TERANGA
GOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the three months ended
March 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2016

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial conditions and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the three months ended March 31, 2016. 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 months ended March 31, 2016, as well as, with the audited consolidated financial statements of Teranga as at and for the twelve months ended December 31, 2015. 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, 2015, as well as all other public filings, is available on the Company's website at www.terangagold.com and on the SEDAR website (www.sedar.com).

This report is dated as of April 28, 2016. 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 Canadian-based gold company listed on the Toronto and Australian stock exchanges under the symbol "TGZ". Operating in West Africa, we are engaged in the production and sale of gold, as well as related activities such as exploration and development.

Vision

Our vision is to become a pre-eminent mid-tier gold producer in Senegal and greater West Africa.

Mission

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

Strategy

To increase long-term sustainable cash flows within our operations in Senegal, we have a three-pronged growth focus, based on achieving: (i) reserve growth; (ii) production growth; and (iii) margin expansion.

Ultimately we believe we can expand our operations in Senegal and West Africa by leveraging our existing asset base, people, operating experience, social license and other aspects of our business.

(i) Reserve Growth: The first component of our growth strategy focuses on increasing reserves through:

Converting resources to reserves: As of December 31, 2015, we had measured and indicated resources totaling 4.4 million ounces, including 2.6 million ounces in reserves with a 13.5-year mine life, at an average grade of 1.38 grams per tonne, including our low-grade stockpiles that have already been mined. The average grade of ore to be mined stands at 1.59 grams per tonne, a higher average reserve grade than all of the senior gold producers other than one.

Making large-scale discoveries: As we enter 2016, a key focus for us is the exploration of our ~1,000 Km^2 regional land package, which is located on a prolific gold belt that straddles the border of Mali and Senegal. We believe there is a reasonable basis for new large-scale discoveries given the history of exploration success in the surrounding area. More than 50 million ounces have been discovered on this world-class gold belt, including three major discoveries of more than 5 million ounces.

Acquiring existing deposits in Senegal and West Africa: We will seek to leverage our unique advantage as the only gold producer in Senegal with a full-scale operating mill and related infrastructure, a proficient workforce, extensive regional operating experience and a strong social license to grow our reserve base.

(ii) Production Growth: The second component of our growth strategy is focused on maximizing throughput to the mill by increasing process capacity through high return initiatives that leverage our existing asset base.

To this end, we initiated a mill optimization project in 2015, which is expected to increase throughput by up to 15 percent and reduce processing costs by approximately 5 percent. The project is scheduled to be commissioned in the fourth quarter of 2016.

We also embarked on a pre-feasibility engineering study for heap leaching, which concluded the technical viability for processing Teranga's low-grade oxide and transitional ore. A decision to proceed with heap leaching will require the conversion of additional oxide resources to reserves and finalized project economics that exceed our minimum internal rate of return ("IRR") of 20 percent.

We evaluate all growth initiatives, including growth opportunities and capital projects using an after-tax IRR target to govern our capital allocation and investment decisions. Our minimum after-tax IRR threshold for mine site projects is 20 percent.

(iii) Margin Expansion: The third component of our growth strategy is to improve cash margins through productivity improvements and cost savings. The impact of our ongoing business improvement program on our cost structure continues to be positive and is reflected in our new 13.5-year life of mine. Unit mining and processing costs in 2015 were the lowest in the Company's history and 2016 costs are expected to be even lower.

FINANCIAL AND OPERATING HIGHLIGHTS

		Three months ended March 31,		
Operating Data		**2016**	**2015**	**Change**
Gold Produced	(oz)	70,727	48,643	45%
Gold Sold	(oz)	67,672	56,223	20%
Average realized gold price	($ per oz)	1,169	1,217	(4%)
Total cash costs[1]	($ per oz sold)	567	609	(7%)
All-in sustaining costs[1]	($ per oz sold)	824	841	(2%)
		Three months ended March 31,		
Financial Data		**2016**	**2015**	**Change**
Revenue	($000's)	79,198	68,491	16%
Profit attributable to shareholders of Teranga[2]	($000's)	7,812	12,987	(40%)
Per share[2]	($)	0.02	0.04	(50%)
EBITDA[3]	($000's)	28,975	32,827	(12%)
Operating cash flow	($000's)	24,143	16,631	45%
Capital expenditures	($000's)	14,382	9,284	55%
Free cash flow[4]	($000's)	9,761	7,347	33%
Free cash flow per ounce sold[4]	($ per oz sold)	144	131	10%

[1] Total cash costs per ounce and all-in sustaining costs per ounce are Non-IFRS performance measures that do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this report.

[2] The three months ended March 31, 2015 includes the impact of restating the deferred income tax expenses related to taxable temporary timing differences.

[3] Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a Non-IFRS performance measure. Please refer to Non-IFRS Performance Measures at the end of this report.

[4] Free cash flow and free cash flow per ounce are defined as operating cash flow less capital expenditures.

First Quarter Financial and Operating Highlights

- Gold production for the first quarter of 2016 was 70,727 ounces, representing an increase of 45 percent versus the prior year period. Record high mill throughput, together with the benefit of high-grade material deferred from last year, underpinned the quarter's results.
- Total cash costs per ounce improved by 7 percent mainly due to lower unit costs and higher grades processed.
- All-in sustaining costs per ounce decreased by 2 percent due to lower total cash costs per ounce and lower capitalized deferred stripping costs, partly offset by higher capital expenditures related to the mill optimization project and development costs.
- Revenue increased by 16 percent due to increased gold sales volume partly offset by lower average realized gold prices.
- Profit attributable to shareholders was 40 percent lower mainly due to higher other expenses, net foreign exchange

losses, and higher income taxes, partly offset by higher gross profit from higher revenues and lower administration expenses.

- EBITDA was 12 percent lower mainly due to higher other expenses and net foreign exchange losses in the current period, partly offset by higher revenues and lower administration expenses.
- In late February 2016, the Company received an exemption for the payment and collection of refundable Value Added Tax ("VAT"). This exemption is governed by an amendment to our mining convention and is enforceable for the next 6 years, expiring on May 2, 2022. During the first quarter, the Company received a total of approximately $5.0 million in VAT refund certificates in addition to the $0.4 million received in December 2015. A total of $1.2 million was used and the balance of $4.2 million remains in certificate form at the end of the quarter. The March 31, 2016 VAT recoverable balance of $12.3 million is expected to be refunded over the balance of 2016.
- Higher operating cash flow was primarily due to higher gold sales.
- The Company's cash balance at March 31, 2016 was $53.5 million, $9.1 million higher than the balance at the start of the year. Including VAT certificates received to date and VAT recoverable from the Republic of Senegal, the Company's pro forma cash balance at March 31, 2016 was $70.0 million.

