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This annual report contains certain statements that constitute forward-looking information. Please refer to the cautionary note regarding "Forward-Looking Statements" on page 70. All amounts are in U.S. dollars unless otherwise stated.

**Cover page photo:** First gold bar produced at Wahgnion Gold Operations which commenced production in 2019.

# Building a Low-Cost Mid-Tier West African Gold Producer





# 2019 Achievements

## Sabodala Gold Operations

- ✓ Produced 241,276 ounces of gold, exceeding the top end of guidance
- ✓ Met the low end of guidance for per ounce sold cost metrics
- ✓ Announced the acquisition of the neighbouring high-grade Massawa Gold Project
- ✓ Lost time injury frequency rate of 0.5 per million hours worked

## Wahgnion Gold Operations

- ✓ Completed project ahead of schedule and below budget
- ✓ Produced 47,492 ounces of gold since first pour at the end of August, exceeding the top end of guidance
- ✓ Lost time injury frequency rate of 0 per million hours worked

## Golden Hill Advanced Exploration Project

- ✓ Issued early-stage initial mineral resource estimate providing a solid base to grow
- ✓ Initiated a 27,000-metre drilling exploration program to increase resource base
- ✓ Initial studies and engineering work commenced to support a preliminary economic assessment

## Côte d'Ivoire Early Stage Exploration Projects

- ✓ Good progress advancing the Miminvest properties, particularly Guitry and Dianra
- ✓ At Afema, completed an economic evaluation of a small-scale oxide project and progressed technical evaluation work at multiple locations
- ✓ Completed initial field work in support of drill programs planned for 2020

✓ Construction of *Wahgnion*, our second gold mine.



# To Our Fellow Shareholders

## **A Breakthrough Year**

Last year was a breakthrough year for Teranga. We secured the pipeline for a much stronger and longer future with the addition of our second gold mine, and an initial resource for a project that could be our third mine. We also announced the transformational acquisition of one of Africa's highest-grade undeveloped open-pit gold projects – the Massawa gold project – which is located within 30 kilometres of our Sabodala operation.

## **Sabodala Gold Operations: Our Flagship Gold Mine**

After more than a decade in operation and producing more than 2 million ounces of gold, Sabodala continues to shine. Last year, the mine produced 241,276 ounces at costs well below guidance and generated \$82 million in net cash flows, a portion of which went to funding our newest mine, Wahgnion. Sabodala's production, together with the first few months of production from Wahgnion, led to record gold production for the fourth consecutive year with 288,768 ounces, exceeding the top end of our production guidance range by 7%. Record high production, together with an attractive cost profile, resulted in \$100 million in operating cash flows for the year.

As has been the case for many years, Sabodala was also a major contributor to the country of Senegal as well as to the local communities around its mine. In 2019, Teranga contributed nearly \$200 million to in-country procurement, government contributions, direct community investment and payroll. More than 95% of Sabodala employees are from Senegal and more than half are from the local communities.

## **Wahgnion Gold Operations: Our Second Gold Mine**

One of our most significant news items in 2019 was the successful development of our second gold mine. Thanks to the efforts of more than 2,000 people, Wahgnion is up and running better than expected. Not only did the project come in ahead of schedule and below budget, the team did so without sustaining a single lost time injury.

Wahgnion's first gold pour, which occurred at the end of August, was followed by a successful mill commissioning and ramp-up to nameplate capacity through early fall and commercial production was declared on November 1st. With the mill running above nameplate capacity, Wahgnion produced 47,492 ounces of gold in 2019, surpassing the higher end of guidance.

### **Massawa Gold Project: A Transformational Acquisition**

In December 2019, Teranga announced the acquisition of one of the highest-grade undeveloped open-pit gold mines in Africa – the Massawa gold project – from Barrick Gold.

We financed the \$380 million acquisition through a combination of debt and equity. Taurus Funds, our existing lender, provided the debt component while Teranga's cornerstone shareholder, Tablo Corporation, together with Barrick Gold, made significant equity investments. Additionally, we completed an equity offering, which was three times oversubscribed and attracted an impressive list of supportive institutional investors.

Teranga was the natural acquirer of the Massawa gold project, which is located adjacent to Sabodala. The close proximity of the Massawa project to Sabodala's mill and infrastructure provides significant capital and operating synergies. A preliminary feasibility study incorporating a combined mine plan is underway for release in the third quarter and integration work has commenced. We expect to begin processing Massawa's high-grade ore at our existing Sabodala processing facility in the third quarter of 2020. The Sabodala-Massawa complex is expected to create a top-tier asset and accelerates Teranga's repositioning as a low-cost, mid-tier gold producer. The acquisition closed in early March 2020.

### **Considerable Progress at Our Most Advanced Exploration Project**

The 2019 exploration program focused on Golden Hill. We released an initial mineral resource estimate in February, followed by a series of near surface high-grade discoveries. These discoveries, along with the gold belt's favourable geological characteristics, continue to support our view that this project has the potential to become our third mine, and further increase our future production profile and financial metrics.

In 2020, we will continue to advance Golden Hill to the feasibility stage of development, with a preliminary economic analysis expected in the third quarter of 2020. We also expect to invest significant capital to explore additional prospective opportunities across Senegal, Burkina Faso and Côte d'Ivoire during the year. Approximately 70% of our planned spend in 2020 will go towards resource development programs in Burkina Faso and Senegal, and 30% towards grassroots exploration in Côte d'Ivoire.

### **Enhancing Our Sustainability Reporting and Security Management**

It continues to be a priority to assist our host governments and communities by sharing the benefits of responsible mining. Sustainability and social responsibility is a priority for us at every stage of every project. It is part of our daily operations as well as our longer-term strategy. Going forward, we will be evolving the way in which we conduct and report on our environmental, social, and governance work by aligning our practices with the World Gold Council's Responsible Gold Mining Principles, a framework with clear expectations as to what constitutes responsible gold mining. This process and transition in our reporting will roll out over the next three years.

Over the last four years, we have expanded beyond Senegal into Burkina Faso and Côte d'Ivoire. In 2019, we enhanced our security team, marking the beginning of a multi-stage process to enhance our protective personnel, equipment, and support capabilities. Over a short period, we have developed a robust security management structure and expanded intelligence capabilities by implementing around-the-clock security presence at both gold mines, establishing bespoke information monitoring and intelligence capabilities, and adjusting security protocols.

### **Improved Value Proposition for Shareholders**

Heading into 2020, Teranga is a much different company than it was just three years ago and this is reflected in our 2019 share price performance, which increased by 74%. We outperformed the price of gold, topped the Global Junior Gold Miners ETF (GDXJ), and were one of the top 50 performing companies on the OTCQX for the second year in a row. As a result of our recent growth, we were added to the Global Gold Miners ETF (GDX) in April 2020 putting us alongside other large cap companies. The price of gold firmed up in the second half of 2019 and has continued to rise in 2020 in response to COVID-19 and unprecedented global stimulus packages. The near and long-term outlook for gold is positive. What's more, we have numerous catalysts in store for 2020 and beyond.

### **Thank You to Our Supportive Stakeholders**

In a short time, we have transformed Teranga from a single-asset junior producer to a low-cost, mid-tier gold producer with a robust pipeline of projects that could lead to further growth in production and, more importantly, our key financial metrics. This would not have been possible without the backing of our key stakeholders. This includes guidance and support from our board of directors, continued investment and shared long-term vision by our largest shareholder Tablo Corporation, long-standing relations with our host governments and local communities, and the ongoing commitment of our 2,700-person strong workforce.



**ALAN HILL**  
Chairman



**RICHARD YOUNG**  
President & Chief Executive Officer



# 2020 Goals

## Sabodala-Massawa Gold Complex

- › Expect to produce 215,000 ounces of gold\* before the addition of ore from Massawa's Sofia deposit
- › Release combined Sabodala-Massawa pre-feasibility study within six months of the transaction close
- › Commence mill modifications and the mining and processing of ore from the high-grade Sofia deposit
- › Commence \$10 million drill program to expand the resource base in support of a definitive feasibility study in 2021

## Golden Hill Advanced Exploration Project

- › Conduct \$10 million exploration program to expand the resource base
- › Complete engineering, environmental, and social work to support the preliminary economic assessment required for a mine license application

## Wahgnion Gold Operations

- › Expect to produce 130,000-140,000 ounces of gold\* in the first full year of production
- › Relaunch the drilling exploration program on mine license to expand the resource base

## Côte d'Ivoire Early Stage Exploration Projects

- › Launch \$8 to \$10 million exploration program in Côte d'Ivoire with majority to be spent on drilling at Afema
- › Trenching and drilling campaigns planned for all three Miminvest properties

\* Sabodala's production target is based on proven and probable reserves only from Teranga's Sabodala Project as at December 31, 2019. Wahgnion's production target is based on proven and probable ore reserves only from Teranga's Wahgnion Gold Operations as at December 31, 2019. For more information regarding the Mineral Reserves and Resources and related notes for each operation, please refer to management's discussion and analysis for the year ended December 31, 2019 filed February 21, 2020 and available on the Company's website at [www.terangagold.com](http://www.terangagold.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).



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## Management's Discussion and Analysis for the Three and Twelve Months Ended December 31, 2019 and 2018

*This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial conditions and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the three and twelve months ended December 31, 2019 and 2018. This MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto ("Statements") of Teranga Gold Corporation ("Teranga" or the "Company") as at and for the twelve months ended December 31, 2019 and 2018. The Company's Statements and MD&A are presented in United States dollars ("USD"), unless otherwise specified, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Additional information about Teranga, including the Company's Amended and Restated Annual Information Form<sup>1</sup> for the year ended December 31, 2018, as well as all other public filings, is available on the Company's website at [www.terangagold.com](http://www.terangagold.com) and on the SEDAR website ([www.sedar.com](http://www.sedar.com)).*

This report is dated as of February 24, 2020. All references to the Company include its subsidiaries unless the context requires otherwise.

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

### OVERVIEW OF THE BUSINESS

Teranga is a multi-jurisdictional West African gold company focused on production and development as well as the exploration of approximately 6,400 km<sup>2</sup> of land located on prospective gold belts. Since its initial public offering in 2010, Teranga has produced more than 2 million ounces of gold from its Sabodala Gold Mine ("Sabodala") in Senegal. On November 1, 2019, the Company declared commercial production at its second mine, Wahgnion Gold Operations ("Wahgnion"), which is located in Burkina Faso. The Company had more than 3.7 million ounces of gold reserves<sup>2</sup> as of December 31, 2019 and is carrying out exploration programs in three West African countries: Burkina Faso, Côte d'Ivoire and Senegal. Teranga applies a rigorous capital allocation framework for its investment decisions and is focused on funding future organic growth plans responsibly.

On December 9, 2019, the Company entered into a definitive agreement pursuant to which the Company will acquire a 90 percent interest in the Massawa Gold Project ("Massawa") from a wholly-owned subsidiary of Barrick Gold Corporation ("Barrick") and its joint venture partner, Compagnie Sénégalaise de Transports Transatlantiques Afrique de l'Ouest SA ("CSTTAO") with the Government of Senegal holding the remaining 10 percent interest in Massawa (the "Massawa Acquisition").

Massawa is one of the highest-grade undeveloped open-pit gold reserves in Africa<sup>3</sup>. It is located within trucking distance of Teranga's flagship Sabodala mine in Senegal, creating the opportunity for significant capital and operating synergies<sup>4</sup>. The proximity of the projects and the combination of Sabodala's mill and Massawa's high-grade ore (the "Sabodala-Massawa Complex") are expected to transform Sabodala into a top tier asset.

<sup>1</sup> The Amended and Restated Annual Information Form dated July 31, 2019 was prepared and filed as an update to the Annual Information Form of the Company dated March 29, 2019 to reflect mineral reserve and resource estimates for Sabodala at an effective date of December 31, 2018.

<sup>2</sup> Refer to the Company's website at [www.terangagold.com](http://www.terangagold.com) or the reserves section of this MD&A for further details.

<sup>3</sup> The highest-grade undeveloped open-pit gold reserve in Africa statement is based on publicly filed data available on S&P Capital IQ as at November 15, 2019, and includes the following projects: Sanbrado project (Burkina Faso), Tulu Kapi project (Ethiopia), Passendro project (Central African Republic), Yaoure (Côte d'Ivoire), Wa-Lawra project (Ghana), Baomahun (Sierra Leone), Block 14 (Sudan), Bombore (Burkina Faso). Other companies may calculate their respective reserves base differently.

<sup>4</sup> Anticipated significant capital and operating synergies include capital expenditures, mining costs, processing costs, general and administrative expenses, and timing are based on Barrick's Technical Report on the Feasibility Study of the Massawa Gold Project, Senegal dated July 23, 2019 (the "Massawa Feasibility Study"), and Teranga's National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") technical report for the standalone Sabodala Gold Project dated August 30, 2017 (the "Sabodala Technical Report"). Teranga believes that in a combined Sabodala-Massawa operating complex, Massawa phase 1 and phase 2 capital expenditures are reduced. We believe the Sabodala mill and infrastructure is capable of processing free-milling ore from Massawa with minimal modifications for gravity, arsenic stabilization, and oxygen addition. The Company is targeting first production of ore from Massawa in second half 2020, a significant improvement over the Massawa standalone scenario where first production was scheduled for 2022 at the earliest. Sabodala's operating costs (mining, processing and general and administrative) are lower than those outlined in the Massawa Feasibility Study. Massawa is expected to be operated as satellite deposits, subject to integrated technical studies.

Steadfast in its commitment to set the benchmark for responsible mining, Teranga operates in accordance with international standards and aims to act as a catalyst for sustainable economic, environmental, and community development as it strives to create value for all of its stakeholders. Teranga participates in the United Nations Global Compact initiative and is a leading member of the multi-stakeholder group responsible for the submission of the first Senegalese Extractive Industries Transparency Initiative revenue report.

MISSION

Our mission is to create value through responsible mining for all of our stakeholders by setting the benchmark for sustainability and corporate social responsibility.

VISION

Our vision is to become a low-cost mid-tier West African gold producer with a portfolio of assets offering diversified production, strong operating margins and long-term sustainable free cash flows<sup>5</sup>.

STRATEGY

Our strategy is to maximize shareholder value by increasing long-term sustainable free cash flows<sup>5</sup> through diversification and growth while remaining fiscally conservative through the commodity cycle. To achieve our strategic objectives, we are focused on:

- i. maximizing free cash flow<sup>5</sup> from our two producing gold mines - Sabodala and Wahgnion, along with the Company's forthcoming acquisition of Massawa;
- ii. progressing Golden Hill, our most advanced exploration project, towards the feasibility stage of development;
- iii. unlocking additional value through resource conversion and exploration in Burkina Faso, Senegal and Côte d'Ivoire; and
- iv. funding our future growth plans responsibly.

FINANCIAL AND OPERATING HIGHLIGHTS

		Three months ended December 31,			Twelve months ended December 31,		
Financial Data		2019	2018	Change	2019	2018	Change
Revenue	(\$000s)	106,341	76,140	40%	353,490	312,628	13%
Cost of sales	(\$000s)	(81,169)	(59,374)	37%	(264,814)	(230,517)	15%
Gross profit	(\$000s)	25,172	16,766	50%	88,676	82,111	8%
Net (loss)/profit attributable to shareholders of Teranga	(\$000s)	(13,371)	(10,639)	26%	(33,393)	11,794	N/A
Per share	(\$)	(0.12)	(0.10)	26%	(0.31)	0.11	N/A
Adjusted net (loss)/profit attributable to shareholders of Teranga <sup>1</sup>	(\$000s)	(6,289)	1,229	N/A	1,162	18,075	(94%)
Per share <sup>1</sup>	(\$)	(0.06)	0.01	N/A	0.01	0.17	(94%)
EBITDA <sup>1</sup>	(\$000s)	24,168	14,588	66%	104,599	121,578	(14%)
Adjusted EBITDA <sup>1</sup>	(\$000s)	32,492	21,848	49%	130,175	113,506	15%
Operating cash flow before changes in working capital excluding inventories	(\$000s)	13,406	25,384	(47%)	54,818	96,649	(43%)
Operating cash flow	(\$000s)	21,458	41,784	(49%)	99,597	92,060	8%
Sustaining capital expenditures (excluding deferred stripping) <sup>2</sup>	(\$000s)	4,687	2,337	101%	11,345	10,769	5%
Capitalized deferred stripping - sustaining	(\$000s)	2,789	13,526	(79%)	29,755	45,978	(35%)
Growth capital expenditures <sup>2</sup>	(\$000s)	16,746	56,564	(70%)	136,506	145,411	(6%)

<sup>1</sup> This is a non-IFRS financial measure and does not have a standard meaning under IFRS. Please refer to Non-IFRS Financial Measures at the end of this MD&A.

<sup>2</sup> Comparative amounts have been restated to present resettlement capital expenditures related to the Niakafiri deposit as growth capital expenditures.

<sup>5</sup> This is a non-IFRS financial measure. Please refer to the reconciliation of Non-IFRS Financial Measures at the end of this MD&A.

		Three months ended December 31,			Twelve months ended December 31,		
Operating Data		2019	2018	Change	2019	2018	Change
Gold produced <sup>2</sup>	(oz)	91,411	59,442	54%	288,768	245,230	18%
Gold sold <sup>3,5</sup>	(oz)	72,342	61,696	17%	257,227	246,073	5%
Average realized price <sup>1, 3</sup>	(\$ per oz)	1,479	1,232	20%	1,377	1,271	8%
Cost of sales <sup>3</sup>	(\$ per oz)	1,122	962	17%	1,029	937	10%
Total cash costs <sup>1, 3</sup>	(\$ per oz)	779	692	12%	706	660	7%
All-in sustaining costs (excluding cash/(non-cash) inventory movements and amortized advanced royalty costs) <sup>1, 3, 4</sup>	(\$ per oz)	1,080	943	15%	917	907	1%

<sup>1</sup> This is a non-IFRS financial measure and does not have a standard meaning under IFRS. Please refer to Non-IFRS Financial Measures at the end of this MD&A.

<sup>2</sup> During the three months ended December 31, 2019, gold ounces produced from Sabodala and Wahgnion were 54,539 ounces and 36,872 ounces, respectively, including 8,344 ounces produced during Wahgnion's pre-commercial production phase (2018: 59,442 ounces and nil, respectively). During the twelve months ended December 31, 2019, gold ounces produced from Sabodala and Wahgnion were 241,276 ounces and 47,492 ounces, respectively, including 18,964 ounces produced during Wahgnion's pre-commercial production phase (2018: 245,230 ounces and nil, respectively).

<sup>3</sup> Excludes 8,136 ounces and 10,725 ounces sold from Wahgnion's pre-commercial production phase for the three and twelve months ended December 31, 2019.

<sup>4</sup> Comparative amounts have been restated to present resettlement capital expenditures related to the Niakafiri deposit as growth capital expenditures.

<sup>5</sup> Includes 5,660 ounces of gold produced at Wahgnion during Wahgnion's pre-commercial production period.

FOURTH QUARTER HIGHLIGHTS

Financial Highlights

- Revenues, gross profit, earnings, cash flow, earnings before interest, taxes, depreciation and amortization ("EBITDA")<sup>6</sup> and per ounce costs were all negatively impacted for the fourth quarter and full year by the large amount of unsold gold at year-end due to an earlier than normal cut-off for shipments. In total, just over 20,000 ounces of gold bullion inventory remain unsold at year-end. The value of the gold bullion inventory totalled \$31.2 million at the year-end spot gold price of \$1,515 per ounce.
- Revenue of \$106.3 million was 40 percent higher than the prior year period due to higher average realized prices<sup>6</sup> and higher ounces sold, including 23,722 post-commercial production gold ounces sold from Wahgnion.
- Gross profit of \$25.2 million was 50 percent higher than the prior year period due to \$7.3 million contributed from Wahgnion's post commercial production revenues and mining activities, and lower mine operation expenses at Sabodala.
- Consolidated net loss attributable to shareholders was \$13.4 million (\$0.12 loss per share) for the fourth quarter 2019 compared to \$10.6 million (\$0.10 loss per share) in the prior year period. Higher gross profit and lower net losses on derivative financial instruments was more than offset by non-cash losses on changes in fair values of share warrant liabilities and gold offtake payment liability, higher finance costs, share-based compensation expenses and net foreign exchange losses totalling \$14.1 million.
- Adjusted net loss attributable to shareholders<sup>6</sup> was \$6.3 million (\$0.06 loss per share) for the fourth quarter 2019 compared to adjusted net profit attributable to shareholders<sup>6</sup>of \$1.2 million (\$0.01 earnings per share) in the comparative period. Higher gross profit was more than offset by higher income tax expense (excluding the impact of foreign exchange on deferred taxes), finance costs, share-based compensation expenses, net foreign exchange losses and business and other taxes.
- Cash flow related to operating activities decreased 49 percent year-over-year to \$21.5 million due to the timing of gold shipments and an increase of supplies inventory at Wahgnion of \$3.4 million. Using a period-end gold spot price of \$1,515 per ounce, the 20,000 ounces of unsold bullion inventory would have increased cash flow by \$31.2 million.
- EBITDA<sup>6</sup> increased to \$24.2 million from \$14.6 million mainly due to higher revenues of \$30.2 million, partially offset by higher mine operation expenses of \$14.1 million, net foreign exchange losses of \$2.5 million and share-based compensation expense of \$2.9 million.
- Adjusted EBITDA<sup>6</sup> increased to \$32.5 million from \$21.8 million mainly due to higher gross profit as a result of higher gold ounces sold and higher average realized prices<sup>6</sup>, partially offset by higher share-based compensation expense.

<sup>6</sup> This is a non-IFRS financial measure. Please refer to the reconciliation of Non-IFRS Financial Measures at the end of this MD&A.

- Cash and cash equivalents totalled \$29.7 million, an increase of \$1.8 million from the third quarter 2019 balance of \$27.9 million. The marginal increase was mainly due to net cash flows of \$13.0 million from the Sabodala mine, drawdowns of \$11.7 million from the secured development finance facility with Taurus Funds Management Pty Ltd. ("Taurus Funds") (together the "Taurus Facility") and net drawdowns of \$0.6 million from the equipment finance facility with Caterpillar Financial Services Corporation ("CAT", together the "CAT Facility") which was largely offset by \$27.2 million in cash expenditures related to the construction of Wahgnion.
- On December 24, 2019, the Company extended the repayment of \$14.0 million drawn under the repurposed portion of the Taurus Facility originally to be used towards future advancement of Golden Hill ("Golden Hill Tranche") to the earlier of February 28, 2020 and 5 business days following completion of the Massawa Acquisition.

#### Operating Highlights

- Wahgnion achieved commercial production effective November 1, 2019. Fourth quarter gold production at Wahgnion was 36,872 ounces, including 8,344 ounces of pre-commercial gold production.
- Wahgnion surpassed the high end of its full year production guidance of 30,000 to 40,000 ounces with a total of 47,492 ounces of gold, including 18,964 ounces of pre-commercial gold production.
- Fourth quarter and full year gold production at Sabodala were 54,539 ounces and 241,276 ounces, respectively, surpassing Sabodala's 2019 production guidance of 215,000 to 230,000 ounces.
- With solid fourth quarter production from both Sabodala and Wahgnion, consolidated gold production for 2019 of 288,768 ounces represents a new Company record, exceeding the higher end of consolidated production guidance of 245,000 to 270,000 ounces. This is the fourth consecutive year in which the Company has both exceeded its annual production guidance and reported record gold production results.
- Consolidated cost of sales per ounce was \$1,122, an increase of 17 percent compared to the prior year period mainly due to higher mine production costs and depreciation at Wahgnion and lower capitalized deferred stripping costs, partially offset by net inventory movements and higher gold ounces sold between periods, despite 20,000 ounces of gold bullion inventory unsold at year-end. Full year consolidated cost of sales per ounce was \$1,029, below the low-end of the Company's 2019 guidance range.
- Consolidated total cash costs per ounce<sup>7</sup> were \$779, an increase of 12 percent compared to the prior year period mainly due to higher mine production costs with Wahgnion and lower capitalized deferred stripping costs, partially offset by net inventory movements and higher gold ounces sold between periods, despite 20,000 ounces of gold bullion inventory unsold at year-end.
- Consolidated all-in sustaining costs (excluding cash/(non-cash) inventory movements and amortized advanced royalty costs) per ounce<sup>7</sup> were \$1,080, an increase of 15 percent as a result of higher consolidated total cash costs<sup>7</sup>, higher share-based compensation expense and higher capital expenditures, partially offset by higher gold ounces sold, despite 20,000 ounces of gold bullion inventory unsold at year-end. Full year consolidated all-in sustaining costs (excluding cash/(non-cash) inventory movements and amortized advanced royalty costs) per ounce<sup>7</sup> were \$917, near the low-end of the Company's 2019 guidance range, despite the unsold gold bullion inventory at year-end.
- Sabodala generated net cash flow of \$13.0 million, increasing the full year net cash flow to \$81.5 million, an increase of 80 percent over the prior year period.

#### Growth Highlights

- On December 9, 2019, the Company entered into a definitive agreement pursuant to which it will acquire a 90 percent interest in Massawa from a wholly-owned subsidiary of Barrick and its joint venture partner, CSTTAO, with the Government of Senegal holding the remaining 10 percent interest in Massawa. Massawa is one of the highest-grade undeveloped open-pit gold reserves in Africa<sup>8</sup>. It is located within trucking distance of Teranga's flagship Sabodala mine in Senegal, creating the opportunity for significant capital and operating synergies<sup>9</sup>. Upon completion

of the Massawa Acquisition, the Sabodala-Massawa Complex is expected to transform Sabodala into a top tier asset.

- To finance the Massawa Acquisition, Teranga will pay upfront consideration totalling \$380 million which will consist of approximately \$300 million in cash and an aggregate of approximately \$80 million in Teranga common shares issued to Barrick and CSTTAO. The financing of the cash portion includes the following components:
  - On December 9, 2019, the Company entered into a new \$225 million acquisition facility (the "Acquisition Facility") with the Company's existing lender, Taurus Funds, and Barrick to fund a portion of the Massawa Acquisition.
  - On December 18, 2019, the Company completed a public equity offering (the "Offering") and issued 27,451,000 subscription receipts (the "Subscription Receipts") at C\$5.10 per Subscription Receipt for gross proceeds of C\$140 million (\$106.3 million). Net proceeds from the Offering will be used to fund a portion of the Massawa Acquisition, with the balance of the proceeds being used for exploration drilling across the Company's portfolio of properties, transaction costs related to the Massawa Acquisition and for working capital purposes.
  - On January 7, 2020, the Company completed a private placement to Tablo Corporation, an entity controlled by David Mimran, a director of the Company and its largest shareholder, for gross proceeds of approximately C\$59.6 million (\$45.9 million) (the "Private Placement").
  - Proceeds from the Offering and Private Placement are currently held in escrow until completion of the Massawa Acquisition.
- On February 13, 2020, the Company obtained certain key approvals from the Government of Senegal in order to proceed to close the Massawa Acquisition.
- At Golden Hill, the Company's most advanced exploration project located in Burkina Faso, a 27,000-metre drill program was initiated during the second half of 2019 to increase the resource base. Initial environmental and social studies have started and engineering has commenced to support the application for a mine license in 2020. During the quarter, the Company drew down \$2.0 million from the Golden Hill Tranche of the Taurus Facility to fund the exploration program. In total, \$4.5 million has been drawn from the Golden Hill Tranche of the Taurus Facility to fund the exploration program.
- On January 22, 2020, the Company announced results from its drilling program at Golden Hill which has returned high-grade gold intercepts from near surface to depth at several existing targets and encouraging gold grades in numerous step-out holes. The campaign has also uncovered a new discovery at Golden Hill - the Ma Jonction prospect, located between Ma Main and Ma North.

<sup>7</sup> This is a non-IFRS financial measure. Please refer to the reconciliation of Non-IFRS Financial Measures at the end of this MD&A.

<sup>8</sup> Refer to footnote 3 on page 11 of this MD&A.

<sup>9</sup> Refer to footnote 4 on page 11 of this MD&A.



