

TERANGA GOLD CORPORATION

INCENTIVE STOCK OPTION PLAN

November 26, 2010

INCENTIVE STOCK OPTION PLAN

Section 1 General Provisions

1.1 Interpretation

For the purposes of this Plan, the following terms shall have the following meanings:

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

- (ii) The acceptance by the Shareholders, representing in the aggregate fifty percent (50%) or more of all of the issued Common Shares, of any offer, whether by way of a takeover bid or otherwise, for all or any of the outstanding Common Shares; provided that no change of control event shall be deemed to have occurred if upon completion of any such transaction individuals who were members of the Board immediately prior to the effective date of such transaction constitute a majority of the board of directors of the resulting corporation following such effective date;
 - (iii) The acquisition, by whatever means, by a person (or two or more persons who, in such acquisition, have acted jointly or in concert or intend to exercise jointly or in concert any voting rights attaching to the Common Shares acquired), directly or indirectly, of beneficial ownership of such number of Common Shares or rights to Common Shares, which together with such person's then-owned Common Shares and rights to Common Shares, if any, represent (assuming the full exercise of such rights) fifty percent (50%) or more of the combined voting rights attached to the then-outstanding Common Shares;
 - (iv) The entering into of any agreement by the Corporation to merge, consolidate, restructure, amalgamate, initiate an arrangement or be absorbed by, into or with another corporation; provided that no change of control event shall be deemed to have occurred if upon completion of any such transaction individuals who were members of the Board immediately prior to the effective date of such transaction constitute a majority of the board of directors of the resulting corporation following such effective date;
 - (v) The passing of a resolution by the Board or Shareholders to substantially liquidate the assets of the Corporation or wind up the Corporation's business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such re-arrangement is part of a bona fide reorganization of the Corporation in circumstances where the business of the Corporation is continued and the shareholdings remain substantially the same following the re-arrangement); or
 - (vi) The circumstance in which individuals who were members of the Board immediately prior to a meeting of the Shareholders involving a contest for the election of directors no longer constitute a majority of the Board following such election;
- (k) "**Code**" has the meaning given to that term in Section 3.1;
 - (l) "**Common Shares**" means the common shares in the capital of the Corporation;
 - (m) "**Corporation**" means Teranga Gold Corporation;

- (n) **“Consultant”** means an individual (including an individual whose services are contracted through a personal holding corporation) with whom the Corporation or a Subsidiary Company has a contract for substantial services;
- (o) **“Eligible Person”** means:
 - (i) any director, officer, employee or Consultant of the Corporation or any of its Subsidiary Companies; and
 - (ii) any Personal Holding Company;
- (p) **“Eligible U.S. Participants”** has the meaning given to that term in Section 3.1;
- (q) **“Exercise Price”** has the meaning given to that term in Section 2.2;
- (r) **“Expiry Date”** has the meaning given to that term in Section 2.3 (b);
- (s) **“Insider”** means:
 - (i) an insider as defined under Section 1(1) of the Securities Act (Ontario), other than a person who falls within that definition solely by virtue of being a director or senior officer of a Subsidiary Company of the Corporation, and
 - (ii) an associate as defined under Section 1(1) of the Securities Act (Ontario) of any person who is an insider by virtue of (i) above;
- (t) **“Market Price”** means:
 - (i) prior to an initial public offering of the Common Shares, such price as is determined by the Board to constitute their fair market value, using such reasonable valuation mechanism as it selects; and
 - (ii) after an initial public offering of the Common Shares, the volume weighted average trading price of the Shares as reported on the TSX for the five (5) trading days immediately preceding the day on which the Option is granted; provided, however, that the Exercise Price of an Option shall not be less than the minimum Exercise Price required by the applicable rules of the TSX;
- (u) **“Option”** means an option to purchase Common Shares granted to an Eligible Person pursuant to the terms of the Plan;
- (v) **“Option Period”** has the meaning given to that term in Section 2.3 (a);
- (w) **“Participant”** means an Eligible Person to whom Options have been granted;
- (x) **“Personal Holding Company”** means a personal holding corporation that is either wholly owned, or controlled by, the Participant, and the shares of which are held

directly or indirectly by any of the Participant or the Participant's spouse, minor children and/or minor grandchildren;

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

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

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

1.2 Purpose

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

1.3 Administration

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

on all Participants (as hereinafter defined) and on their legal, personal representatives and beneficiaries.