Outlook 2016

The following table outlines the Company's estimated 2016 summary production and cost guidance:

		2016 Guidance
Operating Results		
Ore mined	('000t)	2,000 - 2,500
Waste mined	('000t)	34,500 - 36,000
Total mined	('000t)	36,500 - 38,500
Grade mined	(g/t)	2.75 - 3.25
Strip ratio	waste/ore	13.00 - 15.00
Ore milled	('000t)	3,700 - 3,900
Head grade	(g/t)	1.80 - 2.00
Recovery rate	%	90 - 91
Gold produced [1]	(oz)	200,000 - 215,000
Total cash cost (incl. royalties) [2]	$/oz sold	600 - 650
Total all-in sustaining cash cost [2]	$/oz sold	900 - 975
Mining	$/t mined	2.20 - 2.40
Mining long haul	$/t hauled	4.00 - 4.50
Milling	$/t milled	11.00 - 12.00
G&A	$/t milled	4.25 - 4.50
Mine Production Costs	$ millions	145 - 155
Regional Administration Costs (included in Cost of Sales) [3]	$ millions	2
Capital Expenditures		
Mine site sustaining	$ millions	8 - 10
Capitalized reserve development	$ millions	7
Project development costs	$ millions	17 - 20
Total Capital Expenditures [4]	$ millions	32 - 37
Exploration and Evaluation (expensed)	$ millions	5
Corporate Administration Expense [3]	$ millions	8 - 9
CSR Expense [3]	$ millions	3 - 3.5

Notes :

[1] 22,500 ounces of production are to be sold to Franco Nevada at 20% of the spot gold price.

[2] Total cash costs per ounce and all-in sustaining costs per ounce are non-IFRS financial measures and do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this report. All-in sustaining costs per ounce sold include total cash costs per ounce, Corporate Administration Expenses (excluding Corporate depreciation expense), Regional Administration Costs, capitalized deferred stripping, capitalized reserve development and mine site & development capital expenditures as defined by the World Gold Council.

[3] During first quarter 2016, the Company began to present CSR Expense and Regional Administration Costs separately from Corporate Administration Expense. The Company's 2016 guidance has been updated to reflect this change in accounting presentation.

[4] Excludes capitalized deferred stripping costs, included in mine production costs.

This forecast financial information is based on the following material assumptions for the remainder of 2016: gold price: $1,100 per ounce; Brent oil:$40/barrel; Euro:USD exchange rate of 1.1:1

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

The Company expects to produce between 200,000 and 215,000 ounces of gold in 2016. Production for the balance of 2016 is expected to range between 40,000 and 55,000 ounces per quarter, with third quarter production expected to be the lowest due to the anticipated impact of the rainy season on mining and processing rates.

Mr. David Mallo has been appointed to the new position of Vice President, Exploration. With this new position and with encouraging exploration results this year, the Company's 2016 exploration spend has been increased to $12 million from the Company's original outlook for exploration spending, which was $8 million. This amount could increase further if a significant discovery is made.

As part of our ongoing business improvement program, during the first quarter the Company streamlined its corporate office, reducing head count and G&A expenses by approximately $1.0 million compared to budget. Additionally, in order to align with our peers, corporate social responsibility ("CSR") costs, which totaled $2.9 million in 2015 will now be shown as a separate line item on the financial statements. Further, regional administration costs (including Dakar office costs), which totaled $2.0 million in 2015, will be included within cost of sales. To reflect the savings and reclassifications, we are reducing our original 2016 administration cost guidance from a range of $15 - $16 million to between $8 - $9 million. CSR costs are expected to be in the range of $3.0 - $3.5 million and regional administration costs are expected to be approximately $2 million.

All other guidance remains unchanged from those originally published on January 28, 2016.

REVIEW OF OPERATING RESULTS

		Three months ended March 31,		
Operating Results		2016	2015	Change
Ore mined	('000t)	905	2,246	(60%)
Waste mined - operating	('000t)	7,000	3,619	93%
Waste mined - capitalized	('000t)	661	2,841	(77%)
Total mined	('000t)	8,566	8,706	(2%)
Grade mined	(g/t)	2.16	1.17	85%
Ounces mined	(oz)	62,813	84,379	(26%)
Strip ratio	waste/ore	8.5	2.9	193%
Ore milled	('000t)	1,052	861	22%
Head grade	(g/t)	2.23	1.90	17%
Recovery rate	%	93.7	92.6	1%
Gold produced[1]	(oz)	70,727	48,643	45%
Gold sold	(oz)	67,672	56,223	20%
Average realized price	$/oz	1,169	1,217	(4%)
Total cash costs (incl. royalties)[2]	$/oz sold	567	609	(7%)
All-in sustaining costs[2]	$/oz sold	824	841	(2%)
Mining	($/t mined)	2.15	2.06	4%
Mining long haul	($/t hauled)	5.08	-	NA
Milling	($/t milled)	10.77	14.64	(26%)
G&A	($/t milled)	4.02	4.98	(19%)

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

[2] Total cash costs per ounce and all-in sustaining 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 report.

		Three months ended March 31, 2016			
		Masato	**Gora**	**Golouma**	**Total**
Ore mined	('000t)	455	272	178	905
Waste mined - operating	('000t)	166	3,949	2,885	7,000
Waste mined - capitalized	('000t)	-	661	-	661
Total mined	('000t)	621	4,881	3,064	8,566
Grade mined	(g/t)	1.16	3.16	3.19	2.16
Ounces mined	(oz)	16,969	27,560	18,284	62,813

		Three months ended March 31, 2015		
		Masato	Sabodala	Total
Ore mined	('000t)	2,060	186	2,246
Waste mined - operating	('000t)	3,257	362	3,619
Waste mined - capitalized	('000t)	2,817	24	2,841
Total mined	('000t)	8,134	572	8,706
Grade mined	(g/t)	1.13	1.63	1.17
Ounces mined	(oz)	74,618	9,761	84,379

First Quarter Operating Results

Mining

Mining activities in the first quarter were focused on Gora Phase 1 and 2, the first production benches of Golouma South, as well as completion of the lower benches of Masato Phase 1 and 2. In the prior year period, mining was focused on mining the upper benches of Masato and the lower benches of Sabodala Phase 3. Overall, mining has shifted focus from operating in near mine deposits with a shorter haul distance, to satellite deposits, requiring the use of a long-haul ore contractor.