## 2020 Outlook

The following table outlines the Company's performance compared to the 2019 summary production and cost guidance:

		Year ended December 31, 2019	
		2019 Actual	Third quarter 2019 Guidance
<b>Sabodala Operating Results</b>			
Total mined	('000t)	33,886	37,000 - 39,500
Ore mined	('000t)	2,909	3,000 - 3,500
Grade mined	(g/t)	2.15	1.50 - 2.00
Strip ratio	waste/ore	10.6	9.5 - 12.0
Ore milled	('000t)	4,161	4,100 - 4,300
Head grade	(g/t)	1.98	1.80 - 2.00
Recovery rate	%	90.9	89.0 - 91.0
Gold produced <sup>A</sup>	(oz)	241,276	215,000 - 230,000
Cost of sales	\$/oz sold	1,015	1,050 - 1,125
Total cash costs <sup>B</sup>	\$/oz sold	690	725 - 775
All-in sustaining costs <sup>C</sup>	\$/oz sold	857	900 - 975
Non-cash inventory movements and amortized advanced royalty costs <sup>C</sup>	\$/oz sold	(50)	(75)
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) <sup>C</sup>	\$/oz sold	807	825 - 900
Mining	(\$/t mined)	2.74	2.50 - 2.75
Mining long haul	(\$/t hauled)	1.36	1.50 - 2.00
Milling	(\$/t milled)	11.19	12.00 - 13.00
General and administration	(\$/t milled)	4.82	4.50 - 5.00
Mine production costs	\$ millions	163	165 - 180
<b>Capital Expenditures</b>			
Sustaining capital <sup>D</sup>	\$ millions	9	10 - 15
Resettlement capital	\$ millions	11	15 - 20
<b>Total Capital Expenditures</b>	\$ millions	20	25 - 35
<b>Wahgnion Operating Results</b>			
Total mined <sup>E</sup>	('000t)	12,151	8,000 - 10,000
Ore mined <sup>E</sup>	('000t)	1,532	1,000 - 1,200
Grade mined	(g/t)	1.37	1.80 - 2.00
Ore milled	('000t)	958	500 - 650
Head grade	(g/t)	1.63	1.80 - 2.00
Recovery rate	%	94.7	~ 90.0
Gold produced <sup>A</sup>	(oz)	47,492	30,000 - 40,000
Cost of sales <sup>F</sup>	\$/oz sold	1,170	1,175 - 1,250
All-in sustaining costs <sup>C, F</sup>	\$/oz sold	950	1,050 - 1,125
Non-cash inventory movements <sup>C, F</sup>	\$/oz sold	(12)	(300)
All-in sustaining costs (excluding non-cash inventory movements) <sup>C, F</sup>	\$/oz sold	938	750 - 825
<b>Wahgnion Capital Expenditures</b>			
Construction	\$ millions	110	115 - 120
Pre-commercial production costs <sup>F</sup>	\$ millions	40	~ 30
<b>Total Wahgnion Capital Expenditures <sup>F</sup></b>	\$ millions	150	145 - 150
<b>Corporate and Other</b>			
Corporate administration expense	\$ millions	15	13 - 14
Share-based compensation expense <sup>G</sup>	\$ millions	8.5	3.5 - 4.5
Regional administration costs	\$ millions	3	2 - 3
Community social responsibility expense	\$ millions	4	4 - 5
<b>Exploration and evaluation <sup>H</sup></b>	\$ millions	11	10 - 15

	Year ended December 31, 2019	
	2019 Actual	Third quarter 2019 Guidance
<b>Consolidated</b>		
Gold produced	(oz) 288,768	245,000 - 270,000
Cost of sales <sup>F</sup>	\$/oz sold 1,029	1,050 - 1,125
All-in sustaining costs <sup>C, F</sup>	\$/oz sold 963	1,000 - 1,100
Non-cash inventory movements and amortized advanced royalty costs <sup>C, F</sup>	\$/oz sold (46)	(100)
All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) <sup>C, F</sup>	\$/oz sold 917	900 - 1,000
Notes to Guidance Table Above:		
A. 22,500 ounces of Sabodala gold production were to be sold to Franco-Nevada Corporation ("Franco-Nevada") at 20 percent of the spot gold price. All Wahgnion gold production was subject to a gold offtake payment agreement with Taurus Funds ("Offtake Agreement") up to 1,075,000 ounces (see <i>Financial Instruments</i> section for more details).		
B. Total cash costs per ounce sold is a non-IFRS financial measure and does not have a standard meaning under IFRS.		
C. All-in sustaining costs per ounce is a non-IFRS financial measure and does not have a standard meaning under IFRS. All-in sustaining costs per ounce sold calculated at the mine site level includes only total cash costs per ounce and sustaining capital expenditures. All-in sustaining costs for Sabodala includes sustaining capital expenditures but excludes growth capital related to the Sabodala village resettlement. Corporate administration and share-based compensation expense are presented separately in this table and are not allocated to the mine site level costs. All-in sustaining costs presented on a consolidated basis includes corporate administration and share-based compensation expense. All-in sustaining costs also includes non-cash inventory movements and non-cash amortization of advanced royalties.		
D. Excluded capitalized deferred stripping costs, included in mine production costs.		
E. These figures were updated in second quarter 2019 to reflect initial estimates based the new plan for Wahgnion that was being developed.		
F. These amounts may change depending on the point at which commercial production is reached at Wahgnion. Until such point, all pre-commercial production costs are capitalized and proceeds from gold ounces sold are recorded as a reduction to the Wahgnion development asset.		
G. Share-based compensation expense assumed an average price of C\$4.00 per Teranga share.		
H. Exploration and evaluation costs included both expensed exploration, primarily attributable to exploration work on exploration permits, and capitalized reserve development, which was work performed on mine licenses. In the second quarter, we increased the lower end of the range from \$5 million to \$10 million to reflect actual and expected spend. The higher end of the range was not changed.		
This forecast financial information was based on the following material assumptions for the remainder of 2019: gold price: \$1,350 per ounce; Brent Crude Oil: \$62 per barrel; and Euro:USD exchange rate of 1:1.15.		
Other important assumptions: any political events are not expected to impact operations, including movement of people, supplies and gold shipments; grades and recoveries is expected to remain consistent with the life-of-mine plan to achieve the forecast gold production; and no unplanned delays in or interruption of scheduled production.		

The following table outlines the Company’s estimated 2020 summary production and cost guidance:

		2020 Guidance Sabodala	2020 Guidance Wahgnion	2020 Guidance Consolidated
Total mined	('000t)	35,000	18,000 - 20,000	
Ore mined	('000t)	5,000 - 6,000	2,500 - 3,000	
Grade mined	(g/t)	1.40 - 1.60	1.70 - 1.80	
Strip ratio	waste/ore	5.0 - 6.0	6.0 - 7.0	
Ore milled	('000t)	4,000 - 4,200	2,500 - 2,700	
Head grade	(g/t)	1.75 - 1.85	1.80 - 2.00	
Recovery rate	%	88 - 90	91 - 93	
Gold produced <sup>A</sup>	(oz)	215,000	130,000 - 140,000	345,000 - 355,000
Cost of sales	\$/oz sold	1,050 - 1,150	1,025 - 1,175	1,075 - 1,200
Total cash costs <sup>B</sup>	\$/oz sold	750 - 800	775 - 850	
All-in sustaining costs <sup>C</sup>	\$/oz sold	875 - 950	900 - 1,000	975 - 1,100
Cash/(non-cash) inventory movements and amortized advanced royalty costs <sup>C</sup>	\$/oz sold	25	(50)	(25)
All-in sustaining costs (excluding cash/(non-cash) inventory movements and amortized advanced royalty costs) <sup>C</sup>	\$/oz sold	900 - 975	850 - 950	950 - 1,075
Mining	(\$/t mined)	2.50 - 2.75	2.15 - 2.40	
Mining long haul	(\$/t hauled)	1.25 - 1.75		
Milling	(\$/t milled)	11.00 - 12.00	12.00 - 13.00	
General and administration	(\$/t milled)	4.50 - 5.00	7.00 - 8.00	
Mine production costs	\$ millions	160 - 170	90 - 100	
<b>Capital Expenditures</b>				
Sustaining capital <sup>D</sup>	\$ millions	15 - 20	15 - 20	
Resettlement capital	\$ millions	10 - 15	10 - 15	
<b>Corporate and Other</b>				
Corporate administration expense	\$ millions			16 - 17
Share-based compensation expense <sup>E</sup>	\$ millions			~8
Regional administration costs	\$ millions			~6
Community social responsibility expense	\$ millions			9 - 10
Exploration and evaluation <sup>F</sup>	\$ millions			20 - 25
Notes to Guidance Table Above:				
A. Based on the 2020 guidance, 12,900 ounces of Sabodala gold production are to be sold to Franco-Nevada Corporation ("Franco-Nevada") at 20 percent of the spot gold price. All Wahgnion gold production is subject to a gold offtake payment agreement with Taurus Funds ("Offtake Agreement") up to 1,075,000 ounces (see <i>Financial Instruments</i> section for more details).				
B. Total cash costs per ounce sold is a non-IFRS financial measure and does not have a standard meaning under IFRS.				
C. All-in sustaining costs per ounce is a non-IFRS financial measure and does not have a standard meaning under IFRS. All-in sustaining costs per ounce sold calculated at the mine site level includes only total cash costs per ounce and sustaining capital expenditures. All-in sustaining costs for includes sustaining capital expenditures but excludes growth capital related to village resettlement expenditures. Corporate administration and share-based compensation expense are presented separately in this table and are not allocated to the mine site level costs. All-in sustaining costs presented on a consolidated basis includes corporate administration and share-based compensation expense. All-in sustaining costs also includes non-cash inventory movements and non-cash amortization of advanced royalties.				
D. Excludes capitalized deferred stripping costs, included in mine production costs.				
E. Share-based compensation expense assumes an average price of C\$9.00 per Teranga share.				
F. Exploration and evaluation costs includes both expensed exploration, primarily attributable to exploration work on exploration permits, and capitalized reserve development, which is work performed on mine licenses.				
This outlook financial information is based on the following material assumptions for 2020: gold price: \$1,450 per ounce; Brent Crude Oil: \$60 per barrel; and Euro:USD exchange rate of 1:1.10.				
The Company assumes a corporate income tax rate of 25 percent in Senegal and 17.5 percent in Burkina Faso.				
Other important assumptions: any political events are not expected to impact operations, including movement of people, supplies and gold shipments; grades and recoveries is expected to remain consistent with the life-of-mine plan to achieve the forecast gold production; and no unplanned delays in or interruption of scheduled production.				

2020 Guidance Analysis

Estimates of future production, cost of sales, cash costs<sup>10</sup>, all-in sustaining costs<sup>10</sup> and all-in sustaining costs (excluding cash/(non-cash) inventory movements and amortized advanced royalty costs)<sup>10</sup> are based on mine plans that reflect the expected method by which we will mine reserves at each site. Actual gold production and associated costs may vary from these estimates due to a number of operational and non-operational risk factors.

The Company's 2020 guidance does not include production from any of Massawa's high-grade deposits. Following the anticipated closing of the Massawa Acquisition, guidance for 2020 production is expected to increase with the commencement of mining and processing of high-grade ore from the first of the Massawa deposits, Sofia, in the second half 2020.

Teranga's 2020 production and cost guidance will be updated in the third quarter to incorporate mining and processing of Sofia ore.

Sabodala

At Sabodala, mining activities during 2020 will initially include mining of four deposits: Golouma West, Sabodala Phase 4, Maki Medina, and Goumbati West Phase 1. Golouma West and Sabodala Phase 4 will both be mined throughout 2020 and combined will comprise approximately 65 percent of total tonnes mined and over 75 percent of total ounces mined. The relatively high-grade Maki Medina deposit will continue to be mined throughout the year as well. Mining activities at Goumbati West Phase 1 was currently scheduled to commence in the second quarter and continue for the balance of the year. The integration of Massawa and the expected mining of Sofia later in 2020 may displace Goumbati West Phase 1 for the remainder of the year. Total tonnes mined are expected to be comparable to the 33.9 million tonnes mined in 2019 at 35.0 million tonnes in 2020. Ore tonnes mined will be almost twice that of 2019 but at lower ore grades due to fewer ore tonnes mined from the relatively high-grade Golouma West deposit.

Mill throughput is expected to be similar to 2019, while mill grades and recovery rates are expected to be 7 percent and 3 percent lower, respectively.

Gold production at Sabodala is expected to be approximately 215,000 ounces in 2020, with slightly lower production during the first quarter compared to the remaining three quarters. Gold production at Sabodala is anticipated to be initially 11 percent lower than 2019, however, full-year production is expected to increase with the commencement of mining at Sofia in the second half of 2020.

Total production costs at Sabodala are expected to be in the range of \$160 to \$170 million in 2020, similar to 2019.

Sustaining capital expenditures in 2020 for the Sabodala mine are expected to be higher than 2019 at between \$15 and \$20 million, mainly due to replacement of mobile equipment originally scheduled for replacement in 2018 and 2019. An additional \$10 to \$15 million is required to continue relocation activities of the Sabodala village. Sustaining capital expenditures exclude capitalized deferred stripping costs included in total mine production costs.

Cost of sales are expected to be in the range of \$1,050 to \$1,150 per ounce. Total cash costs<sup>10</sup> are expected to be in the range of \$750 to \$800 per ounce, both similar to 2019.

All-in sustaining costs (excluding cash/(non-cash) inventory movements and amortized advanced royalty costs)<sup>10</sup> for Sabodala, which exclude allocations of corporate administration and share-based compensation expense, are expected to be between \$900 to \$975 per ounce, higher than 2019, mainly due to lower gold production and higher sustaining capital expenditures. All-in sustaining costs (excluding cash/(non-cash) inventory movements and amortized advanced royalty costs)<sup>10</sup> exclude village relocation capital expenditures.

Wahgnion

Wahgnion was successfully commissioned in August 2019, two months ahead of schedule, and on November 1, 2019, the processing plant achieved the design criteria and commercial production was declared. During 2019, mill throughput outperformed the plan due to the earlier than planned commissioning of the processing plant, a higher portion of oxide ore processed and an increase from the nameplate design. In 2019, the mining fleet was complemented with contractors to meet the higher demands of the processing plant. Due to the earlier commissioning of the processing plant and higher mill throughput, the 2020 outlook for total material movement is approximately 20 percent higher than the NI 43-101 Amended Technical Report on the Wahgnion Gold operations, Burkina Faso dated July 31, 2019 (the "Wahgnion Technical Report"). As a result, sustaining capital has been brought forward from 2021 and beyond due to the higher mining and processing rates in 2019 and anticipated for 2020.

<sup>10</sup> This is a non-IFRS financial measure. Please refer to the reconciliation of Non-IFRS Financial Measures at the end of this MD&A.

At Wahgnion, mining activities during 2020 will include mining of three deposits: Nogbele North, Nogbele South, and Nangolo. Mining at Nangolo is scheduled to be completed in February 2020. Both Nobele North and Nogbele South will be mined throughout 2020. Total tonnes mined are expected to be 18 to 20 million tonnes. Ore tonnes mined will be between 2.5 and 3.0 million tonnes.

Mill throughput is expected to be between 2.5 and 2.7 million tonnes in 2020. Mill throughput is similar to the Wahgnion Technical Report but the mix of material is much harder as the mine plan is at least six months ahead of the mine plan in the Wahgnion Technical Report. Overall, mill throughput is running about 15 percent higher than plant design. Mill grades are expected to be between 1.8 and 2.0 grams per tonne.

Gold production at Wahgnion is expected to be between 130,000 and 140,000 ounces in 2020, with slightly higher production during the first quarter compared to the remaining three quarters.

Total production costs at Wahgnion are expected to be in the range of \$90 to \$100 million in 2020, approximately \$15 to \$25 million higher than the Wahgnion Technical Report. Higher mining costs compared to the Wahgnion Technical Report, are primarily due to a 20 percent increase in material movement. The higher material movement will require the continued supplemental use of higher cost mining contractors through to the end of first quarter 2020. The balance of the higher mining costs relate to higher light fuel oil (“LFO”) prices, and the change in mix of the mobile haul fleet compared to the Wahgnion Technical Report for mining of wet oxides. Higher processing costs are mainly due to higher heavy fuel oil (“HFO”) prices. Higher site general and administration costs are mainly due to higher site security costs.

Sustaining capital expenditures in 2020 for Wahgnion are expected to be between \$15 and \$20 million, higher than the Wahgnion Technical Report, mainly as a result of capital which has been brought forward from future periods. An additional \$10 to \$15 million is required to continue relocation activities for new village relocation sites. The higher capital expenditures is due to the higher than anticipated mining and processing rates. Sustaining capital expenditures exclude capitalized deferred stripping costs included in total mine production costs.

Cost of sales are expected to be in the range of \$1,025 to \$1,175 per ounce in 2020. Total cash costs<sup>11</sup> are expected to be in the range of \$775 to \$850 per ounce.

All-in sustaining costs (excluding cash/non-cash inventory movements)<sup>11</sup> for Wahgnion, which exclude allocations of corporate administration and share-based compensation expense, are expected to be between \$850 to \$950 per ounce. All-in sustaining costs (excluding cash/non-cash inventory movements)<sup>11</sup> exclude village relocation capital expenditures.

The higher per ounce costs as compared to the Wahgnion Technical Report largely relate to the increase in the mining rate (both operating and capital) to accommodate the higher processing rate, higher LFO and HFO prices and higher security costs.

**Corporate and Other**

Corporate administration costs for 2020 are expected to be in the range of \$16 to \$17 million, slightly higher than 2019. Most of the Company’s administration costs are denominated in Canadian dollars. Share-based compensation expense is expected to be \$8 million, similar to 2019. The actual amount expensed is dependent on movements in the Company’s share price.

Regional office costs, including the Dakar, Ouagadougou and Abidjan offices, are expected to total approximately \$6 million, higher than in 2019, mainly due to higher expensed Ouagadougou office costs, which in 2019 had mostly been capitalized as part of Wahgnion’s development costs.

Corporate social responsibility (“CSR”) costs are expected to increase by up to \$6 million to between \$9 and \$10 million, mainly due to higher expensed CSR costs related to Burkina Faso, which in 2019 had mostly been capitalized as part of Wahgnion’s development costs, a social fund contribution payable in Burkina Faso based on 1 percent of sales revenue, as well as inclusions of activities and commitments deferred from 2019 to 2020.

**Consolidated**

With a full-year of production from Wahgnion, and before consideration of the integration of Massawa deposits, consolidated gold production is expected to increase to between 345,000 and 355,000 ounces at consolidated cost of sales between \$1,075 and \$1,200 per ounce and all-in sustaining costs (excluding cash/non-cash inventory movements and amortized advanced royalty costs)<sup>11</sup> between \$950 and \$1,075 per ounce, which includes administration and share-

based compensation expense. Consolidated per ounce metrics are higher than 2019 mainly due to higher sustaining capital and higher expensed regional administration expense.

**Sensitivity**

	2020 Assumptions	Hypothetical Change	Impact on all-in sustaining costs	Impact on cash flow
Gold Revenue	\$1,450/oz	\$100/oz	N/A	\$30M
Gold price effect on royalties	\$1,450/oz	\$100/oz	\$6/oz	\$2.1M
Fuel cost based on Brent oil Price	\$60/bbl	10 %	\$22/oz	\$8.2M
EUR exchange rate	1.10:1	10 %	\$39/oz	\$14.8M

<sup>11</sup> This is a non-IFRS financial measure. Please refer to the reconciliation of Non-IFRS Financial Measures at the end of this MD&A.



REVIEW OF OPERATING RESULTS

Sabodala Gold Operations

Operating Results		Three months ended December 31,			Twelve months ended December 31,		
		2019	2018	% Change	2019	2018	% Change
Ore mined	('000t)	1,140	532	114%	2,909	1,921	51%
Waste mined - operating	('000t)	7,411	5,110	45%	23,026	18,893	22%
Waste mined - capitalized	('000t)	763	5,298	(86%)	7,951	16,454	(52%)
Total mined	('000t)	9,314	10,940	(15%)	33,886	37,268	(9%)
Grade mined	(g/t)	1.79	2.22	(19%)	2.15	3.62	(41%)
Ounces mined	(oz)	65,723	37,832	74%	201,408	223,349	(10%)
Strip ratio	(waste/ore)	7.2	19.6	(63%)	10.6	18.4	(42%)
Ore milled	('000t)	1,015	1,028	(1%)	4,161	4,069	2%
Head grade	(g/t)	1.85	1.95	(5%)	1.98	2.03	(2%)
Recovery rate	(%)	90.1	92.0	(2%)	90.9	92.3	(2%)
Gold produced <sup>1</sup>	(oz)	54,539	59,442	(8%)	241,276	245,230	(2%)
Gold sold	(oz)	48,620	61,696	(21%)	233,505	246,073	(5%)
Average realized price <sup>2</sup>	(\$/oz)	1,482	1,232	20%	1,366	1,271	7%
Cost of sales	(\$/oz sold)	1,099	962	14%	1,015	937	8%
Total cash costs <sup>2</sup>	(\$/oz sold)	739	692	7%	690	660	4%
All-in sustaining costs <sup>2, 3</sup>	(\$/oz sold)	849	949	(11%)	857	887	(3%)
All-in sustaining costs (excluding cash/(non-cash) inventory movements and amortized advanced royalty costs) <sup>2, 3</sup>							
	(\$/oz sold)	940	842	12%	807	822	(2%)
Mining	(\$/t mined)	2.44	2.27	7%	2.74	2.57	7%
Mining long haul	(\$/t hauled)	1.34	1.44	(7%)	1.36	2.59	(47%)
Milling	(\$/t milled)	10.59	13.36	(21%)	11.19	12.95	(14%)
G&A	(\$/t milled)	4.94	6.18	(20%)	4.82	5.30	(9%)

<sup>1</sup> Gold produced represents change in gold in circuit inventory plus gold recovered during the period.  
<sup>2</sup> Average realized price, total cash costs per ounce, all-in sustaining costs per ounce and all-in sustaining costs (excluding cash/(non-cash) inventory movements and amortized advanced royalty costs) per ounce are non-IFRS financial measures that do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this MD&A.  
<sup>3</sup> Comparative amounts have been restated to reflect all-in sustaining costs per ounce and all-in sustaining costs (excluding cash/(non-cash) inventory movements and amortized advanced royalty costs) per ounce of Sabodala on a standalone basis, exclusive of resettlement capital expenditures related to the Niakafiri deposit.

		Three months ended December 31, 2019					Twelve months ended December 31, 2019					
		Golouma West	Kerekounda	Sabodala	Maki Medina	Total	Golouma West	Kerekounda	Sabodala	Koulouqwinde	Maki Medina	Total
Ore mined	('000t)	594	48	159	339	1,140	1,878	287	338	67	339	2,909
Waste mined - operating	('000t)	3,712	15	1,709	1,975	7,411	14,843	934	4,947	327	1,975	23,026
Waste mined - capitalized	('000t)	—	—	763	—	763	1,506	—	6,445	—	—	7,951
Total mined	('000t)	4,306	63	2,631	2,314	9,314	18,227	1,221	11,730	394	2,314	33,886
Grade mined	(g/t)	2.26	2.59	1.03	1.23	1.79	2.24	4.11	0.99	1.95	1.23	2.15
Ounces mined	(oz)	43,076	3,996	5,274	13,377	65,723	135,102	37,922	10,805	4,202	13,377	201,408

		Three months ended December 31, 2018					Twelve months ended December 31, 2018						
		Golouma West	Kerekounda	Sabodala	Koulouqwinde	Total	Golouma West	Gora	Golouma South	Kerekounda	Sabodala	Koulouqwinde	Total
Ore mined	('000t)	282	70	100	80	532	945	344	72	380	100	80	1,921
Waste mined - operating	('000t)	2,724	733	1,060	593	5,110	8,818	1,677	17	6,728	1,060	593	18,893
Waste mined - capitalized	('000t)	1,070	—	4,228	—	5,298	8,158	—	—	—	8,296	—	16,454
Total mined	('000t)	4,076	803	5,388	673	10,940	17,921	2,021	89	7,108	9,456	673	37,268
Grade mined	(g/t)	1.95	5.33	0.77	2.20	2.22	2.21	8.05	2.98	4.27	0.77	2.20	3.62
Ounces mined	(oz)	17,721	11,991	2,461	5,659	37,832	67,157	89,044	6,888	52,140	2,461	5,659	223,349

		Three months ended December 31,			Twelve months ended December 31,		
		2019	2018	% Change	2019	2018	% Change
Total mined (as above)	('000t)	9,314	10,940	(15%)	33,886	37,268	(9%)
Capitalized pre-stripping	('000t)	429	—	N/A	429	—	N/A
Total mined (including pre-strip tonnes)	('000t)	9,743	10,940	(11%)	34,315	37,268	(8%)

Sabodala operating results for the three months ended December 31, 2019

Mining

In the fourth quarter 2019, mining activities were focused on Golouma West, Sabodala Phase 4, Maki Medina and the final benches of Kerekounda.

Total tonnes mined were 15 percent lower in the fourth quarter 2019 compared with the prior year period due to prioritization of higher grade, lower stripping mining areas of Golouma West and Kerekounda.

Ore tonnes mined were 114 percent higher in fourth quarter 2019 compared with fourth quarter 2018 due primarily to the commencement of mining near surface ore at Maki Medina and the prioritization of higher grade, lower stripping mining areas within Golouma West. Ore grade mined was 19 percent lower in fourth quarter 2019 compared with the prior year period due primarily to the completion of the relatively high grade Kerekounda and Koulouqwinde pits in the fourth and first quarters of 2019, respectively.

Reconciliation to reserves remained positive for fourth quarter 2019, with total ounces mined exceeding reserves model estimations due to ongoing dilution control, ore recovery processes and conservative resource modelling.

Processing

Ore tonnes milled in the fourth quarter 2019 were slightly lower compared with the prior year period due to a higher proportion of harder fresh ore.

Head grade decreased by 5 percent in the fourth quarter 2019 due primarily to mill feed from the high grade Gora deposit in the prior year period.

Gold production decreased by 8 percent to 54,539 ounces in the fourth quarter 2019 compared with the prior year period due to lower average head grades, recovery rates and ore tonnes milled between periods.

Costs – site operations

Total mine production costs for the fourth quarter 2019 decreased by 14 percent to \$39.3 million, compared to \$45.6 million in the prior year period, due to lower fuel costs in the process plant, maintenance costs and favourable currency movements between periods.

Total mining costs (excluding long haul costs) decreased by 8 percent to \$22.7 million in the fourth quarter 2019 compared to the prior year period due primarily to lower maintenance costs and favourable currency movements, partially offset by the temporary addition of drilling contractors in 2019. On a unit cost basis, total mining costs (excluding long haul costs) per tonne increased by 7 percent in the fourth quarter 2019 compared with the prior year period due to a 15 percent decrease in total tonnes mined, partially offset by an 8 percent decrease in total mining costs between periods. Total long-haul costs increased by 69 percent to \$0.9 million in the fourth quarter 2019 compared to the prior year period due primarily to increased contract hauling as mining activity increased in satellite pits such as the Maki Medina pit.

Total processing costs decreased by 22 percent to \$10.7 million in the fourth quarter 2019 compared to the prior year period due primarily to the impact of lower fuel prices, decreased maintenance costs due to scheduling and favourable currency movements between periods. On a unit cost basis, processing costs decreased by 21 percent in the fourth quarter 2019 compared with the prior year period due to a 22 percent decrease in processing costs, partially offset by a 1 percent decrease in tonnes milled.

Total mine site general and administrative costs decreased by 21 percent to \$5.0 million in the fourth quarter 2019 compared with the prior year period due primarily to favourable currency movements and a non-cash supplies inventory obsolescence provision recorded in the period year period. On a unit cost basis, mine site general and administrative costs per tonne decreased by 20 percent in the fourth quarter 2019 compared with the prior year period due to the decrease in general and administrative costs of 21 percent and a 1 percent decrease in tonnes milled between periods.

Total cost of sales per ounce sold increased by 14 percent to \$1,099 per ounce in the fourth quarter 2019 compared with the fourth quarter 2018 due primarily to lower gold ounces sold, higher depreciation and amortization expense and lower capitalized deferred stripping costs between periods, partially offset by net inventory movements and lower mine production costs in the fourth quarter 2019. In total, 9,000 ounces of gold bullion inventory was unsold at year-end due to an earlier than normal cut-off for shipping. Combined with strong gold production in December, this resulted in the build-up of gold bullion inventory above normal levels.

Total cash costs<sup>12</sup> for the fourth quarter 2019 were \$739 per ounce, an increase of 7 percent compared with the prior year period due primarily to lower gold ounces sold and lower capitalized deferred stripping costs between periods, partially offset by net inventory movements and lower mine production costs in 2019.

All-in sustaining costs (excluding cash/(non-cash) inventory movements and amortized advanced royalty costs) per ounce<sup>12</sup> were \$940 in the fourth quarter 2019, an increase of 12 percent compared to the prior year period mainly as a result of lower gold ounces sold, partially offset by lower cash costs and lower capital expenditures between periods.

#### **Sabodala operating results for the twelve months ended December 31, 2019**

Gold production in 2019 was 241,276 ounces, exceeding the upper end of the Company's full year production guidance range of 215,000 to 230,000 ounces by 5 percent.

##### *Mining*

In the twelve months ended December 31, 2019, mining activities were focused in Golouma West, Sabodala Phase 4, Maki Medina and the final benches of Kerekounda and Koulouqwinde. In the comparative twelve months ended December 31, 2018, mining activities were focused primarily on Golouma West, Sabodala Phase 4, Kerekounda, the final benches at Gora Phase 3 and Koulouqwinde.

Total tonnes mined were 9 percent lower than the prior year due primarily to lower than expected drill fleet performance and mechanical availability during the first half of 2019, resulting in the prioritization of higher grade, lower stripping mining areas of Golouma West, Kerekounda and at the end of the year, Maki Medina.

Ore tonnes mined increased by 51 percent compared with the prior year due primarily to the orebody geometry with respect to pit face advance, the prioritization of higher grade, lower stripping mining areas within Golouma West and Kerekounda in the second half 2019, and the commencement of mining near surface ore at Maki Medina in the fourth quarter 2019.

Ore grade mined was 41 percent lower in 2019 compared with prior year due primarily to mining the final high grade benches at Gora Phase 3 during the prior year.

##### *Processing*

Ore tonnes milled increased by 2 percent in 2019 compared with the prior year due primarily to increased plant availability.

Head grade decreased by 2 percent in 2019 compared with the prior year due primarily to a lower proportion of high grade mill feed from the Gora and Kerekounda deposits in the current year.

Gold production decreased by 2 percent to 241,276 ounces compared with the prior year due to lower average head grades and recovery rates, partially offset by higher ore tonnes milled between years.

##### *Costs – site operations*

Total mine production costs for 2019 decreased by 7 percent to \$162.5 million, compared with \$175.2 million in the prior year due primarily to lower fuel costs in the plant and favourable currency movements between periods.

Total mining costs (excluding long haul costs) decreased by 3 percent to \$92.9 million in 2019 compared with the prior year due primarily to the internalization of the mine's maintenance program in June 2019 and its resulting lower overall maintenance costs and favourable currency movements between periods, partially offset by the addition of drilling contractors in 2019 and increased fuel usage due to longer waste and ore haul. On a unit cost basis, a 9 percent decrease in tonnes mined more than offset lower total mining costs (excluding long haul costs) resulting in a 7 percent

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<sup>12</sup> This is a non-IFRS financial measure. Please refer to the reconciliation of Non-IFRS Financial Measures at the end of this MD&A.

increase in mining costs per tonne. Total long-haul costs decreased by 32 percent to \$3.2 million compared with the prior year as a result of the completion of mining activities at the Gora satellite deposit.

Total processing costs decreased by 12 percent to \$46.6 million in 2019 compared with the prior year due primarily to the impact of lower fuel prices, lower repair and maintenance costs, and favourable currency movements between periods. On a unit cost basis, processing costs per tonne decreased by 14 percent compared with the prior year due to lower total processing costs of 12 percent and a 2 percent increase in tonnes milled between years.