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

1.4 Shares Reserved

- (a) Subject to Section 1.4 (d), the securities that may be acquired by Participants under this Plan shall consist of authorized but unissued Common Shares.
- (b) The Corporation shall at all times during the term of this Plan ensure that the number of Common Shares it is authorized to issue shall be sufficient to satisfy the requirements of this Plan.
- (c) The aggregate number of Common Shares issuable under this Plan, and under all other Share Compensation Arrangements, shall not exceed 10% of the total number of Common Shares issued and outstanding from time to time. Any Common Shares subject to an Option which for any reason is cancelled or terminated without having been exercised shall again be available for grants under the Plan, and under all other Share Compensation Arrangements. Any Common Shares subject to an Option which has been exercised by a Participant, shall again be available for grants under the Plan, and under all other Share Compensation Arrangements. Fractional shares will not be issued and will be treated as specified in Section 1.11(d).
- (d) If there is a change in the outstanding Common Shares by reason of any stock dividend or split, recapitalization, amalgamation, consolidation, combination or exchange of shares, or other corporate change, the Board shall make, subject where required to the prior approval of the Stock Exchange or the ASX Listing Rules, appropriate substitution or adjustment in:
 - (i) the number or kind of Common Shares or other securities reserved for issuance pursuant to the Plan, and
 - (ii) the number and kind of Common Shares or other securities subject to unexercised Options theretofore granted and in the Exercise Price of such securities;

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

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

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

- (a) The maximum number of Options which may be issued to Insiders, and to such Insiders' Associates under the Plan, and any other Share Compensation Arrangement, shall not cover a number of Common Shares which exceeds 10% of the Common Shares outstanding from time to time (calculated on a non-diluted basis).
- (b) The maximum number of Common Shares that may be issued to Insiders and their Associates within any one year period pursuant to the exercise of Options granted under this Plan, and any other Share Compensation Arrangement, shall not exceed 10% of the Common Shares outstanding (calculated on a non-diluted basis).
- (c) Any Option granted pursuant to the Plan, or any other Share Compensation Arrangement, prior to the grantee becoming an Insider shall be excluded for the purposes of the limits set out in (a) and (b) above.
- (d) The Corporation must comply with the ASX Listing Rules in respect of the grant of Options under the Plan, which includes a requirement that prior shareholder approval be obtained for the grant of Options to a "related party" (which includes directors of the Corporation) under Chapter 10 of the ASX Listing Rules.

1.6 Amendment and Termination

- (a) The Board may from time to time, suspend, terminate or discontinue the Plan at any time, or amend or revise the terms of the Plan or of any Option granted under the Plan and any Certificate relating thereto, provided that no such suspension, termination, amendment or revision will be made:
 - (i) except in compliance with applicable law and with the prior approval, if required, of the Stock Exchange or any other regulatory body having authority over the Corporation, the Plan or the Shareholders; and
 - (ii) in the case of an amendment or revision, if it materially adversely affects the rights of any Participant, without the consent of the Participant.

- (b) If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force on the date of termination will continue in effect as long as any Option or any rights pursuant thereto remain outstanding and, notwithstanding the termination of the Plan, the Board will remain able to make such amendments to the Plan or the Options as they would have been entitled to make if the Plan were still in effect.
- (c) Subject to any applicable rules of the Stock Exchange, the Board may from time to time, in its absolute discretion and without the approval of Shareholders, make the following amendments to the Plan or any Option:
 - (i) amend the vesting provisions of the Plan and any Certificate;
 - (ii) amend the Plan or an Option as necessary to comply with applicable law or the requirements of the Stock Exchange or any other regulatory body having authority over the Corporation, the Plan or the Shareholders;
 - (iii) any amendment of a “housekeeping” nature, including, without limitation, to clarify the meaning of an existing provision of the Plan, correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan, correct any grammatical or typographical errors or amend the definitions in the Plan regarding administration of the Plan;
 - (iv) any amendment respecting the administration of the Plan; and
 - (v) any other amendment that does not require the approval of Shareholders under Section 1.6(d) or the ASX Listing Rules.
- (d) Shareholder approval and applicable waiver or consent by the ASX is required for the following amendments to the Plan:
 - (i) any increase in the maximum number of Common Shares that may be issuable pursuant to Options granted under the Plan set out in Section 1.4(c);
 - (ii) any cancellation and reissuance of Options;
 - (iii) amendments to the category of Eligible Persons that may permit the introduction or reintroduction of non-executive Directors on a discretionary basis or amendments that increase limits previously imposed on non-executive Director participation set out in Section 1.4(e);
 - (iv) any amendments which would permit Options granted under the Plan to be transferable or assignable other than for normal estate settlement purposes;
 - (v) any amendments to this Section 1.6 (d) hereof that would permit the Board to amend the Plan without Shareholder approval;

