things, the ability to obtain any requisite governmental approvals, the accuracy of mineral reserve and mineral resource estimates, gold price, exchange rates, fuel and energy costs, future economic conditions, the ability to resettle the community within anticipated timeline, anticipated future estimates of free cash flow, and courses of action. Teranga cautions you not to place undue reliance upon any such forward-looking statements.

COMPETENT PERSONS STATEMENT

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

The technical information contained in this MD&A relating to mineral resource estimates is based on, and fairly represents, information compiled by Ms. Patti Nakai-Lajoie. Ms. Nakai-Lajoie, P. Geo., is a Member of the Association of Professional Geoscientists of Ontario, 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 National Instrument 43-101. Ms. Nakai-Lajoie has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Ms. Nakai-Lajoie is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Ms. Nakai-Lajoie has consented to the inclusion in this MD&A of the matters based on her compiled information in the form and context in which it appears in this MD&A.

The technical information contained in this MD&A relating to the underground ore reserves estimates is based on, and fairly represents, information compiled by Jeff Sepp, 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. Sepp is independent of Teranga and is a "Qualified Person" as defined in NI 43-101 and a "competent person" as defined in the 2012 Edition of the JORC Code. Mr. Sepp 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 2012 Edition of the JORC Code. Mr. Sepp has consented to the inclusion in this MD&A of the matters based on his compiled information in the form and context in which it appears in this MD&A.

Teranga's exploration programs are being managed by Peter Mann, FAusIMM. Mr. Mann is a full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101. Mr. Mann has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Mr. Mann is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. 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. The RC samples are prepared at site and assayed in the SGS laboratory located at the site. Analysis for diamond drilling is sent for fire assay analysis at ALS Johannesburg, South Africa. Mr. Mann has consented to the inclusion in this MD&A of the matters based on his compiled information in the form and context in which it appears 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 (the "CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as may be amended from time to time by the CIM ("CIM Standards"). 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 second 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.