Total mine site general and administrative costs decreased by 7 percent to \$20.0 million in 2019 compared with the prior year due primarily to favourable currency movements and a non-cash supplies inventory obsolescence provision recorded in the prior year, partially offset by increased insurance costs in 2019. On a unit cost basis, mine site general and administrative costs per tonne decreased by 9 percent in 2019 compared with the prior year due to a 2 percent increase in tonnes milled and lower in general and administrative costs between years.

Total cost of sales per ounce sold was \$1,015 per ounce, below the low-end of the Company's guidance range, but increased by 8 percent in 2019 compared with the prior year due primarily to lower gold ounces sold, higher depreciation and amortization expense and lower capitalized deferred stripping costs between years, partially offset by lower mine production costs and net inventory movements in 2019.

Total cash costs<sup>13</sup> was \$690 per ounce, below the low-end of the Company's guidance range, but increased by 4 percent compared with the prior year due primarily to lower gold ounces sold and lower capitalized deferred stripping costs between years, partially offset by lower mine production costs and net inventory movements in 2019.

All-in sustaining costs (excluding cash/(non-cash) inventory movements and amortized advanced royalty costs) per ounce<sup>13</sup> in 2019 was similar to the prior year at \$807, below the low-end of the Company's guidance range, due primarily to lower mine production costs, partially offset by lower gold ounces sold in 2019.

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<sup>13</sup> This is a non-IFRS financial measure. Please refer to the reconciliation of Non-IFRS Financial Measures at the end of this MD&A.

## REVIEW OF OPERATING RESULTS

### Wahgnion Gold Operations

Operating Results		Three months ended December 31, 2019	Twelve months ended December 31, 2019
Ore mined	('000t)	897	1,532
Waste mined - operating	('000t)	5,134	10,249
Waste mined - capitalized	('000t)	62	370
Total mined	('000t)	6,093	12,151
Grade mined	(g/t)	1.47	1.37
Ounces mined	(oz)	42,400	67,532
Strip ratio	(waste/ore)	5.8	6.9
Ore milled	('000t)	699	958
Head grade	(g/t)	1.73	1.63
Recovery rate	(%)	94.9	94.7
Gold produced <sup>1</sup> - Total	(oz)	36,872	47,492
Gold sold - Total	(oz)	31,858	34,447
Gold produced <sup>1,4</sup> - Post commercial production	(oz)	28,528	28,528
Gold sold <sup>5,6</sup> - Post commercial production	(oz)	23,722	23,722
Average realized price <sup>2,3</sup>	(\$/oz)	1,472	1,472
Cost of sales <sup>3</sup>	(\$/oz sold)	1,170	1,170
Total cash costs <sup>2,3</sup>	(\$/oz sold)	861	861
All-in sustaining costs <sup>2,3</sup>	(\$/oz sold)	950	950
All-in sustaining costs (excluding non-cash inventory movements) <sup>2,3</sup>	(\$/oz sold)	938	938
All-in sustaining costs (excluding non-cash inventory movements) <sup>2,3</sup>	(\$/oz produced)	780	780
Mining <sup>3</sup>	(\$/t mined)	2.17	2.17
Milling <sup>3</sup>	(\$/t milled)	10.66	10.66
G&A <sup>3</sup>	(\$/t milled)	5.79	5.79

<sup>1</sup> Gold produced represents change in gold in circuit inventory plus gold recovered during the period.

<sup>2</sup> Average realized price, total cash costs per ounce, all-in sustaining costs per ounce, and all-in sustaining costs (excluding non-cash inventory movements) per ounce are non-IFRS financial measures that do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this MD&A.

<sup>3</sup> Average realized price and cost information only include results from the period after achieving commercial production at Wahgnion (November 1, 2019 to December 31, 2019).

<sup>4</sup> Excludes 8,344 ounces and 18,964 ounces produced during Wahgnion's pre-commercial production phase for the three and twelve months ended December 31, 2019.

<sup>5</sup> Excludes 8,136 ounces and 10,725 ounces sold from Wahgnion's pre-commercial production phase for the three and twelve months ended December 31, 2019.

<sup>6</sup> Includes 5,660 ounces of gold produced during Wahgnion's pre-commercial production period.

Operating Results		Pre-commercial production period January 1 to October 31, 2019	Commercial production period November 1 to December 31, 2019	Twelve months ended December 31, 2019
Ore mined	('000t)	881	651	1,532
Waste mined	('000t)	6,686	3,933	10,619
Total mined	('000t)	7,567	4,584	12,151
Grade mined	(g/t)	1.30	1.47	1.37
Ounces mined	(oz)	36,738	30,794	67,532
Strip ratio	(waste/ore)	7.6	6.0	6.9
Ore milled	('000t)	451	507	958
Head grade	(g/t)	1.39	1.84	1.63
Recovery rate	(%)	94.1	95.2	94.7
Gold produced <sup>1</sup>	(oz)	18,964	28,528	47,492
Gold sold	(oz)	10,725	23,722	34,447

<sup>1</sup> Gold produced represents change in gold in circuit inventory plus gold recovered during the period.

		Three months ended December 31, 2019			Twelve months ended December 31, 2019		
		Nangolo	Nogbele	Total	Nangolo	Nogbele	Total
Ore mined	('000t)	77	820	897	318	1,214	1,532
Waste mined - operating	('000t)	276	4,858	5,134	1,955	8,294	10,249
Waste mined - capitalized	('000t)	—	62	62	134	236	370
Total mined	('000t)	353	5,740	6,093	2,407	9,744	12,151
Grade mined	(g/t)	3.65	1.26	1.47	2.22	1.15	1.37
Ounces mined	(oz)	9,086	33,314	42,400	22,685	44,847	67,532

### Wahgnion operating results for the three months ended December 31, 2019

#### Mining

In the fourth quarter 2019, mining capacity consisted of an owner-operated fleet, supplemented by two mining contractor fleets. Mining activities were focused primarily on the Nogbele pit and the lower benches of the Nangolo pit. A total of

6.1 million tonnes were mined during the quarter at a strip ratio of 5.8. Overall tonnes mined was in line with the plan. At the end of the fourth quarter, one of the remaining two contractor mining fleet was demobilized and the process of transitioning to a fully owner-operated fleet is expected to continue into 2020.

Reconciliation to reserves is showing positive results for the Nangolo pit at depth with the overall reconciliation slightly positive. While still very early, the overall reconciliation in the Nogbele pit is slightly negative to reserves to 2019 year-end, however, continues to improve as mining activities progress at depth below artisanal workings in the upper oxide zones, with an overall positive reconciliation for January 2020.

#### Processing

Ramp-up of the processing plant continued during the fourth quarter 2019, with production stabilizing at above nameplate capacity. On November 1, 2019, the processing plant achieved the design criteria and commercial production was declared. The crusher feed blend comprised 74 percent oxide ore and 26 percent fresh hard rock. Modifications made to the crushing circuit combined with a drier ore feed, due to the end of the rainy season, increased crusher throughput. Mill throughput for fourth quarter 2019 was above plan at 0.7 million tonnes due to earlier than planned commissioning of the processing plant, higher portion of oxide ore processed and an increase from the nameplate design. Gold production for the quarter was 36,872 ounces at an average head grade of 1.73 g/t.

#### Post-commercial production costs – site operations

Commercial production was declared as of November 1, 2019. Mine production costs incurred prior to this date were capitalized as mine development costs. In the pre-commercial production phase, gold sales were also recorded as a reduction to capitalized mine development costs. Beginning November 1, 2019, mine production costs incurred were expensed as operating costs and gold ounces sold were recognized as revenue.

Total mine production costs for the fourth quarter 2019 were \$26.2 million, of which \$7.9 million was capitalized as pre-commercial production costs.

Total mining costs were \$14.4 million in the fourth quarter 2019, of which \$4.4 million was capitalized as pre-commercial production costs. Productivity of the owner's operated fleet improved during the quarter which resulted in lower total mining costs relative to plan. On a unit cost basis, mining costs per tonne were \$2.36 per tonne (\$2.17 per tonne for the post-commercial production period), slightly higher than in the NI 43-101 technical report primarily due to continued use of mining contractors and a high proportion of mining with articulated dump trucks in wet oxides encountered in the upper zones, partially offset by higher tonnes mined.

Total processing costs were \$7.6 million in the fourth quarter 2019, of which \$2.2 million was capitalized as pre-commercial production costs. On a unit cost basis, total processing costs per tonne were \$10.85 per tonne (\$10.66 per tonne for the post-commercial production period), which were below the NI 43-101 technical report primarily due to higher throughput rates.

Total mine site general and administrative costs were \$4.2 million in the fourth quarter 2019, of which \$1.3 million was capitalized as pre-commercial production costs.

Gold sales during the fourth quarter 2019 was 31,858 ounces, for total proceeds of \$47.0 million. Of this amount, \$12.1 million in proceeds, related to 8,136 ounces sold in October 2019, were recorded as a reduction to capitalized mine development costs.

Total cost of sales per ounce sold was \$1,170 per ounce, below the lower end of the 2019 guidance.

Total cash cost per ounce<sup>14</sup> sold for the quarter was \$861 per ounce.

All-in sustaining costs (excluding non-cash inventory movements) per ounce sold<sup>14</sup> of \$938 was above full year guidance. Had the large amount of unsold gold bullion inventory been sold before year-end, all-in sustaining costs (excluding non-cash inventory movements) per ounce<sup>14</sup> would have been \$780 per ounce, which was within the guidance range. In total, 11,000 ounces or nearly 40 percent of commercial production were unsold at year-end. Being the newest gold producer in Burkina Faso, the last shipment date we could secure was in mid-December, which meant that a large portion of December's production was not shipped and sold at year-end.

<sup>14</sup> This is a non-IFRS financial measure. Please refer to the reconciliation of Non-IFRS Financial Measures at the end of this MD&A.



### Wahgnion operating results for the twelve months ended December 31, 2019

Gold production in 2019 was 47,492 ounces, exceeding the upper end of the Company's full-year production guidance range of 30,000 to 40,000 ounces by 19 percent primarily due to the earlier than planned commissioning and increased plant throughput above nameplate throughput capacity.

#### Mining

In the twelve months ended December 31, 2019, mining capacity consisted of an owner's operated fleet, supplemented by three mining contractor fleets. Mining activities were focused primarily on the Nangolo pit and the Nogbele pit from the second quarter 2019. A total of 12.2 million tonnes were mined during the year, 69 percent above than the high-end of the Company's guidance range. Ore tonnes mined were 1.5 million tonnes, 136 percent above the high-end of the Company's guidance range, at an average grade of 1.37 g/t. The mine plan needed to be revised to increase material movement due to an earlier than planned commissioning of the processing plant and higher than nameplate throughput. During the year, two contractor mining fleets were demobilized as additional mining equipment arrived on site. The transition to a fully owner-operated fleet is expected to continue into 2020 which is expected to lower unit mining costs.

#### Processing

The Wahgnion project was successfully commissioned during August. Low-grade ore stockpiles were fed through the crusher in mid-July with first ore to mill fed in early August 2019. The first gold pour was recorded in late August 2019. Ore tonnes milled for 2019 was 1.0 million tonnes, 47 percent above than the high-end of the Company's guidance range, due to earlier than planned commissioning of the processing plant and higher than nameplate throughput. Low grade material was used for commissioning averaging 1.08 g/t in August, while the average grade increased in September to 1.58 g/t as the mill was successfully commissioned. Fine tuning of the mill continued during September with no significant issues identified and production ramped up in October with throughput above the nameplate capacity from November 1, 2019. Commercial production was achieved and declared at Wahgnion as of November 1, 2019.

#### Costs – site operations

During the twelve months ended December 31, 2019, \$22.8 million of costs relating to pre-commercial production activities were capitalized to mine development costs, net of \$16.0 million pre-commercial gold revenue recognized.

### REVIEW OF FINANCIAL RESULTS

(US\$000s)	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Revenue	106,341	76,140	40%	353,490	312,628	13%
Mine operation expenses	(57,333)	(43,216)	33%	(184,248)	(164,349)	12%
Depreciation and amortization	(23,836)	(16,158)	48%	(80,566)	(66,168)	22%
<b>Cost of sales</b>	<b>(81,169)</b>	<b>(59,374)</b>	<b>37%</b>	<b>(264,814)</b>	<b>(230,517)</b>	<b>15%</b>
<b>Gross profit</b>	<b>25,172</b>	<b>16,766</b>	<b>50%</b>	<b>88,676</b>	<b>82,111</b>	<b>8%</b>
Exploration and evaluation expenditures	(3,296)	(4,544)	(27%)	(11,021)	(13,160)	(16%)
Administration expenses	(5,234)	(4,594)	14%	(14,523)	(13,618)	7%
Corporate social responsibility expenses	(2,210)	(1,028)	115%	(4,330)	(3,700)	17%
Share-based compensation	(4,080)	(1,158)	252%	(8,464)	(4,851)	74%
Finance costs	(7,060)	(3,772)	87%	(21,072)	(15,783)	34%
Net foreign exchange (losses)/gains	(2,217)	262	N/A	(3,517)	(2,680)	31%
Other (expenses)/income	(8,070)	(8,040)	0%	(30,384)	8,458	N/A
<b>(Loss)/profit before income tax</b>	<b>(6,995)</b>	<b>(6,108)</b>	<b>15%</b>	<b>(4,635)</b>	<b>36,777</b>	<b>N/A</b>
Income tax expense	(5,028)	(4,140)	21%	(25,317)	(23,312)	9%
<b>Net (loss)/profit for the year</b>	<b>(12,023)</b>	<b>(10,248)</b>	<b>17%</b>	<b>(29,952)</b>	<b>13,465</b>	<b>N/A</b>
Profit attributable to non-controlling interests	(1,348)	(391)	245%	(3,441)	(1,671)	106%
<b>(Loss)/profit attributable to shareholders of Teranga</b>	<b>(13,371)</b>	<b>(10,639)</b>	<b>26%</b>	<b>(33,393)</b>	<b>11,794</b>	<b>N/A</b>
<b>Basic (loss)/earnings per share</b>	<b>(0.12)</b>	<b>(0.10)</b>	<b>26%</b>	<b>(0.31)</b>	<b>0.11</b>	<b>N/A</b>
<b>Adjusted net (loss)/profit attributable to shareholders<sup>1</sup></b>	<b>(6,289)</b>	<b>1,229</b>	<b>N/A</b>	<b>1,162</b>	<b>18,075</b>	<b>(94%)</b>
<b>Adjusted basic (loss)/earnings per share<sup>1</sup></b>	<b>(0.06)</b>	<b>0.01</b>	<b>N/A</b>	<b>0.01</b>	<b>0.17</b>	<b>(94%)</b>

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

(US\$000s)	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
<b>Mine operation expenses</b>						
Mine production costs	57,603	45,562	26%	180,812	175,179	3%
Royalties	6,433	4,590	40%	21,364	19,809	8%
Regional administration costs	1,000	508	97%	2,732	1,868	46%
	65,036	50,660	28%	204,908	196,856	4%
Capitalized deferred stripping	(2,789)	(13,526)	(79%)	(29,755)	(45,978)	(35%)
Inventory movements	(4,914)	6,082	N/A	9,095	13,471	(32%)
	(7,703)	(7,444)	3%	(20,660)	(32,507)	(36%)
<b>Total mine operation expenses</b>	<b>57,333</b>	<b>43,216</b>	<b>33%</b>	<b>184,248</b>	<b>164,349</b>	<b>12%</b>

(US\$000s)	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
<b>Depreciation and amortization expenses</b>						
Depreciation and amortization - property, plant and equipment and mine development expenditures	17,602	9,380	88%	49,823	43,264	15%
Depreciation and amortization - deferred stripping assets	8,149	5,159	58%	25,940	27,118	(4%)
Depreciation - right-of-use assets	783	—	N/A	2,277	—	N/A
	26,534	14,539	83%	78,040	70,382	11%
Inventory movements - depreciation	(2,577)	2,369	N/A	3,983	(1,486)	N/A
Capitalized deferred stripping - depreciation	(121)	(750)	(84%)	(1,457)	(2,728)	(47%)
	(2,698)	1,619	N/A	2,526	(4,214)	N/A
<b>Total depreciation and amortization expenses</b>	<b>23,836</b>	<b>16,158</b>	<b>48%</b>	<b>80,566</b>	<b>66,168</b>	<b>22%</b>

Financial results for the three months ended December 31, 2019

Revenue

Revenue for the three months ended December 31, 2019 increased 40 percent compared to the prior year period due to a 20 percent increase in average realized prices<sup>15</sup> and a 17 percent increase in gold ounces sold, including 23,722 post-commercial production gold ounces sold from Wahgnion.

Spot price per ounce of gold	Three months ended December 31,		
	2019	2018	% Change
Average	\$1,481	\$1,226	21%
Low	\$1,452	\$1,186	22%
High	\$1,517	\$1,279	19%
Average Realized <sup>1, 2</sup>	\$1,479	\$1,232	20%

<sup>1</sup> Excludes gold ounces sold from Wahgnion's pre-commercial production phase.

<sup>2</sup> This is a non-IFRS financial measure. Please refer to the reconciliation of Non-IFRS Financial Measures at the end of this MD&A.

Mine operation expenses

For the three months ended December 31, 2019, mine operation expenses, before capitalized deferred stripping and inventory movements, increased by 28 percent over the comparative period to \$65.0 million primarily due to \$20.6 million of Wahgnion's post-commercial production and royalty costs recognized in the income statement, partially offset by a \$6.2 million decrease at Sabodala due to lower processing fuel and maintenance costs, and favourable currency movements between periods.

The amount of mining costs capitalized as deferred stripping costs will fluctuate from period to period depending on whether mining is above or below the life-of-phase strip ratio in a particular pit. During the fourth quarter, mining activities were above the life-of-phase strip ratios at the Sabodala Phase 4 (Sabodala) and Nogbele (Wahgnion) deposits resulting in 0.8 million tonnes, or \$2.8 million of deferred stripping costs being capitalized in the current period. In the prior year period, mining activities were above the life-of-phase strip ratio at the Golouma West (Sabodala) and Sabodala Phase 4 (Sabodala) deposits resulting in 5.3 million tonnes, or \$13.5 million of deferred stripping costs being capitalized. Costs capitalized are amortized to expense as the deposit is mined.

The largest component of inventory movement costs relates to changes in ore stockpiles. Increases in the number of ounces in stockpiles result in a reduction of operating costs as mining costs are capitalized to inventory on the balance sheet while decreases to ore in stockpiles, as stockpiled ore is processed, increase operating costs as historic costs are amortized to the income statement.

Inventory movements in the fourth quarter 2019 resulted in a decrease to mine operation expenses of \$4.9 million compared to an increase of \$6.1 million in the prior year period, mainly as a result of a build-up of ore stockpiles at Sabodala at higher unit costs. In the prior year period, the drawdown and processing of low grade ore stockpiles resulted in a net decrease in inventory cost.

Depreciation and amortization expenses

Total depreciation and amortization expense for the fourth quarter 2019 was \$23.8 million, or \$7.7 million higher than the prior year period primarily due to \$6.4 million of Wahgnion's post-commercial depreciation and amortization expenses being recognized in the income statement.

Exploration and evaluation

Exploration and evaluation expenditures for the fourth quarter 2019 were \$3.3 million, \$1.2 million lower than the prior year period. Refer to the *Exploration* section for additional details.

Administration expense

Administration expense for the fourth quarter 2019 was \$5.2 million, \$0.6 million higher than the prior year period. Higher administration expense in the current period was mainly due to higher personnel costs and higher audit costs as a result of the continuing growth of the Company and its projects.

Share-based compensation

Share-based compensation expense for the fourth quarter 2019 was \$4.1 million, \$2.9 million higher than the prior year period. The increase was mainly due to a 44 percent increase in the Company's share price compared to a 13 percent increase in the prior year period, as well as higher number of stock options and share units vesting compared to the prior year period.

Finance costs

Finance costs for the fourth quarter 2019 were \$7.1 million, \$3.3 million higher than the prior year period. This was primarily due to an increase in interest incurred and amortization of deferred financing costs of \$3.7 million related to the Taurus Facility, \$0.1 million related to the CAT Facility, and additional interest of \$0.4 million related to advances from a customer. The increases were partially offset by decrease in accretion expense related to the gold stream liability of \$0.4 million.

On November 1, 2019, as a result of Wahgnion achieving commercial production, interest incurred and amortization of deferred costs related to the portion of the Taurus Facility used towards funding the development of Wahgnion ("Wahgnion Tranche") and \$14.0 million from the repurposed portion of the Golden Hill Tranche are now being expensed to the income statement.

Net foreign exchange (losses)/gains

Net foreign exchange losses of \$2.2 million were recorded during the fourth quarter 2019 compared to net foreign exchange gains of \$0.3 million in the comparative period. Net foreign exchange losses were mainly attributable to a depreciation of the US dollar against the Euro, compared to strengthening of the US dollar against the Euro during the comparative period. In addition, the Company recognized unrealized foreign exchange losses of \$0.9 million on the revaluation of subscription receipts liability as at December 31, 2019.

Other expenses

Other expenses for the fourth quarter 2019 of \$8.1 million were comparable to the comparative period. The Company's derivative financial instruments, warrant liabilities and gold offtake payment liability were entered in order to finance construction of Wahgnion. Non-cash losses from changes in fair values of warrant liabilities and the gold offtake payment liability were offset by decrease in losses on derivative financial instruments of \$4.6 million and a credit of \$2.2 million on re-measurement of the Badr Investment Ltd. liability.

Income tax expense

The Company records a current income tax expense on taxable income earned in Senegal at a rate of 25 percent. Current income tax is calculated using local tax rates on taxable income, which is estimated in accordance with local statutory requirements and is denominated in the Senegalese currency (CFA Franc). Wahgnion is currently not subject to current income tax. The tax basis of all assets and non-current intercompany loans are recorded using historical exchange rates and translated to the functional currency using the period end exchange rate, and as a result, the Company's deferred tax balances will fluctuate due to changes in foreign exchange rates. Current income taxes are also affected by changes in foreign exchange rates as unrealized foreign exchange gains as well as losses, recorded in accordance with local statutory requirements, are taxable/ deductible for purposes of calculating income tax in Senegal. The Company also has a number of development and exploration projects in Burkina Faso and Côte d'Ivoire, which currently do not generate any profit subject to income tax.

The Company operates in various countries in West Africa and may be subject to assessments by the regulatory authorities in each of those countries, which can be complex and subject to interpretation. Assessments may relate to matters such as income and other taxes, duties and other matters. The Company exercises informed judgment to interpret the provisions of applicable laws and regulations as well as their application and administration by regulatory authorities to reasonably determine and pay the amounts due. From time to time, the Company may undergo a review

<sup>15</sup> This is a non-IFRS financial measure. Please refer to the reconciliation of Non-IFRS Financial Measures at the end of this MD&A.

by the regulatory authorities and in connection with such reviews disputes may arise with respect to the Company's interpretations about the amounts due and paid.

For the three months ended December 31, 2019, the Company recorded income tax expense of \$5.0 million, comprised of current income tax expense of \$4.1 million and deferred income taxes of \$0.9 million. In the prior year period, the Company recorded income tax expense of \$4.1 million, comprised of current income taxes expense of \$0.5 million and deferred income expense of \$3.6 million. The increase in income tax expense was due to appreciation of the US dollar, resulting in an increase in deferred income taxes.

*Net loss*

Consolidated net loss attributable to shareholders was \$13.4 million (\$0.12 loss per share) for the fourth quarter 2019 compared to \$10.6 million (\$0.10 loss per share) in the prior year period. Higher gross profit and lower net losses on derivative financial instruments was more than offset by non-cash losses on changes in fair values of share warrant liabilities and gold offtake payment liability, higher finance costs, share-based compensation expenses and net foreign exchange losses totalling \$14.1 million.

Adjusted net loss attributable to shareholders<sup>16</sup> was \$6.3 million (\$0.06 loss per share) for the fourth quarter 2019 compared to adjusted net profit attributable to shareholders<sup>16</sup> of \$1.2 million (\$0.01 earnings per share) in the comparative period. Higher gross profit was more than offset by higher income tax expense (excluding the impact of foreign exchange on deferred taxes), finance costs, share-based compensation expenses, net foreign exchange losses and business and other taxes. Adjusted net (loss)/profit attributable to shareholders<sup>16</sup> excludes gains and losses on gold forward sales contracts, accretion expense, net foreign exchange losses, the impact of foreign exchange movements on deferred taxes, non-cash fair value changes and other unusual or non-recurring items.

**Financial results for the twelve months ended December 31, 2019**

*Revenue*

Revenue for the twelve months ended December 31, 2019, increased 13 percent compared to the prior year due to an 8 percent increase in average realized prices<sup>16</sup> and a 5 percent increase in gold ounces sold, including 23,722 post-commercial production gold ounces sold from Wahgnion.

Spot price per ounce of gold	Twelve months ended December 31,		
	2019	2018	% Change
Average	\$1,393	\$1,268	10%
Low	\$1,270	\$1,178	8%
High	\$1,546	\$1,355	14%
Average Realized <sup>1, 2</sup>	\$1,377	\$1,271	8%

<sup>1</sup> Excludes gold ounces sold from Wahgnion's pre-commercial production phase.

<sup>2</sup> This is a non-IFRS financial measure. Please refer to the reconciliation of Non-IFRS Financial Measures at the end of this MD&A.

*Mine operation expenses*

For the twelve months ended December 31, 2019, mine operation expenses, before capitalized deferred stripping and inventory movements, increased by 4 percent over the prior year to \$204.9 million primarily due to \$20.6 million of Wahgnion's post commercial production and royalty costs recognized in the income statement, partially offset by \$12.5 million decrease at Sabodala from lower processing fuel costs and favourable currency movements between years.

During the year, mining activities were above the life-of-phase strip ratios at the Sabodala (Sabodala), Golouma West (Sabodala) and Nogbele (Wahgnion) deposits resulting in 8.3 million tonnes, or \$29.8 million of deferred stripping costs being capitalized in the current year. In the prior year period, mining activities were above the life-of-phase strip ratio at the Golouma West (Sabodala) and Sabodala (Sabodala) deposits resulting in 16.5 million tonnes, or \$46.0 million of deferred stripping costs being capitalized in the prior year period.

The largest component of inventory movement costs relates to changes in ore stockpiles. Increases in the number of ounces in stockpiles result in a reduction of operating costs as mining costs are capitalized to inventory on the balance sheet while decreases to ore in stockpiles, as stockpiled ore is processed, increase operating costs as historic costs are amortized to the income statement.

Inventory movements in the twelve months ended December 31, 2019, resulted in an increase to mine operation expenses of \$9.1 million compared to \$13.5 million in the prior year period, mainly as a result of the drawdown and processing of ore stockpiles during the year at Sabodala and Wahgnion.

*Depreciation and amortization expenses*

Total depreciation and amortization expense for the twelve months ended December 31, 2019, was \$80.6 million, or \$14.4 million higher than the prior year primarily due to \$6.4 million of Wahgnion's post commercial production depreciation, as well as, depreciation related to inventory movements resulted in an increase of \$4.0 million in expenses, mainly as a result of the drawdown and processing of ore stockpiles during the year at Sabodala.

*Exploration and evaluation*

Exploration and evaluation expenditures for the twelve months ended December 31, 2019, were \$11.0 million, \$2.1 million lower than the prior year period. Refer to the *Exploration* section for additional details.

*Administration expense*

Administration expense for the twelve months ended December 31, 2019, was \$14.5 million, \$0.9 million higher than the prior year period. Higher administration expense in the current period was mainly due to increased personnel costs, legal and audit costs as a result of the continuing growth of the Company and its projects totalling \$0.5 million, as well as higher depreciation of \$0.4 million related to the new accounting standard for leases.

*Share-based compensation*

Share-based compensation expense for the twelve months ended December 31, 2019, was \$8.5 million, \$3.6 million higher than the prior year due to higher number of stock options and share units vesting compared to the prior year period and a 74 percent increase in the Company's share price during the current year period compared to a 35 percent increase in share price in the prior year.

The Company granted Deferred Share Units ("DSUs") to non-executive directors, while Restricted Share Units ("RSUs") and stock options are granted to employees to allow participation in the long term success of the Company and to promote alignment of interests between directors, employees and shareholders.

The following table summarizes RSUs and DSUs:

	Twelve months ended December 31, 2019		As at December 31, 2019	
	Grant Units	Grant Price <sup>1</sup>	Outstanding	Total Vested <sup>2</sup>
RSUs	648,100	C\$4.39	1,326,588	890,162
DSUs	172,000	C\$4.39	908,998	880,331

<sup>1</sup> Grant price determined using a volume weighted average price ("VWAP") of the Company's shares for the 5-day period ended on the grant date.

<sup>2</sup> Directors have the option to elect to receive their Director compensation in the form of DSUs. These DSUs vest as they are granted. All remaining DSUs that are granted vest on the first anniversary of the grant date. RSUs will generally vest as to 50 percent in thirds over a three-year period and as to the other 50 percent, in thirds upon satisfaction of annual production and cost targets, except for RSUs granted on March 29, 2018 and subsequent grants, which vest as to 25 percent in thirds over a three-year period, 50 percent in thirds upon satisfaction of annual production and costs targets and 25 percent in thirds upon satisfaction of matching the average performance of the VanEck Vectors Junior Gold Miners ETF ("GDXJ"). Both DSUs and RSUs are payable in cash. The Company used the December 31, 2019 closing share price of C\$7.02 to value the vested DSUs and RSUs.

<sup>16</sup> This is a non-IFRS financial measure. Please refer to the reconciliation of Non-IFRS Financial Measures at the end of this MD&A.



The following table summarizes stock option awards to employees of the Company:

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2018	5,207,886	C\$8.39
Granted <sup>1</sup>	1,518,500	C\$4.36
Exercised	(99,508)	C\$3.44
Forfeited	(352,232)	C\$6.66
Balance as at December 31, 2019	6,274,646	C\$7.59

<sup>1</sup> The exercise price of new stock options granted during the period was determined using a VWAP of the Company's shares for the 5-day period immediately preceding the day on which the option was granted.

