



**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
AND  
MANAGEMENT PROXY CIRCULAR**

**APRIL 4, 2014**

Teranga Gold Corporation's Annual and Special Meeting of the holders of common shares will be held on May 1, 2014 at 9:30 AM (Toronto Time) at the office of Stikeman Elliott LLP, legal counsel to the Corporation, Main Boardroom, 53rd Floor, 199 Bay St., Toronto, Ontario.

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

**YOUR VOTE AS A SHAREHOLDER IS IMPORTANT**

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SCHEDULE A – MANDATE OF THE BOARD OF DIRECTORS
SCHEDULE B – AUDIT COMMITTEE CHARTER
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## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Teranga Gold Corporation (“**Teranga**” or the “**Corporation**”) invites you to attend its 2014 annual and special meeting (the “**Meeting**”) of holders of common shares (“**Shareholders**”).

**When:** 9:30 a.m. (Toronto time) on Thursday, May 1, 2014

**Where:** Office of Stikeman Elliott LLP, legal counsel to the Corporation, Main Boardroom, 53rd Floor, 199 Bay St., Toronto, Ontario M5L 1B9

### Business of the 2014 Annual and Special Meeting of Shareholders

The Meeting is being held for the following purposes:

1. To receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2013, together with the report of the auditors thereon;
2. To elect the board of directors of the Corporation;
3. To appoint the auditors of the Corporation and to authorize the directors of the Corporation to fix their remuneration;
4. To re-approve the Incentive Stock Option Plan, as amended, of the Corporation as more particularly described in the accompanying management proxy circular and set forth in Schedule C thereto; and
5. To transact such further or other business that may properly come before the Meeting or any adjournment or postponement thereof.

### Other Important Information

The board of directors of the Corporation (the “**Board**”) has fixed March 27, 2014 as the record date for determining Shareholders who are entitled to receive notice of and to vote at the Meeting. Only Shareholders of record of the Corporation on March 27, 2014 are entitled to receive notice of the Meeting and to attend and vote at the Meeting. This notice of the Meeting (the “**Notice**”) is accompanied by a management proxy circular (the “**Circular**”) and a form of proxy and the Corporation’s 2013 Annual Report, which contains Teranga’s audited consolidated financial statements for the financial year ended December 31, 2013. The specific details of the matters to be put before the Meeting as identified above are set forth in the Circular accompanying and forming part of this Notice. This Notice and Circular have been sent to each director of the Corporation, to each Shareholder entitled to notice of the Meeting and to the auditors of the Corporation.

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

DATED at Toronto this 4<sup>th</sup> day of April, 2014.

**BY ORDER OF THE BOARD OF DIRECTORS**



David Savarie  
VP, General Counsel & Corporate Secretary

**SHAREHOLDERS MAY EXERCISE THEIR RIGHTS BY ATTENDING THE MEETING OR BY COMPLETING A FORM OF PROXY, VIF OR CDI VIF. SHOULD YOU BE UNABLE TO ATTEND THE MEETING IN PERSON, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED FORM OF PROXY AND RETURN IT IN THE ENVELOPE PROVIDED FOR THAT PURPOSE. PROXIES MUST BE RECEIVED BY THE TRANSFER AGENT AND REGISTRAR OF THE CORPORATION (COMPUTERSHARE INVESTOR SERVICES INC., 100 UNIVERSITY AVENUE, 9th FLOOR, NORTH TOWER, TORONTO, ONTARIO, CANADA M5J 2Y1) NO LATER THAN 9:30 A.M. (TORONTO TIME) ON TUESDAY, APRIL 29, 2014. YOUR SHARES WILL BE VOTED IN ACCORDANCE WITH YOUR INSTRUCTIONS AS INDICATED ON THE FORM OF PROXY, OR FAILING INSTRUCTIONS, IN THE MANNER SET FORTH IN THE ACCOMPANYING MANAGEMENT PROXY CIRCULAR.**

## ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

### CDI VOTING PROCESS

This year, the annual and special meeting (the “**Meeting**”) of holders of common shares (“**Shareholders**”) of Teranga Gold Corporation (the “**Corporation**”) will be held at the office of Stikeman Elliott LLP, legal counsel to the Corporation, Main Boardroom, 53rd floor, 199 Bay Street, Toronto, Canada, M5L 1B9 on May 1, 2014 at 9:30 a.m. (Toronto time). The Meeting provides Shareholders with an opportunity to participate directly in the affairs of the Corporation and to meet our directors and senior management. Please see the accompanying Notice of Annual and Special Meeting for further details.

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

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

**To have a CDI vote counted, CDI holders must return their completed CDI VIF to CDN at least 48 hours, excluding Saturdays, Sundays and holidays, prior to the start of the Meeting, or any adjournment or postponement thereof. Given the multi-jurisdictional location of Teranga’s Shareholders, and the need to ensure all CDI VIFs are duly received and incorporated ahead of the Meeting, it is necessary that all CDI VIF be returned by no later than 9:30 a.m. on Tuesday, April 29, 2014 (Perth time).**

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

We look forward to your continued support.

Yours sincerely,

**TERANGA GOLD CORPORATION**



Alan Hill  
Chairman of the Board

## MANAGEMENT PROXY CIRCULAR

### THE MEETING

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

The annual and special meeting (the “**Meeting**”) of the common shareholders (“**Shareholders**”) of Teranga Gold Corporation (“**Teranga**” or the “**Corporation**”) will be held at 9:30 a.m. (Toronto time) on Thursday, May 1, 2014 at the offices of Stikeman Elliott LLP, legal counsel to the Corporation, Main Boardroom, 53rd Floor, 199 Bay St., Toronto, Ontario M5L 1B9.

Information contained in this management proxy circular (the “**Circular**”) is given as at April 4, 2014, unless otherwise indicated.

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

#### Record Date

The record date for determining Shareholders entitled to receive notice of and vote at the Meeting is March 27, 2014 (the “**Record Date**”). Shareholders of record as at the close of business on such date will be entitled to attend and vote at the Meeting, or any adjournment or postponement thereof, in the manner and subject to the procedures described in this Circular.

### SOLICITATION OF PROXIES

#### Proxy Solicitation

**This Circular, which is dated April 4, 2014, is furnished in connection with the solicitation of proxies by management of the Corporation for use at the Meeting to be held at the time and place and for the purposes set forth in the attached notice of meeting (the “Notice”).** The solicitation of proxies in connection with the Meeting is being made primarily by mail, but proxies may also be solicited by telephone, fax or other personal contact by directors, officers or other employees of the Corporation. The Corporation has also hired **Kingsdale Shareholder Services (“Kingsdale”)** to act as the Corporation’s proxy solicitation agent in connection with the Meeting. **Shareholders can contact Kingsdale either by mail at Kingsdale Shareholder Services, The Exchange Tower, 130 King Street West, Suite 2950, P.O. Box 361, Toronto, Ontario M5X 1E2, by toll-free telephone in North America at 1-855-682-2019 or collect call outside North America at +1-416-867-2272, or by e-mail at [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com).**

Teranga has entered into a retainer arrangement with Kingsdale under which it has agreed to an annual fee of \$40,000 for proxy solicitation and advisory work in 2014.

### VOTING INFORMATION

#### General

The following questions and answers provide guidance on how to vote your common shares or CDIs.

#### Who can vote?

Each holder of Common Shares is entitled to one vote at the Meeting or any adjournment or postponement thereof for each Common Share registered in the holder’s name as at the close of business on the Record Date, March 27, 2014.

As of April 4, 2014, the Corporation had 316,801,091 Common Shares outstanding. As of April 4, 2014, to the knowledge of the directors and officers of the Corporation based on Shareholders’ public filings, there is no entity that beneficially owned or exercised control or direction over, directly or indirectly, 10% or more of the votes attached to the Common Shares. For further details, please see VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES below.

#### What will I be voting on?

Shareholders will be voting to: (i) elect directors; (ii) appoint the external auditors; and (iii) to re-approve the Stock Option Plan (as defined below), all as outlined below.

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

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

A simple majority of the votes cast, in person or by proxy, will constitute approval of these matters, provided that participants in the stock option plan are not permitted to vote on the resolution regarding the re-approval of the stock option plan.

## How do I vote?

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

## Who can I call with questions?

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

## VOTING BY REGISTERED SHAREHOLDERS

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

### Voting by proxy

You are a Registered Shareholder if your name appears on a share certificate or on the list of Registered Shareholders maintained by Computershare. If this is the case, you may appoint someone else to vote for you as your proxy holder by using the enclosed form of proxy. The persons named in the enclosed form of proxy are directors or officers of the Corporation.

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

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

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



*By telephone*

Call the toll-free number indicated on the proxy form (1.866.732.VOTE) and follow the instructions.

If you choose the telephone, you cannot appoint any person other than the directors or officers named on your form of proxy as your proxy holder.



*On the Internet*

Go to the website indicated on the proxy form ([www.investorvote.com](http://www.investorvote.com)) and follow the instructions on the screen.

If you return your proxy via the Internet, you can appoint a person other than the directors or officers of Teranga named in the form of proxy as your proxy holder. This person does not have to be a Shareholder. Indicate the name of the person you are appointing in the space provided on the form of proxy. Complete your voting instructions, and date and submit the form. If applicable, make sure that the person you appoint is aware that he or she has been appointed and attends the Meeting.



*By mail*

Complete your form of proxy and return it in the envelope provided.

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

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

The deadline for receiving duly completed forms of proxy or a vote using the telephone or over the Internet is 9:30 a.m. (Toronto Time) on Tuesday, April 29, 2014, or if the Meeting is adjourned or postponed, by no later than 48 hours (excluding weekends and statutory holidays) prior to the day fixed for the adjourned or postponed Meeting. The proxy deadline may be waived or extended by the Chairman of the Meeting, in his sole discretion without notice.

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

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

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

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

A Registered Shareholder who has given a proxy may revoke the proxy by completing and signing a form of proxy bearing a later date and depositing it with Computershare (100 University Avenue, 9th Floor, North Tower, Toronto, Ontario M5J 2Y1) no later than 9:30 a.m. (Toronto Time) on April 29, 2014 or with the Chairman of the Meeting on the day of the Meeting, prior to the commencement of the Meeting, or any adjournment or postponement thereof, or in any other manner permitted by law.

### **Voting in Person**

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

## **VOTING BY NON-REGISTERED SHAREHOLDERS**

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

## Giving your Voting Instructions

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

## Voting in Person

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

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

## Canada

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

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

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

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

## Australia

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

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

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

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

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

## Information for CDI Holders

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

The Corporation has also received an in-principle waiver from ASX Listing Rule 14.3 to the extent necessary to permit the Corporation to accept nominations for the election of directors in accordance with Canadian securities laws. Under ASX Listing Rule 14.3, an ASX listed entity must accept nominations for the election of directors up to 35 business days (in the case of a meeting that securityholders have requested directors to call, 30 business days) before the date of the meeting at which directors may be elected, unless the entity's constitution provides otherwise. Section 137 of the Canada Business Corporations Act provides a mechanism for Shareholders to submit proposals for consideration at an annual meeting, including nominations for election of directors, up to 90 days prior to the anniversary date of the previous annual meeting. If the proposal includes a nomination for election, the proposal must be signed by one or more holders of shares representing an aggregate of not less than 5% of the voting shares. A Shareholder who is entitled to submit a proposal is also entitled to discuss at an annual meeting any subject, including nominations for election of directors, that they would be entitled to make a proposal regarding. In this manner, nominations for election to director may be made at the meeting, and it is possible that a person could be elected director without his or her nomination disclosed prior to the date of the meeting.