Ore tonnes mined during the first quarter were 60 percent lower compared to the prior year period while ore grades mined were 85 percent higher, reflecting the concentration of mining at the higher grade Gora and Golouma pits. At Gora, mining activities continued to advance below artisanal workings with ore tonnes and grades reconciling well to the reserve model. Mining activities commenced at Golouma during the quarter, with pre-stripping of overburden and first ore release by the end of January. Ore tonnes and grades at Golouma are reconciling above the reserve model in the upper benches. Phases 1 and 2 at Masato are complete. Some of the high grade material deferred in the fourth quarter of 2015 from the localized rock wall failure has been deferred to phase 3, which is currently scheduled for 2018.

Processing

Ore tonnes milled for the first quarter was a record for the Company, with throughput rates benefiting from a soft blend of oxide and fresh ore feed. Ore tonnes milled for the three months was 22 percent higher than the prior year period, due to lower moisture content in the oxide ore added to the blend and design improvements in the SAG discharge made in late 2015. In the prior year period, crusher rates were negatively impacted by soft, wet ore processed from Masato. Part of the ore body at Masato encountered a near surface perched water table in the soft oxide ore, which created materials handling challenges that negatively impacted throughput rates in the prior year period.

Head grade for the three months was 17 percent higher than the prior year period, due to mill feed which included high grade ore mined during the quarter from Gora and Golouma combined with high-grade ore which had been deferred from the end of 2015. In the prior year period, mill feed was sourced mainly from the upper benches of Masato and the lower benches of Sabodala and also included approximately 200,000 tonnes of lower grade stockpiled material which was added to the blend of softer, wet ore from Masato to increase throughput rates.

Gold production for the three months increased by 45 percent and 38 percent compared to the same prior year period and the fourth quarter 2015, respectively. Production was higher due to improved mill throughput, together with the benefit of high-grade material deferred from 2015.

Costs – site operations

The Company is focused on expanding cash margins by improving productivity. Both the mine and mill areas continue to make significant strides in lowering unit operating costs.

Total mining costs for the three months were $18.4 million, 3 percent higher than the prior year period. The increase is mainly due to higher customs and duties on imported spare parts during the first quarter, a cost that was not incurred until after the end of the tax holiday in May 2015. This increase was partially offset by lower fuel prices and mine optimization to improve productivity and lower costs, including improved drill and blast productivities and lower costs for tires due to reduced wear. On a unit basis, mining costs for the three months were 4 percent higher than the prior year mainly due to lower material movement but were the second lowest in Company history.

Total processing costs for the quarter decreased to $11.3 million, 10 percent lower than the prior year period, mainly due to lower fuel and reagent prices, partly offset by higher fuel and reagent consumption due to higher throughput rates. Accordingly, unit processing costs for the first quarter were a record best at $10.77 per tonne milled and 26 percent better than the prior year period.

Total mine site general and administrative costs for the first quarter totaled $4.2 million, in line with the prior year period.

On a unit basis, general and administrative costs decreased by 19 percent over the prior year period mainly due to an increase in tonnes milled.

Total cash costs improved by 7 percent to $567 per ounce for the three months, compared to the prior year period, mainly due to lower unit costs and higher grades processed.

All-in sustaining costs per ounce decreased by 2 percent to $824 per ounce due to lower total cash costs per ounce and lower capitalized deferred stripping costs, partly offset by higher growth capital expenditures related to the mill optimization project and development costs.

REVIEW OF FINANCIAL RESULTS

	Three months ended March 31,		
(US$000's, except where indicated)	2016	2015	% Change
Revenue	79,198	68,491	16%
Cost of sales[1]	(52,531)	(48,773)	8%
Gross profit	**26,667**	**19,718**	**35%**
Exploration and evaluation expenditures	(1,413)	(809)	75%
Administration expense[1]	(1,573)	(2,991)	(47%)
Corporate social responsibility expenses[1]	(967)	(474)	104%
Share-based compensation	(948)	(327)	190%
Finance costs	(1,071)	(649)	65%
Net foreign exchange gains (losses)	(1,483)	1,291	N/A
Other income (expense)	(4,960)	1,783	N/A
Profit before income tax	**14,252**	**17,542**	**(19%)**
Income tax expense[1]	(4,909)	(2,772)	77%
Profit for the period	**9,343**	**14,770**	**(37%)**
Profit attributable to non-controlling interests	(1,531)	(1,783)	(14%)
Profit attributable to shareholders of Teranga	**7,812**	**12,987**	**(40%)**
Basic earnings per share	0.02	0.04	(50%)

[1] In 2016 in order to better align costs with industry peers, the Company has reclassified regional administration costs directly relating to cost of sales activities from administration expenses to cost of sales and corporate social responsibility costs to a separate line in the financial statements for the current and prior period. The three months ended March 31, 2015 includes the impact of restating the deferred income tax expenses related to temporary timing differences.

First Quarter Financial Results

Revenue

Revenue for the three months ended March 31, 2016 increased by $10.7 million over the prior year period primarily due to increased sales volume, partly offset by lower average realized gold prices in the current period. Gains and losses on gold forward sales contracts have been classified within other income (expense).

	Three months ended March 31,		
Spot price per ounce of gold	**2016**	**2015**	**% Change**
Average	$1,182	$1,218	(3%)
Low	$1,060	$1,147	(8%)
High	$1,271	$1,293	(2%)
Average Realized	$1,169	$1,217	(4%)

Cost of Sales

(US$000's)	Three months ended March 31,	
Cost of Sales	2016	2015
Mine production costs - gross	35,002	34,852
Capitalized deferred stripping	(3,049)	(6,588)
Capitalized deferred stripping - non-cash	(274)	(660)
	31,679	27,604
Depreciation and amortization - deferred stripping assets	551	1,560
Depreciation and amortization - property, plant & equipment and mine development expenditures	10,391	9,332
Royalties	4,408	3,366
Amortization of advanced royalties	965	429
Regional administration costs[1]	512	573
Inventory movements	1,108	2,234
Inventory movements - non-cash	2,917	3,675
	4,025	5,909
Total cost of sales	**52,531**	**48,773**

[1]In 2016 in order to better align costs with industry peers, the Company has reclassified regional administration costs from administration expense to cost of sales for the current and prior period.