Of the 6,274,646 common share stock options issued and outstanding as at December 31, 2019, 3,868,198 are vested and 37,698 vest over a three-year period and 2,368,750 vest over a four-year period. Under IFRS, the graded method of amortization is applied to new grants of stock options, which results in approximately 53 percent of the cost of the stock options recorded in the first twelve months from the grant date.

#### *Finance costs*

Finance costs for the twelve months ended December 31, 2019 were \$21.1 million, \$5.3 million higher than the prior year period. This was primarily due to Wahgnion achieving commercial production during the fourth quarter 2019. Financing costs related to Wahgnion's development were capitalized as mine development expenditures during construction. Since Wahgnion entered commercial production on November 1, 2019, these costs were expensed to the income statement.

#### *Net foreign exchange losses*

Net foreign exchange losses of \$3.5 million were recorded during the twelve months ended December 31, 2019, compared to \$2.7 million in the prior year. The increase was mainly due to larger movements between the US dollar and the Euro in the current year compared to the prior year. In addition, the Company recognized unrealized foreign exchange loss of \$0.9 million on revaluation of subscription receipts liability at December 31, 2019.

#### *Other (expenses)/income*

Other expenses for the twelve months ended December 31, 2019, were \$30.4 million compared to \$8.5 million of other income in the prior year. The majority of other expense were attributable to fair value adjustments of derivative financial instruments related to the financing of Wahgnion's construction, including net losses on derivative financial instruments of \$16.4 million, losses on changes in fair values of share warrant liabilities and gold offtake payment liability of \$7.9 million, resulting from the increase in gold prices and the Company's share price. In addition, the Company recognized interest and penalties related to a tax assessment of \$5.6 million in 2019. This compares to net gains on derivative financial instruments of \$9.3 million and gains on changes in fair values of share warrant liabilities and gold offtake payment liability of \$1.5 million in 2018.

#### *Income tax expense*

The Company records a current income tax expense on taxable income earned in Senegal at a rate of 25 percent. Current income tax is calculated using local tax rates on taxable income, which is estimated in accordance with local statutory requirements and is denominated in the Senegalese currency (CFA Franc). Wahgnion is currently not subject to current income tax. The tax basis of all assets and non-current intercompany loans are recorded using historical exchange rates and translated to the functional currency using the period end exchange rate, and as a result, the Company's deferred tax balances will fluctuate due to changes in foreign exchange rates. Current income taxes are also affected by changes in foreign exchange rates as unrealized foreign exchange gains as well as losses, recorded in accordance with local statutory requirements, are taxable/ deductible for purposes of calculating income tax in Senegal. The Company also has a number of development and exploration projects in Burkina Faso and Côte d'Ivoire, which currently do not generate any profit subject to income tax.

The Company operates in various countries in West Africa and may be subject to assessments by the regulatory authorities in each of those countries, which can be complex and subject to interpretation. Assessments may relate to

matters such as income and other taxes, duties and other matters. The Company exercises informed judgment to interpret the provisions of applicable laws and regulations as well as their application and administration by regulatory authorities to reasonably determine and pay the amounts due. From time to time, the Company may undergo a review by the regulatory authorities and in connection with such reviews, disputes may arise with respect to the Company's interpretations about the amounts due and paid.

During the second quarter of 2019, the Company received a tax assessment in the amount of \$8.7 million against Sabodala Gold Operations SA ("SGO") and \$1.7 million tax assessment against Sabodala Mining Company Sarl ("SMC"). Both assessments covered tax years 2015, 2016, and 2017 and are related to issues around the Company's corporate structure as well as the nature of treatment of intercompany transactions within the group. Despite our best efforts, we have been unable to resolve certain issues with the tax authorities in Senegal that relate to our corporate structure and the nature and treatment of intercompany transactions within our group. Senegalese laws do not afford tax payers reasonable access to the courts in such circumstances and, as such, management believes it is in the Company's best interest to settle these tax assessments. For the twelve months ended December 31, 2019, the Company recorded \$4.3 million in income tax expense and \$5.6 million of interest and penalties in other expenses. The tax assessment was fully settled in 2019.

For the twelve months ended December 31, 2019, the Company recorded income tax expense of \$25.3 million, comprised of current income tax expense of \$16.0 million and deferred income taxes of \$5.0 million and \$4.3 million related to the tax assessment. In the prior year period, the Company recorded income tax expense of \$23.3 million, comprised of current income taxes expense of \$13.0 million and deferred income expense of \$10.3 million.

#### *Net (loss)/profit*

Consolidated net loss attributable to shareholders was \$33.4 million (\$0.31 loss per share) for 2019 compared to profit attributable to shareholders of \$11.8 million (\$0.11 earnings per share) in the prior year. Higher gross profit was more than offset by non-cash unrealized net losses on derivative financial instruments, non-cash losses on changes in fair values of share warrant liabilities and gold offtake payment liability and interest and penalties related to a tax assessment totalling \$32.7 million.

Adjusted net profit attributable to shareholders<sup>17</sup> was \$1.2 million (\$0.01 per share) for the twelve months ended December 31, 2019, compared to \$18.1 million (\$0.17 per share) in the comparative period. Higher gross profit was more than offset by interest and penalties related to a tax assessment, higher finance costs, income tax expenses (excluding the impact of foreign exchange on deferred taxes) and share-based compensation expenses. Adjusted net profit attributable to shareholders<sup>17</sup> excludes gains and losses on gold forward sales contracts, accretion expense, net foreign exchange losses, the impact of foreign exchange movements on deferred taxes, non-cash fair value changes and other unusual or non-recurring items.

<sup>17</sup> This is a non-IFRS financial measure. Please refer to the reconciliation of Non-IFRS Financial Measures at the end of this MD&A.

## FINANCIAL CONDITION REVIEW

### Summary Balance Sheet

Balance Sheet	As at December 31, 2019	As at December 31, 2018
Cash and cash equivalents	29,717	46,615
Restricted cash	103,593	—
Trade and other receivables	13,581	9,079
Inventories	176,596	151,713
Deferred tax assets	11,213	16,196
Property, plant and equipment	831,186	700,464
Other assets <sup>1</sup>	9,924	15,820
<b>Total assets</b>	<b>1,175,810</b>	<b>939,887</b>
Trade and other payables	90,732	75,094
Subscription receipts liability	101,531	—
Borrowings	181,775	87,097
Provisions	64,702	42,568
Gold stream liability	74,128	88,762
Gold offtake payment liability	15,358	13,699
Share warrant liabilities	9,406	1,969
Derivative financial liabilities	10,786	—
Current income tax liabilities	16,307	13,124
Other liabilities <sup>2</sup>	32,182	10,447
<b>Total liabilities</b>	<b>596,907</b>	<b>332,760</b>
<b>Total equity</b>	<b>578,903</b>	<b>607,127</b>

<sup>1</sup> Includes Marketable Securities, Other Current Assets and Other Non-Current Assets.

<sup>2</sup> Includes Lease Liabilities, Other Non-Current Liabilities and Deferred Revenue.

### Balance Sheet Review

#### Cash and cash equivalents

The Company's cash balance at December 31, 2019 was \$29.7 million, \$16.9 million lower than the balance at the start of the year. Refer to the *Liquidity and Cash Flow* section below for further details.

#### Restricted cash

The increase in the Company's restricted cash balance at December 31, 2019 of \$103.6 million was mainly due to gross proceeds of C\$140 million (\$106.3 million) from the Company's Offering. The gross proceeds less 50 percent of the underwriters' fee was placed into escrow with Computershare Trust Company of Canada and will be released from escrow upon satisfaction or waiver of certain release conditions (including closing of the Massawa Acquisition) (the "Release Conditions"). If the Release Conditions are satisfied or waived on or before May 31, 2020, the escrowed funds (less the balance of the underwriters' fee) will be released to the Company. If the Release Conditions are not satisfied or waived prior to May 31, 2020, the escrowed proceeds, together with interest earned, will be returned on a pro-rata basis to holders of the Subscription Receipts.

On January 7, 2020, the Private Placement, to Tablo Corporation, was completed and gross proceeds of approximately C\$59.6 million (\$45.9 million) was placed into escrow and recorded as restricted cash at that date.

#### Trade and other receivables

The trade and other receivables balance of \$13.6 million includes \$2.6 million and \$8.5 million in Senegalese and Burkinabe value added tax ("VAT") recoverable, respectively. VAT is levied at a rate of 18 percent on supply of goods and services and is recoverable on the majority of purchases in Senegal and Burkina Faso.

#### Property, plant and equipment

Property, plant and equipment increased by \$130.7 million to \$831.2 million as at December 31, 2019. The increase was largely attributable to additions to property, plant and equipment of \$209.1 million, mainly a result of the Company's construction of Wahgnion, partially offset by \$83.0 million of depreciation and amortization.

The Company adopted IFRS 16 as at January 1, 2019. The new standard eliminates the distinction between operating and finance leases, by requiring lessees to recognize assets and liabilities for all leases unless the underlying asset has a low value or the lease term is less than one year. At the commencement date of a lease, the Company recognizes a lease payment liability and an asset representing the right-of-use of the underlying asset during the lease term. As at December 31, 2019, the Company recognized net right-of-use assets of \$9.7 million.

#### Subscription receipts liability

The increase in the Company's subscription receipts liability at December 31, 2019 of \$101.5 million was mainly due to the Company's Offering of 27,451,000 subscription receipts at C\$5.10 each, for gross proceeds of C\$140 million (\$106.3 million) (refer to *Liquidity and Capital Resources* section).

#### Borrowings

Borrowings increased by \$94.7 million to \$181.8 million as at December 31, 2019. The increase was largely attributable to \$81.3 million drawdown of the Taurus Facility, comprised of \$62.8 million from the Wahgnion Tranche, \$14.0 million from the repurposed portion of the Golden Hill Tranche, and \$4.5 million from the Golden Hill Tranche to fund exploration activities, as well as amortization of deferred financing costs. An additional \$9.4 million was drawn down on the CAT Facility. The increase was partially offset by the issuance of share warrants on the drawdown and extension of the repurposed Golden Hill Tranche, and \$1.2 million repayment on the CAT Facility in 2019. Details of the borrowings balance is as follows:

	As at December 31, 2019	As at December 31, 2018
<b>Secured Development Finance Facility</b>		
Principal outstanding	193,500	112,200
Deferred financing costs	(19,560)	(25,103)
<b>Total Secured Development Finance Facility</b>	<b>173,940</b>	<b>87,097</b>
<b>Equipment Finance Facility</b>		
Principal outstanding	8,133	—
Deferred financing costs	(298)	—
<b>Total Equipment Finance Facility</b>	<b>7,835</b>	<b>—</b>
<b>Total Borrowings</b>	<b>181,775</b>	<b>87,097</b>

Deferred financing costs detail:

	As at December 31, 2019	As at December 31, 2018
Financing costs	13,640	12,278
Fair value of gold offtake payment liability	14,015	14,015
Share warrants issued	3,298	3,105
Accumulated amortization of deferred financing costs	(11,095)	(4,295)
<b>Total Deferred Financing Costs</b>	<b>19,858</b>	<b>25,103</b>

Gold stream liability

On January 15, 2014, the Company completed a streaming transaction with Franco-Nevada. The Company is required to deliver 22,500 ounces of gold annually over the first six years through 2019, followed by 6 percent of production from the Company's properties in Senegal, in exchange for a deposit of \$135.0 million. During the twelve months ended December 31, 2019, the Company delivered 21,140 ounces of gold to Franco-Nevada and recorded revenue of \$28.1 million, consisting of \$5.9 million received in cash and \$22.2 million recorded as a reduction of the gold stream liability. This decrease was partially offset by accretion of \$7.6 million.

Gold offtake payment liability

In conjunction with the Taurus Facility, the Company entered into the Offtake Agreement with Taurus Funds on May 31, 2018 (see *Financial Instruments* section for more details). The balance of \$15.4 million at December 31, 2019 represents the fair value of the Offtake Agreement at the end of the reporting period. The Company has estimated the fair value of the Offtake Agreement using a discounted cash flow model based on Wahgnion's life of mine production up to the first 1,075,000 ounces of gold with 1,040,553 ounces of gold outstanding as at December 31, 2019, a discount rate of 7.4 percent and the estimated average spread between gold spot price per ounce and the lowest gold price per ounce during the preceding eight days for each trading day in the past ten-year period. Amounts owing to Taurus Funds are settled in cash; Taurus Funds does not take physical delivery of gold ounces sold at any time. The Company is under no obligation to physically deliver gold ounces to Taurus Funds.

Share warrant liabilities

As part of the Taurus Facility arrangement, the Company granted a combined total of 3.7 million share warrants to Taurus Funds. Each warrant allows the holder to acquire one common share of the Company at various specified exercise prices. At December 31, 2019, total share warrants have been valued at \$9.4 million, using the Black-Scholes option pricing model. The share warrants were classified as financial derivative liabilities for accounting purposes and are recorded at fair value at the end of each reporting period.

Derivative financial liabilities

The increase in derivative financial liabilities is mainly attributable to an increase in gold prices during the period. As at December 31, 2019, the Company had total outstanding gold forward sales contracts of 51,000 ounces of gold at \$1,330 per ounce. At December 31, 2019, the fair value of the outstanding gold forward sales contracts liability was \$10.7 million. The derivative financial instruments were entered in order to provide greater cash flow certainty through the completion of construction and ramp up to commercial production at Wahgnion. Since inception of the program, the Company realized total gains of \$5.7 million up to December 31, 2019.

On December 20, 2019, the Company provided an option to a customer to purchase 5,000 ounces of gold at a price of \$1,600 per ounce. As at December 31, 2019, the option had a fair value liability of \$64 thousand. Refer to the *Financial Instruments* section below for further details.

Current income tax liabilities

Current income tax liabilities increased by \$3.2 million to \$16.3 million mainly due to \$4.3 million related to the \$10.4 million tax assessment in Senegal and \$16.0 million for the 2019 income tax provision, partially offset by income tax payments of \$16.5 million and redemption of VAT certificates of \$0.6 million.

REVIEW OF QUARTERLY FINANCIAL RESULTS

(US\$000s, except where indicated)	2019				2018			
	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenue	106,341	71,468	83,554	92,127	76,140	64,196	86,050	86,242
Average realized gold price (\$/oz) <sup>1, 2</sup>	1,479	1,421	1,302	1,307	1,232	1,209	1,301	1,325
Cost of sales	81,169	54,265	65,326	64,054	59,374	51,676	59,997	59,470
Net (loss)/profit	(13,371)	(9,722)	(7,581)	(2,719)	(10,639)	7,866	11,586	2,981
Net (loss)/earnings per share	(0.12)	(0.09)	(0.07)	(0.03)	(0.10)	0.07	0.11	0.03
Operating cash flow	21,458	9,284	19,266	49,589	41,784	17,371	19,181	13,719

<sup>1</sup> Average realized gold price is a non-IFRS financial measure that does not have a standard meaning under IFRS. Please refer to Non-IFRS Financial Measures at the end of this MD&A.

<sup>2</sup> Excludes gold ounces sold from Wahgnion's pre-commercial production phase.

Our revenues over the last several quarters reflect the variation in quarterly production and fluctuations in gold price. Lower revenues during the third quarter 2019 and 2018 was primarily related to the rainy season in West Africa, which typically has a negative impact on processing throughput rates due to the necessity of processing a higher proportion of harder rock. Cost of sales were driven by production volumes and were also influenced by fuel costs, foreign currency movements and operational efficiencies. During the fourth quarter 2019, Wahgnion achieved commercial production effective November 1, 2019. As a result, post-commercial production revenue, expenses and cash flows have been recognized in the income statement and operating cash flow, respectively.

Net loss recorded during the fourth quarter 2018 was mainly due to net losses on gold forward sales contracts of \$7.1 million. Net loss recorded during the first quarter 2019 was mainly attributable to a \$10.4 million tax assessment in Senegal. Net loss recorded during the second quarter 2019 was mainly attributable to \$8.5 million of unrealized losses in derivative financial instruments as a result of rising gold prices towards the end of the quarter. Net loss recorded during the third quarter 2019 was mainly attributable to net losses on derivative financial instruments of \$5.6 million and net losses of \$1.7 million in changes in fair values of warrant liabilities and the gold offtake payment liability.

Higher revenue recorded in the fourth quarter 2019 was due to Wahgnion achieving commercial production on November 1, 2019, contributing \$35.0 million in revenue, and higher average realized price. Similarly, the increase in cost of sales was mainly due to an increase of \$27.7 million from Wahgnion. Net loss recorded during the fourth quarter 2019 was mainly attributable to non-cash fair values changes and higher share-based compensation due to an increase in the Company's share price, as well as higher finance costs as Wahgnion entered commercial production.

Operating cash flows fluctuate depending on the price of gold and production levels each quarter. First quarter 2019 revenues and operating cash flows were also positively impacted from higher gold ounces sold, when compared to prior quarters, as well as \$11.8 million of advance payments received from a customer. Lower operating cash flows in third quarter 2019 was due to building up of inventories at our recently commissioned Wahgnion mine site. Operating cash flow increased in the fourth quarter 2019 as Wahgnion achieved commercial production, but was partially offset by a build-up of inventories, mainly due to timing of gold shipments and build-up of supplies inventory at both Wahgnion and Sabodala, as well as payments on settlement of derivative instruments and higher Senegalese tax paid.



MINERAL RESERVES AND RESOURCES UPDATE

Sabodala

Mineral Reserves Summary

Deposits	Proven			Probable			Proven and Probable		
	Tonnes (Mt)	Grade (g/t)	Au (Moz)	Tonnes (Mt)	Grade (g/t)	Au (Moz)	Tonnes (Mt)	Grade (g/t)	Au (Moz)
Masato				17.77	1.13	0.64	17.77	1.13	0.64
Niakafiri East	4.49	1.34	0.19	9.43	1.14	0.34	13.92	1.20	0.54
Sabodala	1.88	1.64	0.10	2.75	1.41	0.12	4.63	1.50	0.22
Golouma West				2.10	2.01	0.14	2.10	2.01	0.14
Goumbati West and Kobokoto				1.39	1.33	0.06	1.39	1.33	0.06
Maki Medina				0.84	1.19	0.03	0.84	1.19	0.03
Niakafiri West				1.13	1.10	0.04	1.13	1.10	0.04
Subtotal Open Pit ("OP")	6.37	1.43	0.29	35.40	1.21	1.38	41.77	1.25	1.67
Stockpiles	7.22	0.73	0.17				7.22	0.73	0.17
Total Open Pit with Stockpiles ("OP")	13.59	1.06	0.46	35.40	1.21	1.38	48.99	1.17	1.84
Golouma West 1				0.62	6.07	0.12	0.62	6.07	0.12
Kerekounda				0.61	4.95	0.10	0.61	4.95	0.10
Golouma West 2				0.45	4.39	0.06	0.45	4.39	0.06
Golouma South				0.47	4.28	0.06	0.47	4.28	0.06
Subtotal Underground ("UG")				2.15	5.01	0.35	2.15	5.01	0.35
TOTAL OP/UG	13.59	1.06	0.46	37.55	1.43	1.73	51.14	1.33	2.19

1. CIM definitions were followed for Mineral Reserves.
2. Mineral Reserve cut-off grades range from 0.408 g/t to 0.479 g/t Au for oxide and 0.466 g/t to 0.539 g/t Au for fresh rock based on a \$1,250/oz gold price.
3. Underground Mineral Reserve cut-off grades range from 2.3 g/t to 2.6 g/t Au based on a \$1,200/oz gold price.
4. Mineral Reserves account for mining dilution and mining ore loss.
5. Proven Mineral Reserves are based on Measured Mineral Resources only.
6. Probable Mineral Reserves are based on Indicated Mineral Resources only.
7. Sum of individual amounts may not equal due to rounding.
8. The Niakafiri Main deposit is adjacent to the Sabodala village and relocation of at least some portion of the village will be required (refer to the Corporate Social Responsibility section for details).

Mineral Resources Summary

Deposit	Domain	Measured			Indicated			Measured and Indicated			Inferred		
		Tonnes ('000s)	Grade (g/t)	Au ('000s)	Tonnes ('000s)	Grade (g/t)	Au ('000s)	Tonnes ('000s)	Grade (g/t)	Au ('000s)	Tonnes ('000s)	Grade (g/t)	Au ('000s)
Sabodala	Open Pit	8,663	1.32	369	5,975	1.61	310	14,638	1.44	678	2,453	1.24	98
	Underground				1,631	3.65	191	1,631	3.65	191	460	3.60	53
	Combined	8,663	1.32	369	7,606	2.05	501	16,270	1.66	870	2,913	1.61	151
Masato	Open Pit	2,458	0.69	55	22,212	1.16	829	24,670	1.11	884			
	Underground				1,163	2.75	103	1,163	2.75	103	1,984	2.85	182
	Combined	2,458	0.69	55	23,375	1.24	932	25,833	1.19	987	1,984	2.85	182
Gora	Underground				274	4.92	43	274	4.92	43	56	4.87	9
	Combined				274	4.92	43	274	4.92	43	56	4.87	9
Golouma	Open Pit	354	0.75	9	3,497	2.93	329	3,851	2.73	338	55	2.79	5
	Underground				2,136	4.09	281	2,136	4.09	281	851	3.66	100
	Combined	354	0.75	9	5,634	3.37	610	5,988	3.21	619	906	3.61	105
Kerekounda	Underground				499	4.88	78	499	4.88	78	235	5.70	43
	Combined				499	4.88	78	499	4.88	78	235	5.70	43
Maki Medina	Open Pit	114,823	0.78	2,874	1,053	1.21	41	1,168	1.17	44	42	1.00	1
	Underground				179	2.73	16	179	2.73	16	90	2.56	7
	Combined	114,823	0.78	2,874	1,232	1.43	57	1,347	1.38	60	132	2.06	9

Deposit	Domain	Measured			Indicated			Measured and Indicated			Inferred		
		Tonnes ('000s)	Grade (g/t)	Au ('000s)	Tonnes ('000s)	Grade (g/t)	Au ('000s)	Tonnes ('000s)	Grade (g/t)	Au ('000s)	Tonnes ('000s)	Grade (g/t)	Au ('000s)
Niakafiri East	Open Pit	4,776	1.37	210	14,140	1.14	516	18,916	1.19	726	4,515	0.93	135
	Underground				224	2.72	20	224	2.72	20	514	2.70	45
	Combined	4,776	1.37	210	14,364	1.16	536	19,140	1.21	746	5,030	1.11	180
Niakafiri West	Open Pit				3,061	1.02	100	3,061	1.02	100	673	0.86	19
	Underground				74	2.67	6	74	2.67	6	71	2.84	6
	Combined				3,135	1.06	107	3,135	1.06	107	744	1.05	25
Goumbati West - Kobokoto	Open Pit				2,678	1.35	116	2,678	1.35	116	498	0.81	13
	Underground				131	3.25	14	131	3.25	14	79	2.90	7
	Combined				2,809	1.44	130	2,809	1.44	130	577	1.09	20
Golouma North	Open Pit				170	1.32	7	170	1.32	7	295	1.42	14
	Underground				14	2.64	1	14	2.64	1	19	2.93	2
	Combined				184	1.42	8	184	1.42	8	314	1.51	15
Diadiako	Open Pit										178	1.27	7
	Underground										663	2.89	61
	Combined										841	2.54	69
Kinemba	Open Pit				24	1.06	1	24	1.06	1	91	0.95	3
	Underground										56	2.52	5
	Combined				24	1.06	1	24	1.06	1	147	1.55	7
Kourouloulou	Open Pit				96	11.51	36	96	11.51	36	22	6.71	5
	Underground				59	9.15	18	59	9.15	18	86	13.58	38
	Combined				156	10.61	53	156	10.61	53	108	12.18	42
Kouroundi	Open Pit				67	0.93	2	67	0.93	2	42	0.74	1
	Combined				67	0.93	2	67	0.93	2	42	0.74	1
Koutouniokolla	Open Pit										85	1.58	4
	Underground										22	2.54	2
	Combined										108	1.78	6
Mamasato	Open Pit				560	1.45	26	560	1.45	26	305	1.25	12
	Underground										42	2.32	3
	Combined				560	1.45	26	560	1.45	26	347	1.38	15
Marougou	Open Pit										1,198	1.41	54
	Combined										1,198	1.41	54
Sekoto	Open Pit										485	0.89	14
	Underground										25	2.11	2
	Combined										510	0.95	16
Soukhoto	Open Pit										550	1.46	26
	Combined										550	1.46	26
Total	Open Pit	16,367	1.23	645	53,535	1.34	2,314	69,901	1.32	2,959	11,489	1.11	411
	Underground				6,384	3.75	771	6,384	3.75	771	5,254	3.34	565
	Combined	16,367	1.23	645	59,919	1.60	3,085	76,286	1.52	3,729	16,742	1.81	976

1. CIM definitions were followed for Mineral Resources.
2. Open pit oxide Mineral Resources are estimated at a cut-off grade of 0.35 g/t Au, except for Marougou at 0.48 g/t Au.
3. Open pit transition and fresh rock Mineral Resources are estimated at a cut-off grade of 0.40 g/t Au, except for Marougou at 0.55 g/t Au.
4. Underground Mineral Resources are estimated at a cut-off grade of 2.00 g/t Au.
5. Measured Resources at Sabodala include stockpiles, which total 4.3 Mt at 0.75 g/t Au for 104,000 oz.
6. Measured Resources at Masato include stockpiles, which total 2.5 Mt at 0.69 g/t Au for 55,000 oz.
7. Measured Resources at Maki Medina include stockpiles, which total 0.1 Mt at 0.78 g/t Au for 3,000 oz.
8. Measured Resources at Golouma include stockpiles, which total 0.4 Mt at 0.75 g/t Au for 9,000 oz.
9. High grade assays were capped at grades ranging from 1.5 g/t Au to 110 g/t Au.
10. Mineral Resources are inclusive of Mineral Reserves.
11. Open pit shells were used to constrain open pit resources.
12. Mineral Resources are estimated using a gold price of \$1,450 per ounce.
13. Sum of individual amounts may not equal due to rounding.

Wahgnion

Mineral Reserves Summary

Deposits	Proven			Probable			Proven and Probable		
	Tonnes (Mt)	Grade (g/t)	Au (Moz)	Tonnes (Mt)	Grade (g/t)	Au (Moz)	Tonnes (Mt)	Grade (g/t)	Au (Moz)
Nogbele	1.61	1.41	0.07	14.22	1.47	0.67	15.83	1.46	0.74
Fourkoura	0.49	1.71	0.03	2.41	1.57	0.12	2.90	1.60	0.15
Samavogo				5.19	1.98	0.33	5.19	1.98	0.33
Stinger	0.15	2.06	0.01	5.60	1.65	0.30	5.75	1.66	0.31
Subtotal Open Pit	2.24	1.52	0.11	27.43	1.61	1.42	29.67	1.60	1.53
Stockpiles	0.65	0.85	0.02				0.65	0.85	0.02
Total Open Pit with Stockpiles	2.89	1.37	0.13	27.43	1.61	1.42	30.32	1.59	1.55

1. CIM definitions were followed for Mineral Reserves.
2. Mineral Reserve cut-off grades range from 0.38 g/t to 0.48 g/t Au for oxide and 0.53 g/t to 0.64 g/t Au for fresh rock.
3. Mineral Reserve is based on a \$1,250/oz gold price.
4. Mineral Reserves account for mining dilution and mining ore loss.
5. A minimum mining width of 2.5 m was used.
6. Proven Mineral Reserves are based on Measured Mineral Resources only.
7. Probable Mineral Reserves are based on Indicated Mineral Resources only.
8. Sum of individual amounts may not equal due to rounding.

Mineral Resources Summary

Deposit	Measured			Indicated			Measured and Indicated			Inferred		
	Tonnes (Mt)	Grade (g/t)	Au (Moz)	Tonnes (Mt)	Grade (g/t)	Au (Moz)	Tonnes (Mt)	Grade (g/t)	Au (Moz)	Tonnes (Mt)	Grade (g/t)	Au (Moz)
Nogbele N/Nangolo	2.06	1.11	0.07	21.18	1.38	0.94	23.23	1.35	1.01	2.64	1.27	0.11
Nogbele S	0.46	1.81	0.03	4.71	1.29	0.19	5.18	1.33	0.22	0.33	1.14	0.01
Fourkoura	0.59	1.63	0.03	4.10	1.42	0.19	4.69	1.45	0.22	0.24	1.53	0.01
Samavogo				8.06	1.91	0.49	8.06	1.91	0.49	1.46	1.65	0.08
Stinger	0.16	2.15	0.01	8.30	1.56	0.42	8.46	1.58	0.43	0.57	1.56	0.03
Total	3.27	1.36	0.14	46.35	1.50	2.23	49.62	1.49	2.37	5.24	1.41	0.24

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resource are reported at cut-of grades ranging from 0.320 g/t Au to 0.403 g/t Au in oxide, and at cut-off grades ranging from 0.388 g/t Au to 0.541 g/t Au in transition and primary rock.
3. Measured Resources at Nogbele North and Nangolo include stockpiles, which total 0.65 Mt @ 0.85 g/t Au for 18,000 oz.
4. High grade assays were capped at grades ranging from 2.5 to 48 g/t Au.
5. Mineral Resources are constrained by resource pit shells.
6. Mineral Resources are estimated using a long-term gold price of US\$1,500 per ounce.
7. Totals may not add due to rounding.

BUSINESS AND PROJECT DEVELOPMENT

Massawa Acquisition

On December 9, 2019, the Company entered into a definitive agreement pursuant to which it will acquire a 90 percent interest in Massawa from a wholly-owned subsidiary of Barrick and its joint venture partner, CSTTAO, with the Government of Senegal holding the remaining 10 percent interest in Massawa. Massawa is one of the highest-grade undeveloped open-pit gold reserves in Africa<sup>18</sup>. It is located within trucking distance of Teranga’s flagship Sabodala mine in Senegal, creating the opportunity for significant capital and operating synergies<sup>19</sup>. Upon completion of the acquisition, the Sabodala-Massawa Complex is expected to transform Sabodala into a top tier asset.