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

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

## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

### Share Capital

The Corporation's authorized share capital currently consists of an unlimited number of Common Shares of which 316,801,091 were issued and outstanding as of the date of this Circular. Each Common Share entitles the holder thereof to one vote at all meetings of Shareholders of the Corporation, including the Meeting.

### Principal Shareholders

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

Pursuant to Australian law, a holder of more than 5% of the voting power of a corporation is deemed a substantial holder and must report such holdings. As of the close of business on the record date, the Corporation is not aware of any substantial holder under Australian law other than as set out below:

Name	Number of Common Shares	Percentage of Outstanding Common Shares
Sentry Investments, Inc.	27,401,000	8.6%
Colonial First State Global Asset Management	20,223,778	6.4%

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

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

## Audited Financial Statements

The audited comparative consolidated financial statements of the Corporation for the fiscal period ended December 31, 2013, and the report of the auditors thereon will be placed before the Meeting. Receipt at the Meeting of the audited comparative consolidated financial statements of the Corporation for the fiscal year ended December 31, 2013 will not constitute approval or disapproval of any matters referred to therein. No vote will be taken on the financial statements. These financial statements are included in the Corporation's 2013 Annual Report which can be accessed on the Corporation's website at [www.terangagold.com](http://www.terangagold.com) and are also available at [www.sedar.com](http://www.sedar.com).

Pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators (“NI 51-102”) and NI 54-101, a person or corporation who in the future wishes to receive annual and interim financial statements from the Corporation must deliver a written request for such material to the Corporation. Shareholders who wish to receive annual and interim financial statements are encouraged to complete the appropriate section at the bottom of the form of proxy and send it to Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, Canada, Attention: Proxy Department.

## Election of Directors

The Board is authorized to set the number of directors to be elected at a meeting of Shareholders. At the Meeting, Shareholders will be asked to elect the seven (7) directors proposed by management (the “**Nominees**”).

The following table provides the names of the Nominees and information concerning them. The persons named in the enclosed form of proxy intend to vote for the election of the Nominees. Management does not contemplate that any of the Nominees will be unable to serve as a director. Each director elected will hold office until his or her successor is elected at the next annual meeting of the Corporation, or any adjournment or postponement thereof, or until his or her successor is otherwise elected or appointed.

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

### Nominee Biographies

The following are brief biographies of the Nominees:

	<p><b>Alan R. Hill, 71</b> Toronto, Ontario Canada Director since October 2010</p> <p>Non-Independent (Formerly Executive Chairman and CEO of Teranga)</p>	<p>Mr. Hill joined Teranga as its Executive Chairman and CEO on December 3, 2010. Mr. Hill has been a director of Gold Fields Ltd since 2009. Mr. Hill served as President and CEO of Gabriel Resources Ltd. (“Gabriel”), having held the position from May 2005 to March 2009. Prior to leading Gabriel, Mr. Hill served as Non-Executive Chairman of Alamos Gold Inc. from 2005 through 2007, a gold company constructing its first mine in Mexico. Prior to that, Mr. Hill spent 20 years at Barrick Gold Corporation (“Barrick”), where as Executive Vice President, Development, he oversaw project evaluations, acquisitions and development of many of Barrick’s major mines in North America, South America, Africa and Australia. Mr. Hill holds undergraduate and graduate degrees in mining engineering and a post graduate degree in rock mechanics from Leeds University in the U.K.</p>						
<p><b>SECURITIES HELD</b></p>		<p>On March 11, 2014 Mr. Hill announced his intention to step down as Executive Chairman and to remain on as Chairman of Teranga.</p>						
<p>Common Shares</p>	<p>1,195,000</p>	<p>Areas of Expertise: Metals and Mining, Mine Engineering, International Business</p>						
<p>Stock Options</p>	<table border="0"> <tr> <td><i>Granted</i></td> <td><i>Vested</i></td> <td><i>Exercise Price</i></td> </tr> <tr> <td>2,200,000</td> <td>2,150,000</td> <td>\$3.00</td> </tr> </table>	<i>Granted</i>	<i>Vested</i>	<i>Exercise Price</i>	2,200,000	2,150,000	\$3.00	
<i>Granted</i>	<i>Vested</i>	<i>Exercise Price</i>						
2,200,000	2,150,000	\$3.00						
<p><b>MEMBER ATTENDANCE</b></p>		<p><b>OTHER PUBLIC BOARDS DURING PAST FIVE YEARS</b></p>						
<p>Board of Directors</p> <p>Committees:</p> <p>Technical</p>	<p>21 of 22</p> <p>2 of 2</p>	<p>Goldfields Ltd. (2009 to present) Gabriel Resources Ltd. (2005 to 2009)</p>						

	<p><b>Richard S. Young, 50</b> Oakville, Ontario Canada Director since October 2010</p> <p>Non-Independent (President and CEO of Teranga)</p>	<p>Mr. Young joined Teranga as its President and CFO on December 3, 2010 and was appointed as CEO on September 6, 2012. Mr. Young most recently served as Vice President and CFO of Gabriel Resources Ltd. from May 2005 to March 2010. From 1991 until 2003, Mr. Young served in a series of positions of increasing responsibility at Barrick Gold Corporation rising from positions in the finance group, mine development — primarily the Goldstrike and the Pierina projects — through corporate development, before becoming Vice President, Investor Relations. A Chartered Professional Accountant/CA, Mr. Young is a graduate of the University of Western Ontario and has a graduate diploma in public accountancy from McGill University.</p> <p>Areas of Expertise: Finance and Accounting, Metals and Mining, International Business</p>
<b>SECURITIES HELD</b>		
Common Shares		558,030
Stock Options	<i>Granted</i> 2,000,000	<i>Vested</i> 1,950,000  <i>Exercise Price</i> \$3.00
<b>MEMBER</b>	<b>ATTENDANCE</b>	<b>OTHER PUBLIC BOARDS DURING PAST FIVE YEARS</b>
Board of Directors	22 of 22	Nil

	<p><b>Christopher R. Lattanzi, 77</b> Toronto, Ontario Canada Director since October 2010</p> <p>Independent</p>	<p>Mr. Lattanzi is currently a director of Argonaut Gold Inc. and Spanish Mountain Gold Ltd. Mr. Lattanzi is an associate consultant for Micon International Limited (“Micon”). He was the founding member of Micon in 1988 and served as its president from formation until mid-2005. Prior to 1988, Mr. Lattanzi was a consultant with David Robertson and Associates, Micon’s predecessor firm. As a consultant, Mr. Lattanzi has gained invaluable experience in property valuation, scoping, feasibility studies and project monitoring on a global basis. Mr. Lattanzi was appointed a director of Meridian Gold Inc. (“Meridian”) in 1999 and from mid-2004 until December 2006 he was the chairman of the board of Meridian. Mr. Lattanzi holds a B.Eng (Mining) from Melbourne University. He has worked within the mineral industry for more than 50 years.</p> <p>Areas of Expertise: Metals and Mining (Technical), International Business</p>
<b>SECURITIES HELD</b>		
Common Shares		50,000
Stock Options	<i>Granted</i> 375,000	<i>Vested</i> 352,083  <i>Exercise Price</i> \$3.00
<b>MEMBER</b>	<b>ATTENDANCE</b>	<b>OTHER PUBLIC BOARDS DURING PAST FIVE YEARS</b>
Board of Directors	22 of 22	Argonaut Gold Inc. (2009 to present) Spanish Mountain Gold Ltd. (2008 to present)
Committees:		
Technical	2 of 2	
Audit	5 of 5	
Compensation	2 of 2	

	<p><b>Edward Goldenberg, 65</b> Ottawa, Ontario Canada Director since July 2013</p> <p>Non-Independent (Provided professional services in excess of \$75,000 in 2013)</p>	<p>Mr. Goldenberg is a senior partner at the law firm of Bennett Jones LLP where he has a corporate practice, advising clients on governance issues, public policy and government relations. Mr. Goldenberg has a distinguished background working with the Government of Canada, having been the Senior Policy Advisor to the Prime Minister of Canada (1993-2003) and the Prime Minister's Chief of Staff (2003). Prior to these roles, Mr. Goldenberg acted in various capacities in the federal government, including in all the major economic departments and as Special Constitutional Advisor to the Minister of Justice (1980-1982). He is one of the authors of the Charter of Rights and Freedoms. Mr. Goldenberg was awarded an Honourary Doctorate of Laws from McGill University in 2004. Mr. Goldenberg is a board member of the Canadian International Council, a non-partisan, nationwide council established to strengthen Canada's role in international affairs. Mr. Goldenberg holds a BA, MA and BCL from McGill University and is also a graduate of the Institut d'Études Politiques de Paris (France).</p>
<p><b>SECURITIES HELD</b></p>		
<p>Common Shares 75,000</p> <p>Stock Options Nil</p>	<p>Areas of Expertise: Legal, Government Relations, International Business</p>	
<p><b>MEMBER ATTENDANCE</b></p>	<p><b>OTHER PUBLIC BOARDS DURING PAST FIVE YEARS</b></p>	
<p>Board of Directors 9 of 9</p> <p>Committees:</p> <p>    Technical 1 of 1</p>	<p>Nil</p>	

	<p><b>Alan R. Thomas, 71</b> Toronto, Ontario Canada Director since October 2010</p> <p>Independent</p>	<p>Mr. Thomas has been a director/trustee of Labrador Iron Ore Royalty Corporation (formerly Labrador Iron Ore Trust) since 2004 and Chief Financial Officer since 2006. Mr. Thomas served on the board of directors of Gabriel Resources Ltd. from June 2006 until June 2010. Prior to retiring, Mr. Thomas held the position of Chief Financial Officer of ShawCor Ltd., an energy services firm headquartered in Toronto with manufacturing and service operations around the world, from 2000 to 2006. Prior to serving with ShawCor Ltd., Mr. Thomas was the CFO of Noranda Inc. from 1987 to 1998. Mr. Thomas is a Chartered Professional Accountant/CA and graduate of the University of Toronto.</p>					
<p><b>SECURITIES HELD</b></p>							
<p>Common Shares 10,000</p> <p>Stock Options</p> <table border="1" data-bbox="324 1407 755 1470"> <tr> <td><i>Granted</i></td> <td><i>Vested</i></td> <td><i>Exercise Price</i></td> </tr> <tr> <td>375,000</td> <td>352,083</td> <td>\$3.00</td> </tr> </table>	<i>Granted</i>	<i>Vested</i>	<i>Exercise Price</i>	375,000	352,083	\$3.00	<p>Areas of Expertise: Finance and Accounting, Metals and Mining, International Business</p>
<i>Granted</i>	<i>Vested</i>	<i>Exercise Price</i>					
375,000	352,083	\$3.00					
<p><b>MEMBER ATTENDANCE</b></p>	<p><b>OTHER PUBLIC BOARDS DURING PAST FIVE YEARS</b></p>						
<p>Board of Directors 22 of 22</p> <p>Committees:</p> <p>    Audit 5 of 5</p> <p>    Compensation 2 of 2</p>	<p>Labrador Iron Ore Royalty Corporation (2004 to present) Gabriel Resources Ltd. (2005 to 2010)</p>						