For the three months ended March 31, 2016, total cost of sales increased by $3.8 million over the prior year period to $52.5 million primarily due to higher royalties and depreciation and amortization expense.

Mine production costs (before capitalized deferred stripping) of $35.0 million were comparable to the prior year period. See First Quarter Operating Results section for additional information.

In the three months ended March 31, 2016, $3.3 million of deferred stripping costs were capitalized relating to Gora which will be amortized as the deposit is mined. The prior year period amount of $7.2 million relates to the capitalization of stripping costs at the Sabodala pit.

Depreciation and amortization expense for the three months ended March 31, 2016 was $10.9 million, similar to the prior year period. Approximately 80 percent of the Company's fixed assets are depreciated using the units of production method of depreciation. Depreciation expense in 2016 reflects reductions in the carrying value of property, plant and equipment and mine development expenditures as a result of non-cash impairment charges recorded in December 2015.

For the three months ended March 31, 2016, $5.4 million of royalties were expensed compared to $3.8 million in the prior year period. The increase was primarily due to higher revenue in the current quarter, higher amortization of advanced royalties related to production from the former OJVG deposits and royalties related to Gora.

Inventory movements in the three months ended March 31, 2016 resulted in an increase to cost of sales of $4.0 million compared to an increase of $5.9 million in the prior year period. The increase to cost of sales in the current quarter is primarily due to a reduction of approximately 14,000 ounces in inventory.

Exploration and evaluation

Exploration and evaluation expenditures for the three months ended March 31, 2016 were $1.4 million, $0.6 million higher than the prior year period. The Company continues to take a systematic and disciplined approach to exploration. Please see the Regional Exploration section for additional information.

Administration expense

In order to better align costs with industry peers, the Company has reclassified corporate social responsibility ("CSR") expense to a separate line item in the financial statements and regional administration costs to cost of sales. The comparative figures have been restated accordingly.

Administration expense for the three months ended March 31, 2016 were $1.6 million compared to $3.0 million in the prior year period resulting in lower costs of $1.4 million. Lower administration expense in the current quarter is mainly due to lower employee costs and the impact of a 10 percent appreciation of the US dollar against the Canadian dollar, compared to the prior period.

Corporate social responsibility expense

CSR expense in the current year quarter were higher than the prior year reflecting higher social commitments.

Share-based compensation

During the first quarter 2016, share-based compensation expense increased to $0.9 million from $0.3 million in the prior year period due to expenses related to new grants of share-based awards issued in 2015 and an increase in the Company's share price over the prior year period.

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

	Three months ended March 31, 2016			As of March 31, 2016	
	Grant Units	Grant Price [1]	Forfeited	Outstanding	Total Vested[2]
RSUs	5,990,183	C$0.67	80,000	9,224,955	1,342,761
DSUs	600,000	C$0.67	-	1,845,000	1,245,000
Fixed Bonus Plan Units	137,500	C$0.67	-	1,797,500	1,728,750

[1] Grant price determined using a volume weighted average trading price of the Company's shares for the 5-day period ended March 31, 2016.

[2] DSUs vest over a one-year period and are payable in cash upon ceasing to be a director of the Company. 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.

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2015	15,539,165	C$2.42
Exercised	(36,106)	C$0.64
Granted [1]	4,027,686	C$0.67
Forfeited	(16,665)	C$3.00
Balance as at March 31, 2016	19,514,080	C$2.05

[1] The exercise price of new common share stock options granted during the current year quarter was determined using a volume weighted average trading price of the Company's shares for the 5-day period ended March 31, 2016.

Of the 19,514,080 common share stock options issued and outstanding as at March 31, 2016, 12,957,143 are vested, 6,519,437 vest over a three-year period and 37,500 vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized based on management's best estimate of outcome of achieving desired results. Under IFRS, the accelerated method of amortization is applied to new grants of stock options and fixed bonus plan units, which results in about 70 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 increased by $0.4 million to $1.1 million for the three months ended March 31, 2016 mainly due to higher interest expense on borrowings.

Net foreign exchange gains (losses)

Net foreign exchange losses of $1.5 million were realized by the Company in the three months ended March 31, 2016 primarily due to realized and unrealized foreign exchange losses recorded as the Euro appreciated relative to the US dollar since the start of the year.

Income tax expense

For the three months ended March 31, 2016, the Company recorded income tax expense of $4.9 million, comprised of current income tax expense of $5.1 million net of a recovery of deferred income taxes of $0.2 million.

Other income (expense)

Other expense for the three months ended March 31, 2016 was $5.0 million compared with other income of $1.8 million in the prior year. Other expense in the current quarter included $2.5 million for business taxes, $1.0 million related to registration fees to merge the Sabodala and Golouma mining concessions as part of the acquisition of the Oromin Joint Venture Group ("OJVG"), $0.9 million in unrealized losses on gold forward sales contracts that were entered into at an average price of $1,201 per ounce, and $0.7 million for consulting fees related to supporting the Company's ongoing business improvement program. Other income in the prior year quarter relates to realized gains on gold forward contracts.

Net profit

Consolidated net profit attributable to shareholders for the three months ended March 31, 2016 was $7.8 million ($0.02 per share), compared to consolidated net profit of $13.0 million ($0.04 per share) in the prior year period. The decrease in profit in the current quarter is primarily due to higher other expenses, net foreign exchange losses, and higher income taxes, partly offset by higher gross profit from higher revenues and lower administration expenses.