Total aggregate consideration for the Massawa Acquisition is \$380 million ("Upfront Consideration") plus a gold price-linked contingent payment (the "Contingent Consideration") payable in cash and common shares of the Company.

The Upfront Consideration consists of approximately \$300 million payable in cash and approximately \$80 million to be settled by issuance of approximately 20.8 million Teranga common shares, at a price of C\$5.10 per share, to Barrick and CSTTAO.

In total, \$225 million of the Upfront Consideration will be funded under an acquisition facility agreement (the “Acquisition Facility”) by Teranga’s existing lender, Taurus Funds, which has agreed to lend \$200 million, and \$25 million to be provided by Barrick as a part of the lending syndicate under the Acquisition Facility. The balance of the Upfront Consideration will be funded by Teranga through the Offering and the Private Placement.

On December 18, 2019, the Company completed the Offering of 27,451,000 subscription receipts at C\$5.10 per Subscription Receipt for gross proceeds of C\$140 million (\$106.3 million). Each Subscription Receipt represents the right of the holder to receive, upon satisfaction or waiver of the Release Conditions, without payment of additional consideration, one common share of the Company. Net proceeds from the Offering will be used to fund a portion of the Upfront Consideration for the Massawa Acquisition, with the balance of the proceeds being used for exploration drilling across the Company’s portfolio, transaction costs related to the Massawa Acquisition and for working capital purposes. The Subscription Receipts are listed on the TSX (TSX: TGZ.R).

On January 7, 2020, the Company completed the Private Placement of 11,677,942 Teranga common shares at C\$5.10 per common share for gross proceeds of C\$59.6 million (\$45.9 million).

Proceeds from the Offering, less 50 percent of the underwriters' fee, and Private Placement were placed into escrow with Computershare Trust Company of Canada and will be released from escrow upon satisfaction or waiver of the Release Conditions. If the Release Conditions are satisfied or waived on or before May 31, 2020, each Subscription Receipt will convert into one common share of the Company. If the Release Conditions are not satisfied or waived prior to the May 31, 2020, the Subscription Receipts will be cancelled and holders of each Subscription Receipt will be entitled to receive an amount equal to C\$5.10 for each Subscription Receipt held together with the holder's pro-rata share of interest earned on the escrowed proceeds from the Company. In addition, proceeds from the Private Placement would not be released to the Company and returned to Tablo Corporation.

The Contingent Consideration is as follows:

- a. If the average gold price for the three-year period immediately following closing of the Massawa Acquisition (the “three-year average gold price”) is equal to or less than \$1,450 per ounce, nil;
- b. If the three-year average gold price is greater than \$1,450 per ounce and up to, but not more than, \$1,500 per ounce, \$25 million;
- c. If the three-year average gold price is greater than \$1,500 per ounce and up to, but not more than, \$1,600 per ounce, \$35 million; or
- d. If the three-year average gold price is greater than \$1,600 per ounce, \$50 million.

The Contingent Consideration is due three years following the completion of the Massawa Acquisition. The Contingent Consideration is expected to be funded through cash flow.

<sup>18</sup> Refer to footnote 3 on page 11 of this MD&A.

<sup>19</sup> Refer to footnote 4 on page 11 of this MD&A.

The completion of the Acquisition Facility, the Offering and the Private Placement are all inter-conditional with the completion of the Massawa Acquisition.

The Massawa Acquisition is expected to close in the first quarter of 2020 and is subject to receipt of the Massawa exploitation license and residual exploration license from the government of Senegal, as well as certain other acknowledgments and approvals from the government of Senegal including Teranga's integration plans for the Sabodala-Massawa Complex, as well as other customary closing conditions for a transaction of this kind.

On February 13, 2020, the Company obtained certain key approvals and acknowledgment from the Government of Senegal required in order to proceed to close the Massawa Acquisition. The approvals included a formal consent to Teranga's plans to integrate Massawa into Sabodala, as well as a formal intent of the Government of Senegal to waive its equity participation right to elect, on its behalf or on behalf of the private sector, to purchase up to an additional 25 percent equity interest in Massawa at market value.

With these approvals in place, the Company currently anticipates issuance of the Massawa exploitation license and residual exploration license imminently.

#### ***Sabodala and Massawa Integration Plan***

As we approach closing of the Massawa Acquisition, the Company's technical and site operating teams have been moving forward with the integration plan for optimal gold production from the integrated Sabodala-Massawa Complex.

The pre-feasibility study for the Sabodala-Massawa Complex's life of mine plan is well underway. Lycopodium has been engaged as the lead engineering firm. Confirmatory metallurgical test-work to optimize the mix of Sofia and Massawa oxide ore into the existing plant has begun at SGS Lakefield. In addition, a detailed drilling program has been established with the objective to discover new resources and to optimize the design for refractory ore processing for a definitive feasibility study, expected to be completed in late 2021, ahead of construction.

The Sabodala operating team is focused on executing the integration of Massawa as soon as is practicable, with work ongoing since December 2019. At present, the target is to initiate mining at Sofia in third quarter 2020 with gradual ramp-up for the remainder of the year and the ability to process the Massawa oxides by second quarter 2021. The critical path items are adjustments to the Barrick environmental and social impact assessment permitting structure, livelihood restoration agreements for the local community support, construction of infrastructure to support the operating concept and installation of plant upgrades for management of the different ore types and the ability to recover gold at the sustained increased rate of production.

#### ***Wahgnion Gold Project Construction and Development Update***

Wahgnion achieved first gold pour in August 2019, approximately two months ahead of schedule. Over 5.3 million hours were worked without a lost time incident, with a cost of completion expected to be approximately \$15 million below the estimates outlined in the feasibility study despite unfavourable variances for fuel and foreign exchange.

The handover to operations was completed and included material, documentation and responsibility details. Demobilization of major contractors, as well as details of outstanding items and final close outs focused on ramp-up commissioning and continuation of non-critical work areas that continued in parallel with plant operations.

Total throughput for 2019 was 1.0 million tonnes processed, averaging over nameplate capacity for the duration of the quarter with commercial production declared on November 1, 2019.

The plant has performed consistently above nameplate for both throughput and gold recovery, however, improvement projects for 2020 include adjustments to the tailings storage facility ("TSF") decant facility for improved water recovery, an additional TSF lift ahead of the original plan to contain the added processed volume and ongoing continual improvement in areas of the materials handling and grind circuits as we prepare for the upcoming wet season with a higher proportion of fresh ore feed.

#### ***Afema Project***

The Company completed and submitted an economic evaluation of an initial small-scale oxide project (the "Initial Afema Project"), as updated by subsequent studies of the prior permit holder (the "Economic Evaluation") on April 25, 2019. The Economic Evaluation reviewed the previously defined historical oxide resource, historical metallurgical test work, processing alternatives and baseline environmental work and largely confirmed the original technical assumptions but

that additional resources will need to be defined ahead of further technical work in support of a potential production decision. As a result, the Company will be executing upon a work plan designed to:

- a. Continue exploration at existing target areas and newly identified targets to delineate a current NI 43-101 resource both in oxide and fresh mineralized non-refractory zones;
- b. Further exploration beyond the mine license area (see *Exploration* section);
- c. Investigate alternative material treatment processes as the resource delineation program warrants.

### **EXPLORATION**

#### **Burkina Faso**

The primary exploration highlights during fourth quarter 2019 were the ongoing mechanical trenching, diamond core drilling ("DD") and reverse circulation ("RC") drilling program and mechanical trenching at the Company's Golden Hill property in Burkina Faso. The principal objective of this program was to facilitate an update to the initial resource estimation in second quarter 2020 through the drilling of mineralization extensions at a number of deposits and prospects with current resources estimated, as well as initial drilling at a number of new targets.

##### *Golden Hill Property*

During the fourth quarter 2019, the Company spent \$2.5 million on the exploration program for Golden Hill. Drilling focused on Ma Main, Ma North, Ma Junction, Ma East, C-Zone and Peksou.

In addition, the Company re-started mechanical trenching activities late in fourth quarter 2019 to create exposures for structural and lithologic mapping at a number of targets following up on favourable prospecting, mapping, soil and rock sampling results. Furthermore, a detailed interpretation of the Golden Hill airborne magnetics and radiometrics survey continued, the results of which are expected to help guide future exploration throughout the Golden Hill property.

Management is continuing with technical studies in support of a preliminary economic assessment ("PEA"), specifically on optimization of the metallurgical response in the multiple deposits, as well as the initial baseline environmental and social impact studies that will form the basis for an eventual environmental and social impact assessment for a mine license application in 2020.

In 2019, considerable exploration advancement occurred at Golden Hill. Approximately 18,000 metres of a 27,000-metre drill program was completed, with the remainder to be completed in early 2020. In addition to drilling, we undertook an airborne magnetic and radiometric survey as well as significant on-the-ground fieldwork including rock and soil samples, auger drilling and excavator trenching designed to extend existing drill targets and discover new ones.

Throughout 2020, the Company plans to continue its advanced exploration drilling evaluation, complete an updated resource estimation, prepare a PEA and apply for a mining license at Golden Hill.

On January 22, 2020, the Company announced results from its drilling program at Golden Hill, which has returned high-grade gold intercepts from near surface to depth at several existing targets and encouraging gold grades in numerous step-out holes. The campaign has also uncovered a new discovery: The Ma Junction prospect, located between Ma Main and Ma North.

The Company has budgeted \$12 to \$14 million of exploration activities in Burkina Faso in 2020.

#### **Côte d'Ivoire**

##### *Afema Mining License Property and Regional Properties (Ayame, Mafere, Aboisso)*

During the fourth quarter 2019, the Company continued with geological and structural evaluations focusing on expanding oxide-mineralization opportunities along the Afema Shear Zone, as well as both the separate and distinct Niamienlessa and Woulo Woulo structural trends. Field specific activities were limited to follow-up geologic mapping and sampling evaluations of numerous sites identified during the data interpretation of the magnetic and radiometric surveys.

Activities undertaken during 2019 included the collection of stream sediment, soil and rock samples, as well as trenching and RC drilling. On the Regional Properties, the Company continued the property-wide detailed follow-up field evaluations of the recently flown magnetic and radiometric data.



A comprehensive exploration program is planned for 2020 that will include a substantial increase in soil sampling, excavator trenching, induced polarization geophysics and RC drilling as well as the initiation of DD drilling at a variety of target areas identified on the mine license.

A comprehensive exploration program is planned for 2020 that will include considerable soil sampling, excavator trenching, induced polarization geophysics as well as the initiation of both RC and DD drilling at a variety of target areas.

*Miminvest (Guitry, Sangaredougou and Dianra) Properties*

No field activities were undertaken at the Miminvest properties during fourth quarter 2019.

Starting in first quarter 2020, field activities is expected to resume at all three Miminvest properties. Field programs will comprise extension of the soils sampling grids, hand pitting and excavator trenching as well as RC and DD programs.

The Company has budgeted \$6 to \$8 million of exploration activities in Côte d'Ivoire in 2020.

**Senegal**

*Sabodala Mine License*

A limited field program was undertaken during fourth quarter 2019 comprising the completion of an additional nine RC holes at the Goumbati West-Kobokoto (GKK) deposit.

The exploration program in 2019 included the collection of rock and soil samples as well as completion of excavator trenches and 100 RC holes at both the Maki Medina and GKK deposit areas.

In 2020, the Company plans to continue the evaluation of the GKK deposit area as well as the Kinemba prospect area.

The Company has budgeted \$2 to \$3 million of exploration activities in Senegal, excluding Massawa, in 2020.

**HEALTH AND SAFETY**

Health and safety remains the principal priority at Teranga and all personnel are involved in the extensive campaigns to integrate a safety awareness culture as part of their daily activities. The Company's operational health and safety program focuses on proactive, people-based safety management using a documented systematic approach.

**Sabodala**

During 2019, the program and focus on proactive reporting and implementation of timely corrective actions have allowed Sabodala to achieve 82 percent compliance with Occupational Health and Safety Assessment Series ("OHSAS") 18001 according to a 2019 external audit on health, safety and environment management system. We are working towards full compliance and certification with OHSAS 18001 standards.

Malaria awareness campaigns and housekeeping conducted on site and in the villages during the rainy season have reduced the number of malaria cases by 43 percent compared to 2018.

In 2020, the focus will be on the development of safe work instructions for high-risk activities and conducting safe work observation on each. In addition, legal and other requirements register and monitoring, as well as the migration from OHSAS 18001 to International Organization for Standardization ("ISO") 45001 will be evaluated. A safety representative inspection group is also expected to be installed.

**Wahgnion**

During 2019, Wahgnion had reached multiple milestones without incurring a single Lost Time Injury ("LTI"). In 2019, Wahgnion achieved 5.1 million hours free of LTI's during the construction period and also commenced operations with over 2 million hours worked without incurring any lost time injuries.

In 2020, the Wahgnion operational team will be primarily focusing on controlling top safety risks of each operational area.

**CORPORATE SOCIAL RESPONSIBILITY**

Teranga continues its commitment towards responsible mining and sustainable development. After joining the World Gold Council in late 2018, the Company is committed to implementing the Responsible Gold Mining Principles within the next three years. This is expected to reaffirm the Company's policies, management systems and strong commitment towards sustainability issues including human rights, environment and governance issues and align the Company with international initiatives and best practices, including extensive reporting on sustainability issues.

**Senegal**

***Community Relations***

In 2019, Teranga continued its community investment program through the funding of numerous projects and initiatives; spending a total of \$1.1 million during the year. Major projects included:

- Youth education and training: financing of 60 scholarships for elementary school students, provision of school supplies for all primary school students in the Sabodala district, construction of infrastructure such as fencing walls around schools for enhanced safety, and implementation of school market gardens;
- Food security: market gardening program extended to new villages, creation of communal poultry husbandry activities, acquisition of grain mills for 8 villages and development of community orchards;
- Health: construction of infrastructure, including a health post, maternity and staff housing facilities, organization of a day of free medical consultation in the Sabodala commune and Kedougou, free screening for breast and cervical cancer, donation of medicine in 4 communes and continuation of the malaria spray program in the communities; and
- Hydraulic and sanitation: construction and equipment of a number of hand pumps, pastoral water boreholes and rehabilitation of Sabodala's water supply system.

In addition, the Gora Fund, designed to assist local communities in developing new sustainable economic activities, was active throughout the year including the building and equipping of a hostel in Diakhaling.

***New Sabodala Village Resettlement***

In order to mine the Niakafiri deposit, the local village of Sabodala needs to be relocated. In 2019, resettlement of the new Sabodala village has been a major focus of the Company. As the initial residences were being constructed during the second quarter, the community raised the prospect of being able to make modifications, including adding an eventual second floor to their residences. During the third quarter 2019, the Company and the Sabodala village community agreed to modifications to the method and materials used in the construction of the private residences at the newly relocated village site. Revisions to the project plan are expected as the civil earthworks continue and revised construction designs along with vendor negotiations and civil are modified. Construction is expected to resume in 2020 for residential houses, as public buildings were built in 2019 and not subjected to the change of construction materials. These modifications are expected to impact the timing of completion of the resettlement site, however, the delay is not expected to impact 2020 production.

In parallel, negotiations regarding livelihood restoration and compensation have been conducted successfully. The land replacement program is ongoing with 94 percent of affected households having identified their new agricultural lands. Livelihood restoration programs are expected to be implemented in 2020 and will focus on agriculture and income generating activities.

**Burkina Faso**

***Community Relations***

In 2019, the Company pursued the implementation of its community relations strategy in Wahgnion. The stakeholder engagement plan has been extended to reinforce relationships and dialogue between the Company and the communities.

In 2019, Wahgnion contributed \$41 thousand to the Local Development Mining Fund and has agreed to contribute an amount equal to 1 percent of monthly turnover, which is expected to contribute a further \$2 million per year into social projects. In addition, the Company invested approximately \$0.2 million in the community for several projects, including:

- Governance and planning: funding the update of the Niankorodougou Commune Development Plan, a government planning document on socio-economic development of the area and construction of an office building for the town hall;

- Youth education and training: funding of a training program for 25 youths of the commune in partnership with the government in photovoltaic electricity, recruitment of several interns, including 12 youths of the commune who interned at Sabodala prior to joining the processing department at Wahgnion and donations of school supplies to the two high schools of the commune;
- Income generation: financing of a local procurement study to identify opportunities for Teranga in the area;
- Health: donation of an ambulance to the commune of Niankorodougou; and
- Hydraulic and sanitation: rehabilitation of Niankorodougou water supply system.

#### ***Wahgnion Area Resettlement***

In 2019, the first relocations took place at Wahgnion for the first phase of the resettlement. The hamlets of Songha (51 households) and Zievogo (43 households) were successfully relocated in first half 2019. Public infrastructure and buildings have been handed over to the communities for both sites with the exception of mosques, which is expected to be built in early 2020.

Construction for the next phase of the resettlement, which focused on Nanguedougou (157 households) began at the end of 2019 and is expected to be completed by the end of 2020. Construction of Nanguedougou resettlement was brought forward into 2020 as a result of the 2020 mine plan and to gain quicker access to satellite pits due to early commissioning of the mill and the higher throughput. Construction for the hamlet of Fougneuevogo (25 households) and Fourkoura (74 households) is expected to commence in early 2020. The Company expects to resettle the villages of Samavogo (99 households) and Stinger (42 households) in 2021 and 2022.

In parallel, compensation and livelihood restoration activities progressed well with the launch of the first community irrigated perimeter and a successful harvest, and the implementation of a number of agricultural and income generating programs to support affected communities, especially for women, such as cassava transformation and enhanced rice culture.

Land replacement activities progressed well with 232 hectares acquired and redistributed.

#### ***Golden Hill***

At Golden Hill, the Company performed a baseline environmental and social studies in 2019 and began ramping up its community relations activities. A full time community liaison officer has been appointed and approximately \$80 thousand has been invested in the communities for education and healthcare.

Teranga is currently working towards environmental permitting of Golden Hill and expects to commence an Environmental and Social Impact Assessment in early 2020.

#### ***Côte d'Ivoire***

#### ***Community Relations***

In 2019, community relations activities at Afema were progressively ramped up with the financing of a program for the rehabilitation of all health posts in Canton and various other programs targeting education and local support. Stakeholder engagement have increased, with the organization of sporting events and the successful organization of a stakeholder engagement day which provided an opportunity for Afema to present the project and answer communities' questions about the project.

### **MARKET REVIEW – IMPACT OF KEY ECONOMIC TRENDS**

#### ***Gold Price***

The price of gold is the largest factor in determining our profitability and cash flow from operations. During 2019, the average London PM fix price of gold was \$1,393 per ounce, with gold trading between a range of \$1,270 and \$1,546 per ounce. This compares to an average of \$1,268 during 2018, with a low of \$1,178 per ounce and a high of \$1,355 per ounce.

The price of gold is subject to volatile price movements over short periods of time and is affected by numerous industry and macro-economic factors that are beyond the Company's control including, but not limited to, currency exchange rate fluctuations, the relative strength of the US dollar, the supply of and demand for gold, the level of interest rates and inflation expectations. During 2019, the Company entered into gold forward contracts and zero cost collars to provide greater certainty of cash flows from Sabodala while construction activities at Wahgnion were ongoing.

The US Federal Reserve reduced interest rates three times in 2019 citing weakening global growth, rising trade-policy uncertainty and muted inflation. The US-China trade conflict worsened in mid-2019, but the US ultimately signed a limited, first-stage trade deal with China in early 2020. Recently, the US Federal Reserve signaled that it would hold rates steady through to the end of the year.

Overall, trade conflicts, geopolitical tensions and increasing risk of an extended economic slowdown are stated to be possible factors impacting global economic growth and investment. These factors have undermined confidence, growth and job creation which supports a stronger gold price environment. Based on the supply and demand fundamentals and expectations surrounding accommodative US monetary policy, the Company has a positive outlook on gold prices over the short and medium term.

While the gold market is affected by fundamental global economic changes, we are also aware that the market is impacted by expectations, both positive and negative. We appreciate that institutional commentary can affect such expectations. As such, our priority is to execute on our strategy of maximizing shareholder value through prudent capital allocation in connection with our development and exploration programs.

#### ***Oil Price***

Fuel costs related to power generation and operation of the mobile fleet are one of the largest cost to Sabodala and Wahgnion. Fuel purchased to operate the power plant and mobile equipment fleet totalled approximately \$40.1 million in 2019 or approximately 22 percent of gross mine production costs.

The Sabodala and Wahgnion processing plants are powered by HFO and their operations consumed approximately 32.2 million and 3.4 million litres of HFO equating to a cost of \$0.12 and \$0.18 per kilowatt hour, respectively. Sabodala's and Wahgnion's mobile fleet runs on LFO and their operations consumed approximately 22.7 million and 3.5 million litres, respectively, in 2019. We source our HFO and LFO from international fuel suppliers with local distribution networks in Senegal and Burkina Faso. The government in Senegal and Burkina Faso sets prices for various types of fuels consumed in the country. Fuel prices are reviewed every 4 weeks in Senegal and every 6 months for Burkina Faso. Price stabilization levies are applied in times of low market prices.

Teranga's main benchmark for fuel prices is Brent crude. The average Brent crude price was \$64 per barrel in 2019, reaching a high of \$75 per barrel and dropping to below \$55 per barrel. According to the Short-term Energy Outlook by the US Energy Information Administration, 2020 worldwide forecasts for Brent crude and West Texas Intermediate ("WTI") prices are expected to average \$65 per barrel and \$59 per barrel, respectively.

Investment banks predict that oil prices are likely to shed the gains that immediately followed Organization of the Petroleum Exporting Countries ("OPEC") and its allies' decision in December 2019 to decrease output as a global glut of crude oil continues to weigh on the market. The key drivers behind the anticipated decrease in prices include the growth in production from non-OPEC countries such as the US, Norway, Brazil, and Guyana, weak compliance by some OPEC countries on the agreed supply cuts and lower global demand for oil.

The Company does currently not have any oil hedges in place. Management may consider entering into oil hedge contracts should the price and terms be deemed advantageous.

#### ***Currency***

A significant portion of operating costs and capital expenditures at Sabodala and Wahgnion are denominated in currencies other than US dollars. Historical accounts payable records demonstrate that Sabodala has approximately 40 to 50 percent Euro currency exposure via the West African CFA Franc, which is pegged directly to the Euro. Overall, the Euro weakened from to 1.15 to 1.12 against the US dollar.

The European Central Bank ("ECB") relaunched an asset-purchase program in March 2019 and lowered its key interest rate in September 2019 to negative 0.5 percent from negative 0.4 percent in response to slowing eurozone and global economic growth. Overall, economic growth has been stronger in the US than in Europe since mid-2017. The market expects the ECB to keep interest rates steady throughout 2020.

All of the Company's operations are located in West Africa where the CFA Franc is the local currency used. As a result, costs are exposed to foreign exchange rate movements. We monitor currency exposure on an ongoing basis. We had previously hedged a portion of our exposure to the Euro using forward contracts. We will regularly assess currency exposures and may consider entering into hedge programs should the price and terms be acceptable.

## LIQUIDITY AND CASH FLOW

### Cash Flow

(US\$000s)	Three months ended December 31,		Twelve months ended December 31,	
Cash Flow	2019	2018	2019	2018
Operating activities before changes in working capital excluding inventories	13,406	25,384	54,818	96,649
Changes in non-cash working capital excluding inventories	8,052	16,400	44,779	(4,589)
Operating	21,458	41,784	99,597	92,060
Investing	(128,162)	(79,726)	(284,858)	(215,296)
Financing	108,772	6,709	171,240	80,140
Effect of exchange rates on cash holdings in foreign currencies	(234)	(1,901)	(2,877)	2,040
Change in cash and cash equivalents during the period	1,834	(33,134)	(16,898)	(41,056)
<b>Cash and cash equivalents - beginning of period</b>	<b>27,883</b>	<b>79,749</b>	<b>46,615</b>	<b>87,671</b>
<b>Cash and cash equivalents - end of period</b>	<b>29,717</b>	<b>46,615</b>	<b>29,717</b>	<b>46,615</b>

  

(US\$000s)	Three months ended December 31,		Twelve months ended December 31,	
Changes in working capital excluding inventories	2019	2018	2019	2018
Increase in trade and other receivables	(2,672)	(195)	(4,541)	(5,367)
(Increase)/decrease in other assets	(1,329)	(890)	(1,259)	741
Increase/(decrease) in trade and other payables	7,870	17,098	34,328	(7,372)
Increase/(decrease) in provisions	159	(85)	(1,689)	106
Increase in deferred revenue	(326)	—	14,380	—
Increase in current income taxes payable	4,350	472	3,560	7,303
<b>Net change in working capital excluding inventories</b>	<b>8,052</b>	<b>16,400</b>	<b>44,779</b>	<b>(4,589)</b>

### Sources and Uses of Cash

Three months ended December 31, 2019					
Cash Flow - Details (US\$000s)	Sabodala	Corporate	Wahgnion	Exploration	Consolidated Cash Flow
<b>Operating</b>	<b>20,947</b>	<b>(1,916)</b>	<b>5,134</b>	<b>(2,707)</b>	<b>21,458</b>
<b>Investing</b>	<b>(7,011)</b>	<b>(103,464)</b>	<b>(17,649)</b>	<b>(38)</b>	<b>(128,162)</b>
- Expenditures for mine development - sustaining <sup>2</sup>	(3,987)	—	(1,374)	—	
- Expenditures for property, plant and equipment - sustaining	(1,362)	(6)	(747)	—	
- Expenditures for mine development - growth <sup>2</sup>	(1,573)	—	(16,205)	—	
- Expenditures for property, plant and equipment - growth	—	—	(10,988)	—	
- Expenditures for intangibles	(89)	—	(355)	(38)	
- Restricted cash	—	(103,458)	—	—	
- Proceeds from pre-commercial production <sup>1</sup>	—	—	12,020	—	
<b>Financing</b>	<b>(685)</b>	<b>102,705</b>	<b>5,407</b>	<b>1,345</b>	<b>108,772</b>
- Proceeds from drawdown of borrowings	—	—	10,761	2,000	
- Repayment of borrowings	—	—	(469)	—	
- Financing costs paid	—	(517)	(47)	(52)	
- Settlement of gold offtake payment liability	—	—	(501)	—	
- Proceeds from stock options exercised	—	259	—	—	
- Issuance of subscription receipts	—	106,347	—	—	
- Payments of subscription receipts issuance costs	—	(2,889)	—	—	
- Lease payments	(685)	(113)	(409)	(12)	
- Interest paid on borrowings	—	(382)	(3,928)	(591)	
<b>Effect of exchange rates on cash holdings in foreign currencies</b>	<b>(295)</b>	<b>17</b>	<b>44</b>	<b>—</b>	<b>(234)</b>
<b>Change in cash and cash equivalents during the period</b>	<b>12,956</b>	<b>(2,658)</b>	<b>(7,064)</b>	<b>(1,400)</b>	<b>1,834</b>

<sup>1</sup> The \$12.0 million in proceeds from pre-commercial production reflects gold sales from Wahgnion for the three months ended December 31, 2019 that have been capitalized to Wahgnion's development cost prior to Wahgnion achieving commercial production.

<sup>2</sup> Comparative amounts have been restated to present resettlement capital expenditures related to the Niakafiri deposit as growth capital expenditures.

Three months ended December 31, 2018					
Cash Flow - Details (US\$000s)	Sabodala	Corporate	Wahgnion	Exploration	Consolidated Cash Flow
<b>Operating</b>	<b>35,012</b>	<b>600</b>	<b>9,707</b>	<b>(3,535)</b>	<b>41,784</b>
<b>Investing</b>	<b>(19,253)</b>	<b>—</b>	<b>(53,231)</b>	<b>(7,242)</b>	<b>(79,726)</b>
- Expenditures for mine development - sustaining <sup>1</sup>	(12,901)	—	—	—	
- Expenditures for property, plant and equipment - sustaining	(2,962)	—	—	—	
- Expenditures for mine development - growth <sup>1</sup>	(3,390)	—	(8,041)	—	
- Expenditures for property, plant and equipment - growth	—	—	(45,133)	—	
- Expenditures for intangibles	—	—	(57)	—	
- Investment in Boss Gold and Boss Minerals	—	—	—	(7,242)	
<b>Financing</b>	<b>—</b>	<b>6,709</b>	<b>—</b>	<b>—</b>	<b>6,709</b>
- Proceeds from drawdown of borrowings	—	10,000	—	—	
- Financing costs paid	—	(869)	—	—	
- Interest paid on borrowings	—	(2,422)	—	—	
<b>Effect of exchange rates on cash holdings in foreign currencies</b>	<b>576</b>	<b>80</b>	<b>(2,557)</b>	<b>—</b>	<b>(1,901)</b>
<b>Change in cash and cash equivalents during the period</b>	<b>16,335</b>	<b>7,389</b>	<b>(46,081)</b>	<b>(10,777)</b>	<b>(33,134)</b>

<sup>1</sup> Comparative amounts have been restated to present resettlement capital expenditures related to the Niakafiri deposit as growth capital expenditures.