- (vi) any reduction in the Exercise Price or extension of the Expiry Date of an Option held by any Participant under the Plan; and
- (vii) any change that would materially modify the eligibility requirements for participation in the Plan.

1.7 Compliance with Legislation

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

1.8 Effective Date

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

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

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

1.9 Proceeds from Exercise of Options

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

1.10 Tax Withholdings

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

1.11 Miscellaneous

- (a) Nothing contained herein shall prevent the Board from adopting other or additional Share Compensation Arrangements or compensation arrangements, subject to any required approval.
- (b) Nothing contained in the Plan nor in any Option granted thereunder shall be deemed to give any Participant any interest or title in or to any Common Shares or any rights as a Shareholder or any other legal or equitable right against the Corporation or any of its Subsidiary Companies whatsoever other than as set forth in the Plan and pursuant to the exercise of any Option.
- (c) The Plan does not give any Participant or any employee of the Corporation or any of its Associated Companies, Affiliated Companies, Subsidiary Companies or Controlled Companies the right or obligation to or to continue to serve as a Consultant, director, officer or employee, as the case may be, to or of the Corporation or any of its Associated Companies, Affiliated Companies, Subsidiary Companies or Controlled Companies. The awarding of Options to any Eligible Person is a matter to be determined solely in the discretion of the Board. The Plan shall not in any way

fetter, limit, obligate, restrict or constrain the Board with regard to the allotment or issue of any Common Shares or any other securities in the capital of the Corporation other than as specifically provided for in the Plan. The grant of an Option to, or the exercise of an Option by, a Participant under the Plan does not create the right for such Participant to receive additional grants of Options hereunder.

- (d) No fractional Common Shares shall be issued upon the exercise of options granted under the Plan and, accordingly, if a Participant would become entitled to a fractional Common Share upon the exercise of an Option, or from an adjustment pursuant to Section 1.4 (d) such Participant shall only have the right to purchase the next lowest whole number of Common Shares, and no payment or other adjustment will be made with respect to the fractional interest so disregarded.
- (e) The Corporation makes no representation or warranty as to the future market value of the Common Shares or with respect to any income tax matters affecting the Participant resulting from the grant or exercise of an Option and/or transactions in the Common Shares. Neither the Corporation, nor any of its directors, officers, employees, shareholders or agents shall be liable for anything done or omitted to be done by such person or any other person with respect to the price, time, quantity or other conditions and circumstances of the issuance of Common Shares hereunder, with respect to any fluctuations in the market price of Common Shares or in any other manner related to the Plan.

Section 2 Options

2.1 Grants

- (a) Subject to the provisions of the Plan, the Board shall have the authority to determine the limitations, restrictions and conditions, if any, in addition to those set forth in Section 1.3 (b) and Section 2.3 hereof, applicable to the exercise of an Option. An Eligible Person may receive Options on more than one occasion under the Plan and may receive separate Options on any one occasion.
- (b) The Board may, in its discretion, select any directors, officers, employees or Consultants of or to the Corporation or Subsidiary Companies of the Corporation to participate in this Plan.
- (c) The Board may from time to time, in its discretion, grant Options to any Participant upon the terms, conditions and limitations set forth herein and such other terms, conditions and limitations permitted by and not inconsistent with this Plan as the Board may determine, provided that Options granted to any Participant shall be approved by the Shareholders if the rules of the Stock Exchange require such approval.