REVIEW OF QUARTERLY FINANCIAL RESULTS

(US$000's, except where indicated)	2016		2015				2014	
	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Revenue	79,198	58,235	37,830	60,064	68,491	76,553	56,711	57,522
Average realized gold price ($/oz)	1,169	1,099	1,112	1,198	1,217	1,199	1,269	1,295
Cost of sales[1]	52,531	48,515	32,497	43,094	48,773	37,738	52,358	62,820
Net earnings (loss)[1]	7,812	(71,824)	1,568	6,726	12,987	27,693	(1,524)	(12,543)
Net earnings (loss) per share ($)[1]	0.02	(0.19)	0.00	0.02	0.04	0.08	(0.00)	(0.04)
Operating cash flow	24,143	9,755	(8,221)	12,269	16,631	30,677	13,822	(9,793)
Ore mined ('000t)	905	1,859	1,750	1,893	2,246	2,666	1,272	974
Waste mined - operating ('000t)	7,000	4,612	4,958	5,192	3,619	5,594	4,201	5,233
Waste mined - capitalized ('000t)	661	726	713	1,221	2,841	490	524	458
Total mined ('000t)	8,566	7,197	7,421	8,306	8,706	8,750	5,997	6,665
Grade Mined (g/t)	2.16	1.37	1.15	1.18	1.17	1.47	1.71	1.39
Ounces Mined (oz)	62,813	82,057	64,807	71,781	84,379	126,334	69,805	43,601
Strip ratio (w aste/ore)	8.5	2.9	3.2	3.4	2.9	2.3	3.7	5.8
Ore processed ('000t)	1,052	919	691	951	861	1,009	903	817
Head grade (g/t)	2.23	1.86	1.62	1.77	1.90	2.44	1.89	1.69
Gold recovery (%)	93.7	93.4	91.8	91.4	92.6	90.1	88.5	89.8
Gold produced[1] (oz)	70,727	51,292	32,956	49,392	48,643	71,278	48,598	39,857
Gold sold (oz)	67,672	52,939	33,982	50,074	56,223	63,711	44,573	44,285
Total cash costs per ounce sold[2] (including Royalties)	567	668	712	602	609	598	781	815
All-in sustaining costs per ounce sold[2] (including Royalties)	824	969	1,191	948	841	711	954	1,060
Mining ($/t mined)	2.1	2.8	2.5	2.4	2.1	2.6	3.1	2.9
Mining long haul ($/t hauled)	5.1	5.3	5.5	-	-	-	-	-
Milling ($/t mined)	10.8	13.3	16.5	12.4	14.6	13.9	16.0	21.3
G&A ($/t mined)	4.0	5.0	5.7	3.9	5.0	4.3	4.5	4.9

[1]The first quarter 2015 includes the impact of restating the deferred income tax expenses related to temporary timing differences.

[2] Total cash costs per ounce and all-in sustaining costs per ounce are non-IFRS financial measures and do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this report.

Our revenues over the last several quarters reflect a trend of spot gold prices that have fluctuated around recent low levels in the current metal commodity cycle while production costs have been declining. This trend has translated into fluctuating net earnings and operating cash flow levels 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. Net earnings recorded during the fourth quarter 2014 were higher than other quarters mainly due to a reversal of non-cash inventory write-downs, which reduced cost of sales during that period. These write-downs were previously recorded during the second and third quarters 2014, which resulted in the respective net losses realized during those periods.

Operating cash flows during the first quarter 2016 and fourth quarter 2014 were higher mainly due to higher gold production and sales, and lower during the third quarter 2015 and second quarter 2014 due to lower gold production and sales.

BUSINESS AND PROJECT DEVELOPMENT

Golouma Development

Mining at the satellite Golouma South pit commenced in January 2016. Temporary infrastructure to support mine operating activities, including a 10 Km access road, was completed prior to mining. Completion of permanent mine support facilities for equipment maintenance, and technical support for the Golouma area is nearly complete with full functionality expected in the second quarter.

Mill Optimization

A mill optimization project was launched in mid-2015, which will add a second primary jaw crusher, screen and conveyor assembly to tie into our existing facility when it is completed in the fourth quarter of 2016.

Upon completion, the mill optimization is expected to increase throughput by up to 15 percent on an annualized basis for fresh ore; however, there may be potential to increase throughput further based on optimization of the grinding circuit once steady state has been achieved. In addition to higher production, unit processing costs are expected to decrease by approximately 5 percent.

The project has been in full construction during the quarter for the civil, structural and electrical areas, and remains on schedule for completion in the third quarter with commissioning and full ramp up during the fourth quarter of 2016. To date, the project remains on budget.

Approximately $4.3 million was spent during first quarter 2016, for a total project-to-date spend of approximately $11.6 million of the $20 million budgeted, with the remainder of costs expected to be incurred in 2016.

Heap Leach Project

In the fourth quarter, the Company completed the pre-feasibility study ("PFS"), which concluded that heap leaching is technically viable for processing its low-grade ore. The finalized capital costs are estimated to be $50 million with 20 percent contingency, and operating costs in the $7 - $8 per tonne range. Further reductions in the capital and operating costs exist by evaluating materials handling design opportunities and additional integration streamlining into the existing plant.

A decision to proceed will require the conversion of additional oxide resources to reserves and finalized project economics that exceed our 20 percent minimum hurdle rate. If a decision is made to go ahead with the heap leaching project, it is estimated that it will take approximately 24 months to permit and construct. Based on current assumptions, we estimate that heap leach could account for an incremental 10 to 20 percent of annual production once fully operational.

Senior Management Changes

Effective April 2016, Paul Chawrun has been promoted to Chief Operating Officer. Mr. Chawrun has served as Teranga's Vice President, Technical Services for the last 3 years. David Mallo has been appointed to the newly created position of Vice President, Exploration. Moving forward the Company is channeling more resources into exploring its large and prospective land package.

Exploration Highlights

Two exploration prospects on the Mine Lease; Golouma North and Goumbati West, have yielded encouraging results thus far during the ongoing 2016 trenching and diamond drilling program. In addition, there are a number of Regional Exploration targets that, although not quite as advanced as the Mine Lease prospects, have also returned favourable trenching and drilling results. A more detailed geologic summary of the first quarter 2016 exploration results is available on the Company's website at www.terangagold.com under "Exploration".

Sabodala Mine License Reserve Development

The objective of this multi-year development program is to add higher grade material earmarked for the mill and to add lower grade for a potential heap leach pad.

Golouma North Prospect

The Golouma North prospect is located approximately 1 Km north-northeast of the northernmost Golouma pit and 0.5 Km northwest of the Kerekounda deposit.

In the first half of 2015, several gold zones, including the Golouma North prospect, were identified during a rotary air blast ("RAB") drilling program completed in the areas adjacent to the Golouma South and Kerekounda deposits. During the fourth quarter 2015 and first quarter 2016, twenty-six additional trenches were excavated in the Golouma – Kerekounda region and six diamond drill holes totaling 400 metres were drilled along the northeast trend of Golouma North as identified by the trenching results with encouraging results. All of the assay results are available on the Company's website at www.terangagold.com under "Exploration".

During the second quarter 2016, additional trenching and an expanded drilling program will be undertaken to test for extensions along strike to the northeast and southwest, as well as to depth. The goal of this drilling program is towards achieving initial resource classification for this prospect.