Twelve months ended December 31, 2019					
Cash Flow - Details (US\$000s)	Sabodala	Corporate	Wahgnion	Exploration	Consolidated Cash Flow
<b>Operating</b>	<b>135,718</b>	<b>(13,013)</b>	<b>(15,256)</b>	<b>(7,852)</b>	<b>99,597</b>
<b>Investing</b>	<b>(49,849)</b>	<b>(104,046)</b>	<b>(128,425)</b>	<b>(2,538)</b>	<b>(284,858)</b>
- Expenditures for mine development - sustaining <sup>2</sup>	(31,165)	(530)	(1,374)	—	
- Expenditures for property, plant and equipment - sustaining	(7,226)	(58)	(747)	—	
- Expenditures for mine development - growth <sup>2</sup>	(10,993)	—	(38,157)	—	
- Expenditures for property, plant and equipment - growth	—	—	(103,246)	—	
- Expenditures for intangibles	(465)	—	(791)	(38)	
- Acquisition of non-controlling interest in Afema Project	—	—	—	(2,500)	
- Restricted cash	—	(103,458)	—	—	
- Proceeds from pre-commercial production <sup>1</sup>	—	—	15,890	—	
<b>Financing</b>	<b>(2,179)</b>	<b>140,690</b>	<b>29,167</b>	<b>3,562</b>	<b>171,240</b>
- Proceeds from drawdown of borrowings	—	48,600	37,576	4,500	
- Repayment of borrowings	—	—	(1,243)	—	
- Financing costs paid	—	(1,917)	(247)	(52)	
- Settlement of gold offtake payment liability	—	—	(518)	—	
- Proceeds from stock options exercised	—	259	—	—	
- Issuance of subscription receipts	—	106,347	—	—	
- Payments of subscription receipts issuance costs	—	(2,889)	—	—	
- Lease payments	(1,762)	(886)	(555)	(36)	
- Interest paid on borrowings	(417)	(8,824)	(5,846)	(850)	
<b>Effect of exchange rates on cash holdings in foreign currencies</b>	<b>(2,160)</b>	<b>(13)</b>	<b>(703)</b>	<b>(1)</b>	<b>(2,877)</b>
<b>Change in cash and cash equivalents during the year</b>	<b>81,530</b>	<b>23,618</b>	<b>(115,217)</b>	<b>(6,829)</b>	<b>(16,898)</b>

<sup>1</sup> The \$15.9 million in proceeds from pre-commercial production reflects gold sales from Wahgnion for the twelve months ended December 31, 2019 that have been capitalized to Wahgnion's development cost prior to Wahgnion achieving commercial production.

<sup>2</sup> Comparative amounts have been restated to present resettlement capital expenditures related to the Niakafiri deposit as growth capital expenditures.



Cash Flow - Details (US\$000s)	Twelve months ended December 31, 2018				Consolidated Cash Flow
	Sabodala	Corporate	Wahgnion	Exploration	
<b>Operating</b>	<b>105,720</b>	<b>(8,129)</b>	<b>9,424</b>	<b>(14,955)</b>	<b>92,060</b>
<b>Investing</b>	<b>(63,966)</b>	<b>(1,171)</b>	<b>(137,300)</b>	<b>(12,859)</b>	<b>(215,296)</b>
- Expenditures for mine development - sustaining <sup>1</sup>	(46,495)	(552)	—	—	
- Expenditures for property, plant and equipment - sustaining	(9,312)	(293)	—	—	
- Expenditures for mine development - growth <sup>1</sup>	(8,077)	—	(23,138)	—	
- Expenditures for property, plant and equipment - growth	—	—	(113,837)	(454)	
- Expenditures for marketable securities	—	(77)	—	—	
- Expenditures for intangibles	(82)	(249)	(325)	—	
- Investment in Afema Project	—	—	—	(5,303)	
- Cash from Afema Project	—	—	—	140	
- Investment in Boss Gold and Boss Minerals	—	—	—	(7,242)	
<b>Financing</b>	<b>(301)</b>	<b>80,441</b>	<b>—</b>	<b>—</b>	<b>80,140</b>
- Proceeds from drawdown of borrowings	—	112,200	—	—	
- Repayment of borrowings	—	(15,000)	—	—	
- Financing costs paid	—	(12,278)	—	—	
- Proceeds from stock options exercised	—	609	—	—	
- Interest paid on borrowings	(301)	(5,090)	—	—	
<b>Effect of exchange rates on cash holdings in foreign currencies</b>	<b>3,926</b>	<b>514</b>	<b>(2,400)</b>	<b>—</b>	<b>2,040</b>
<b>Change in cash and cash equivalents during the year</b>	<b>45,379</b>	<b>71,655</b>	<b>(130,276)</b>	<b>(27,814)</b>	<b>(41,056)</b>

<sup>1</sup> Comparative amounts have been restated to present resettlement capital expenditures related to the Niakafiri deposit as growth capital expenditures.

During the three and twelve months ended December 31, 2019, Sabodala generated net cash of \$13.0 million and \$81.5 million, respectively, compared to \$16.3 million and \$45.4 million, respectively, in the comparative periods. The Company expects Sabodala and Wahgnion, to continue to generate free cash flow<sup>20</sup>, which is expected to be used to fund expenditures of the corporate office, the Company's exploration budget for 2020, including the preparation of a PEA and application of a mining license at Golden Hill, and, together with funds available under the Offering, fund the Company's working capital requirements and contribute towards the development of Massawa, pending completion of the Massawa Acquisition. In 2019, the Company drew down \$76.8 million of the Taurus Facility (of which \$62.8 million was related to the Wahgnion Tranche and \$14.0 million was related to the Golden Hill Tranche) and \$9.4 million of the CAT Facility to fund development activities at Wahgnion. Commissioning activities at Wahgnion began in third quarter 2019 and first gold pour was achieved August 2019. On November 1, 2019, commercial production at Wahgnion was declared. The Company also drew down \$4.5 million under the Golden Hill Tranche of the Taurus Facility to fund the exploration program at Golden Hill.

### Operating Cash Flow

Cash used by operations for the three months ended December 31, 2019 was \$13.4 million before net changes in working capital other than inventories, compared cash provided by operations of \$25.4 million in the prior year quarter. Net cash provided by operating activities, after changes in working capital, decreased to \$21.5 million compared to \$41.8 million in the prior year quarter. The decrease in operating cash flow was primarily due to the build-up of gold inventories of \$4.2 million, mainly due to timing of gold shipments, and build-up of supplies inventory at the Company's new mine, Wahgnion, as well as payments on settlement of derivative instruments and higher Senegalese tax paid compared to the prior year period.

For the twelve months ended December 31, 2019, cash provided by operations before net changes in working capital other than inventories decreased to \$54.8 million, compared to \$96.6 million in the prior year period. The decrease was largely due to the build-up of gold inventories and supplies inventory at Wahgnion. Net cash provided by operating activities, after changes in working capital, increased to \$99.6 million compared to \$92.1 million in the prior year period. The increase in operating cash flow was primarily due to higher revenues, \$14.4 million of advances received and the timing of supplier payments, partially offset by higher Senegalese tax payments of \$17.7 million, a build-up of inventories at Wahgnion of \$26.0 million and payments on settlement of derivative instruments.

<sup>20</sup> This is a non-IFRS financial measure. Please refer to the reconciliation of Non-IFRS Financial Measures at the end of this MD&A.

### Investing Cash Flow

(US\$000s)	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	2019	2018
<b>Investing Activities</b>				
<b>Sustaining Capital (Sabodala)</b>				
Mine site capital expenditure - sustaining	2,115	2,952	7,914	9,230
Mine site capital expenditure - project	—	10	—	371
Development capital <sup>4</sup>	2,572	(178)	3,191	159
Capitalized reserve development (mine site exploration)	—	(447)	240	1,009
<b>Sustaining Capital Expenditures, before Deferred Stripping<sup>4</sup></b>	<b>4,687</b>	<b>2,337</b>	<b>11,345</b>	<b>10,769</b>
Capitalized deferred stripping	2,789	13,526	29,755	45,978
<b>Total Sustaining Capital Expenditures<sup>4</sup></b>	<b>7,476</b>	<b>15,863</b>	<b>41,100</b>	<b>56,747</b>
<b>Growth Capital</b>				
Reserve development	—	—	—	543
Early works	—	—	—	29,158
Construction <sup>1</sup>	10,988	50,622	103,240	97,198
Capitalized Wahgnion operational costs <sup>2</sup>	16,205	2,552	38,163	10,435
Niakafiri resettlement <sup>4</sup>	1,573	3,390	10,993	8,077
Proceeds from Wahgnion pre-commercial production <sup>3</sup>	(12,020)	—	(15,890)	—
<b>Total Growth Capital Expenditures<sup>4</sup></b>	<b>16,746</b>	<b>56,564</b>	<b>136,506</b>	<b>145,411</b>
Acquisition of intangibles	482	57	1,294	656
Investment in marketable securities	—	—	—	77
Investment in Boss Gold and Boss Minerals	—	7,242	—	7,242
Acquisition of non-controlling interest in Afema Project	—	—	2,500	5,303
Restricted cash	103,458	—	103,458	—
Cash acquired from Afema Project	—	—	—	(140)
<b>Investing Activities</b>	<b>128,162</b>	<b>79,726</b>	<b>284,858</b>	<b>215,296</b>

<sup>1</sup> For the three and twelve months ended December 31, 2019, excludes first fill supplies inventory of \$0.2 million and \$4.3 million, respectively (2018: nil).

<sup>2</sup> For the three and twelve months ended December 31, 2019, excludes adjustment for cost of stockpiles of \$(2.6) million and \$16.3 million, respectively (2018: nil).

<sup>3</sup> The \$(12.0) million and \$15.9 million in proceeds from pre-commercial production reflects gold sales from Wahgnion for the three and twelve months ended December 31, 2019, respectively, that have been capitalized to Wahgnion's development cost prior to Wahgnion achieving commercial production.

<sup>4</sup> Comparative amounts have been restated to present resettlement capital expenditures related to the Niakafiri deposit as growth capital expenditures.

Net cash used in investing activities for the three months ended December 31, 2019 was \$128.2 million, \$48.4 million higher than the prior year period, mainly due to an increase in restricted cash related to the proposed acquisition of Massawa, partly offset by a decrease in development expenditures for Wahgnion which achieved commercial production on November 1, 2019.

Net cash used in investing activities for the twelve months ended December 31, 2019, were \$284.9 million, \$69.6 million higher than the prior year period, mainly due to an increase in restricted cash related to the proposed acquisition of Massawa, partly offset by a decrease in development expenditures for Wahgnion, which achieved commercial production on November 1, 2019, and lower capitalized deferred stripping costs. In 2018, the Company also completed the acquisition of the remaining 49 percent interest in the Golden Hill and and Gourma exploration projects, owned by Boss Minerals Sarl ("Boss Minerals") and Boss Gold Sarl ("Boss Gold") for total consideration of AUD 10 million (US\$7.2 million).

### Financing Cash Flow

Net cash flow from financing activities in the three months ended December 31, 2019 was \$108.8 million due to net proceeds of \$103.5 million raised from the Offering, drawdown of \$11.7 million from the Taurus Facility and \$1.1 million

from the CAT Facility, partially offset by payments relating to financing costs and interest of \$5.5 million, lease payments of \$1.2 million and repayment on the CAT Facility of \$0.5 million.

Net cash flow from financing activities in the twelve months ended December 31, 2019, was \$171.2 million due to net proceeds of \$103.5 million raised from the Offering, drawdowns of \$81.3 million of the Taurus Facility and a drawdown of \$9.4 million from the CAT Facility, partially offset by payments relating to financing costs and interest of \$18.2 million, lease payments of \$3.2 million and repayment of the CAT Facility of \$1.2 million.

## LIQUIDITY AND CAPITAL RESOURCES OUTLOOK

### Massawa Financing

We expect 2020 to be a transformative year for Teranga with the planned closing of the Massawa Acquisition. The Upfront Consideration is \$380 million, consisting of approximately \$300 million in cash and an aggregate of \$80 million in Teranga common shares.

Financing of the cash component of the Upfront Consideration is structured as follows:

- On December 9, 2019, the Company entered into the \$225 million Acquisition Facility with Teranga's existing lender, Taurus Funds, for \$200 million and Barrick for \$25 million as a part of the lending syndicate. The Acquisition Facility has the following terms:
  - i. interest rate of 7.85 percent per annum on drawn amounts, paid quarterly in arrears; and early repayment is permitted without penalty;
  - ii. Principal repayments are calculated based on 50 percent of cash flows available after principal and interest repayments under the Taurus Facility, which commence on July 31, 2020 and quarterly thereafter with a bullet repayment on December 31, 2022;
  - iii. On closing of the Massawa Acquisition, the Company will enter into an offtake agreement for Massawa's life of mine gold production (with a buy-back right), pursuant to which the Company will receive the prevailing spot price subject to an agreed upon quotational period; and
  - iv. Taurus Funds will be granted 4 million four-year call rights over Teranga common share which are cash settled at a strike price equal to 120 percent of the 5-day VWAP of Teranga common shares on the date of announcement of the Massawa Acquisition.
- The remaining cash consideration of \$75 million to be funded through an Offering and Private Placement of Teranga common shares:
  - i. On December 18, 2019, the Company completed the Offering for C\$140 million (\$106.3 million) of Subscription Receipts, at a price of C\$5.10 each.
  - ii. On January 7, 2020, in connection with the exercise of its pro-rata pre-emptive rights, Tablo Corporation, an entity controlled by David Mimran, a director of the Company and its largest shareholder, entered into a Private Placement with Teranga to purchase approximately 11.7 million Teranga shares at C\$5.10 for gross proceeds of C\$59.6 million (\$45.9 million).

The balance of the proceeds from the Offering and Private Placement of approximately \$76 million will be used for exploration drilling across Teranga's portfolio, transaction costs and working capital purposes.

In addition to the Upfront Consideration, there is a Contingent Consideration (see *Business and Project Development* section).

The streaming agreement in place with Franco-Nevada (the "FN Stream") entitles Franco-Nevada to 6 percent of Sabodala's future gold production. The FN Stream does not extend to the Massawa project area. However, pursuant to the FN Stream, Teranga must ensure Franco-Nevada is not disadvantaged as a result of the displacement of Sabodala ore and therefore Teranga will continue to deliver the anticipated ounces based on Sabodala's most current standalone life of mine operating plan.

The completion of the Acquisition Facility, the Offering and the Private Placement are all inter-conditional with the completion of the Massawa Acquisition. The Massawa Acquisition is expected to close in the first quarter of 2020 and is subject to receipt of the Massawa exploitation license and residual exploration license from the Government of Senegal, as well as certain other acknowledgments and approvals from the Government of Senegal including Teranga's integration plans for the Sabodala-Massawa Complex. The Acquisition Facility will include standard and customary finance terms and conditions with respect to, among others, fees, representations, warranties, and covenants which, if not met, could result in an event of default.

Following the completion of the Massawa Acquisition, the Offering and the Private Placement, Tablo Corporation, having exercised its pro-rata participation rights, will hold a total of approximately 35.5 million Teranga common shares, representing approximately 21.2 percent of the issued and outstanding Teranga common shares (calculated on a non-diluted basis), Barrick<sup>21</sup> will hold a total of approximately 19.2 million Teranga common shares, representing approximately 11.4 percent of the issued and outstanding Teranga common shares (calculated on a non-diluted basis), and CSTTAO will hold a total of approximately 1.6 million Teranga common shares, representing approximately 1 percent of the issued and outstanding Teranga common shares (calculated on a non-diluted basis).

### Wahgnion Financing

In 2019, we successfully achieved our strategic objective of bringing our second mine, Wahgnion, into commercial production. To finance the construction of Wahgnion, the Company entered into the Taurus Facility. As at December 31, 2019, the Company has drawn down \$193.5 million on the Taurus Facility; with the Wahgnion Tranche fully drawn and \$6.5 million undrawn on the Golden Hill Tranche. Additionally, the Company has drawn down \$9.4 million on the CAT Facility, with an undrawn amount of \$3.1 million. As at December 31, 2019, the Company remains in compliance with all covenants under the Taurus Project Facility and CAT Facility.

### Liquidity

We require sufficient liquidity and capital resources to not only run our existing operations but to also execute on our growth strategy, which includes developing Massawa upon closing of the Massawa Acquisition and associated financing; maximizing free cash flow<sup>22</sup> from the Sabodala-Massawa Complex and Wahgnion; progressing Golden Hill, our most advanced exploration project, towards feasibility; unlocking additional value through resource conversion and exploration in Burkina Faso, Senegal and Côte d'Ivoire; servicing our debt obligations as they become due; and funding our future growth plans responsibly.

The Company monitors and updates its cash forecasts to ensure it has sufficient cash to meet operational requirements while maintaining the additional liquidity to service its debt obligations. In managing the cash flows of the Company, and excluding Massawa related financing, we consider the following additional sources of liquidity:

- i. **Cash Balance.** As at December 31, 2019, we had a consolidated cash balance of \$29.7 million.
- ii. **Cash Flows from Sabodala (unhedged).** For the twelve months ended December 31, 2019, Sabodala generated \$81.5 million in net cash flows (exclusive of Sabodala Gold Hedges).
- iii. **Cash Flows from Wahgnion.** For the three months ended December 31, 2019, Wahgnion has generated \$5.1 million in operating cash flows. Operating cash flows is expected to increase throughout 2020 as the mine continues to ramp up operations and performance.
- iv. **External Financing.** The Company may consider external financing to supplement cash flow from operations as growth opportunities become available. This may also occur if results from our ongoing exploration programs in West Africa produce positive results. This external financing may be in the form of external equity or

<sup>21</sup> At the completion of the Massawa Acquisition, Barrick and Teranga will enter into an investor agreement (the "Investor Agreement"), pursuant to which, among other things, so long as Barrick retains at least a 10 percent equity ownership in Teranga, it will be entitled to nominate one member to the Company's board of directors, and will also be entitled to customary pre-emptive, anti-dilution and piggyback registration rights. The Investor Agreement will also provide that Barrick may not increase its pro-rata equity ownership position in Teranga for 18 months from the effective date of the Investor Agreement and thereafter it may only increase its pro-rata equity ownership position in Teranga by an incremental 5 percent from month 18 to month 24 prior to the expiry of the full 24-month standstill commitment period.

<sup>22</sup> This is a non-IFRS financial measure. Please refer to the reconciliation of Non-IFRS Financial Measures at the end of this MD&A.

subordinated indebtedness. There is no assurance that a financing alternative chosen by management will be available to the Company, on favourable terms or at all.

The Company's significant near-term financial obligations include repayment obligations within one year of: borrowings of \$42.9 million, Franco-Nevada gold stream settlement of \$13.7 million, purchase obligations of \$2.4 million, and other items totaling \$12.6 million. In 2020, we also expect to incur sustaining and resettlement capital expenditures of approximately \$50 million to \$70 million based on our 2020 guidance. Based on management's cash flow projections, the Company expects its existing near-term financial obligations to be settled from operating cash flows and net proceeds from the Offering and Private Placement, once the Upfront Consideration for the Massawa Acquisition and associated costs has been paid.

The Company's liquidity is impacted by several macro-economic factors, which include, but are not limited to, gold market prices, foreign exchange rates, fuel prices and corporate tax policies in the jurisdictions we operate. Other contributing factors to our liquidity include the cost of inputs to our Sabodala and Wahgnion mines. Management may also consider other options to enhance liquidity, as necessary, which may include issuance of debt or equity securities to public markets or private investors.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

#### FINANCIAL INSTRUMENTS

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

##### Gold forward sales contracts

As at the date of this report, the Company had the following outstanding gold forward sales contracts:

Volume (oz)	As at February 24, 2020	
	Forward Price	Settlement Period
12,350	1,330	Q1 2020
25,500	1,330	Q2 2020
4,650	1,324	Q2 2020
8,500	1,326	Q3 2020

During the three months ended December 31, 2019, the Company settled 2,834 ounces of gold forward sales contracts. During the twelve months ended December 31, 2019, the Company entered into 25,000 ounces of gold forward sales contracts and settled 55,500 ounces of gold forward sales contracts.

##### Zero cost collars

As at the date of this report, the Company had no outstanding zero cost collars outstanding.

During the three months ended December 31, 2019, the Company settled 29,633 ounces of zero cost collars and 7,533 ounces of zero cost collars expired un-exercised. During the twelve months ended December 31, 2019, the Company settled 39,633 ounces of zero cost collars and 27,533 ounces of zero cost collars expired un-exercised.

##### Call option - Gold

In conjunction with the extension of the gold prepayment facility with a customer, on December 20, 2019, the Company provided a call option to purchase 5,000 ounces of gold at a price of \$1,600 per ounce with an expiry date of March 19, 2020. As at December 31, 2019, the call option had a fair value liability of \$64 thousand.

##### Call option - Foreign exchange

As at December 31, 2019, the Company held a call option to sell US dollars and purchase C\$40 million at a rate of 1.3235 with an expiry date of January 8, 2020. As at December 31, 2019, the call option had a fair value liability of \$nil and expired unexercised.

#### Share warrants

In conjunction with the Taurus Facility, the Company granted 2.0 million unlisted four-year share warrants to Taurus Funds on April 16, 2018. Each warrant allows the holder to acquire one common share of the Company at an exercise price of C\$5.22. On February 26, 2019, in conjunction with the Taurus Facility amending agreement entered into on the same date, the Company granted an additional 150,000 share warrants to Taurus Funds to acquire common shares of the Company at an exercise price of C\$5.08, with an expiry date of February 27, 2023. On May 30, 2019, the Company issued 1.4 million four-year warrants at an exercise price of C\$3.83, with an expiry of May 30, 2023, upon draw down of \$14.0 million under the repurposed Golden Hill Tranche. On September 30, 2019, 150,000 additional share warrants were issued to acquire common shares of the Company at an exercise price of C\$6.49 each in relation to an amendment of the Taurus Facility extending repayment terms of the repurposed Golden Hill Tranche to December 31, 2019.

As the currency of the exercise price of the share warrants is different from the Company's functional currency, all share warrants have been classified as a derivative financial liability for accounting purposes. As a result, the share warrants are recorded at fair value at the end of each reporting period. Upon exercise, the warrant liability will be reclassified to share capital. Should the warrants expire unexercised, the associated warrant liability will be recorded as other income in the consolidated statements of comprehensive income. There is no circumstance under which the Company would be required to pay any cash upon exercise or expiry of the warrants. As at December 31, 2019, 3.7 million share warrants have been fair valued at \$9.4 million, using the Black-Scholes option pricing model.

#### Gold offtake payment liability

In conjunction with the Taurus Facility, the Company entered into the Offtake Agreement with Taurus Funds on May 31, 2018. Under the terms of the Offtake Agreement, Taurus Funds is entitled to an amount, in cash, equal to the difference between the actual spot sales price per ounce and the lowest a.m. and p.m. London Bullion Market Association gold price per ounce during the eight business days preceding the sale date for all Wahgnion gold ounces produced and sold, up to 1,075,000 ounces. Sales proceeds received by Teranga will be reduced by any amounts owed to Taurus Funds under the Offtake Agreement. Taurus Funds does not take actual delivery of gold ounces sold at any time. The Company is under no obligation to physically deliver gold ounces to Taurus Funds.

The Offtake Agreement was classified as a derivative financial liability as the amount due to Taurus Funds is variable and determined based on the price spread between the spot price of gold on the date of sale and the lowest spot price of gold over periods of time in the future. As a result, the gold offtake payment liability is recorded at fair value at the end of each reporting period. The Company has estimated the fair value of the Offtake Agreement using a discounted cash flow model based on 1,040,553 remaining ounces of gold subject to the Offtake Agreement. As at December 31, 2019, the estimated fair value of the Offtake Agreement was \$15.4 million.

#### Subscription Receipts

On December 18, 2019, the Company the Offering of 27,451,000 Subscription Receipts at C\$5.10 per Subscription Receipt for gross proceeds of C\$140 million (\$106.3 million) (refer to *Business and Project Development* section).

As the Subscription Receipts are repayable to holders of each Subscription Receipt in the event the Release Conditions are not met, Subscription Receipts have been classified as a financial liability for accounting purposes. For the three and twelve months ended December 31, 2019, the Company recognized foreign exchange losses of \$0.9 million on revaluation of the subscription receipts liability as they are denominated in Canadian dollars.

As at December 31, 2019, the subscription receipts liability was \$101.5 million, net of issuance costs.



CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31, 2019, the Company had the following payments due on contractual obligations and commitments:

Payments Due by Period (\$ Millions)					
	Total	< 1 Year	1 - 3 Years	4 - 5 Years	> 5 Years
Debt <sup>(i)</sup>	201.6	42.9	155.8	2.9	—
Franco-Nevada gold stream <sup>(ii)</sup>	118.4	13.7	22.5	17.6	64.6
Purchase obligations for supplies and services <sup>(iii)</sup>	5.7	2.4	3.3	—	—
Sustaining capital commitments <sup>(iv)</sup>	9.0	2.6	6.4	—	—
Afema investment <sup>(v)</sup>	6.1	6.1	—	—	—
Lease commitments	14.0	3.9	6.7	2.0	1.4
<b>Total</b>	<b>354.8</b>	<b>71.6</b>	<b>194.7</b>	<b>22.5</b>	<b>66.0</b>

- (i) On April 16, 2018, the Company entered into the Taurus Facility. As at December 31, 2019, \$165.0 million was drawn on the Wahgnion Tranche and \$28.5 million was drawn on the Golden Hill Tranche. On March 5, 2019, the Company entered into the CAT Facility. As at December 31, 2019, \$8.1 million was outstanding on the CAT Facility.
- (ii) On January 15, 2014, the Company completed a gold stream transaction with Franco-Nevada. The Company is required to deliver 22,500 ounces annually over the first six years followed by 6 percent of production from the Company's existing properties in Senegal, thereafter, in exchange for a deposit of \$135.0 million. The commitment estimate assumes a gold price of \$1,250 per ounce.
- (iii) Purchase obligations for supplies and services - includes commitments related to maintenance and explosives services contracts.
- (iv) Sustaining capital commitments - purchase obligations for capital expenditures at Sabodala and Burkina Faso, which include only those items where binding commitments have been entered into.
- (v) On December 7, 2017, the Company entered into a memorandum of understanding with Sodim for the exploration and development of the Afema land package in Côte d'Ivoire, for total cash consideration of \$10.0 million, payable over four installments. During 2018, two instalments totalling \$5.0 million were paid. The third installment of \$2.5 million was paid in 2019. A fourth instalment of \$2.5 million will be payable upon delivery of a confirmation study or updated feasibility study with Teranga's confirmation of its decision to proceed with the Afema project. Under the terms of the memorandum of understanding, the Company maintains its 51 percent interest in the Afema mine license and Afema permits through the completion of a three-year \$11.0 million exploration and community relations work program, increasing its interest to 70 percent on the Afema mine license through the delivery of a positive economic evaluation of potential mining on the Afema land package and Teranga's commitment to fund its 70 percent interest in the project through construction. Pursuant to the Company's existing joint venture agreement with Miminvest SA, a 3 percent royalty is payable to Miminvest in connection with Teranga's share of production or product emanating from the Afema mining lease as the land package was considered an exploration property.

SABODALA GOLD OPERATIONS SA (“SGO”), SABODALA MINING COMPANY SARL (“SMC”), WAHGNION GOLD OPERATIONS SA (“WGO”) AND THE OROMIN JOINT VENTURE GROUP LTD. (“OJVG”) OPERATING COMMITMENTS

The Company has the following operating commitments in respect of the SGO, SMC, WGO and the OJVG:

- Pursuant to the Company's Senegal Mining Concession, a royalty of 5 percent is payable to the Republic of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date for SGO.
- Pursuant to the completion of the acquisition of the OJVG, the Company is required to make initial payments totalling \$10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the exploration licenses converted to mine licenses when the ore is processed through the Sabodala mill. The initial payment is to be used to finance social projects in the mine site region, which are determined by the Republic of Senegal and will be paid either directly to suppliers for the completion of specific projects or to specified ministries of the Republic of Senegal. An additional payment will become payable when the actual cumulative production from the OJVG, net of mining royalties, multiplied by the Company's weighted average gold prices, multiplied by 1 percent, exceeds the initial payments.
- Pursuant to the Company's Senegal Mining Concession, \$1.2 million is payable annually for community projects and infrastructure to support local communities surrounding the Company's operations and social development of local authorities in the surrounding Kedougou region.
- In addition to the Company's corporate social responsibility spending, Teranga has agreed to establish a social development fund which includes making a payment of \$15.0 million to the Republic of Senegal at the end of

the mine operational life. As at December 31, 2019, \$8.1 million was accrued which is the discounted value of the \$15.0 million future payment.

- \$0.4 million is payable annually for training of Senegalese Directorate of Mines and Geology officers and Mines Ministry and \$30 thousand is payable annually for logistical support of the territorial administration of the region for SGO.
- On May 1, 2016, SGO entered into a commitment with local communities around its Gora deposit to provide annual social assistance funding. An amount of \$0.2 million is payable for each year of operations. As at December 31, 2019, \$0.4 million has not been paid and will be carried forward to future years.
- \$0.4 million is payable annually, until 2024, to the Ministry of Environment pursuant to a forestry protocol with the Government of Senegal.
- Pursuant to the Company's Burkina Faso Mining Concession, a sliding net smelter royalty of 3 to 5 percent of gold sales, based on the daily spot price of gold, is payable to the government of Burkina Faso.
- According to the terms of a sale agreement between Teranga and Sanembaore Sarl Pty Ltd. ("Sanembaore"), a net smelter royalty of 1 percent from all sales revenue is payable to Sanembaore.
- Pursuant to the 2015 Burkina Faso Mining Code, 1 percent of monthly turnover (before tax) is to be contributed to the mining fund for local development.

Offtake Obligation

Under the Offtake Agreement, Taurus Funds is entitled to an amount, in cash, equal to the difference between the actual spot sales price per ounce and the lowest a.m. and p.m. London Bullion Market Association gold price per ounce during the eight business days preceding the sale date for all Wahgnion gold ounces produced and sold, up to 1,075,000 ounces.

CONTINGENT LIABILITIES

Outstanding tax assessments

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

The Company operates in various countries in West Africa and may be subject to assessments by the regulatory authorities in each of those countries, which can be complex and subject to interpretation. Assessments may relate to matters such as income and other taxes, duties and other matters. The Company exercises informed judgment to interpret the provisions of applicable laws and regulations as well as their application and administration by regulatory authorities to reasonably determine and pay the amounts due. From time to time, the Company may undergo a review by the regulatory authorities and in connection with such reviews, disputes may arise with respect to the Company's interpretations about the amounts due and paid.

On December 31, 2019, the Company received a tax assessment for \$1.0 million relating to capital gain realized on acquisition of the remaining 49 percent interest in the Gourma exploration project. The capital gain tax is payable by the seller of the interest in the exploration project but the holder of the mining title, Boss Gold, is jointly liable when the seller is not a resident of Burkina Faso. In the calculation of the capital gain tax the tax authorities did not consider any costs spent historically on Gourma exploration permits, therefore, the Company believes the tax assessment will be resolved with an immaterial amount of tax due.

As at December 31, 2019, the Company did not have any material provisions for tax assessments. The Company believes the ultimate resolution of any assessments will not have a material adverse effect on the financial position of the Company.