	<p><b>Frank Wheatley, 55</b> Toronto, Ontario Canada Director since October 2010</p> <p>Independent</p>	<p>Mr. Wheatley is the President and CEO of Yellowhead Mining Inc., a position he has held since July 1, 2013. Prior to that, Mr. Wheatley was the Executive Director — Corporate Affairs and Strategy of Talison Lithium Limited, from January 2010 until March 31, 2013 when it was acquired by Chengdu Tianqi Industry (Group) Co. Mr. Wheatley was the Vice-President and General Counsel of Gabriel Resources Ltd. (“Gabriel”), from 2000 to 2009, and prior to which, the President and Chief Operating Officer of Gabriel from March 1999 to October 2000. Before joining Gabriel, Mr. Wheatley was Vice President, Legal Affairs of Eldorado Gold Corporation. Mr. Wheatley has 28 years’ experience as a director and senior officer of, and legal counsel to, a number of Canadian public mining companies and has extensive legal and business experience in the mineral industry, particularly in the areas of public financing, project debt financing, permitting of large scale mining projects, and strategic mergers and acquisitions in the international minerals industry. Mr. Wheatley received his Bachelor of Commerce and LL.B. degrees from the University of British Columbia.</p> <p>Areas of Expertise: Legal, International Finance, Metals and Mining</p>						
<p><b>SECURITIES HELD</b></p>								
Common Shares		Nil						
Stock Options	<table border="0"> <tr> <td><i>Granted</i></td> <td><i>Vested</i></td> <td><i>Exercise Price</i></td> </tr> <tr> <td>375,000</td> <td>352,083</td> <td>\$3.00</td> </tr> </table>	<i>Granted</i>	<i>Vested</i>	<i>Exercise Price</i>	375,000	352,083	\$3.00	
<i>Granted</i>	<i>Vested</i>	<i>Exercise Price</i>						
375,000	352,083	\$3.00						
<p><b>MEMBER</b></p>	<p><b>ATTENDANCE</b></p>	<p><b>OTHER PUBLIC BOARDS DURING PAST FIVE YEARS</b></p>						
Board of Directors	20 of 22	Yellowhead Mining Inc. (2013 to present)						
Committees:		Talison Lithium Limited (2010 to 2013)						
Compensation	2 of 2	Galileo Petroleum Ltd. (2004 to 2012)						
Corporate Governance	3 of 3	Lilthic Resources Ltd. (2002 to 2012) Selwyn Resources Ltd. (2013 to 2014)						

	<p><b>Jendayi Frazer, 52</b> Alexandria, VA, USA Director since March 2014</p> <p>Independent</p>	<p>Dr. Frazer is the President and CEO of 50 Ventures, LLC, a strategic consulting and investment firm focused on Africa. She is also Managing Partner of Africa Exchange Holdings, Ltd., a private sector initiative to build Africa’s equity and commodity markets. She serves as Chairman of the Board of the East Africa Exchange, Ltd, that is based in Kigali, Rwanda. Dr. Frazer is also a Distinguished Public Service Professor at Carnegie Mellon University, where she is on faculty at the Heinz College School of Public Policy and Management and in the Department of Social and Decision Sciences. She is the Director of the university’s Center for International Policy and Innovation (CIPI). Frazer is an Adjunct Senior Fellow for Africa Studies at the Council on Foreign Relations where she chairs the “Africa After 50” high-level roundtable series focused on trends and regional dynamics shaping Africa’s future. Ambassador Frazer served as the U.S. Assistant Secretary of State for African Affairs and as Special Assistant to the President and Senior Director for African Affairs at the National Security Council. She was the first woman U.S. Ambassador to South Africa. Dr. Frazer received her B.A. in Political Science and African and Afro-American Studies, M.A. degrees in International Policy Studies and International Development Education, and a Ph.D. in Political Science, all from Stanford University.</p> <p>Areas of Expertise: International Development, Finance and Capital Markets, Government Relations</p>						
<p><b>SECURITIES HELD</b></p>								
Common Shares		Nil						
Stock Options	<table border="0"> <tr> <td><i>Granted</i></td> <td><i>Vested</i></td> <td><i>Exercise Price</i></td> </tr> <tr> <td>Nil</td> <td>Nil</td> <td>N/A</td> </tr> </table>	<i>Granted</i>	<i>Vested</i>	<i>Exercise Price</i>	Nil	Nil	N/A	
<i>Granted</i>	<i>Vested</i>	<i>Exercise Price</i>						
Nil	Nil	N/A						
<p><b>MEMBER</b></p>	<p><b>ATTENDANCE</b></p>	<p><b>OTHER PUBLIC BOARDS DURING PAST FIVE YEARS</b></p>						
Board of Directors	N/A	Nil						
Committees:	N/A							

(1) Messrs. Hill and Young, as executive directors, were not formal members of committees of the Board, however each attended each committee meeting in a management role. Mr. Hill was an ex-officio member of the Technical Committee given his skill sets.

(2) Mr. Goldenberg joined the Board on July 2, 2013 and attended all Board and committee meetings held after his appointment.

(3) Dr. Frazer was appointed to the Board on March 11, 2014 and has attended all Board and committee meetings held post her appointment.

## Board of Directors Skills Matrix

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

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

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

(2) Served as a director of another major organization (Public, Private or Non-Profit).

### Corporate Cease Trade Orders or Bankruptcies

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

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

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

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

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

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

### Penalties or Sanctions

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

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

#### Personal Bankruptcies

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

#### Indemnification and Insurance

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

#### Director Compensation

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

Each of the Corporation's non-executive directors also received an initial grant of 300,000 stock options ("**Stock Options**" or "**Options**") to purchase Common Shares under the Stock Option Plan, upon election or appointment, at an exercise price determined in accordance with the Stock Option Plan (which exercise price cannot be lower than the volume weighted average trading price of the Common Shares as reported on the TSX for the five trading days immediately preceding the day on which the Option is granted). In addition, each non-executive director is customarily granted 75,000 Options. In 2012 each non-executive director was granted 75,000 Options, however, in 2013 the Board decided not to make such annual grant. Options vest equally over 36 months from the date of grant and have a 10 year term, subject to the formal approval of, and grant by, the Board at the appropriate time. See "The Stock Option Plan".

The following table provides information regarding compensation paid to the Corporation's non-executive directors for the period from January 1, 2013 to December 31, 2013.

	<b>Annual Board Retainer</b> \$	<b>Retainer for Lead Independent Director</b> \$	<b>Annual Committee Chair Retainer</b> \$	<b>Board Meeting Fees</b> \$	<b>Committee Meeting Fees</b> \$	<b>Professional Service Fees</b> \$	<b>Special Committee Fees<sup>(6)</sup></b> \$	<b>TOTAL FEES</b> \$
<b>Christopher Lattanzi</b>	40,000	12,500	12,500 <sup>(1)</sup>	33,000	11,200	-	10,000	<b>119,200</b>
<b>Oliver Lennox-King<sup>(2)</sup></b>	20,000	-	6,250	18,000	5,600	-	-	<b>49,850</b>
<b>Alan Thomas</b>	40,000	-	32,500 <sup>(3)</sup>	33,000	14,000	-	10,000	<b>129,500</b>
<b>Frank Wheatley</b>	40,000	-	25,000 <sup>(4)</sup>	30,000	14,000	-	15,000	<b>124,000</b>
<b>Edward Goldenberg</b>	20,000	-	-	13,500	4,200	291,281 <sup>(5)</sup>	-	<b>328,981</b>
<b>Total</b>	<b>160,000</b>	<b>12,500</b>	<b>76,250</b>	<b>127,500</b>	<b>49,000</b>	<b>291,281</b>	<b>35,000</b>	<b>751,531</b>

(1) Retainer to Mr. Lattanzi is as Chair of the Technical & Safety Committee.

(2) On July 18, 2013, Mr. Lennox-King resigned as a director of Teranga.

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

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

(5) Mr. Goldenberg became a director of Teranga on July 2<sup>nd</sup>, 2013 and the professional services fees described above relate to legal advisory work provided by Mr. Goldenberg to Teranga through Bennett Jones LLP, a law firm in which Mr. Goldenberg has been a partner since November 2007.

(6) On May 23, 2013, the Board established a Special Committee comprised of independent directors, Mr. Wheatley, Mr. Lattanzi and Mr. Thomas, to oversee all communications and responses to a dissident shareholder request filed by Mineral Deposits Limited. The Special Committee met seven times in fulfilling its mandate. Mr. Wheatley was paid a retainer fee of \$10,000 as Chair of the Special Committee and the other members were paid a \$5,000 retainer. In addition, each member was paid \$1,000 for each meeting of the Special Committee up to a maximum meeting fee of \$5,000.

### Outstanding Option-Based Awards

The following table sets forth details of all awards to the Board of directors outstanding as at December 31, 2013, including awards granted prior to the most recently completed financial year. The Corporation did not have an active share-based compensation scheme as of December 31, 2013.

Director	Option-based Awards			
	Number of Securities Underlying Unexercised Options	Option Exercise Price (\$CAD)	Option Expiration Date	Value of Unexercised in-the-money Options <sup>(1)</sup>
Alan Hill	2,000,000	\$3.00	26-Nov-2020	Nil
	200,000	\$3.00	20-Jan-2021	Nil
Christopher Lattanzi	300,000	\$3.00	26-Nov-2020	Nil
	75,000	\$3.00	24-Feb-2022	Nil
Oliver Lennox-King <sup>(2)</sup>	300,000	\$3.00	26-Nov-2020	Nil
	75,000	\$3.00	24-Feb-2022	Nil
Alan Thomas	300,000	\$3.00	26-Nov-2020	Nil
	75,000	\$3.00	24-Feb-2022	Nil
Frank Wheatley	300,000	\$3.00	26-Nov-2020	Nil
	75,000	\$3.00	24-Feb-2022	Nil
Richard Young	1,800,000	\$3.00	26-Nov-2020	Nil
	200,000	\$3.00	20-Jan-2021	Nil
Edward Goldenberg	Nil	n/a	n/a	n/a
<b>Total</b>	<b>6,800,000</b>			<b>Nil</b>

(1) Based on the closing price for the Common Shares on the TSX of \$0.53 on December 31, 2013.

(2) Mr. Lennox-King resigned as a director on July 18, 2013 and therefore his vested Options as of that date, 345,833, expired on January 18, 2014 unexercised.

### Incentive Plan Awards — Value Vested or Earned during the Year

The value of all incentive plan awards that vested or were earned by each non-executive director for the period from January 1, 2013 to December 31, 2013, being the end of the most recently completed financial year, is nil.

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

### Deferred Share Unit Plan for Directors

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

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

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

<p><b>UNLESS SUCH AUTHORITY IS WITHHELD, THE PERSONS NAMED IN THE ACCOMPANYING PROXY WILL VOTE FOR THE NOMINEES.</b></p>
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## Appointment of External Auditors

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

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

The following table sets forth the aggregate fees billed by E&Y for 2013 and Deloitte & Touche LLP ("D&T") for the 2012 and 2013 fiscal years:

	<u>2013</u>	<u>2012</u>
	<u>E&amp;Y</u>	<u>D&amp;T</u>
Audit Fees <sup>(1)</sup>	\$323,000	\$473,000
Audit Related Fees <sup>(2)</sup>	\$191,000	\$102,000
Tax Fees <sup>(3)</sup>	Nil	\$6,000
All Other Fees <sup>(4)</sup>	\$113,000	\$106,000

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

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

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

(4) "All Other Fees" include all other non-audit services.

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

## Re-approval of the Stock Option Plan

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

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

Teranga's Compensation Committee is responsible for making recommendations to the Board regarding the granting of Options to participants under the Stock Option Plan. The duties, responsibilities and contributions of participants to the success of Teranga and its subsidiaries, together with market compensation data, are taken into account when the Compensation Committee and the Board determines whether, and how many, new Options grants should be made. The granting of Options is subject to the terms and conditions contained in the Stock Option Plan and any additional terms and conditions fixed by the Board at the time of the grant. The Board sets the exercise price of the Options, but under no circumstances can such exercise price be less than the weighted average trading price per Common Share on the TSX for the five trading days preceding the date of the grant.