Goumbati West Prospect

The Goumbati West prospect is situated 1.0 Km southwest of the Kobokoto gold deposit and roughly 14.0 Km south-southwest of the Sabodala Mill, within the regional north-northeast trending Masato-Niakafiri Structural Corridor. During the fourth quarter 2015, four reconnaissance diamond drill holes totaling 350 metres targeted the quartz vein system associated with gold mineralization at surface with positive results.

In the first quarter 2016, six trenches were excavated across the gold-in-soil anomalies to the west (Goumbati West-West) and a further 5 diamond drill holes totaling 500 metres were drilled along strike of the 2015 holes. The gold mineralized zone at Goumbati West has been intersected by this drilling at depths ranging from 11-24 metres below surface over a combined strike length of 400 metres with encouraging results. All of the assay results are available on the Company's website at www.terangagold.com under "Exploration".

Additional trenching and diamond drilling will be undertaken in the second quarter 2016 to test the open ended strike and depth extensions to the Goumbati West mineralized zone. The upcoming drilling program at Goumbati West has the same goal as for the drilling at Golouma North, that being achieving initial resource classification for this prospect.

Other Mine Lease Prospects

Currently, there are additional Mine Lease prospects at an early stage of exploration including the Maleko and Koulouqwinde prospects. An eight-hole diamond drilling program will commence at Maleko during the second quarter 2016 to follow up on a broad, 500 metre long, northwest-southeast trending gold-in-soil anomaly identified during an earlier geochemical soil sampling program. At Koulouqwinde, a trenching program will be initiated early in the second quarter 2016 to follow up a 400 metre long zone, parallel to the northeast-southwest trending regional shear structures, with coincident gold-in-soil anomalies.

REGIONAL EXPLORATION

For 2016, the Company has been focused on four regional targets including Marougou, Nienienko, the Doughnut and Branson prospects.

All drill hole assay data for the Company's regional exploration programs, including drill hole locations and location maps, are available on the Company's website at www.terangagold.com under "Exploration". Additional trenching and diamond drilling will be undertaken in the second quarter 2016 to test for strike and down dip extensions to the mineralized zones.

Marougou Main Prospect

The Marougou Main prospect, originally defined by termite mound soil geochemistry, is situated 35 Km northwest of the Sabodala Mill. The Marougou Main prospect was further defined by RAB drilling, followed by reverse circulation (RC) drilling in 2013. This drilling identified a series of north-northeast trending, steeply dipping, auriferous quartz vein lenses, with disseminated pyrite, developed over a 1,200 metre strike length down to depths of 170 metres below surface. The recent diamond drilling completed in the fourth quarter 2015 and first quarter 2016 indicates that gold mineralization is associated with quartz veins and stringers developed in medium to coarse grained immature sandstones and felsic intrusive sills**.**

Four trenches were excavated in the first quarter 2016. Three diamond drill holes totaling 400 metres were completed in the fourth quarter 2015 with six additional diamond drill holes, totaling 650 metres, completed in the first quarter 2016. Drilling and trenching results are currently being assessed to provide structural information on the orientation of the mineralized zones which will assist with follow-up drilling programs throughout the Marougou area. The results to date are encouraging but remain early stage. All of the assay results are available on the Company's website at www.terangagold.com under "Exploration".

Additional trenching and diamond drilling will be undertaken in the second quarter 2016 to test for strike and down dip extensions to the mineralized zones.

Nienienko Main Prospect

The Nienienko Main prospect is located 45 Km north-northeast of the Sabodala Mill. Gold mineralization is primarily associated with flat lying white and smoky quartz veins developed within locally brecciated granodiorite, granite, and andesitic units. Gold mineralization has been traced in trenches excavated over a distance of 1,200 metres and coincides with a termite geochemical gold anomaly extending over a minimum 2,500 metres strike length. An RC drilling program has been planned for Nienienko Main to commence in the second quarter 2016. This RC program will entail drilling 3,300 metres to provide an initial evaluation of the economic potential of the extensive, flat lying, quartz-breccia vein system.

Other Prospects

Other early stage exploration prospects which are currently being investigated include:

- Nienienko - Leoba, situated 5.0 Km southwest of the Nienienko Main prospect, where trenching and a three-hole diamond drilling program were completed in the first quarter 2016. Assay results are pending.
- Nienienko - Kodadian, where three diamond drill holes were completed in the first quarter 2016. Assay results are pending.
- Doughnut - Diegoun North Cinnamon, where a detailed soil sampling and trenching programs are underway with follow up diamond drilling programs planned. An initial three-hole diamond drilling program is planned for the second quarter 2016.
- Doughnut - Diegoun North Honey, where detailed soil sampling and trenching programs are underway with a follow up, minimum 8-hole diamond drilling program planned in the second quarter 2016.
- Marougou - Marougou West, where a large scale trenching program is underway to evaluate a strike extensive grouping of termite mound geochemical anomalies.
- Marougou - Marougou North and Marougou South where a trenching program is planned in the second quarter 2016.
- Marougou - Tourokhoto, where evaluation of soil anomalies, RC and DDH drilling programs is underway.
- KA, where additional trenching and diamond drilling programs are planned for the second quarter 2016.

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

(US$000's)	As at March 31, 2016	As at December 31, 2015
Balance Sheet		
Cash and cash equivalents	53,498	44,436
Trade and other receivables	14,799	15,701
Inventories	160,917	164,427
Deferred tax assets	23,279	23,098
Other assets	452,488	448,554
Total assets	**704,981**	**696,216**
Trade and other payables	62,349	62,545
Borrowings	13,706	13,450
Provisions	31,860	30,824
Deferred revenue	85,990	91,345
Other liabilities	23,354	19,783
Total liabilities	**217,259**	**217,947**
Total equity	**487,722**	**478,269**

Balance Sheet Review

Cash

The Company's cash balance at March 31, 2016 was $53.5 million, $9.1 million higher than the balance at the start of the year, primarily due to cash flow provided by operations of $24.1 million partly offset by capital expenditures of $14.4 million in the current year quarter. As at March 31, 2016, $15.0 million was drawn from the $30 million Revolver Credit Facility. Including VAT certificates received to date and VAT recoverable from the Republic of Senegal, the Company's pro forma cash balance at March 31, 2016 was $70.0 million.