Reserve payment

A reserve payment is payable to the Republic of Senegal, calculated on the basis of \$6.50 for each ounce of new reserves until December 31, 2012 and 1 percent of the trailing twelve-month gold price for each ounce of new reserve beyond December 31, 2012 on the Sabodala mine license. As at December 31, 2019, \$2.1 million was accrued as a current liability.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

New standards, interpretations and amendments thereof, adopted by the Company in the current year

IFRS 16, Leases

The Company adopted IFRS 16, *Leases*, as at January 1, 2019 on a modified retrospective basis in accordance with the transitional provisions of IFRS 16. Results for reporting periods beginning on or after January 1, 2019 are presented under IFRS 16, while the prior reporting periods amounts have not been restated and were reported under IAS 17 Leases.

IFRS 16 provides a single-on-balance sheet model which eliminates the distinction between operating and finance leases, by requiring lessees to recognize assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. At the commencement date of a lease, the Company recognizes a lease payment liability, which is the discounted value of future lease payments using the lease-specific incremental borrowing rate, and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). The right-of-use asset is depreciated on a straight-line basis over the lease term of the underlying asset. The Company separately recognizes interest expense on the lease liability and depreciation expense on the right-of-use asset.

As part of the initial application of IFRS 16 on January 1, 2019, the Company recognized right-of-use assets at the value of the corresponding lease liability, adjusted for any accrued and prepaid lease payments, and less any impairment provisions. Right-of-use assets are capitalized at the commencement date of the lease and comprise of the initial lease liability and initial indirect costs incurred by the Company when entering into the lease less any lease incentives received. The adoption of IFRS 16 results in higher total expense in the earlier stages of a lease, decreasing as the lease liability is amortized. Cash flows relating to reduction of lease liabilities have been presented as cash used in financing activities. The Company has also elected to classify leases which end within 12 months of the date of initial application as short term leases. The lease payments associated with such leases are recognized as an expense in the income statement.

The Company recognized right-of-use assets and lease liabilities of \$5.2 million as at January 1, 2019, as part of the application of IFRS 16.

A reconciliation of the operating lease obligation to lease liabilities as at January 1, 2019 is presented below:

	Amount
Operating lease commitments as at December 31, 2018	7,581
Leases with lease terms of 12 months or less	(255)
Commitments for obligations not recognized under IFRS 16 as at January 1, 2019 <sup>(i)</sup>	(2,618)
Reasonably certain extension options <sup>(ii)</sup>	899
<b>Gross lease liabilities as at January 1, 2019</b>	<b>5,607</b>
Discounting effect	(428)
<b>Lease liabilities on initial application of IFRS 16 as at January 1, 2019</b>	<b>5,179</b>

(i) Represents lease contracts entered into, but not recognized under IFRS 16 as the underlying asset is not yet available for use from the lessor.

(ii) Represents lease contracts effective on or before December 31, 2018 that were extended beyond the original committed period as part of the initial application of IFRS 16.

The weighted average incremental borrowing rate was 4.86 percent.

IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23")

In June 2017, the IASB issued International Financial Reporting Interpretations Committee Interpretation 23 which clarifies application of the recognition and measurement requirements in IAS 12, Income Taxes. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by a tax authority. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. IFRIC 23 is effective for the annual reporting periods beginning on or after January 1, 2019. The Company has concluded that the adoption of IFRIC 23 had no material impact on the consolidated financial statements.

Future accounting policies not yet adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements that the Company reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Company intends to adopt these standards when they become effective. Other standards and interpretations that are issued, but not yet effective, which are not expected to impact the Company have not been listed.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3, *Business Combinations*, ("IFRS 3") to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test.

The amendments to IFRS 3 is effective for business combinations or asset acquisitions with acquisition dates on or after January 1, 2020. Earlier application of these amendments is permitted.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments to the definition of material is not expected to have a significant impact on the Company's consolidated financial statements.

Accounting Estimates

The following are critical judgments and estimations that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Ore Reserves

Management estimates its ore reserves based upon information compiled by qualified persons as defined in accordance with the Canadian Securities Administrators' National Instrument 43-101 Standards for Disclosure for Mineral Projects requirements. The estimated quantities of economically recoverable reserves are based upon interpretations of geological models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserve estimates can impact the carrying value of property, plant and equipment, mine development expenditures, provision for mine restoration and rehabilitation, the recognition of deferred tax assets, as well as the amount of depreciation and amortization charged to net profit within the consolidated statements of comprehensive income.

Units-of-Production

Management estimates recoverable proven and probable mineral reserves in determining the depreciation and amortization of mining assets, including buildings and property improvements and certain plant and equipment. This results in a depreciation/amortization charge proportional to the recovery of the anticipated ounces of gold. The life of the asset is assessed annually and considers its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates and assumptions, including the amount of recoverable proven and probable mineral reserves. The Company's units-of-production calculations are based on contained ounces of gold milled.

Mine Restoration and Rehabilitation Provision

Management assesses its mine restoration and rehabilitation provision each reporting period. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect

the ultimate liability payable. These factors include estimates of the extent, the timing and the cost of rehabilitation activities, technological changes, regulatory change, cost increases, and changes in discount rates. Those uncertainties may result in actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability.

#### Impairment of Non-Current Assets

Non-current assets are tested for impairment if there is an indicator of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset. Cash flows are discounted by an appropriate discount rate to determine the net present value. Management has assessed its cash generating units as being all sources of mill feed through a central mill, which is the lowest level for which cash inflows are largely independent of other assets.

#### Production Start Date

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

- A significant level of capital expenditures compared to construction cost estimates are complete,
- Ability to produce gold in saleable form within specifications has been achieved,
- Reasonable period for testing has been completed, and
- Reasonable level of ongoing production based on mill throughput, recovery rates and mill availability.

#### Stripping Costs in the Production Phase of a Surface Mine

Management assesses the costs associated with stripping activities in the production phase of surface mining. Deferred stripping is defined as the excess waste material moved above the average strip ratio to provide access to further quantities of ore that will be mined in future periods, which are estimated by management.

#### Taxes

Management is required to make estimations regarding the tax basis of assets and liabilities and related income tax assets and liabilities and the measurement of income tax expense and indirect taxes. This requires management to make estimates of future taxable profit or loss, and if actual results are significantly different than its estimates, the ability to realize any deferred tax assets or discharge deferred tax liabilities on the Company's consolidated statement of financial position could be impacted.

#### Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within the Company's control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims, that may result in such proceedings or regulatory or government actions that may negatively impact the Company's business or operations, the Company with assistance from its legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or assessing the impact on the carrying value of assets. Contingent assets are not recognized in the consolidated financial statements.

#### Determination of Purchase Price Allocation

Business combinations and asset acquisitions require the Company to determine the identifiable asset and liability in fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities. This requires

management to make judgements and estimates to determine the fair value, including the amount of mineral reserves and resources acquired, future metal prices, future operating costs, capital expenditure requirements and discount rates.

#### NON-IFRS FINANCIAL MEASURES

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

Beginning in the second quarter of 2013, we adopted an "all-in sustaining costs" measure consistent with the guidance issued by the World Gold Council ("WGC") on June 27, 2013, of which Teranga became a member on November 27, 2018. The Company believes that the use of all-in sustaining costs is helpful to analysts, investors and other stakeholders of the Company in assessing its operating performance, its ability to generate free cash flow from current operations and its overall value. This measure is helpful to governments and local communities in understanding the economics of gold mining. The "all-in sustaining costs" is an extension of existing "cash cost" metrics and incorporate costs related to sustaining production.

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

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

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

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

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

"Average realized price" is a financial measure with no standard meaning under IFRS. Management uses this measure to better understand the price realized in each reporting period for gold and silver sales. Average realized price is calculated on revenue and ounces sold to all customers, except Franco-Nevada, as gold ounces sold to Franco-Nevada is recognized in revenue at 20 percent of the prevailing gold spot price on the date of delivery and 80 percent at \$1,250 per ounce. The average realized price is intended to provide additional information only and does not have any standardized definition under IFRS; it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate this measure differently.



EBITDA is a non-IFRS financial measure, which excludes income tax and related expenses, finance costs (including accretion expense), interest income and depreciation and amortization from net (loss)/profit for the year. In 2019, Teranga amended the definition of EBITDA to exclude accretion expense to improve comparability of this non-IFRS financial measure with its peers. The comparative 2018 EBITDA has been restated to conform to the new presentation. EBITDA is intended to provide additional information to investors and analysts and do not have any standardized definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Management believes that EBITDA is a valuable indicator of our ability to generate liquidity by producing operating cash flow to: fund working capital needs, service debt obligations and fund capital expenditures.

Beginning second quarter 2019, the Company adopted adjusted EBITDA as a new non-IFRS financial measure. Management believes that adjusted EBITDA is a valuable indicator of our ability to generate liquidity by producing operating cash flow to: fund working capital needs, service debt obligations and fund capital expenditures, after adjusting for factors not reflective of the underlying performance of the Company. Adjusted EBITDA is intended to provide additional information to investors and analysts and does not have any standardized definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Company calculates adjusted EBITDA as EBITDA adjusted to exclude unrealized and realized foreign exchange gains and losses, gains and losses on derivative instruments, non-cash fair value changes, impairment provisions and reversals thereof, and other unusual or non-recurring items.

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

“Adjusted net (loss)/profit attributable to shareholders” and “adjusted basic (loss)/earnings per share” are financial measures with no standard meaning under IFRS. These non-IFRS financial measures are used by management and investors to measure the underlying operating performance of the Company. Presenting these measures from period to period is expected to help management and investors evaluate earnings trends more readily in comparison with results from prior periods.

The Company calculates “adjusted net (loss)/profit attributable to shareholders” as net (loss)/profit for the year attributable to shareholders adjusted to exclude specific items that are significant, but not reflective of the underlying operations of the Company, including: the impact of unrealized and realized foreign exchange gains and losses, gains and losses on derivative instruments, accretion expense on long-term obligations, the impact of foreign exchange movements on deferred taxes, non-cash fair value changes, impairment provisions and reversals thereof, and other unusual or non-recurring items.

“Adjusted basic (loss)/earnings per share” is calculated using the weighted average number of shares outstanding under the basic method of earnings per share as determined under IFRS.

## RECONCILIATION OF NON-IFRS MEASURES

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

(US\$000s, except where indicated)	Three months ended December 31, 2019				Three months ended December 31, 2018		
	Sabodala	Wahgnion	Corporate	Consolidated	Sabodala	Corporate	Consolidated
Gold produced <sup>1, 2</sup> (oz)	54,539	28,528	—	83,067	59,442	—	59,442
Gold sold <sup>2, 6</sup> (oz)	48,620	23,722	—	72,342	61,696	—	61,696
<b>Cash costs per ounce sold</b>							
Mine operation expenses	36,619	20,714	—	57,333	43,216	—	43,216
Less: Regional administration costs	(703)	(297)	—	(1,000)	(508)	—	(508)
<b>Total cash costs</b>	<b>35,916</b>	<b>20,417</b>	<b>—</b>	<b>56,333</b>	<b>42,708</b>	<b>—</b>	<b>42,708</b>
<b>Total cash costs per ounce sold</b>	<b>739</b>	<b>861</b>	<b>—</b>	<b>779</b>	<b>692</b>	<b>—</b>	<b>692</b>
<b>Cost of sales per ounce sold</b>							
<b>Cost of sales</b>	<b>53,423</b>	<b>27,746</b>	<b>—</b>	<b>81,169</b>	<b>59,374</b>	<b>—</b>	<b>59,374</b>
<b>Total cost of sales per ounce sold</b>	<b>1,099</b>	<b>1,170</b>	<b>—</b>	<b>1,122</b>	<b>962</b>	<b>—</b>	<b>962</b>
<b>All-in sustaining costs</b>							
Total cash costs	35,916	20,417	—	56,333	42,708	—	42,708
Administration expenses <sup>3</sup>	—	—	6,081	6,081	—	5,048	5,048
Share-based compensation	—	—	4,080	4,080	—	1,158	1,158
Capitalized deferred stripping	2,595	194	—	2,789	13,526	—	13,526
Capitalized reserve development	—	—	—	—	(447)	—	(447)
Sustaining capital <sup>4</sup>	2,752	1,928	7	4,687	2,784	—	2,784
<b>All-in sustaining costs</b>	<b>41,263</b>	<b>22,539</b>	<b>10,168</b>	<b>73,970</b>	<b>58,571</b>	<b>6,206</b>	<b>64,777</b>
<b>All-in sustaining costs per ounce sold</b>	<b>849</b>	<b>950</b>	<b>—</b>	<b>1,023</b>	<b>949</b>	<b>—</b>	<b>1,050</b>
<b>All-in sustaining costs (excluding cash/(non-cash) inventory movements and amortized advanced royalty costs)</b>							
All-in sustaining costs	41,263	22,539	10,168	73,970	58,571	6,206	64,777
Amortization of advanced royalties	(744)	—	—	(744)	(515)	—	(515)
Inventory movements - cash/(non-cash)	5,190	(276)	—	4,914	(6,082)	—	(6,082)
<b>All-in sustaining costs (excluding cash/(non-cash) inventory movements and amortized advanced royalty costs)</b>	<b>45,709</b>	<b>22,263</b>	<b>10,168</b>	<b>78,140</b>	<b>51,974</b>	<b>6,206</b>	<b>58,180</b>
<b>All-in sustaining costs (excluding cash/(non-cash) inventory movements and amortized advanced royalty costs) per ounce sold<sup>5</sup></b>	<b>940</b>	<b>938</b>	<b>—</b>	<b>1,080</b>	<b>842</b>	<b>—</b>	<b>943</b>

<sup>1</sup> Gold produced represents change in gold in circuit inventory plus gold recovered during the period.

<sup>2</sup> Excludes 8,344 gold ounces produced and 8,136 gold ounces sold from Wahgnion's pre-commercial production phase.

<sup>3</sup> Administration expenses include regional administration costs and exclude corporate depreciation.

<sup>4</sup> Comparative amounts have been restated to present resettlement capital expenditures related to the Niakafiri deposit as growth capital expenditures.

<sup>5</sup> Wahgnion's all-in sustaining costs (excluding non-cash inventory movements) per ounce produced was \$780 per ounce, calculated as all-in sustaining costs (excluding non-cash inventory movements) of \$22.3 million divided by 28,528 ounces produced.

<sup>6</sup> Includes 5,660 ounces of gold produced at Wahgnion during the Wahgnion's pre-commercial production period.

(US\$000s, except where indicated)	Twelve months ended December 31, 2019				Twelve months ended December 31, 2018			
	Sabodala	Wahgnion	Corporate	Consolidated	Sabodala	Corporate	Consolidated	
Gold produced <sup>1, 2</sup> (oz)	241,276	28,528	—	269,804	245,230	—	245,230	
Gold sold <sup>2, 6</sup> (oz)	233,505	23,722	—	257,227	246,073	—	246,073	
<b>Cash costs per ounce sold</b>								
Mine operation expenses	163,534	20,714	—	184,248	164,349	—	164,349	
Less: Regional administration costs	(2,435)	(297)		(2,732)	(1,868)		(1,868)	
<b>Total cash costs</b>	<b>161,099</b>	<b>20,417</b>	<b>—</b>	<b>181,516</b>	<b>162,481</b>	<b>—</b>	<b>162,481</b>	
<b>Total cash costs per ounce sold</b>	<b>690</b>	<b>861</b>	<b>—</b>	<b>706</b>	<b>660</b>	<b>—</b>	<b>660</b>	
<b>Cost of sales per ounce sold</b>								
<b>Cost of sales</b>	<b>237,068</b>	<b>27,746</b>	<b>—</b>	<b>264,814</b>	<b>230,517</b>	<b>—</b>	<b>230,517</b>	
<b>Total cost of sales per ounce sold</b>	<b>1,015</b>	<b>1,170</b>	<b>—</b>	<b>1,029</b>	<b>937</b>	<b>—</b>	<b>937</b>	
<b>All-in sustaining costs</b>								
Total cash costs	161,099	20,417	—	181,516	162,481	—	162,481	
Administration expenses <sup>3</sup>	—	—	16,647	16,647	—	15,290	15,290	
Share-based compensation	—	—	8,464	8,464	—	4,851	4,851	
Capitalized deferred stripping	29,561	194	—	29,755	45,978	—	45,978	
Capitalized reserve development	240	—	—	240	1,009	—	1,009	
Sustaining capital <sup>4</sup>	9,102	1,928	75	11,105	8,915	845	9,760	
<b>All-in sustaining costs</b>	<b>200,002</b>	<b>22,539</b>	<b>25,186</b>	<b>247,727</b>	<b>218,383</b>	<b>20,986</b>	<b>239,369</b>	
<b>All-in sustaining costs per ounce sold</b>	<b>857</b>	<b>950</b>	<b>—</b>	<b>963</b>	<b>887</b>	<b>—</b>	<b>973</b>	
<b>All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)</b>								
All-in sustaining costs	200,002	22,539	25,186	247,727	218,383	20,986	239,369	
Amortization of advanced royalties	(2,802)	—	—	(2,802)	(2,745)	—	(2,745)	
Inventory movements - non-cash	(8,819)	(276)	—	(9,095)	(13,471)	—	(13,471)	
<b>All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs)</b>	<b>188,381</b>	<b>22,263</b>	<b>25,186</b>	<b>235,830</b>	<b>202,167</b>	<b>20,986</b>	<b>223,153</b>	
<b>All-in sustaining costs (excluding non-cash inventory movements and amortized advanced royalty costs) per ounce sold<sup>5</sup></b>	<b>807</b>	<b>938</b>	<b>—</b>	<b>917</b>	<b>822</b>	<b>—</b>	<b>907</b>	

<sup>1</sup> Gold produced represents change in gold in circuit inventory plus gold recovered during the period.

<sup>2</sup> Excludes 47,492 gold ounces produced and 10,725 gold ounces sold from Wahgnion's pre-commercial production phase.

<sup>3</sup> Administration expenses include regional administration costs and exclude corporate depreciation.

<sup>4</sup> Comparative amounts have been restated to present resettlement capital expenditures related to the Niakafiri deposit as growth capital expenditures.

<sup>5</sup> Wahgnion's all-in sustaining costs (excluding non-cash inventory movements) per ounce produced was \$780 per ounce, calculated as all-in sustaining costs (excluding non-cash inventory movements) of \$22.3 million divided by 28,528 ounces produced.

<sup>6</sup> Includes 5,660 ounces of gold produced at Wahgnion during Wahgnion's pre-commercial production period.

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

3. EBITDA and adjusted EBITDA are calculated as follows:

(US\$000s)	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	2019	2018
<b>Net (loss)/profit for the year for the period</b>	(12,023)	(10,248)	(29,952)	13,465
Add: finance costs	7,060	3,772	21,072	15,783
Less: finance income	(7)	(38)	(101)	(74)
Add: income tax expense	5,028	4,140	25,317	23,312
Add: other tax expenses	—	—	5,632	—
Add: depreciation and amortization	24,110	16,962	82,631	69,092
<b>Earnings before interest, taxes, depreciation and amortization</b>	<b>24,168</b>	<b>14,588</b>	<b>104,599</b>	<b>121,578</b>
Adjustments for:				
Add: Losses/(gains) on derivative instruments	2,561	7,149	16,365	(9,299)
Add: Net foreign exchange losses/(gains)	2,217	(262)	3,517	2,680
Add: Change in fair value of share warrant liabilities	4,336	137	5,759	(1,136)
Add: Change in fair value of gold offtake payment liability	1,452	236	2,177	(317)
Less: Re-measurement of contingent consideration	(2,242)	—	(2,242)	—
<b>Adjusted earnings before interest, taxes, depreciation and amortization</b>	<b>32,492</b>	<b>21,848</b>	<b>130,175</b>	<b>113,506</b>
4. Adjusted net (loss)/profit attributable to shareholders and adjusted basic (loss)/earnings per share are calculated as follows:				
(US\$000s)	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	2019	2018
Net (loss)/profit attributable to shareholders	(13,371)	(10,639)	(33,393)	11,794
Adjustments (net of tax) for:				
Losses/(gains) on derivative instruments	2,561	7,149	16,365	(9,299)
Accretion expense	809	2,077	8,071	9,646
Net foreign exchange losses	1,661	422	2,757	3,008
Impact of foreign exchange on deferred taxes	(1,719)	1,847	1,444	4,379
Change in fair value of share warrant liabilities	4,336	137	5,759	(1,136)
Change in fair value of gold offtake payment liability	1,452	236	2,177	(317)
Re-measurement of contingent consideration	(2,018)	—	(2,018)	—
<b>Adjusted net (loss)/profit attributable to shareholders</b>	<b>(6,289)</b>	<b>1,229</b>	<b>1,162</b>	<b>18,075</b>
<b>Basic (loss)/earnings per share</b>	<b>(0.12)</b>	<b>(0.10)</b>	<b>(0.31)</b>	<b>0.11</b>
<b>Adjusted basic (loss)/earnings per share</b>	<b>(0.06)</b>	<b>0.01</b>	<b>0.01</b>	<b>0.17</b>

## OUTSTANDING SHARE DATA

As at December 31, 2019, the Company had 107,686,277 outstanding shares.

## TRANSACTIONS WITH RELATED PARTIES

During the twelve months ended December 31, 2019, there were transactions totaling \$95 thousand, between the Company and an entity controlled by Alan R. Hill, the Company's Chairman, for consulting services.

The Company has an exploration agreement with Miminvest SA ("Miminvest"), a related party, to identify and acquire gold exploration stage mining opportunities in Côte d'Ivoire. Miminvest is a company established to invest in gold and natural resources in West Africa and is controlled by the Mimran family and Mr. David Mimran, a director and the largest shareholder of Teranga. Miminvest holds 5 existing exploration permits, representing 1,838 km<sup>2</sup> in Côte d'Ivoire.

Under the terms of the exploration agreement, a separate entity was created and is owned and funded by Teranga. Miminvest transferred its permits into the entity and in exchange retains a net smelter royalty interest of 3 percent and will provide ongoing in-country strategic advice. Furthermore, the entity will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest permits.

SHAREHOLDINGS

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

Teranga’s 90 percent shareholding in WGO, the company operating Wahgnion, is held 89.8 percent through a Mauritian holding company, Loumana Holdings Ltd. (“Loumana”), and the remaining 0.2 percent by individuals nominated by Loumana to be on the board of directors in order to meet the minimum shareholding requirements under Burkinabe law. On death or resignation, a share individually held would be transferred to another representative of Loumana or added to its current 89.8 percent shareholding according to the circumstances at the time.

CEO/CFO CERTIFICATION

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

The Company’s CEO and CFO certify that, as at December 31, 2019, the Company’s DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company’s ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s generally accepted accounting principles.

The control framework the Company’s CEO and CFO used to design the Company’s ICFR is The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) framework issued on May 14, 2013. There is no material weakness relating to the design of ICFR. In 2019, the Company has included the scope of the design of ICFR and DC&P to include the controls, policies and procedures of the entities acquired as part of the Afema project acquisition on March 22, 2018. There have been no other material changes in the Company’s design of the ICFR that occurred during the year ended December 31, 2019 which has materially affected, or is reasonably likely to materially affect the Company’s ICFR.

RISKS AND UNCERTAINTIES

The Company identified a number of risk factors to which it is subject to in its Amended and Restated Annual Information Form dated July 31, 2019 and filed for the year ended December 31, 2018. These various financial and operational risks and uncertainties continue to be relevant to an understanding of our business, and could have a significant impact on profitability and levels of operating cash flow. These risks and uncertainties include, but are not limited to: fluctuations in metal prices (principally the price of gold), capital and operating cost estimates, borrowing risks, loan covenant compliance and default risks, production estimates, need for additional financing, uncertainty in the estimation of mineral reserves and mineral resources, the inherent danger of mining, infrastructure risk, insured and uninsured risks, environmental risks and regulations, government regulation, ability to obtain and renew licenses and permits, foreign operations risks, title to properties, competition, dependence on key personnel, currency, repatriation of earnings, adverse changes to taxation laws, West African political risks, war or other forms of civil unrest, economic, social or political instability, terrorism, hostage taking, risk of a disease outbreak impacting our West African workforce and stock exchange price fluctuations.

Corporate Directory

Board of Directors

**Alan R. Hill**  
Chairman

**Richard Young**  
President and Chief Executive Officer

**William Biggar**  
Non-Executive Director

**Simon Bottoms**  
Non-Executive Director

**Jendayi Frazer**  
Non-Executive Director

**Edward Goldenberg**  
Non-Executive Director

**Christopher R. Lattanzi**  
Non-Executive Director

**David Mimran**  
Non-Executive Director

**Alan R. Thomas**  
Non-Executive Director

**Frank D. Wheatley**  
Non-Executive Director

Management and Officers

**Richard Young**  
President and Chief Executive Officer

**Paul Chawrun**  
Chief Operating Officer

**Navin Dyal**  
Senior VP, Chief Financial Officer

**David Savarie**  
Senior VP, General Counsel and Corporate Affairs and People

**David Mallo**  
Vice President, Exploration

**Leily Omoumi**  
Vice President, Corporate Development

**Trish Moran**  
Vice President, Investor Relations and Corporate Communications

**Nancy Lee**  
Vice President, Human Resources

**Chantal Da Silva**  
Vice President, Legal Affairs

**Gwennael Guillen**  
Vice President, Corporate Social Responsibility

**Cindy Waterman**  
Corporate Secretary

**Andrew Zdunich**  
Chief Security Officer

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Auditor

Ernst & Young LLP  
Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Canada

Legal Counsel

Stikeman Elliott LLP  
Toronto, Canada

Share Registry

Computershare Trust Company  
of Canada  
**T:** +1 800 564 6253

Stock Exchange Listing

Toronto Stock Exchange, TSX  
symbol: **TGZ**  
OTC Markets Group Inc., OTCQX  
symbol: **TGCDF**



## FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"), which reflects management's expectations regarding Teranga's future growth and business prospects and opportunities. Forward-looking statements include, without limitation, all disclosure regarding possible events, conditions or results of operations, future economic conditions expectations and anticipated courses of action. Although the forward-looking statements contained in this MD&A reflect management's current beliefs based upon information currently available to management and based upon what management believes to be reasonable assumptions, such forward-looking statements are based upon assumptions, opinions and analysis that management believes to be reasonable and relevant but that may prove to be incorrect. Teranga cautions you not to place undue reliance upon any such forward-looking statements.

The risks and uncertainties that may affect forward-looking statements include, among others: the inherent risks involved in exploration and development of mineral properties, including government approvals and permitting, changes in economic conditions, changes in the worldwide price of gold and other key inputs, changes in mine plans and other factors, such as project execution delays, many of which are beyond the control of Teranga, as well as other risks and uncertainties which are more fully described in Teranga's amended and restated Annual Information Form dated July 31, 2019, and in other filings of Teranga with securities and regulatory authorities which are available on SEDAR at [www.sedar.com](http://www.sedar.com). Teranga does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Nothing in this document should be construed as either an offer to sell or a solicitation to buy or sell Teranga securities. All references to Teranga include its subsidiaries unless the context requires otherwise.

## QUALIFIED PERSONS STATEMENT

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

The technical information contained in this MD&A relating to Sabodala, Wahgnion and Golden Hill's mineral resource estimates is based on, and fairly represents, information compiled by Ms. Patti Nakai-Lajoie. Ms. Nakai-Lajoie, P. Geo., is a Member of the Professional Geoscientists Ontario. Ms. Nakai-Lajoie is a full time employee of Teranga and is not "independent" within the meaning of NI 43-101. Ms. Nakai-Lajoie has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a "Qualified Person" under NI 43-101 Standards of Disclosure for Mineral Projects. Ms. Nakai-Lajoie has consented to the inclusion in this MD&A of the matters based on her compiled information in the form and context in which it appears in this MD&A.

The technical information contained in this MD&A relating to the Sabodala underground ore reserves estimates is based on, and fairly represents, information compiled by Jeff Sepp, P. Eng., of Roscoe Postle Associates Inc. ("RPA"), who is a member of the Professional Engineers Ontario. Mr. Sepp is "independent" within the meaning of NI 43-101. Mr. Sepp has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a "Qualified Person" under NI 43-101 Standards of Disclosure for Mineral Projects. Mr. Sepp has consented to the inclusion in this MD&A of the matters based on his compiled information in the form and context in which it appears in this MD&A.

Teranga's Burkina Faso exploration programs were managed by Peter Mann, FAusIMM. Mr. Mann was a full time employee of Teranga and is not "independent" within the meaning of NI 43-101. Mr. Mann has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Qualified Person" under NI 43-101. The technical information contained in this MD&A relating to exploration results are based on, and fairly represents, information compiled by Mr. Mann. Mr. Mann has verified and approved the data disclosed in this release, including the sampling, analytical and test data underlying the information. The RC and diamond core samples are assayed at the BIGS Global Laboratory in Ouagadougou, Burkina Faso. Mr. Mann has consented to the inclusion in this MD&A of the matters based on his compiled information in the form and context in which it appears in this MD&A.

Teranga's disclosure of mineral reserve and mineral resource information is governed by NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as may be amended from time to time by the CIM ("CIM Standards"). There can be no assurance that those portions of mineral resources that are not mineral reserves will ultimately be converted into mineral reserves.

Teranga confirms that it is not aware of any new information or data that materially affects the information included in the technical reports for the Sabodala Project (August 30, 2017) and the Wahgnion Project (October 31, 2018)<sup>23</sup> pursuant to National Instrument 43-101 - Standards of Disclosure for Mineral Projects (the "Technical Reports"), or fourth quarter 2019 results, market announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements concerning the Technical Reports continue to apply and have not materially changed.

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<sup>23</sup> The Wahgnion NI 43-101 technical report was amended and restated following comments from the Ontario Securities Commission as part of its review of the Company's application to file a preliminary shelf prospectus. The amendments related only to an updated cash flow model using various discount rates. For further details, please refer to the Amended and Restated Wahgnion Gold Project technical report dated July 31, 2019, filed on the Company's website at [www.terangagold.com](http://www.terangagold.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

# Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and, where relevant, the choice of accounting principles. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditors, Ernst & Young LLP, have conducted an audit in accordance with generally accepted auditing standards, and their report follows.