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

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

The Stock Option Plan is a "rolling 10%" plan, which means that at any point in time Teranga is authorized to issue that number of Options which is equal to 10% of its then currently issued and outstanding number of Common Shares. As of the date hereof, an aggregate of 316,801,091 Common Shares were issued and outstanding, therefore the maximum number of Options issuable by Teranga at that date is 31,680,109 Options. The maximum number of Options issuable to insiders and their associates under the Stock Option Plan, or any other share compensation arrangement (as defined in the Stock Option Plan), shall not cover a number of Common Shares which exceeds 10% of Teranga's then currently issued and outstanding number of Common Shares. Similarly, the maximum number of Common Shares that may be issued to insiders and their associates within any one year period pursuant to the exercise of Options granted under the Stock Option Plan, or any other share compensation arrangement, shall not exceed 10% of the Common Shares outstanding (calculated on a non-diluted basis). As of the date hereof, an aggregate of 23,115,628 Options (representing approximately 7.3% of currently issued and outstanding Common Shares) were granted and remained outstanding, leaving an aggregate of 8,564,481 Options (representing approximately 2.7% of currently issued and outstanding Common Shares) available for issuance under the Stock Option Plan. To date, all stock options granted to Teranga directors, officers and employees have been issued at an exercise price of \$3.00 per option.

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

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 Stock Option Plan or any Option: (i) amend the vesting provisions of; (ii) or any other regulatory body having authority over the Corporation, the Stock Option Plan or the Shareholders; (iii) any amendment of a "housekeeping" nature, including, without limitation, to clarify the meaning of an existing provision of the Stock Option Plan, correct or supplement any provision of the Stock Option Plan that is inconsistent with any other provision of the Stock Option Plan, correct any grammatical or typographical errors or amend the definitions in the Stock Option Plan regarding administration of the Stock Option Plan and any Certificate; (iv) amend the Stock Option Plan or an Option as necessary to comply with applicable law or the requirements of the stock exchange; (v) any amendment respecting the administration of the Stock Option Plan; (vi) any other amendment that does not require the approval of Shareholders under Section 1.6(d) or the ASX Listing Rules; (vii) Shareholder approval and applicable waiver or consent by the ASX is required for the following amendments to the Stock Option Plan: (viii) any increase in the maximum number of Common Shares that may be issuable pursuant to Options granted under the Stock Option Plan set out in Section 1.4(c) therein; (ix) any reduction in the exercise price or extension of the expiry date of an Option held by an insider; and any change that would materially modify the eligibility requirements for participation in the Stock Option Plan.

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

#### *Shareholder Approval*

The policies of the TSX require that every three years the Stock Option Plan be re-approved at a meeting of the Shareholders. Therefore, the holders of Common Shares of Teranga will be asked to re-approve the Stock Option Plan at the Meeting. The text of the resolution re-approving the Stock Option Plan is set out below. In order to be passed, this resolution must be approved by at least a majority of the votes cast by disinterested Shareholders represented in person or by proxy at the meeting. Participants in the stock option plan are not entitled to vote on the resolution.

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

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

"RESOLVED that:

1. the Incentive Stock Option Plan, in the form attached as Schedule C to the Management Proxy Circular of Teranga Gold Corporation ("Teranga") dated April 4, 2014, is hereby approved and adopted as the incentive stock option plan of Teranga, and Teranga has the ability to continue granting options under the Incentive Stock Option Plan until May 1, 2017, being the date that is three (3) years from the date of the shareholder meeting at which this resolution is passed;
2. unallocated options to be granted under the Incentive Stock Option Plan are hereby approved;
3. upon the valid exercise of any options granted under the Incentive Option Plan, including the payment of the applicable exercise price, the underlying common shares in the capital of Teranga shall be issued from treasury as fully paid and non-assessable common shares of Teranga; and
4. any officer of Teranga is authorized and directed, for an on behalf of Teranga, to do, or cause to be done, all such acts and things and execute, whether under the corporate seal or otherwise, and deliver, or cause to be delivered, such other documents, agreements, certificates and statements, as any such officer may deem necessary or desirable in order to carry out the foregoing resolutions, the authority for the execution of such documents, agreements, certificates and statements and the doing of such other acts or things to be conclusively evidenced thereby."

**UNLESS SUCH AUTHORITY IS WITHHELD, THE PERSONS NAMED IN THE ACCOMPANYING PROXY WILL VOTE FOR THE RE-APPROVAL OF THE STOCK OPTION PLAN.**

#### **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to Shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Corporation. The Board is committed to sound corporate governance practices which are both in the interest of Shareholders and contribute to effective and efficient decision-making. National Policy 58-201 – *Corporate Governance*

Guidelines of the Canadian Securities Administrators establishes corporate governance guidelines which apply to all public companies. In light of these guidelines, the Corporation has instituted its own corporate governance practices.

## Board of Directors

At present, the Board is currently composed of seven (7) directors, four (4) of whom are considered to be independent of the Corporation. An "independent" director is a director who has no direct or indirect "material relationship" with the Corporation. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a director's independent judgment. On this basis, Jendayi Frazer, Christopher R. Lattanzi, Alan R. Thomas and Frank D. Wheatley are considered to be independent directors.

Mr. Hill, the Non-Executive Chairman of the Board, Mr. Young, the President and Chief Executive Officer of the Corporation, and Mr. Goldenberg, as provider of professional services to the Corporation in excess of \$75,000 in 2013, are not considered to be independent directors.

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

## Independent Directors' Meetings

The independent Board members meet before or after meetings of the Board in in-camera sessions, as and when necessary and appropriate, without the presence of management and under the chairmanship of the lead director of the Board, Christopher Lattanzi. During the year ended December 31, 2013, there were three (3) in camera session at which the non-independent directors and management were excluded from attendance.

## Attendance Record

The table below shows the record of attendance by directors at meetings of the Board and its committees, as well as the number of Board and Board committee meetings held during the 12 month period ended December 31, 2013.

Name	Number and Percentage of Meetings Attended						Overall Attendance
	Board (22)	Audit Committee (5)	Compensation Committee (2)	Corporate Governance Committee (3)	Technical & Safety Committee (2)	Committees (12 Total)	
Alan Hill <sup>(1)</sup>	21/22	-	-	-	2/2	2/2	23/24 (96%)
Richard Young <sup>(1)</sup>	22/22	-	-	-	-	-	22/22 (100%)
Christopher R. Lattanzi <sup>(1)</sup>	22/22	5/5	2/2	-	2/2 (Chair)	9/9	31/31 (100%)
Edward Goldenberg <sup>(2)</sup>	9/9	-	-	-	1/1	1/1	10/10 (100%)
Alan R. Thomas	22/22	5/5 (Chair)	2/2	3/3	-	10/10	32/32 (100%)
Frank D. Wheatley	20/22	5/5	2/2 (Chair)	3/3 (Chair)	-	10/10	30/32 (94%)

(1) Msrs Hill and Young, as executive directors during 2013, as well as Mr. Lattanzi as Lead Independent Director during 2013, attended all committee meetings of the Board.

(2) The Finance Committee did not formally meet as a committee in 2013 as the business that this Committee would normally review and consider was addressed by the Board directly for expediency reasons.

## Other Reporting Issuer Directorships

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

Name	Name of Other Reporting Issuer
Alan R. Hill	Gold Fields Ltd.
Christopher R. Lattanzi	Argonaut Gold Inc. Spanish Mountain Gold Ltd.
Alan R. Thomas	Labrador Iron Ore Royalty Corporation
Frank Wheatley	Yellowhead Mining Inc.

## **Board Mandate**

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

## **Position Descriptions**

### *Non- Executive Chairman*

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

### *Chief Executive Officer*

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

### *Chair of Each Standing Committee*

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

## **Orientation and Continuing Education**

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

The chair of each committee will be responsible for co-ordinating orientation and continuing director development programs relating to that committee’s mandate.

The Board has planned an orientation program for new directors under which new directors will meet with the chair of the Board, each member of the Board as well as members of the senior executive team. New directors will be presented with a director manual that reviews and includes copies of all policies and procedures of the Corporation, an overview of the Corporation’s operations and strategic direction, the Corporation’s financial and capital plan, recent annual and quarterly reports and materials relating to key business issues. A site visit is also incorporated as part of the orientation program.

## **Ethical Business Conduct**

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

agree to adhere to the standards set forth in the Code. A copy of the Code is available on SEDAR at [www.sedar.com](http://www.sedar.com) and may also be obtained from the Corporation upon request.

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

### **Nomination of Directors**

The Board is responsible for approving directors for nomination and election and filling vacancies among the directors. In connection with the nomination or appointment of individuals as directors, the Board will consider the recommendations of the Corporate Governance and Nominating Committee.

### **Corporate Governance and Nominating Committee**

The Corporate Governance and Nominating Committee is currently comprised of Frank D. Wheatley (Chair), Alan R. Thomas and Jendayi Frazer, each of whom is an independent director. The Corporate Governance and Nominating Committee identifies and reviews candidates for appointment or nomination to the Board based upon an assessment of the independence, skills, qualifications and experience of the candidate, and make recommendations to the Board for consideration.

### **Compensation Committee**

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

### **Other Board Committees**

#### *Audit Committee*

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

#### *Finance Committee*

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

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

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

#### *Corporate Social Responsibility Committee*

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

## Assessments

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

## Majority Voting Policy

The Board has adopted a majority voting policy relating to the election of directors. Pursuant to this policy, any nominee for director of the Corporation who, in an uncontested election, receives a greater number of votes withheld than number of votes in favour will promptly submit his or her resignation to the Board for consideration following the meeting. Such proposed resignations will be considered by directors other than the individual who submitted a resignation and such directors may choose to accept or reject the resignation. The Corporation will issue a press release within 90 days following the date of the meeting disclosing if the directors accepted or rejected the resignation. If the proposed resignation was rejected, the reasons therefor will also be included in the press release.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

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

<u>Plan Category</u>	<u>Number of Common Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Currently Remaining Available for Future Issuance under Equity Compensation Plans</u>
Equity Compensation Plans Approved by Securityholders <sup>(1)</sup>	23,115,628	\$2.57	8,564,481
Equity Compensation Plans Not Approved by Securityholders	N/A	N/A	N/A

(1) The Stock Option Plan was approved by Shareholders prior to the IPO and is also subject to re-approval by Shareholders at the Meeting.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### Introduction

Teranga is a mid-tier gold mining company operating the Sabodala gold mine in Senegal, West Africa. As the only gold mining company in Senegal, we remain focused on delivering and executing on our production and costs targets and creating shareholder value through the maximizing of free cash flow. As a participant in the international gold mining industry, which today remains a highly competitive market for executives, Teranga has designed its compensation program to ensure it is able to both attract and retain qualified executives with the skills and experience required to execute its strategy.

2013 was a year of significant activity and progress for Teranga and further discussion of Teranga's performance during 2013 can be found on page 22.

#### Compensation Governance

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

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

The Compensation Committee's primary responsibilities include:

*Compensation Philosophy, Policies and Practices* – ensure compensation philosophy, policies and practices for the directors, the Chief Executive Officer ("CEO"), and the executive officers:

- properly reflect their respective duties and responsibilities;

- are competitive in attracting, retaining and motivating people of the highest quality;
- align the interests of the directors, the CEO and the executive officers with Shareholders as a whole;
- are based on established corporate and individual performance objectives; and
- do not encourage the taking of inappropriate or excessive risks.