Trade and Other Receivables

The trade and other receivables balance of $14.8 million includes $12.3 million in VAT recoverable which is expected to be refunded over the balance of 2016. In February 2016, the Company received an exemption for the payment and collection of refundable VAT. This exemption is governed by an amendment to our mining convention and is enforceable for the next 6 years, expiring on May 2, 2022.

Deferred Revenue

During the three months ended March 31, 2016, the Company delivered 5,625 ounces of gold to Franco-Nevada and recorded revenue of $6.7 million, consisting of $1.3 million received in cash proceeds, and $5.4 million recorded as a reduction of deferred revenue.

Liquidity and Cash Flow

Cash Flow

(US$000's)	Three months ended March 31,	
Cash Flow	2016	2015
Operating	24,143	16,631
Investing	(14,382)	(9,284)
Financing	(426)	(4,235)
Effect on exchange rates on holdings in foreign currencies	(273)	1
Change in cash and cash equivalents during the period	9,062	3,113
Cash and cash equivalents - beginning of period	44,436	35,810
Cash and cash equivalents - end of period	53,498	38,923
Free cash flow [1]	9,761	7,347
Free cash flow per ounce sold[1]	144	131

[1] Free cash flow and free cash flow per ounce are defined as operating cash flow less capital expenditures.

Operating Cash Flow

(US$000's)	Three months ended March 31,	
Changes in working capital other than inventory	2016	2015
Increase in trade and other receivables	(3,904)	(167)
Decrease/(increase) in other assets	1,460	(720)
Increase/(decrease) in trade and other payables	602	(10,104)
Decrease in provisions	(85)	(1)
Increase in current income taxes payable	3,683	-
Net change in working capital other than inventory	1,756	(10,992)

Cash provided by operations for the three months ended March 31, 2016 was $24.1 million compared to $16.6 million in the prior year period. The increase in operating cash flow was primarily due to higher gold sales.

Investing Cash Flow

(US$000's)	Three months ended March 31,	
Investing activities	2016	2015
Mine site capex - sustaining	989	633
Mine site capex - project	5,202	94
Development capital	3,588	393
Capitalized reserve development (mine site exploration)	1,554	1,576
Capitalized deferred stripping	3,049	6,588
Capital Expenditures	14,382	9,284

Net cash used in investing activities for the first quarter 2016 was $14.4 million, $5.1 million higher than the prior year period. The increase in investing cash flows was primarily due to higher capital expenditures related to project costs for the mill optimization project and development capital for Golouma.

Financing Cash Flow

Net cash flow used in financing activities in the first quarter was $0.4 million compared to $4.2 million in the prior year period. Financing activities in the prior year quarter include the repayment of borrowings of $4.2 million.

LIQUIDITY AND CAPITAL RESOURCES OUTLOOK

Our primary sources of liquidity are the Company's cash position at March 31, 2016, which was $53.5 million, cash flow from operations and the Revolver Facility. Including the VAT refund certificates received to date and VAT recoverable from the Government of Senegal, on a pro forma basis, the Company's cash balance at March 31, 2016 would be approximately $70.0 million.

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

- the Company's ability to generate free cash flow from operating activities (please refer to the 2016 Outlook on page 5);
- expected capital expenditure requirements (please refer to the 2016 Outlook on page 5); and
- the gold price.

Notwithstanding, our cash position is highly dependent on the key factors noted above, and while we expect we will generate sufficient cash flow from operations combined with our Revolver Facility to fund our current growth initiatives, we may explore other value preservation alternatives that provide additional financial flexibility to ensure that we maintain sufficient liquidity. Such alternatives may include hedging strategies for gold, fuel and currencies. Using a $1,100 per ounce gold price for the balance of the year, the Company expects to generate free cash flow in 2016.

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.

In February 2016, after an increase in the gold spot price, the Company entered into gold forward contracts with Société Générale to deliver 28,000 ounces with settlement dates from March to August 2016 at an average price of $1,201 per ounce. As at March 31, 2016, there were 25,000 ounces remaining under gold forward sales contracts at an average price of $1,202 per ounce.

At the end of February 2016, the Company entered into zero cost collars with Macquarie Bank. The agreements provide a guaranteed floor price of $1,150 per ounce and also provide exposure to the gold price up to an average of $1,312 per ounce. These agreements cover 15,000 ounces of production between October and December 2016.

CONTRACTUAL OBLIGATIONS AND COMMITTMENTS

The Company has entered into various operating and capital purchase obligations related to the mill optimization project and as at March 31, 2016, total future purchase obligations related to this project was approximately $8.7 million.

CONTINGENT LIABILITIES

Royalty payments

Government royalties are accrued based on the mine head value of the gold and related substances produced at a rate of 5 percent of sales payable on an annual basis. At March 31, 2016, $15.4 million of royalties related to 2015 and 2016 have been accrued. In 2016, the Company intends to make payments of 2015 royalties using VAT refund certificates received from the Government of Senegal, which can be applied directly against royalties and income taxes owed by the Company to the Government of Senegal.

Outstanding tax assessments

During the first quarter 2016, confirmation of the withdrawal of the January 2015 tax assessment was received without any further liability to SGO. In April 2016, the Company received a similar withdrawal of the 2011 tax assessment for all but $1 million, which remains in dispute.

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 2015 annual MD&A.

Production start date

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

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

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements or mineable reserve development. It is also at this point that depreciation/amortization commences. During the first quarter 2016, the Golouma pit commenced production upon ore release in late January 2016.

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 and an "all-in 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 and all-in costs will be 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. These new measures will also be 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. The "all-in costs" includes additional costs which reflect the varying costs of producing gold over the life-cycle of a mine.

"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. The WGC definition of all-in costs adds to all-in sustaining costs including capital expenditures attributable to projects or mine expansions, exploration and study costs attributable to growth projects, and community and permitting costs not related to current operations. Both all-in sustaining and all-in 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.

"Total cash costs", "all-in sustaining costs" and "all-in 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-GAAP measures to the most directly comparable IFRS measure.

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

"Total depreciation and amortization per ounce sold" is a common financial performance measure in the gold mining industry but has no standard meaning under IFRS. 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.

Earnings before interest, taxes, depreciation and amortization" is a non-GAAP financial measure, which excludes income tax, finance costs (before unwinding of discounts), interest income and depreciation and amortization 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.