2.2 Exercise Price

An Option may be exercised at a price (the “**Exercise Price**”) that shall be fixed by the Board at the time that the Option is granted, but in no event shall it be less than the Market Price. The

Exercise Price shall be subject to adjustment in accordance with the provisions of Section 1.4 (d) hereof.

2.3 Exercise of Options

- (a) The period during which an Option may be exercised (the “**Option Period**”) shall be determined by the Board at the time the Option is granted, subject to any vesting limitations that may be imposed by the Board in its sole and unfettered discretion at the time such Option is granted, provided that:
 - (i) no Option shall be exercisable for a period exceeding ten (10) years from the date the Option is granted;
 - (ii) the Option Period shall be automatically reduced in accordance with Section 2.3 (f) below upon the occurrence of any of the events referred to therein; and
 - (iii) no Option in respect of which Shareholder approval is required under the rules of the Stock Exchange shall be exercisable until such time as such Option has been approved by the Shareholders.
- (b) Notwithstanding any other provision of the Plan, if the date that any vested Option ceases to be exercisable (the “**Expiry Date**”) falls on, or within nine (9) Business Days immediately following, a date upon which such Participant is prohibited from exercising such Option due to a black-out period or other trading restriction imposed by the Corporation, then the Expiry Date of such Option shall be automatically extended to the tenth (10th) Business Day following the date the relevant black-out period or other trading restriction imposed by the Corporation is lifted, terminated or removed.
- (c) Notwithstanding any other provision of this Plan, but subject to the ASX Listing Rules, in the event of an actual or potential Change of Control Event, the Board may, in its discretion, without the necessity or requirement for the agreement of any Participant: (i) accelerate, conditionally or otherwise, on such terms as it sees fit, the vesting date of any Option; (ii) permit the conditional exercise of any Option, on such terms as it sees fit; (iii) otherwise amend or modify the terms of the Option, including for greater certainty permitting Participants to exercise any Option, to assist the Participants to tender the underlying Common Shares to, or participate in, the actual or potential Change of Control Event or to obtain the advantage of holding the underlying Common Shares during such Change of Control Event; and (iv) terminate, following the successful completion of such Change of Control Event, on such terms as it sees fit, the Options not exercised prior to the successful completion of such Change of Control Event. The determination of the Board in respect of any such Change of Control Event shall for the purposes of this Plan be final, conclusive and binding.
- (d) Notwithstanding any other provision of this Plan, in the event that:

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

then the Board may, in its discretion, without the necessity or requirement for the agreement of any Participant, permit the Common Shares received upon such exercise, or in the case of Subsection (ii) above the Common Shares that are not taken up and paid for, to be returned by the Participant to the Corporation and reinstated as authorized but unissued Common Shares and, with respect to such returned Common Shares, the related Options may be reinstated as if they had not been exercised and the terms for such Options becoming vested will be reinstated pursuant to this Section 2.3. If any Common Shares are returned to the Corporation under this Section 2.3, the Corporation will immediately refund the Exercise Price to the Participants for such Common Shares.

- (e) Options shall not be transferable or assignable by the Participant otherwise than by will or the laws of descent and distribution, and shall be exercisable during the lifetime of a Participant only by the Participant and after death only by the Participant's legal representative.
- (f) Subject to Section 2.3(a) and except as otherwise determined by the Board:
 - (i) if a Participant who is a non-executive director of the Corporation ceases to be an Eligible Person as a result of his or her retirement from the Board other than for Cause, each unvested Option held by such Participant shall automatically vest on the date of his or her retirement from the Board, and thereafter each vested Option held by such Participant will cease to be exercisable on the earlier of the original Expiry Date of the Option and six (6) months after the date of his or her retirement from the Board;
 - (ii) if the Board service, consulting relationship, or employment of a Participant with the Corporation or a Subsidiary Company is terminated for Cause, each vested and unvested Option held by the Participant will automatically terminate and become void on the Termination Date;
 - (iii) if a Participant dies, the legal representative of the Participant may exercise the Participant's vested Options for a period until the earlier of the original Expiry Date of the Option and 12 months after the date of the Participant's death, but only to the extent the Options were by their terms exercisable on the date of death. For greater certainty, all unvested Options held by a Participant who dies shall terminate and become void on the date of death of such Participant.
 - (iv) if a Participant ceases to be an Eligible Person for any reason whatsoever other than (x) in the case of a non-executive director, his or her retirement