*Evaluation of Performance* – annually review and evaluate the performance of the CEO and the executive officers and, in light of pre-established performance objectives, report its conclusions to the Board;

*Performance Objectives* – annually review the performance objectives for the CEO and the executive officers and, in the Committee's discretion, recommend any changes to the Board for consideration;

*Chief Executive Officer Compensation* – annually review the compensation for the CEO and, in the Committee's discretion, recommend any changes to the Board for consideration;

*Executive Officers Compensation* – annually review the CEO's recommendations for the executive officers' compensation and, in the Committee's discretion, recommend any changes to the Board for consideration;

*Succession Planning* – annually review Teranga's succession plan for the CEO and the executive officers, including appointment, training and evaluation;

*Directors' Compensation* – annually review directors' compensation and, in the Committee's discretion, recommend any changes to the Board for consideration;

*Mitigation of Compensation Risk* – annually consider the risks associated with Teranga's compensation policies and practices, and ensure appropriate risk mitigation measures are adopted.

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

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

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

The CEO's role in executive compensation matters includes making recommendations to the Compensation Committee regarding the Corporation's annual business plan and objectives, which provide the basis for establishing both corporate and individual performance goals for all executive officers. The CEO reviews the performance of the other executive officers, and also makes recommendations with respect to adjustments in base salary, awarding of annual performance incentives, and awarding of long-term equity incentives to such executive officers. The CEO is not involved in the selection process for the Compensation Committee, or in making recommendations with respect to his own compensation package.

The Compensation Committee reviews the basis for the recommendations of the CEO and, prior to making its recommendations to the Board, exercises its sole discretion in making any modifications to such recommendations.

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

In December 2012, the Compensation Committee retained LaneCaputo Compensation Inc. ("LaneCaputo") to provide an independent review of current market practices regarding executive compensation, to assist the Compensation Committee in developing an appropriate comparator group of companies, as well as to provide advice and recommendations with respect to the Corporation's executive compensation program for 2012. In the course of conducting its activities, LaneCaputo attended one meeting of the Compensation Committee and presented its findings for discussion by the Compensation Committee. The Chair of the Compensation Committee also had several separate meetings with LaneCaputo. The Compensation Committee considered the advice, guidance and recommendations provided by LaneCaputo, prior to making its recommendations to the Board with respect to the executive compensation program for 2012.

In 2013, Lane Caputo was again retained to provide an updated market view of the Corporation's executive compensation and long-term incentive plan, as well as to provide advice with respect to the design of two long-term incentive plans, being a deferred share unit

plan for directors and a restricted share unit plan for executives, as well as advice with respect to the transition by Mr. Hill from Executive Chairman of the Corporation to his new role of Non-Executive Chairman. In the course of conducting its activities, LaneCaputo attended several meetings of the Compensation Committee and presented its findings for discussion by the Compensation Committee. The Chair of the Compensation Committee also attended several separate meetings with LaneCaputo. The Compensation Committee considered the advice, guidance and recommendations provided by LaneCaputo, prior to making its recommendations to the Board with respect to the adoption of two new long-term incentive plans, the amendment of executive employment agreements with respect to severance and change of control provisions, and the transition of the role of the Executive Chairman.

For the financial years ended December 31, 2013 and 2012, the following fees were paid to independent compensation consultants:

<b>Consultant</b>	<b>Financial Year ended December 31, 2013</b>	<b>Financial Year ended December 31, 2012</b>
LaneCaputo Compensation Inc.	\$60,329	\$38,420

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

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

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

## **Compensation**

### ***Compensation Philosophy***

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

The Board seeks to compensate Teranga's executive officers by combining short and long-term cash and equity incentives. It also seeks to reward the achievement of corporate and individual performance objectives, and to align executive officers' incentives with shareholder value creation. The Board also seeks to set company performance goals that reach across all business areas and to tie individual goals to the area of the executive officer's primary responsibility.

Other than the adoption of a deferred share unit plan for directors and a restricted share unit plan for executives, the Compensation Committee does not anticipate making any significant changes to its compensation philosophy, policies and practices for the 2014 financial year, but expects to review best practice developments in this regard to ensure that current practices do not create undue risk to Teranga and to continue to ensure the alignment of compensation packages with the objective of enhancing shareholder value through an increased share price.

### ***Comparator Group***

In order to benchmark the competitiveness of the compensation program for the executive officers of Teranga, LaneCaputo developed a peer group of mining companies with internationally focused operations, with the majority of them having operations in West Africa or the broader African continent. All of the peer companies have achieved commercial production, or have construction financing in place with near-term commencement of mining operations, and most have sustainable cash flow. In order to ensure a statistically valid

sample, a number of companies with mining operations in other foreign jurisdictions were also included. The Compensation Committee discussed, modified and ultimately approved the companies included in the comparator group.

The following table sets out the 19 companies included in the comparator group for the financial year ended December 31, 2013.

Comparator Company	Location of Operations	Metal	Corporate Head Office	Revenues FY 2013 (000's USD)	Market Capitalization (000's USD)*
Argonaut Gold Inc.**	Mexico	Gold	Reno, NV	\$182,804	\$741,334
Asanko Gold Inc.	Ghana	Gold	Vancouver, BC	\$0	\$135,967
Aurcana Corp.**	Texas, Mexico	Silver	Vancouver, BC	\$50,749	\$31,670
Banro Corp.**	DRC	Gold	Toronto, ON	\$118,725	\$134,335
Centamin plc**	Egypt	Gold	London, UK	\$531,119	\$806,518
Endeavour Mining Corp.	Ghana, Mali, Burkina Faso	Gold	Vancouver, BC	\$443,314	\$185,344
Fortuna Silver Mines Inc.	Peru, Mexico	Silver	Vancouver, BC	\$137,394	\$359,189
Golden Star Resources Ltd.	Ghana	Gold	Toronto, ON	\$467,796	\$121,113
Katanga Mining Ltd.	DRC	Copper- Cobalt	Baarestrasse, Switzerland	\$805,620	\$811,317
Luna Gold Corp.**	Brazil	Gold	Vancouver, BC	\$102,759	\$142,370
Nevsun Resources Ltd.	Eritrea	Gold-Silver- Copper-Zinc	Vancouver, BC	\$155,698	\$657,720
Perseus Mining Ltd.	Ghana, Cote d'Ivoire	Gold	Perth, Australia	\$260,494	\$99,285
Primero Mining Corp.	Mexico	Gold	Toronto, ON	\$200,326	\$506,131
Rio Alto Mining Ltd.**	Peru	Gold-Copper	Vancouver, BC	\$281,868	\$292,462
Semafo Inc.	Burkina Faso, Niger, Guinea	Gold	Montreal, QC	\$226,618	\$716,046
Sierra Metals Inc.**	Peru, Mexico	Gold-Silver- Copper-Zinc	Vancouver, BC	\$136,868	\$324,559
<b>50<sup>th</sup> percentile</b>				<b>\$191,565</b>	<b>\$308,511</b>
<b>75<sup>th</sup> percentile</b>				<b>\$322,230</b>	<b>\$672,301</b>
<b>Teranga Gold Corp.</b>	<b>Senegal</b>	<b>Gold</b>	<b>Toronto, ON</b>	<b>\$297,927</b>	<b>\$156,966</b>

Source: Thomson Reuters Eikon, company reports

\*As at December 31, 2013

\*\*2013 year end results were not available as of AIF release. Figure represents available 12-month trailing revenues.

The comparator group is reviewed annually by the Compensation Committee in connection with the independent compensation consultant to ensure it continues to constitute an appropriate comparator group.

### Elements of Compensation

Teranga's strategy is to provide a competitive compensation package for its executive officers. Teranga's executive compensation is comprised of three elements: base salary, annual performance incentives, and long-term equity incentives, with each element being described in more detail below.

#### Base Salary

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

Base salaries for Teranga's executive officers are established based on the scope of their responsibilities and their prior relevant experience, taking into account competitive market compensation paid by the comparator group for similar positions, as well as the overall market demand for such executives. An executive officer's base salary will also be determined by reviewing the executive officer's other compensation to ensure that the executive officer's total compensation package is in line with the Corporation's overall compensation philosophy.

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

For the financial year ended December 31, 2013 Teranga's base salaries for the executive officers continued to be at the median of the comparator group. As in 2012, Teranga paid a base salary to one executive officer with technical and operating expertise above the median salary for the comparator group, due to the need to attract and retain technical and operating personnel with the skills and

experience necessary to operate in Senegal, West Africa., as well as to achieve the corporate performance objectives established for 2013 as discussed below.

The Compensation Committee reviewed the recommendations of the CEO not to make any adjustments in base salary for 2014, due to a continued focus on reducing general and administrative expenses, and continued weakness in the market for gold equities and Teranga's share price performance. The Compensation Committee concurred with the CEO's recommendations and recommended to the Board not to adjust base salaries for 2014.

#### *Annual Performance Incentive*

Teranga's compensation policy targets annual performance incentives to achieve total cash compensation (salary + annual performance incentives) at the median of the comparator group when performance achieves targeted levels. Annual performance incentives are designed to provide that total cash compensation can achieve the 75<sup>th</sup> percentile of total cash compensation of the comparator group when performance warrants. Annual performance incentives are designed to provide motivation to executive officers to achieve near-term corporate and individual objectives, and to reward them when such objectives are met or exceeded.

The performance of the executive officers is reviewed annually by the Compensation Committee at the end of the financial year, when considering recommendations with respect to adjustments in base salary, awarding of annual performance incentives, and awarding of long-term equity incentives. The Compensation Committee reviews the performance of the CEO, and enlists the assistance of the CEO with respect to reviewing the performance of the other executive officers.

#### *Performance Goals and 2013 Performance*

Teranga completed its third complete year of operations on December 31, 2013.

Operations. With respect to operations, Teranga met the high end of its guidance for gold production for 2013 producing 207,204 ounces of gold against a target of between 190,000 to 210,000 ounces, and achieved total cash costs of US\$641 per ounce lower than our target of between US\$650 to US\$700 per ounce. All-in sustaining costs were \$1,033 per ounce, at the lower end of guidance of \$1,000 to \$1,100 per ounce. Teranga also resolved all outstanding items to bring the expanded mill up to design capacity.

Global Agreement with Government of Senegal. Teranga successfully negotiated and executed a series of agreements with the State of Senegal during 2013 that collectively addressed a number of operational and fiscal issues for Teranga in Senegal. These agreements constituted a global investment agreement that established a predictable and stable operating environment for the Corporation's future investment in Senegal.

Strategic Initiatives. With respect to strategic initiatives, Teranga completed the acquisition of Oromin Explorations Ltd. and announced the execution of definitive documentation to acquire the remaining interests in the Oromin Joint Venture Group ("OJVG") it did not already own. The OJVG was the 90% holders of an adjacent 213km<sup>2</sup> mining concession that provides almost immediate mill feed into Teranga's existing Sabodala gold operations. The completion of the acquisition and consolidation of the OJVG occurred on January 15, 2014, and included a US\$135 stream financing agreement with Franco Nevada (Barbados) Corporation ("Franco Nevada") which in exchange for the upfront cash deposit of \$135 million provided Franco Nevada with a future right to a fixed number of ounces (22,500 ounces annually) from 2013 through 2018 and thereafter 6% of production. For each ounce delivered Franco Nevada pays 20% of the then current gold spot price. As a result, Teranga's mining concession interest in Senegal increased from 33km<sup>2</sup> to 246km<sup>2</sup>, proven and probable reserves increased to 2.8 million ounces and measured and indicated resources to 6.2 million ounces all on a combined basis.<sup>1</sup>

Financial. With respect to financial matters, Teranga generated an aggregate of \$297.9 million in revenue, representing a 15% percent decrease over the prior financial year, with earnings of \$0.18 per share compared to earnings of \$0.38 per share from the prior financial year. In addition, Teranga delivered an aggregate of 45,289 ounces of gold into its hedge and bought back 14,500 ounces, thereby extinguishing the hedge in its entirety during 2013.