Total cash costs per ounce sold, all-in sustaining costs per ounce sold, all-in costs per ounce sold and total depreciation per ounce sold are calculated as follows:

(US$000's, except where indicated)	Three months ended March 31,	
Cash costs per ounce sold	2016	2015
Gold produced[1] (oz)	70,727	48,643
Gold sold (oz)	67,672	56,223
Cash costs per ounce sold		
Cost of sales[2]	52,531	48,773
Less: depreciation and amortization	(10,942)	(10,892)
Add: non-cash inventory movement	(2,917)	(3,675)
Add: non-cash capitalized deferred stripping	274	660
Less: regional administration costs	(512)	(573)
Less: other adjustments	(66)	(28)
Total cash costs	**38,368**	**34,237**
Total cash costs per ounce sold	**567**	**609**
All-in sustaining costs		
Total cash costs	38,368	34,237
Administration expenses[2]	2,503	3,191
Regional administration costs	512	573
Capitalized deferred stripping	3,049	6,588
Capitalized reserve development	1,554	1,528
Mine site capital	9,779	1,168
All-in sustaining costs	**55,763**	**47,284**
All-in sustaining costs per ounce sold	**824**	**841**
All-in costs		
All-in sustaining costs	55,763	47,284
Social community costs not related to current operations	967	474
Exploration and evaluation expenditures	1,413	809
All-in costs	**58,143**	**48,567**
All-in costs per ounce sold	**859**	**864**
Depreciation and amortization	10,942	10,847
Non - cash inventory movement	2,917	3,675
Total depreciation and amortization	**13,859**	**14,522**
Total depreciation and amortization per ounce sold[2]	**205**	**258**

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

[2] Administration expenses include share based compensation and exclude Corporate depreciation expense.

Earnings before interest, taxes, depreciation and amortization calculated as follows:

	Three months ended March 31, 2016	
(US$000's)		
Profit for the period	9,343	14,770
Add: finance costs	846	590
Add: income tax expense	4,909	2,772
Add: depreciation and amortization	13,877	14,695
Earnings before interest, taxes, depreciation and amortization	**28,975**	**32,827**

OUTSTANDING SHARE DATA

The Company's fully diluted share capital as at the report date was:

Outstanding	March 31, 2016
Ordinary shares	392,037,197
Stock options granted at an exercise price of C$3.00 per option	11,667,500
Stock options granted at an exercise price of C$0.64 per option	3,818,894
Stock options granted at an exercise price of C$0.67 per option	4,027,686
Fully diluted share capital	**411,551,277**

TRANSACTIONS WITH RELATED PARTIES

During the three months ended March 31, 2016, there were transactions totaling $9 thousand between the Company and a director-related entity.

SHAREHOLDINGS

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

CEO/CFO CERTIFICATION

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

The Company's CEO and CFO certify that, as at March 31, 2016, 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 established in 1992. There is no material weakness relating to the design of ICFR. There has been no change in the Company's design of the ICFR that occurred during the three months ended March 31, 2016 which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

On May 14, 2013, COSO issued an updated Internal Control – Integrated Framework ("2013 COSO Framework") which superseded the 1992 COSO Framework. The Company performed an assessment identifying differences between the two COSO frameworks and will develop and execute the transition plan in 2016. At present, management does not expect implementation of the 2013 COSO Framework to have a material effect on the Company's ICFR. The Company is planning to certify compliance with the 2013 COSO framework in the fourth quarter of 2016.

Until transition to the 2013 COSO framework is complete, we will continue to use the 1992 framework in connection with our assessment of internal control over financial reporting.

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, 2015. 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, hedging activities, 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 and stock exchange price fluctuations.

CORPORATE DIRECTORY

Directors

Alan Hill, Chairman
Richard Young, President and CEO
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, COO
Navin Dyal, CFO
David Savarie, General Counsel & Corporate Secretary
Sepanta Dorri, Vice President Corporate and Stakeholder Development
David Mallo, Vice President Exploration
Aziz Sy, General Manager, Senegal
Nico Uys, Operations Manager, Sabodala

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F: +224 338 642 526

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 release contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Teranga, or developments in Teranga's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include, without limitation, all disclosure regarding possible events, conditions or results of operations, future economic conditions and courses of action, the proposed plans with respect to mine plan, anticipated 2016 results, mineral reserve and mineral resource estimates, anticipated life of mine operating and financial results, and the completion of construction of the Gora deposit related thereto. Such 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. These assumptions include, among other things, the ability to obtain any requisite Senegalese governmental approvals, the accuracy of mineral reserve and mineral resource estimates, gold price, exchange rates, fuel and energy costs, future economic conditions and courses of action. Teranga cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. The risks and uncertainties that may affect forward-looking statements include, among others: the inherent risks involved in exploration and development of mineral properties, including government approvals and permitting, changes in economic conditions, changes in the worldwide price of gold and other key inputs, changes in mine plans and other factors, such as project execution delays, many of which are beyond the control of Teranga, as well as other risks and uncertainties which are more fully described in the Company's Annual Information Form dated March 30, 2016, and in other company filings with securities and regulatory authorities which are available at www.sedar.com. Teranga does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Nothing in this report should be construed as either an offer to sell or a solicitation to buy or sell Teranga securities.

COMPETENT PERSONS STATEMENT

The technical information contained in this document relating to the mineral reserve estimates for Sabodala, the stockpiles, Masato, Golouma and Kerekounda is based on, and fairly represents, information compiled by Mr. William Paul Chawrun, P. Eng who is a member of the Professional Engineers Ontario, which is currently included as a "Recognized Overseas Professional Organization" in a list promulgated by the ASX from time to time. Mr. Chawrun is a full-time employee of Teranga and is a "qualified person" as defined in NI 43-101 and a "competent person" as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Chawrun has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Chawrun has consented to the inclusion in this Report of the matters based on his compiled information in the form and context in which it appears in this Report.

The technical information contained in this Report relating to mineral resource estimates for Niakafiri, Gora, Niakafiri West, Soukhoto, and Diadiako is based on, and fairly represents, information compiled by Ms. Nakai-Lajoie. Ms. Patti 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 mineralization and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". 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 Report of the matters based on her compiled information in the form and context in which it appears in this Report.

The technical information contained in this Report relating to mineral resource estimates for Sabodala, Masato, Golouma, Kerekounda, and Somigol Other are based on, and fairly represents, information compiled by Ms. Nakai-Lajoie. Ms. Patti 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 mineralization 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 "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". 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 Report of the matters based on her compiled information in the form and context in which it appears in this Report.*

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 mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Mann is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. The technical information contained in this news release 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 news release 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.