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

- (g) The Exercise Price of each Common Share purchased under an Option shall be paid in full in cash or by bank draft or certified cheque at the time of such exercise, and upon receipt of payment in full, the number of Common Shares in respect of which the Option is exercised shall be duly issued as fully paid and non-assessable.
- (h) Upon the exercise of Options pursuant to this section, the Corporation shall forthwith deliver, or cause the registrar and transfer agent of the Common Shares to deliver, to the relevant Participant (or his or her legal or personal representative) or to the order thereof, a certificate representing the number of Common Shares with respect to which Options have been exercised.
- (i) Subject to the other provisions of this Plan and any vesting limitations imposed by the Board at the time of grant, Options may be exercised, in whole or in part, at any time or from time to time, by a Participant by written notice given to the Corporation as required by the Board from time to time.

2.4 Notice

Any notice required to be given by this Plan shall be in writing and shall be given by registered mail, postage prepaid, or delivered by courier or by facsimile transmission addressed, if to the Corporation, to the office of the Corporation in Toronto, Ontario, Attention: Corporate Secretary; or if to a Participant, to such Participant at his address as it appears on the books of the Corporation or in the event of the address of any such Participant not so appearing, then to the last known address of such Participant; or if to any other person, to the last known address of such person.

2.5 Rights of Participants

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

2.6 Right to Issue Other Shares

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

2.7 Quotation of Common Shares

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

Section 3 Special Rules for U.S. Eligible Persons

3.1 Section 409A Compliance

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

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

STOCK OPTION AGREEMENT

This Stock Option Agreement is dated this ● day of ●, 20● between Teranga Gold Corporation (“**Teranga**”) and [Name] (the “**Optionee**”).

WHEREAS the Optionee has been granted certain options (“**Options**”) to acquire common shares in the capital of Teranga (“**Common Shares**”) under the Teranga Incentive Stock Option Plan (the “**Option Plan**”), a copy of which has been provided to the Eligible Optionee;

AND WHEREAS capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Option Plan;

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Teranga confirms that the Optionee has been granted Options under the Option Plan on the following basis, subject to, the terms and conditions of the Option Plan:

DATE OF GRANT	NUMBER OF OPTIONS	EXERCISE PRICE (CDN\$)	VESTING SCHEDULE	EXPIRY DATE
●	●	●	●	●

2. Attached to this Agreement as Schedule “A” is a form of notice that the Optionee may use to exercise any of his or her Options in accordance with Section 2.3 of the Option Plan at any time and from time to time prior the Expiry Date of such Options.
3. By signing this Stock Option Agreement, the Optionee acknowledges that he or she has read and understands the Option Plan and agrees to the terms and conditions thereof and of this Stock Option Agreement.
4. This Agreement shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. Time shall be of the essence of this Agreement. This Agreement shall enure to the benefit of and shall be binding upon the parties and their heirs, attorneys, guardians, estate trustees, executors, trustees and administrators and the successors of Teranga.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

TERANGA GOLD CORPORATION

Name of Optionee:

Authorized Signing Officer

SCHEDULE "A"

ELECTION TO EXERCISE STOCK OPTIONS

TO: TERANGA GOLD CORPORATION ("TERANGA")

The undersigned option holder hereby irrevocably elects to exercise options ("**Options**") granted by Teranga to the undersigned pursuant to a Stock Option Agreement dated ●, 20● for the number of common shares in the capital of Teranga ("**Common Shares**") as set forth below:

Number of Common Shares to be Acquired: _____

Option Exercise Price (per Common Share): \$ _____

Aggregate Purchase Price: \$ _____

Amount enclosed that is payable on account of withholding of tax or other required deductions relating to the exercise of the Options (contact Teranga for details of such amount)(the "**Applicable Withholdings and Deductions**"): \$ _____

Or check here if alternative arrangements have been made with Teranga with respect to the payment of Applicable Withholdings and Deductions;

and hereby tenders a certified cheque or bank draft for such Aggregate Purchase Price, and, if applicable, Applicable Withholdings and Deductions, and directs such Common Shares to be registered and a certificate therefore to be issued in the name of _____.

DATED this ____ day of _____, _____.

Signature

Name