Environmental. With respect to environmental, safety and corporate social responsibility matters, Teranga's overall lost time injury rate continued to be well below industry bench-mark standards, and Teranga continued to encourage community-based grassroots development, with financial support being provided in the areas of health care, water sanitation, youth programs and education.

Notwithstanding the above achievements, Teranga's share price decreased 77% during 2013, beginning the year at \$2.27 per share and closing the year at \$0.53 per share. This decrease was significantly associated with a 28% decrease in the gold spot price during 2013 which was gold's first annual decrease after twelve consecutive annual increases. The median decrease in share price of Teranga's peer group during 2013 was 56%.

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<sup>1</sup> See Corporation's Press Release dated January 28, 2014 for a complete summary of these reserve and resource estimates.

A tabular summary of the performance metrics used to measure Teranga's corporate performance in 2013 is set out in the following table.

Annual Performance Incentive – Results			
Performance Category	Performance Metric	Target Performance Goal	2013 Performance
Operations:			
• Production	Gold Production	190,000 to 210,000 ounces	207,204 ounces
• Cost	Total Cash Cost per ounce	US\$650 – US\$700 per ounce	US\$641
• Mill Expansion	Throughput & availability	Increase throughput & availability	Expansion complete & increased throughput & availability
Financial			
• Earnings	Earnings per share	Positive EPS	\$0.18 per share
• Hedge	Ounces delivered	Close out hedge	Hedge closed out
Environment & Safety			
• Loss time frequency rate	Lower than industry average	Less than 4.31 loss time incidents per million hours worked	0.65 loss time incident rate per million hours worked
Corporate Social Responsibility	CSR Initiatives in Senegal	Increase in human and financial commitment	Education, water and sanitation project funded, launch of Teranga Development Strategy

Notwithstanding the Corporation's successful operational, financial, environmental and strategic performance during 2013, which achieved all guidance and targets and supported the grant of annual performance incentives, the recommendation of the CEO was to not award any annual performance incentives for 2013. The Compensation Committee recognized the Corporation's exceptional performance during 2013 on all metrics but for share price performance and that annual performance incentives were justified based on performance against target performance goals. However, after deliberation and concurring with the recommendations of the CEO, the Compensation Committee did not recommend to the Board that any annual performance incentives be granted for 2013 having regard to the Corporation's focus on reducing general and administrative costs, the state of the market for gold equities and the Corporation's share performance during 2013.

For the financial year ended December 31, 2013, total cash compensation for the executive officers was approximately at the median for the comparator group, with the exception of the two executive officers with technical skills and experience, for whom total cash compensation was approximately at the 75<sup>th</sup> percentile of the comparator group. The Compensation Committee was of the view that total cash compensation for the two executive officers at the 75<sup>th</sup> percentile was warranted based on the achievement of corporate performance objectives as discussed and set out in the table above.

#### *Long-Term Equity Incentives*

Teranga's compensation policy targets annual grants of long-term equity incentives at the median of the comparator group. Long-term equity incentives are designed to provide that, when combined with each executive officer's other elements of compensation, an executive officers' total compensation can achieve the 75<sup>th</sup> percentile of the comparator group for superior performance. Long-term equity incentives are designed to encourage executive officers to remain with the Corporation, to align the interests of the executive officers with long-term interest of Shareholders, and to reward them for their sustained contributions to long-term performance and the creation of shareholder value.

#### *Stock Option Plan*

The Stock Option Plan allows Teranga the opportunity to grant Option to purchase Common Shares of Teranga. The Fixed Bonus Unit Plan (as defined below) allows officers and employees to participate in a non-equity based compensation plan ("Units") in lieu of the Stock Option Plan. The Board does not award Stock Options or Units according to a prescribed formula or target, but rather takes into account the individual's position, scope of responsibility, ability to affect profits, the individual's historic and recent performance, and the value of the awards in relation to other elements of the executive's total compensation. The Board also takes previous grants of Stock Options and/or Units into consideration when considering new grants of Stock Options under the Stock Option Plan or Units under the Fixed Bonus Unit Plan.

Teranga has a compensation policy to grant all Stock Options and Units at an exercise price of \$3.00 (the "IPO Price"), which is the price per share at which Common Shares were offered under Teranga's IPO in December 2010. Therefore, every Stock Option and Unit granted since the inception of Teranga, whether in connection with the IPO, or subsequent to the IPO, has been issued at an exercise price equal to the IPO Price. While the Stock Options granted in connection with the IPO were at par with the IPO Price, all Stock Options and Units granted subsequently have been premium priced Stock Options and Units, since their exercise price exceeded the current market price of Teranga's Common Shares at the time of grant.

In considering an annual award of long-term equity incentives for the financial year ended December 31, 2013, the Compensation Committee reviewed the number of existing Stock Options and Units held by the executive officers, the circumstances under which prior awards were made (including the Teranga IPO), the recommendations of the CEO, and the advice of LaneCaputo. Based on such review, and the fact that the CEO did not recommend awarding any long-term equity incentives in the form of Stock Options or Units to the executive officers, the Compensation Committee recommended to the Board that no long term equity incentives in the form of Stock Options or Units be granted to the executive officers.

For the financial year ended December 31, 2013, total direct compensation (salary + annual performance incentives + estimated value of equity-based incentives) for the executive officers was below the median of the comparator group, due to the fact that no annual performance incentives were granted and no long term equity incentives were granted.

#### *Restricted Share Plan for Executives*

In order to allow senior executives (“**Designated Executives**”) to participate in the long-term success of the Corporation and to promote a greater alignment of interests between executives and Shareholders, the Corporation adopted a Restricted Share Unit Plan (the “RSU Plan”) on March 24, 2014. Pursuant to the RSU Plan, the Board may, from time to time, award RSUs to Designated Executives (including the Corporation’s named executive officers) specifying the number of RSUs granted, the grant date, the vesting date and other terms and conditions. The RSUs represent a right to receive an amount of cash (subject to withholdings), on vesting, equal to the product of (i) the number of vested RSUs held by such Designated Executive, and (ii) the Market Price at such time. RSUs will generally vest, subject to Board determination, as to 50% of the RSUs in thirds over a three year period, and as to the other 50% in thirds upon satisfaction of at least two (2) operational performance measures.

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

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

#### **Named Executive Officers**

Pursuant to NI 51-102, Teranga is required to disclose the compensation paid to its “named executive officers”. This means Teranga’s Chief Executive Officer and Chief Financial Officer (or individuals who served in similar capacities) for any part of Teranga’s most recently completed financial year, and the three most highly compensated executive officers (or individuals who served in similar capacities), other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than CDN\$150,000 (and each individual who would be a “named executive officer” but for the fact that the individual was neither an executive officer of Teranga, nor acting in a similar capacity, at the end of the financial year).

For the financial year ended December 31, 2013, the “named executive officers” are Alan R. Hill, the Executive Chairman; Richard S. Young, the President and Chief Executive Officer, Navin Dyal, the Chief Financial Officer, Mark English, Vice President Sabadola Operations and David Savarie, Vice President, General Counsel & Corporate Secretary (the “**Named Executive Officers**” or “**NEOs**”).

#### **Summary Compensation Table**

The following table, presented in accordance with NI 51-102, sets forth all annual and long-term compensation for services rendered in all capacities to Teranga for the three prior financial years ending December 31, 2013, in respect of the NEOs.

<b>Name and principal position</b>	<b>Fiscal Year Ended<sup>(1)</sup></b>	<b>Salary</b>	<b>Bonus</b>	<b>Share-based Awards</b>	<b>Option Based Awards<sup>(2)</sup></b>	<b>Non-equity Incentive Plan Comp.</b>	<b>Pension Value</b>	<b>All other comp<sup>(3)</sup></b>	<b>Total Comp.</b>
<b>Alan Hill<sup>(5)</sup></b> Chairman	2013	\$540,800	Nil	Nil	Nil	N/A	N/A	\$5,246	\$546,046
	2012	\$520,000	\$260,000	Nil	Nil	N/A	N/A	\$5,846	\$785,846
	2011	\$500,000	\$125,000	Nil	\$2,510,223	N/A	N/A	\$5,093	\$3,140,316

Name and principal position	Fiscal Year Ended <sup>(1)</sup>	Salary	Bonus	Share-based Awards	Option Based Awards <sup>(2)</sup>	Non-equity Incentive Plan Comp.	Pension Value	All other comp <sup>(3)</sup>	Total Comp.
<b>Richard Young<sup>(6)</sup></b> President and Chief Executive Officer	2013	\$540,800	Nil	Nil	Nil	N/A	N/A	\$9,321	\$550,121
	2012	\$450,000	\$225,000	Nil	Nil	N/A	N/A	\$9,198	\$684,198
	2011	\$400,000	\$112,500	Nil	\$2,271,295	N/A	N/A	\$3,855	\$2,787,650
<b>Navindra Dyal<sup>(7)</sup></b> Vice President, Chief Financial Officer	2013	\$260,000	Nil	Nil	Nil	N/A	N/A	\$4,441	\$264,441
	2012	\$61,846	\$64,960	Nil	\$537,833	N/A	N/A	\$799	\$665,438
	2011	N/A	Nil	Nil	Nil	N/A	N/A	N/A	N/A
<b>Mark English</b> Vice President, Sabadola Operations	2013	\$358,800	Nil	Nil	Nil	\$108,450	N/A	\$215,587 <sup>(8)</sup>	\$682,837
	2012	\$345,000	\$137,945	Nil	Nil	\$658,782 <sup>(4)</sup>	N/A	\$13,235	\$496,180
	2011	\$326,403	\$81,601	Nil	Nil	N/A	N/A	\$11,453	\$419,457
<b>David Savarie</b> Vice President, General Counsel & Corporate Secretary	2013	\$312,000	Nil	Nil	Nil	N/A	N/A	\$4,764	\$316,764
	2012	\$300,000	\$120,000	Nil	Nil	N/A	N/A	\$5,210	\$425,210
	2011	\$275,000	\$68,750	Nil	\$1,078,064	N/A	N/A	\$3,438	\$1,425,252

- (1) Salary and bonus amounts in this table reflect compensation earned between the period of January 1 to December 31 in each of the 2011, 2012 and 2013 years. Teranga was incorporated on October 1, 2010 and became a reporting issuer on November 11, 2010.
- (2) Teranga values Options using the Black-Scholes option pricing method as described in Teranga's audited financials for the year ended December 31, 2013. These amounts represent the fair value of Options at the grant date. Fair value of stock options granted in 2010 is included in fiscal year ended December 31, 2011.
- (3) Value includes life insurance premium, director fees, retiring allowance, settlement payment, and vacation pay on departure.
- (4) The Fixed Bonus Unit Plan is the only Non-equity Incentive Plan administered by the Corporation. The amount set out herein for Mr. English reflects the fair market value of the unvested Units at December 31, 2013. The fair market value is calculated using the Black-Scholes option valuation model as described in Teranga's audited financials for the year ended December 31, 2013.
- (5) Mr. Hill was appointed to Executive Chairman, formerly Chairman and Chief Executive Officer, on September 6, 2012. On March 11, 2014, Mr. Hill announced his intention to resign as Executive Chairman as of April 30, 2014, and to remain as the Corporation's non-executive Chairman.
- (6) Mr. Young was promoted to and appointed President and Chief Executive Officer, formerly President and Chief Financial Officer, on September 6, 2012.
- (7) Mr. Dyal was employed and appointed Chief Financial Officer as of September 27, 2012, and his annualized 2012 salary was \$240,000.
- (8) Mr. English is entitled to accrue annual leave entitlements up to 4 weeks per year of service. As at December 31, 2013, Mr. English had accrued \$77,658 in unpaid leave entitlements. Mr. English was paid \$196,276 in 2013 as per his accumulated annual leave entitlements under his employment contract, and the balance (\$19,311) was paid in respect of health and life insurance premiums paid on his behalf.

## CEO Compensation

On September 6, 2012, Richard Young was promoted to and appointed President and Chief Executive Officer, and the former Chief Executive Officer, Alan Hill, became the Executive Chairman of Teranga. While the Board recognizes that having both an Executive Chairman and a Chief Executive Officer is not dissimilar to having two Chief Executive Officers, the Board was comfortable with the benefits such working relationship between Mr. Hill and Mr. Young provide to Teranga during 2013.

The Compensation Committee has considered the practicalities of effectively having dual CEO roles, and has determined, from a compensation policy perspective, that the maximum aggregate total direct compensation for both roles should be limited to current amounts. In practice, this means that mix of compensation elements, the allocation of compensation among those elements, and the allocation of compensation between the Executive Chairman and CEO roles may change from year to year, but the maximum total direct compensation for the two roles will stay the same.

On March 11, 2014, the Corporation announced that Mr. Hill would transition from Executive Chairman to Non-Executive Chairman effective as of April 30, 2014.

For the financial year ended December 31, 2013, the Chief Executive Officer's base salary and annual performance incentive award were at or slightly above the median of the comparator group. Due to the initial grant of Stock Options in connection with Teranga's

IPO in November 2010, the Chief Executive Officer's total direct compensation is approximately at the 75<sup>th</sup> percentile of total direct compensation for the comparator group.

### Pension Plan Benefits and Defined Contribution Plans

Teranga does not have a pension plan or defined benefit plan.

### Incentive Plan Awards

#### *Outstanding Option-Based Awards*

No long term incentive plan awards of Stock Options were made to the NEOs during 2013. The following table sets forth details of all Stock Option awards outstanding as at December 31, 2013.

Name	Option-based Awards Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-money Options (\$) <sup>(1)</sup>
Alan R. Hill	2,000,000	\$3.00	11/26/2020	Nil
	200,000	\$3.00	12/20/2021	Nil
Richard S. Young	1,800,000	\$3.00	11/26/2020	Nil
	200,000	\$3.00	12/20/2021	Nil
Navin Dyal	600,000	\$3.00	9/27/2022	Nil
Mark English <sup>(2)</sup>	Nil	N/A	N/A	N/A
David Savarie	700,000	\$3.00	11/26/2020	Nil
	400,000	\$3.00	12/20/2021	Nil

(1) Based on the closing price for the Common Shares on the TSX of \$0.53 on December 30, 2013.

(2) Mr. English does not hold any incentive Stock Options in the Corporation. Mr. English was granted 1,100,000 Fixed Bonus Units in 2012 of which all have vested to date with an Exercise Price of \$3.00 per Unit.

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

During the financial year ending December 31, 2013, the value of the Stock Options or Units that would have been realized on the vesting date by each Named Executive Officer for the year ended December 31, 2013 was nil.

### Termination and Change of Control Benefits

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

#### **Description of Employment Agreements**

During 2013 the Compensation Committee, with the assistance of LaneCaputo, reviewed the severance and change of control provisions in the executive employment agreements with a view to ensuring such provisions were consistent with current market standards. The Compensation Committee determined that in some cases the quantum of payment upon either a change of control provisions or termination without cause were above current market, and some agreements did not contain a "double trigger" provision to trigger a payment upon a change of control. As a result of this review, the Compensation Committee recommended to the Board that such executive employment agreements be re-negotiated to ensure both the quantum of payments and the relevant definitions were consistent with current market practice.

All executive employment agreements were successfully re-negotiated such that they all contain current market consistent provisions regarding payment upon a change of control or termination without cause, and a double trigger provision to trigger a payment upon a change of control. The description of the executive employment agreements set forth below reflect the changes discussed above.

*Alan R. Hill*

The employment agreement with Mr. Hill is for an indefinite term, subject to the termination provisions provided for in the agreement. As at December 31, 2013, the agreement provided for annual salary of \$540,800, benefits, an annual bonus to be approved by Teranga's Board and incentive Stock Options pursuant to the Option Plan. Effective as of April 30, 2014, Mr. Hill will cease to be Executive Chairman of the Corporation and his employment agreement will terminate. Mr. Hill will receive no compensation from the Corporation as a termination payment upon ceasing to be Executive Chairman.

Until the termination of Mr. Hill's employment agreement on April 30, 2014, in the event of a Change of Control either: (a) the termination of Mr. Hill without cause within one year following the Change of Control event Mr. Hill will be entitled to receive a lump sum payment equal to two (2) times the sum of his base salary and actual bonus, including the cash component and the cash equivalent as of the date of grant of any restricted share units comprising part of the bonus, with such aggregate amount to be averaged over the two (2) preceding years. In the event that Mr. Hill's employment is terminated without cause, he will be entitled to a lump sum payment equal to two (2) years total compensation, comprised of his annual salary plus bonus, including the cash component and the cash equivalent as of the date of grant of any deferred or restricted share units comprising part of the bonus, with such aggregate amount to be averaged over the two (2) preceding years. The agreement also contains confidentiality, non-compete and non-solicitation covenants in favour of Teranga. Mr. Hill may terminate the agreement by giving Teranga ninety (90) days prior written notice. Mr. Hill agreed to reduce the payment received upon a change of control from three (3) times to two (2) times, and adopt a double trigger provision, and Mr. Hill received no compensation from the Corporation as consideration for these changes.

*Richard S. Young*

The employment agreement with Mr. Young is for an indefinite term, subject to the termination provisions provided for in the agreement. As at December 31, 2013, the agreement provides for annual salary of \$540,800, benefits and an annual bonus to be approved by the Board, and incentive Stock Options granted pursuant to the Option Plan.

In the event that Mr. Young is terminated without cause at any time, or within twelve months of a Change of Control his position, responsibilities, salary, bonus arrangement, or benefits provided are materially reduced without the express written consent of Mr. Young, Mr. Young will be entitled to receive a lump sum payment equal to two (2) times the sum of his base salary and actual bonus, including the cash component and the cash equivalent as of the date of grant of any deferred or restricted share units comprising part of the bonus, with such aggregate amount to be averaged over the two (2) preceding years. The agreement also contains confidentiality, non-compete and non-solicitation covenants in favour of Teranga. Mr. Young may terminate the agreement by giving Teranga ninety (90) days prior written notice. Mr. Young agreed to reduce the payment received upon a change of control from two and one half (2 ½) times to two (2) times, and adopt a double trigger provision. Mr. Young received no compensation from the Corporation as consideration for the change in the quantum of payment, but did receive a nominal grant of restricted share units as consideration for the change to a double trigger provision.

*Navin Dyal*

Mr. Dyal was hired as VP, Chief Financial Officer on September 27, 2012. The employment agreement with Mr. Dyal is for an indefinite term, subject to the termination provisions provided for in the agreement. As at December 31, 2013, the agreement provided for an annual salary of \$260,000, benefits, an annual bonus to be approved by the Board, and incentive Stock Options granted pursuant to the Option Plan.

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

*Mark English*

The employment agreement with Mr. English is for an indefinite term, subject to the termination provisions provided for in the agreement. As at December 31, 2013, the agreement provided for an annual salary of USD\$345,000, benefits, an annual bonus to be approved by the Board, and Fixed Bonus Units granted pursuant to the Fixed Bonus Unit Plan.

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

Teranga ninety (90) days prior written notice. Mr. English received a nominal grant of restricted share units as consideration for the change to a double trigger provision.

*David Savarie*

The employment agreement with Mr. Savarie is for an indefinite term, subject to the termination provisions provided for in the agreement. As at December 31, 2013, the agreement provided for an annual salary of \$312,000, benefits, an annual bonus to be approved by the Board and incentive Stock Options granted pursuant to the Option Plan.

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

### **Summary of Termination Benefits**

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

<b>Name</b>	<b>Triggering Event</b>	<b>Base Salary/ Total Cost Remuneration Package (\$)</b>	<b>Bonus (\$)</b>	<b>Options (\$)<sup>(1)</sup></b>	<b>Other Benefits</b>	<b>Total (\$)</b>
Alan R. Hill <sup>(2)</sup>	Termination without cause Change of Control	\$1,081,600 \$1,081,600	\$130,000 \$130,000	Nil/Full vesting Nil	Nil Nil	\$1,211,600 \$1,211,600
Richard S. Young	Termination without cause Change of Control	\$1,081,600 \$1,081,600	\$112,500 \$112,500	Nil/Full vesting Nil	Nil Nil	\$1,194,100 \$1,194,100
Navin Dyal	Termination without cause Change of Control	\$520,000 \$520,000	\$32,480 \$32,480	Nil/Full vesting Nil	Nil Nil	\$552,480 \$552,480
Mark English	Termination without cause Change of Control	\$538,200 \$538,200	\$68,972 \$68,972	Nil/Full vesting Nil	Nil Nil	\$607,172 \$607,172
David Savarie	Termination without cause Change of Control	\$624,000 \$624,000	\$60,000 \$60,000	Nil/Full vesting Nil	Nil Nil	\$684,000 \$684,000

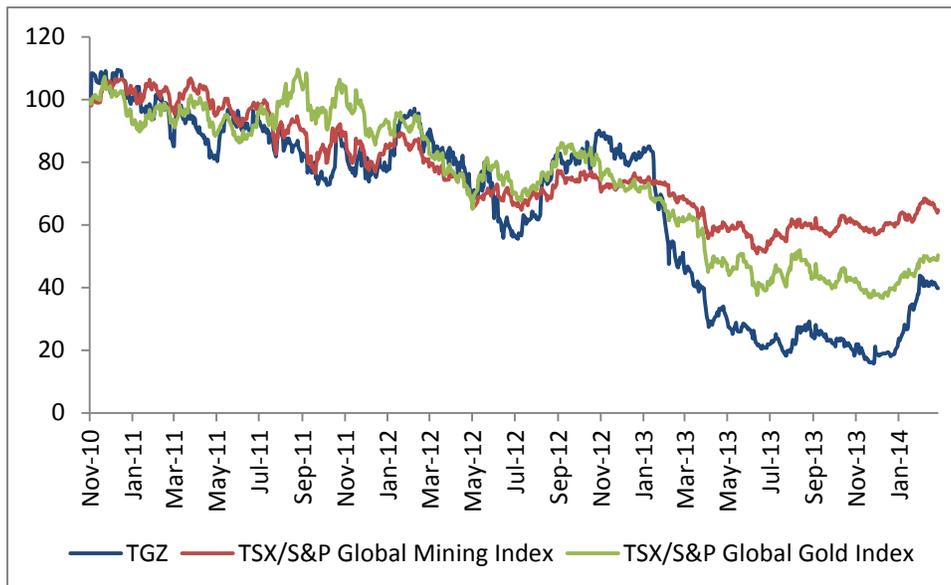
(1) Based on the closing price for the Common Shares on the TSX of \$0.53 on December 31, 2013. Further, based on the terms of the option agreement entered into with each NEO at date of Option grant, all unvested Options would immediately vest upon the date of termination (without cause) and the NEO would then have until the earlier of the expiry date of the option or 12 months to exercise such Options before they are cancelled. However, in the circumstances of a change of control (as defined in Teranga's Stock Option Plan), unvested Options held by the NEO do not automatically vest, vesting in such scenario is at the discretion of the Board.

(2) Mr. Hill has notified the Corporation that he will resign as Executive Chairman effective as of April 30, 2014, and thereafter, will remain as the Corporation's non-executive Chairman. Mr. Hill employment agreement with the Corporation will terminate as of April 30, 2014.

Teranga estimates that the aggregate incremental payments to each of the Named Executive Officers in the event of a change of control or termination without cause would be approximately \$4.8 million.

## Performance Graph

The following graph illustrates, since November 11, 2010, the date Teranga began trading on the TSX, the cumulative Shareholder return of an investment in Common Shares compared to the cumulative return of an investment in the S&P/TSX Global Gold Index and S&P/TSX Global Mining Index, assuming that \$100 was invested on November 15, 2010.



	November 15, 2010	December 31, 2010	December 30, 2011	December 31, 2012	December 31, 2013
Teranga Gold Corporation	\$100.00	\$106.57	\$75.91	\$82.48	\$19.34
S&P/TSX Global Gold Index	\$100.00	\$102.54	\$87.86	\$73.88	\$38.14
S&P/TSX Global Mining Index	\$100.00	\$106.56	\$78.74	\$75.56	\$60.57

The trend in the above graph shows an industry wide decline in investment returns across the two major indices (that include Teranga) from the time of Teranga's IPO up to December 31, 2013.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

To the best of the Corporation's knowledge, information and belief, no director or executive officer of the Corporation, nor any Nominee, nor any of their associates, is currently or was at any time since the beginning of the financial year ended December 31, 2013, indebted to the Corporation or any of its subsidiaries, and no indebtedness of such persons to another entity is currently or was at any time since the beginning of the financial year ended December 31, 2013 the subject of a guarantee, support agreement, letter of credit or other similar agreement provided by the Corporation or any of its subsidiaries.

## AUDIT COMMITTEE

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

### Composition of the Audit Committee

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

### Relevant Education and Experience

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

## Audit Committee Oversight

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

## Reliance on Certain Exemptions

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

## Pre-approval Policies and Procedures

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

## External Auditor Services

Financial Period	Audit Fees <sup>(1)</sup>	Audit-Related Fees <sup>(2)</sup>	Tax Fees <sup>(3)</sup>	All Other Fees <sup>(4)</sup>
January 1, 2012 to December 31, 2012	\$473,000	\$102,000	\$6,000	\$106,000
January 1, 2013 to December 31, 2013	\$323,000	\$191,000	Nil	\$113,000

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

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

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

## ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com). A holder of Common Shares may contact the Corporation to request a copy of the Corporation's consolidated financial statements and accompanying management's discussion and analysis by contacting Kathy Sipos, through e-mail at [ksipos@terangagold.com](mailto:ksipos@terangagold.com), or through the Corporation's website at [www.terangagold.com](http://www.terangagold.com). Financial information is provided in the Corporation's comparative financial statements and accompanying management's discussion and analysis for the fiscal year ended December 31, 2013.

## APPROVAL

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

DATED April 4, 2014.

BY ORDER OF THE BOARD OF DIRECTORS



David Savarie  
VP, General Counsel & Corporate Secretary

## SCHEDULE "A"

### TERANGA GOLD CORPORATION

#### MANDATE OF THE BOARD OF DIRECTORS

##### 1. Introduction

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

##### 2. Chairman of the Board

The chairman of the Board is appointed by the Board, after considering the recommendation of the Corporate Governance and Nomination Committee, for such term as the Board may determine.

##### 3. Independence

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

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

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

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

- adopting a strategic planning process;
- risk identification and ensuring that procedures are in place for the management of those risks;
- review and approve annual operating plans and budgets;

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

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

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

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

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

The Board will adopt a strategic planning process to establish objectives and goals for Teranga's business and will review, approve and modify as appropriate the strategies proposed by senior management to achieve such objectives and goals. The Board will review and approve, at least on an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of Teranga's business and affairs. The Board, in conjunction with management, will identify the principal risks of Teranga's business and oversee management's implementation of appropriate systems to

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

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

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

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

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

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

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

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

The Board approves all regulatory filings, including the annual audited financial statements, interim financial statements, the notes and management discussion and analysis accompanying such financial statements, quarterly and annual reports, management proxy circulars, annual information forms, prospectuses, and all capital investments, equity financings, borrowings and all annual operating plans and budgets.

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

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

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

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

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

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

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

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

Dated: February 20, 2014

Approved by: Board of Directors

## SCHEDULE "B"

### TERANGA GOLD CORPORATION

#### AUDIT COMMITTEE CHARTER

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

#### 1. Purpose

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

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

#### 2. Composition and Membership

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

#### 3. Meetings

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

#### 4. Duties and Responsibilities

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

##### a. Financial Reporting and Disclosure

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

##### b. Internal Controls and Audit

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

- ii. satisfy itself that management has established adequate procedures for the review of Teranga's disclosure of financial information extracted or derived directly from Teranga's financial statements;
- iii. satisfy itself, through discussions with management, that the adequacy of internal controls, systems and procedures has been periodically assessed in order to ensure compliance with regulatory requirements and recommendations;
- iv. review and discuss Teranga's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities;
- v. review, and in the Committee's discretion make recommendations to the Board regarding, the adequacy of Teranga's risk management policies and procedures with regard to identification of Teranga's principal risks and implementation of appropriate systems to manage such risks including an assessment of the adequacy of insurance coverage maintained by Teranga;
- vi. recommend the appointment, or if necessary, the dismissal of the head of Teranga's internal audit process;

##### c. External Audit

- i. recommend to the Board a firm of external auditors to be nominated for appointment as the external auditor of Teranga;
- ii. ensure the external auditors report directly to the Committee on a regular basis;
- iii. review the independence of the external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;
- iv. review and recommend to the board the fee, scope and timing of the audit and other related services rendered by the external auditors;
- v. review the audit plan of the external auditors prior to the commencement of the audit;
- vi. establish and maintain a direct line of communication with Teranga's external and internal auditors;
- vii. meet at least once a year in camera with only the auditors, and with only the members of the Committee;
- viii. oversee the performance of the external auditors who are accountable to the Committee and the Board as representatives of the shareholders, including the lead partner of the independent auditors team;
- ix. oversee the work of the external auditors appointed by the shareholders of Teranga with respect to

preparing and issuing an audit report or performing other audit, review or attest services for Teranga, including the resolution of issues between management of Teranga and the external auditors regarding financial disclosure;

- x. review the results of the external audit and the report thereon including, without limitation, a discussion with the external auditors as to the quality of accounting principles used, any alternative treatments of financial information that have been discussed with management of Teranga, the ramifications of their use as well as any other material changes. Review a report describing all material written communication between management and the auditors such as management letters and schedule of unadjusted differences;
- xi. discuss with the external auditors their perception of Teranga's financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto;
- xii. discuss with the external auditors their perception of Teranga's identification and management of risks, including the adequacy or effectiveness of policies and procedures implemented to mitigate such risks;
- xiii. review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendations to the Board;
- xiv. review annually a report from the external auditors in respect of their internal quality control procedures, any material issues raised by the most recent internal quality control review, or peer review of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues;

#### **d. Associated Responsibilities**

- i. monitor and periodically review the Whistleblower Policy and associated procedures for:
  - A. the receipt, retention and treatment of complaints received by Teranga regarding accounting, internal accounting controls or auditing matters;
  - B. the confidential, anonymous submission by directors, officers and employees of Teranga of concerns regarding questionable accounting or auditing matters; and

- C. any violations of any applicable law, rule or regulation that relates to corporate reporting and disclosure, or violations of Teranga's Code of Business Conduct & Ethics; and
- ii. review and approve Teranga's hiring policies regarding employees and partners, and former employees and partners, of the present and former external auditors of Teranga; and

#### **e. Non-Audit Services**

- i. pre-approve all non-audit services to be provided to Teranga or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its members the authority to pre-approve non-audit services but pre-approval by such member or members so delegated shall be presented to the full Committee at its first scheduled meeting following such pre-approval.

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

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

#### **6. Reporting**

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

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

The Committee will be granted unrestricted access to all information regarding Teranga necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by Members. The

Committee has the authority to retain, at Teranga's expense, independent legal, financial and other advisors, consultants and experts, to assist the Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve any such firm's fees and other retention terms without prior approval of the Board. The Committee also has the authority to communicate directly with internal and external auditors.

#### **8. Review of Charter**

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

Dated: February 20, 2014  
Approved by: Audit Committee  
Board of Directors

## SCHEDULE "C"

### TERANGA GOLD CORPORATION

#### INCENTIVE STOCK OPTION PLAN

##### Section 1 General Provisions

###### 1.1 Interpretation

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

**"Applicable Withholdings and Deductions"** has the meaning given to that term in Section 1.10;

**"Associate"** has the meaning ascribed to that term under Section 1 of the *Securities Act* (Ontario);

**"Associated Companies"**, **"Affiliated Companies"**, **"Controlled Companies"** and **"Subsidiary Companies"** have the meanings ascribed to those terms under Section 1 of the *Securities Act* (Ontario);

**"ASX"** means ASX Limited;

**"ASX Listing Rules"** means the listing rules of ASX;

**"Board"** has the meaning given to that term in Section 1.3 (c);

**"Business Day"** means any day other than a Saturday, Sunday or a statutory or civic holiday in Ontario;

**"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;

**"Certificate"** has the meaning given to that term in Section 1.3(d);

**"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;

**“Code”** has the meaning given to that term in Section 3.1;

**“Common Shares”** means the common shares in the capital of the Corporation;

**“Corporation”** means Teranga Gold Corporation;

**“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;

**“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;

**“Eligible U.S. Participants”** has the meaning given to that term in Section 3.1;

**“Exercise Price”** has the meaning given to that term in Section 2.2;

**“Expiry Date”** has the meaning given to that term in Section 2.3 (b);

**“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;

**“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;

**“Option”** means an option to purchase Common Shares granted to an Eligible Person pursuant to the terms of the Plan;

**“Option Period”** has the meaning given to that term in Section 2.3 (a);

**“Participant”** means an Eligible Person to whom Options have been granted;

**“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;

**“Plan”** means this Incentive Stock Option Plan of the Corporation;

**“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;

**“Shareholders”** means holders of Common Shares;

**“Stock Exchange”** means the TSX, the ASX, and any other stock exchange on which the Common Shares are listed or traded;

**“Termination Date”** means the date on which a Participant ceases to be an Eligible Person; and

**“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

This Plan shall be administered by the Board.

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.

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.

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

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.

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.

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).

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.

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

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).

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).

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.

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

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.

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.

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
- ii. 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 the Plan and any Certificate;

- iv. amend the Plan or an Option as necessary to comply with applicable law or the requirements of the Stock Exchange;
- v. any amendment respecting the administration of the Plan; and
- vi. any other amendment that does not require the approval of Shareholders under Section 1.6(d) or the ASX Listing Rules.
- vii. Shareholder approval and applicable waiver or consent by the ASX is required for the following amendments to the Plan:
- viii. 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);
- ix. any reduction in the Exercise Price or extension of the Expiry Date of an Option held by an Insider; and
- x. any change that would materially modify the eligibility requirements for participation in the Plan.

### 1.7 Compliance with Legislation

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.

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.

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.

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**

Nothing contained herein shall prevent the Board from adopting other or additional Share Compensation Arrangements or compensation arrangements, subject to any required approval.

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.

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.

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.

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

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.

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.

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

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.

Notwithstanding any other provision of the Plan, if the date that any vested Option ceases to be exercisable (the "**Expiry Date**") falls on, or within nine (9) Business Days immediately following, a date upon which such Participant is prohibited from exercising such Option due to a black-out period or other trading restriction imposed by the Corporation, then the Expiry Date of such Option shall be automatically extended to the tenth (10<sup>th</sup>) Business Day following the date the relevant black-out period or other trading restriction imposed by the Corporation is lifted, terminated or removed.

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.

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.

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.

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;

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.

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.

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:

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

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.