**Richard Young**  
President and Chief Executive Officer



**Navin Dyal**  
Senior Vice President and Chief Financial Officer

# Independent Auditor's Report

To the Shareholders of Teranga Gold Corporation

## Opinion

We have audited the consolidated financial statements of Teranga Gold Corporation and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss/income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis for the year ended December 31, 2019
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Don Linsdell.

***(signed) Ernst & Young LLP***

Ernst & Young LLP  
Chartered Professional Accountants  
Licensed Public Accountants

February 24, 2020  
Toronto, Canada

# Consolidated Financial Statements

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS/INCOME

(In thousands of United States dollars)

	Note	For the years ended December 31,	
		2019	2018
Revenue	7	353,490	312,628
Mine operation expenses	8	(184,248)	(164,349)
Depreciation and amortization	9	(80,566)	(66,168)
<b>Cost of sales</b>		<b>(264,814)</b>	<b>(230,517)</b>
<b>Gross profit</b>		<b>88,676</b>	<b>82,111</b>
Exploration and evaluation expenditures		(11,021)	(13,160)
Administration expenses	10	(14,523)	(13,618)
Corporate social responsibility expenses		(4,330)	(3,700)
Share-based compensation	39	(8,464)	(4,851)
Finance costs	11	(21,072)	(15,783)
Net foreign exchange losses		(3,517)	(2,680)
Other (expenses)/income	12	(30,384)	8,458
<b>Operating expenses</b>		<b>(93,311)</b>	<b>(45,334)</b>
(Loss)/profit before income tax		<b>(4,635)</b>	<b>36,777</b>
Income tax expense	13	(25,317)	(23,312)
<b>Net (loss)/profit for the year</b>		<b>(29,952)</b>	<b>13,465</b>
Net (loss)/profit attributable to:			
Shareholders		(33,393)	11,794
Non-controlling interests		3,441	1,671
<b>Net (loss)/profit for the year</b>		<b>(29,952)</b>	<b>13,465</b>
Other comprehensive loss attributable to:			
Change in fair value of marketable securities, net of tax		(79)	(717)
<b>Other comprehensive loss for the year</b>		<b>(79)</b>	<b>(717)</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(30,031)</b>	<b>12,748</b>
Total comprehensive (loss)/income attributable to:			
Shareholders		(33,472)	11,077
Non-controlling interests		3,441	1,671
<b>Total comprehensive (loss)/income for the year</b>		<b>(30,031)</b>	<b>12,748</b>
<b>(Loss)/earnings per share from operations attributable to the shareholders of the Company during the period</b>			
- Basic (loss)/earnings per share	32	(0.31)	0.11
- Diluted (loss)/earnings per share	32	(0.31)	0.11
The accompanying notes are an integral part of these consolidated financial statements.			



**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(In thousands of United States dollars)

	Note	As at December 31, 2019	As at December 31, 2018
<b>Current assets</b>			
Cash and cash equivalents		29,717	46,615
Restricted cash	14	103,593	—
Trade and other receivables	15	13,581	9,079
Inventories	16	84,430	65,608
Marketable securities	17	245	324
Other current assets	18	5,015	10,945
<b>Total current assets</b>		<b>236,581</b>	<b>132,571</b>
<b>Non-current assets</b>			
Inventories	16	92,166	86,105
Property, plant and equipment	19	831,186	700,464
Deferred income tax assets	20	11,213	16,196
Other non-current assets	18	4,664	4,551
<b>Total non-current assets</b>		<b>939,229</b>	<b>807,316</b>
<b>Total assets</b>		<b>1,175,810</b>	<b>939,887</b>
<b>Current liabilities</b>			
Trade and other payables	21	90,732	75,094
Subscription receipts liability	22	101,531	—
Borrowings	23	42,906	—
Current income tax liabilities		16,307	13,124
Gold stream liability	26	7,158	14,860
Deferred revenue	29	14,380	—
Derivative financial liabilities	30	10,786	—
Provisions	27	13,989	7,240
Gold offtake payment liability	24	2,534	—
Lease liabilities	28	3,805	—
<b>Total current liabilities</b>		<b>304,128</b>	<b>110,318</b>
<b>Non-current liabilities</b>			
Borrowings	23	138,869	87,097
Gold offtake payment liability	24	12,824	13,699
Share warrant liabilities	25	9,406	1,969
Gold stream liability	26	66,970	73,902
Provisions	27	50,713	35,328
Lease liabilities	28	5,942	—
Other non-current liabilities	21	8,055	10,447
<b>Total non-current liabilities</b>		<b>292,779</b>	<b>222,442</b>
<b>Total liabilities</b>		<b>596,907</b>	<b>332,760</b>
<b>Equity</b>			
Issued capital	31	497,642	497,257
Foreign currency translation reserve		(998)	(998)
Other components of equity		7,143	5,800
Retained earnings		45,140	78,533
<b>Equity attributable to shareholders</b>		<b>548,927</b>	<b>580,592</b>
Non-controlling interests		29,976	26,535
<b>Total equity</b>		<b>578,903</b>	<b>607,127</b>
<b>Total equity and liabilities</b>		<b>1,175,810</b>	<b>939,887</b>

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors



Alan Hill  
Director



Alan Thomas  
Director

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In thousands of United States dollars)

		For the years ended December 31,	
	Note	2019	2018
<b>Issued capital</b>			
Beginning of year		497,257	496,333
Exercise of stock options	39	385	924
End of year		497,642	497,257
<b>Foreign currency translation reserve</b>			
Beginning of year		(998)	(998)
End of year		(998)	(998)
<b>Other components of equity</b>			
Beginning of year		5,800	18,299
Equity-settled share-based compensation expense		1,422	790
Investment revaluation reserve on change in fair value of marketable securities, net of tax		(79)	(717)
Acquisition of non-controlling interest in Boss Gold and Boss Minerals	6b	—	(12,572)
End of year		7,143	5,800
<b>Retained earnings</b>			
Beginning of year		78,533	66,739
(Loss)/profit attributable to shareholders		(33,393)	11,794
End of year		45,140	78,533
<b>Non-controlling interests</b>			
Beginning of year		26,535	13,086
Acquisition of Afema	6a	—	6,448
Non-controlling interest - portion of profit for the year		3,441	1,671
Acquisition of non-controlling interest in Boss Gold and Boss Minerals	6b	—	5,330
End of year		29,976	26,535
<b>Total equity as at December 31</b>		<b>578,903</b>	<b>607,127</b>

The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands of United States dollars)

		For the years ended December 31,	
	Note	2019	2018
<b>Cash flows related to operating activities</b>			
Net (loss)/profit for the year		(29,952)	13,465
Add/(deduct) items not affecting cash:			
Depreciation of property, plant and equipment	19	39,694	27,475
Depreciation of capitalized mine development costs	19	35,907	44,605
Amortization of right-of-use assets	19	2,661	—
Inventory movements - depreciation	9	3,983	(1,486)
Capitalized deferred stripping - depreciation	9	(1,457)	(2,728)
Amortization of advanced royalties	18	2,802	2,746
Unrealized losses/(gains) on derivative instruments	12	15,171	(2,553)
Amortization of intangibles		386	396
Amortization of deferred financing costs		2,784	1,893
Accretion expenses	11	8,125	9,723
Share-based compensation	39	8,464	4,851
Re-measurement of gold stream liability	26	(1,108)	—
Amortization of gold stream liability	26	(21,140)	(22,500)
Deferred income tax expense		4,982	10,295
Unrealized losses/(gains) on revaluation of share warrant liabilities	25	5,759	(1,136)
Unrealized losses/(gains) on revaluation of gold offtake payment	24	2,177	(317)
Re-measurement of contingent consideration	21	(2,242)	—
Interest on borrowings	11	6,688	1,485
(Increase)/decrease in inventories		(28,866)	10,435
Cash flows related to operating activities before changes in working capital excluding inventories		54,818	96,649
Changes in working capital excluding inventories	37	44,779	(4,589)
<b>Net cash provided by operating activities</b>		<b>99,597</b>	<b>92,060</b>
<b>Cash flows related to investing activities</b>			
Expenditures for property, plant and equipment		(111,277)	(123,896)
Expenditures for mine development		(66,329)	(78,262)
Expenditures for intangibles		(1,294)	(656)
Acquisition of non-controlling interest in Afema Project	6a	(2,500)	(5,303)
Cash acquired from Afema		—	140
Investment in marketable securities	17	—	(77)
Investment in Boss Gold and Boss Minerals		—	(7,242)
Increase in restricted cash	14	(103,458)	—
<b>Net cash used in investing activities</b>		<b>(284,858)</b>	<b>(215,296)</b>
<b>Cash flows related to financing activities</b>			
Drawdown of borrowings	23	90,676	112,200
Repayment of borrowings		(1,243)	(15,000)
Financing costs paid		(2,216)	(12,278)
Proceeds from stock options exercised		259	609
Interest paid on borrowings		(15,937)	(5,391)
Settlement of gold offtake payment liability	24	(518)	—
Lease payments	28	(3,239)	—
Issuance of subscription receipts	22	106,347	—
Payments of subscription receipts issuance costs	22	(2,889)	—
<b>Net cash provided by financing activities</b>		<b>171,240</b>	<b>80,140</b>
Effect of exchange rates on cash holdings in foreign currencies		(2,877)	2,040
<b>Net decrease in cash and cash equivalents</b>		<b>(16,898)</b>	<b>(41,056)</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>46,615</b>	<b>87,671</b>
<b>Cash and cash equivalents at the end of year</b>		<b>29,717</b>	<b>46,615</b>
<b>Taxes paid in Cash</b>		<b>23,629</b>	<b>5,942</b>
The accompanying notes are an integral part of these consolidated financial statements.			

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands of United States dollars)

**1. GENERAL INFORMATION**

Teranga Gold Corporation ("Teranga" or the "Company") is a Canadian-based gold company listed on the Toronto Stock Exchange ("TSX") (TSX: TGZ) and in the United States on the OTCQX market (OTCQX: TGCDF).

Teranga is principally engaged in the production and sale of gold, as well as related activities such as mine development and exploration.

Teranga operates the Sabodala Gold Mine ("Sabodala") in Senegal and, on November 1, 2019, declared commercial production at its second mine, the Wahgnion Gold Mine ("Wahgnion"), in Burkina Faso. In addition, the Company has a number of early to advanced stage exploration properties in Burkina Faso, Côte d'Ivoire and Senegal.

On December 9, 2019, the Company entered into a definitive agreement pursuant to which it will acquire a 90 percent interest in the Massawa Gold Project ("Massawa") from a wholly-owned subsidiary of Barrick Gold Corporation ("Barrick") and its joint venture partner, Compagnie Sénégalaise de Transports Transatlantiques Afrique de l'Ouest SA ("CSTTAO") with the Government of Senegal holding the remaining 10 percent interest in Massawa (the "Massawa Acquisition").

The address of the Company's principal office is 77 King Street West, Suite 2110, Toronto, Ontario, Canada, M5K 2A1.

**2. BASIS OF PREPARATION**

**a. Statement of compliance**

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries and were approved by the Board of Directors on February 24, 2020.

Certain comparative amounts have been restated to conform to the current year's presentation.

**b. Basis of presentation**

All amounts included in these consolidated financial statements have been presented in United States dollars unless otherwise stated. The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial assets and liabilities that are measured at fair value as disclosed elsewhere in the notes to the financial statements. The consolidated financial statements have been prepared based on the Company's accounting policies set out in Note 3.

**c. Functional and presentation currency**

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of all entities within the group is the United States dollar, which is also the Company's presentation currency.

**d. Critical accounting judgments and key sources of estimation uncertainty**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses and income during the period. These judgments, estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience. While management believes that these judgments, estimates and assumptions are reasonable, actual results may differ from the amounts included in the consolidated financial statements.

Judgments made by management in the application of IFRS that have significant effects on the consolidated financial statements and estimates with a significant risk of material adjustments, where applicable, are contained in the relevant notes to the financial statements. Refer to Note 5 for critical judgments in applying the entity's accounting policies, and key sources of estimation uncertainty.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of Consolidation**

The consolidated financial statements are prepared by consolidating the financial statements of Teranga and its subsidiaries as defined in IFRS 10 Consolidated Financial Statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all inter-company balances and transactions between entities in the group, including any unrealized profits or losses, have been eliminated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(In thousands of United States dollars)**

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the fair value of net assets acquired at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the business combination.

Total comprehensive profit/(loss) is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**b. Business Combinations**

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values at the acquisition date, the day on which the Company obtains control, of the assets transferred to the Company, the liabilities assumed by the Company to former owners of the acquiree and the equity interests issued by the Company in exchange for control over the acquiree. The Company accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except as follows:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with International Accounting Standards ("IAS") 12 Income Taxes and IAS 19 Employee Benefits, respectively.
- Assets or disposal groups that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.
- Liabilities or equity instruments related to share-based remuneration of the acquiree or share-based remuneration of the Company entered into to replace such arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment.

In cases where the sum of the consideration transferred, the amount of non-controlling interest in the acquiree and the fair value of equity interests in the acquiree held previously by the Company exceeds the net value of identifiable assets and liabilities at the acquisition date, goodwill is measured at the excess amount. A gain is recorded through the consolidated statements of income if the cost of the acquisition is less than the fair values of the identifiable net assets acquired.

**Asset Acquisitions**

Acquisitions of assets and assumption of liabilities that do not qualify as a business are accounted for as asset acquisitions. The value assigned to the assets acquired and liabilities assumed in asset acquisitions are based upon the relative fair value of consideration given at the date of acquisition. Directly attributable transaction costs are capitalized on the consolidated statement of financial position.

**c. Foreign Currency Transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

**d. Cash and Cash Equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a remaining maturity of 90 days or less at the date of acquisition.

Where applicable, bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

**e. Restricted Cash**

Cash which are subject to legal or contractual restrictions on their use are classified separately as restricted cash.

**f. Inventories**

Gold bullion, gold in circuit and ore in stockpiles are physically measured or estimated and valued at the lower of cost and net realizable value. Cost represents the weighted average cost and includes direct costs and an appropriate portion of overhead costs, depreciation and amortization on property, plant and equipment used in the production process and depreciation and amortization of capitalized stripping costs. As ore is removed from inventory, costs are relieved based on the average cost per ounce in the stockpile.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(In thousands of United States dollars)**

Ore stockpile quantities are measured by estimating the number of tonnes added and removed from the stockpile and are verified by periodic surveys. The carrying value of ore stockpiles inventory is measured at the lower of weighted average cost and net realizable value which is determined based on the number of contained ounces (based on assay data) and the estimated metallurgical recovery rate.

By-product metals inventory on hand obtained as a result of the production process to extract gold are valued at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion, if any, and applicable costs to sell.

Materials and supplies are valued at the lower of cost and net realizable value. Any provision for obsolescence is determined by reference to specific inventory items identified. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss upon disposal. Any write-down of inventories to net realizable value or reversals of previous write-downs are recognized in the consolidated financial statements in the period that the write-down or reversal occurs.

**g. Property, Plant and Equipment**

Property, plant and equipment are measured on the historical cost basis less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment constructed by the Company includes the cost of materials, direct labour and borrowing costs where appropriate. Assets under construction and assets purchased that are not ready for use are capitalized under capital work in progress.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to net profit within the statement of comprehensive income during the financial period in which they are incurred. Proceeds from sales of gold produced prior to achieving commercial production is offset against the cost of property, plant and equipment.

**Depreciation**

The depreciable amount of property, plant and equipment is depreciated over their useful lives of the asset commencing from the time the respective asset is ready for use. The Company uses the units-of-production ("UOP") method when depreciating mining assets which results in a depreciation charge based on the contained ounces of gold milled. Capitalized mining costs relating to a pit are depreciated on a UOP basis over the pit-specific proven and probable gold reserves. Mining assets include buildings and property improvements, and plant and equipment.

The Company uses the straight-line method when depreciating office furniture and equipment, motor vehicles and mobile equipment.

Capital work in progress is not depreciated.

Depreciation for each class of property, plant, and equipment is calculated using the following method:

Class of Property, Plant and Equipment	Method	Years
Buildings and property improvements	UOP	N/A
Plant and equipment	UOP	N/A
Office furniture and equipment	Straight-line	3 - 8 years
Motor Vehicles	Straight-line	5 years
Mobile Equipment	Straight-line	5 - 8 years

The assets' residual values, depreciation method and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

**h. Exploration and Evaluation Expenditures and Mine Development Expenditures**

Exploration and evaluation expenditures in relation to each separate area of interest are expensed in net profit within the consolidated statements of comprehensive income. Upon the determination of the technical feasibility and commercial viability of a project, further costs to develop the asset are recognized as mine development expenditures.

The development phase is determined to have commenced (i.e. the technical feasibility and commercial viability of extracting a mineral resource is considered to have occurred), when proven and probable reserves are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property.



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**(In thousands of United States dollars)**

Mine development expenditure assets comprise of costs incurred to secure the mining concession, acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortization of assets related to these activities. General and administrative costs are only included in exploration and evaluation costs where they are related directly to the operational activities in a particular area of interest. Capitalized exploration and evaluation expenditures costs will be amortized using the UOP method over the estimated proven and probable reserves once the asset is in a location and condition necessary for it to be capable of operating in a manner intended by the Company.

**i. Commercial Production**

A mine development project is considered to have entered the commercial production stage when the mine development assets are primarily available for use. In determining whether mine development assets are considered available for use, the criteria primarily considered include, but are not limited to, the following:

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

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

**j. Deferred Stripping Activity**

The cost of stripping activity in the production phase of surface mining will be recognized as an asset, only if all of the following are met:

- it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- the entity can identify the component of the ore body (mining phases) for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably.

Once the cost associated with the stripping activity is capitalized as an asset, the cost or revalued amount will be amortized on a units-of-production basis in the subsequent period.

**k. Intangible Assets**

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method is reviewed at the end of each annual reporting period with any changes in these accounting estimates being accounted for on a prospective basis.

Amortization of intangible assets is calculated using the following method:

Class of Intangible Asset	Method	Years
Computer Software	Straight-line	2 - 5 years

**l. Impairment of Long-lived Assets**

At each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have incurred an impairment loss or if there is a reversal of existing impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the Cash Generating Unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in net profit within the statement of comprehensive income.

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Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in net profit within the statement of comprehensive income.

**m. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in net profit within the statement of comprehensive income in the period in which they are incurred.

**n. Leases**

The Company adopted IFRS 16 Leases ("IFRS 16"), as at January 1, 2019 on a modified retrospective basis in accordance with the transitional provisions of IFRS 16. Results for reporting periods beginning on or after January 1, 2019 are presented under IFRS 16, while the prior reporting periods amounts have not been restated and were reported under IAS 17 Leases.

IFRS 16 provides a single-on-balance sheet model which eliminates the distinction between operating and finance leases, by requiring lessees to recognize assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. At the commencement date of a lease, the Company recognizes a lease payment liability, which is the discounted value of future lease payments using the lease-specific incremental borrowing rate, and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). The right-of-use asset is depreciated on a straight-line basis over the lease term of the underlying asset. The Company separately recognizes interest expense on the lease liability and depreciation expense on the right-of-use asset.

As part of the initial application of IFRS 16 on January 1, 2019, the Company recognized right-of-use assets at the value of the corresponding lease liability, adjusted for any accrued and prepaid lease payments, and less any impairment provisions. Right-of-use assets are capitalized at the commencement date of the lease and comprise of the initial lease liability and initial indirect costs incurred by the Company when entering into the lease less any lease incentives received. The adoption of IFRS 16 results in higher total expense in the earlier stages of a lease, decreasing as the lease liability is amortized. Cash flows relating to reduction of lease liabilities have been presented as cash used in financing activities. The Company has also elected to classify leases which end within 12 months of the date of initial application as short term leases. The lease payments associated with such leases are recognized as an expense in the income statement.

**o. Employee Benefits**

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and long term service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognized in respect of employee benefits are measured using the remuneration rate expected to apply at the time of settlement.

**p. Provisions**

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of past events for which it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the present value of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

**q. Restoration and Rehabilitation**

A provision for restoration and rehabilitation is recognized when there is a present obligation as a result of exploration, development and production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal or constructive obligation. Future restoration costs are reviewed at each reporting period and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

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**r. Income Tax**

**Current Income Tax**

Current income tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. Current income tax is calculated on the basis of the law enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

**Deferred Income Tax**

Deferred income tax is recognized, in accordance with the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**s. Financial Instruments**

**Financial Instrument Classification and Measurement**

On initial recognition, a financial asset is classified as and measured at: amortized cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in other comprehensive income with no reclassification to profit or loss. The election is available on an investment-by-investment basis.

All financial assets not classified as amortized cost or FVOCI are classified as and measured at FVTPL. This includes all derivative assets. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company has classified and measured its financial assets as described below:

- Cash and cash equivalents, restricted cash and short-term investments are classified as and measured at amortized cost.
- Trade receivables and certain other assets are classified as and measured at amortized cost.
- Long-term investments in equity securities, where the Company cannot exert significant influence, are designated as financial assets at FVOCI and are measured at fair value.
- Trade payables, accrued liabilities and long-term debt are classified as and measured at amortized cost.
- Derivative assets and liabilities include derivative financial instruments that do not qualify as hedges, or are not designated as hedges, and are classified as FVTPL.

**Impairment of Financial Assets**

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment as a result of one more events that have occurred after the initial recognition

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of the financial asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The Company recognizes impairment of financial assets using the expected credit loss ("ECL") model.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

**Derivative financial instruments**

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in net profit within the statement of comprehensive income as the Company does not apply hedge accounting. If the remaining maturity of the instrument is more than twelve months and it is not expected to be realized or settled within twelve months, the fair value of derivatives is presented as a non-current asset or a non-current liability. If the remaining maturity of the instrument is less than twelve months, the fair value of derivatives is presented as a current asset or liability.

**Debt and equity instruments**

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**t. Marketable Securities**

Investments may be classified as a marketable security based on their highly liquid nature and because such securities represent the investment of cash that is available for current operations. Changes in market value, excluding other-than-temporary impairments, are recorded through other comprehensive income.

**u. Share-based Payments**

**Stock option plan**

The Company has an equity-settled, share-based compensation plan for remuneration of members of the board of directors, management and employees.

The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options are granted. The fair value of the options is adjusted by the estimate of the number of options that are expected to vest as a result of non-market conditions and is expensed over the vesting period using an accelerated method of amortization.

Share-based compensation relating to stock options is charged to net profit within the consolidated statements of comprehensive income.

**Restricted share units (RSUs)**

The Company grants cash-settled awards in the form of RSUs to officers and certain employees of the Company.

Under the Company's RSU plan, each RSU granted has a value equal to the value of one Teranga common share. A portion of the RSUs vest equally over a three-year period and are settled in cash upon vesting. The RSU plan also includes a portion of RSUs that vest equally based on the Company's achievement of performance-based criteria over a three-year period.

RSUs are measured at fair value using the market value of the underlying shares at the date of the award grant. At each reporting period, the awards are revalued based on the period end share price with a corresponding charge to share-based compensation expense. RSUs that vest based on the achievement of performance conditions are revalued based on the current best estimate of the outcome of the performance condition at the reporting period. The cost of the award is recorded on a straight-line basis over the vesting period and within non-current liabilities on the consolidated statements of financial position, except for the portion that will vest within twelve months which is recorded within current liabilities. The remaining unamortized expense for the award is recorded on a straight-line basis over the remaining vesting period and within share-based compensation on the consolidated statements of comprehensive income.

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**Deferred share units (DSUs)**

The Company grants cash-settled awards in the form of DSUs to members of the board of directors of the Company.

Under the Company's DSU plan, each DSU granted has a value equal to the value of one Teranga common share. Directors have the option to elect to receive their director compensation in the form of DSUs. These DSUs vest as they are granted. All remaining DSUs that are granted vest on the first anniversary of the grant date.

DSUs are measured at fair value using the market value of the underlying shares at the date of the grant of the award. At each reporting period, the awards are revalued based on the period end share price with a corresponding charge to share-based compensation expense. The cost of the award is recorded on a straight-line basis over the vesting period and is recorded within current liabilities on the consolidated statements of financial position. The expense for the award is recorded on a straight-line basis over the vesting period and is recorded within share-based compensation on the consolidated statements of comprehensive income.

**Fixed Bonus Units (FBUs)**

The Company has a cash-settled, share-based compensation plan for certain management and employees.

The fair value of the FBUs granted is measured using the Black-Scholes option pricing model, taking into consideration the terms and conditions upon which the FBUs are granted. The fair value of the FBUs is adjusted by the estimate of the number of FBUs that are expected to vest as a result of non-market conditions and is expensed over the vesting period.

Share-based compensation relating to the FBUs is charged to the consolidated statements of comprehensive income and revalued at the end of each reporting period based on the Black-Scholes valuation.

**v. Revenue**

**Gold and Silver Bullion Sales**

Revenue from gold and silver bullion sales is recognized at the point in time when control is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has concluded that it is the principal in its revenue arrangements because it controls the goods before transferring them to the customer.

**Gold Streaming Arrangement**

Under the Franco-Nevada gold streaming arrangement, the Company is required to deliver ounces of production annually commencing in 2014 from the Company's existing properties in Senegal in exchange for an up-front deposit of \$135 million. Under the arrangement, Franco-Nevada pays the Company cash at the prevailing spot price of gold at the date of delivery on 20 percent of the ounces delivered. For the remaining 80 percent of the ounces delivered to Franco-Nevada, the up-front deposit is repaid based on the prevailing spot price for gold. Once the up-front deposit has been fully repaid, the Company will continue to deliver 6 percent of ounces produced from Sabodala for cash proceeds equal to 20 percent of spot price.

As the total amount paid up-front by Franco-Nevada for the future deliveries (the promised consideration) differs from the stand-alone selling price of the product purchased (i.e. the expected forward price as applied to total anticipated future deliveries), the Company concluded that this arrangement provided the entity with a significant benefit of financing and therefore contains a significant financing component ("SFC").

The consideration transferred, in this case the gold stream liability, should be adjusted for the effects of a SFC, and its effects should be accounted for separately. In order to estimate the effects of the SFC, the Company has determined a discount rate of approximately 9 percent based on management's best estimates of information available at the inception of the streaming arrangement related to the anticipated future deliveries, and the forward prices for gold (estimated at \$1,250 per ounce). This discount rate is not subsequently changed for changes in timing, price or quantities of deliveries, and is applied to the gold stream liability to reflect the effects of financing in each period.

Deliveries due in connection with the up-front deposit are recorded in revenue based on the forward prices originally established at the time of entering into the contract (i.e. \$1,250 per ounce), being the estimated stand-alone selling price of the deliveries as determined at contract inception (after separating the SFC). The outstanding gold stream liability will accrue interest at the discount rate determined, reflecting the cost of financing. Changes in quantity and timing of future deliveries due under the arrangement affect the consideration transferred in exchange for each ounce delivered, and constitute the resolution of uncertain events and the remaining gold stream liability is re-measured using the revised production profile combined with the original estimated discount rate, and original estimated forward prices. A re-measurement of the remaining gold stream liability will result in a cumulative catch-up adjustment to revenue recorded on satisfied performance obligations and will be recorded as either revenue or a reversal of revenue in the period of the change in the remaining gold stream liability.

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**Interest Income**

Interest income is recognized in other expenses within the consolidated statements of comprehensive income.

**w. Royalties**

**Royalties**

Royalties, whether paid to the government of a country in which Teranga operates or to third party interests, are based on gold and silver sales and the liability is accrued as revenues are recognized. Royalties are separately reported as expenses and not deducted from revenue.

**Advanced Royalties**

The Company is required to make payments related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the exploration licenses converted to mine licenses when the ore is processed through the Sabodala mill. The former Oromin Joint Venture Group ("OJVG") and Gora properties are subject to advanced royalties. The initial payment is accrued as a current and non-current liability and the advanced royalty is recorded within other current assets based on expected production from the properties over the next twelve months and the remaining amount is recorded within other non-current assets. The advanced royalty balance will be expensed through net profit based on actual production from the properties.

**x. Earnings per share**

Basic earnings or loss per share is determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the financial period.

Diluted earnings or loss per share is calculated by dividing the profit or loss attributable to equity holders of the parent by the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into ordinary shares. The dilutive effect of dilutive potential shares is determined using the treasury stock method.

**4. NEW STANDARDS AND INTERPRETATIONS**

**a. New standards, interpretations and amendments thereof, adopted by the Company in the current year**

**IFRS 16, Leases**

The Company recognized right-of-use assets and lease liabilities of \$5.2 million as at January 1, 2019, as part of the application of IFRS 16. Refer to note 3 for details of IFRS 16.

A reconciliation of the operating lease obligation to lease liabilities as at January 1, 2019 is presented below:

	Amount
Operating lease commitments as at December 31, 2018	7,581
Leases with lease terms of 12 months or less	(255)
Commitments for obligations not recognized under IFRS 16 as at January 1, 2019 <sup>(i)</sup>	(2,618)
Reasonably certain extension options <sup>(ii)</sup>	899
<b>Gross lease liabilities as at January 1, 2019</b>	<b>5,607</b>
Discounting effect	(428)
<b>Lease liabilities on initial application of IFRS 16 as at January 1, 2019</b>	<b>5,179</b>

- (i) Represents lease contracts entered into, but not recognized under IFRS 16 as the underlying asset is not yet available for use from the lessor.
- (ii) Represents lease contracts effective on or before December 31, 2018 that were extended beyond the original committed period as part of the initial application of IFRS 16.

The weighted average incremental borrowing rate was 4.86 percent.

**IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23")**

In June 2017, the IASB issued International Financial Reporting Interpretations Committee Interpretation 23 which clarifies application of the recognition and measurement requirements in IAS 12, Income Taxes. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by a tax authority. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. IFRIC 23 is effective for the annual reporting periods beginning on or after January



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1, 2019. The Company has concluded that the adoption of IFRIC 23 had no material impact on the consolidated financial statements.

**b. Future accounting policies not yet adopted**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements that the Company reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Company intends to adopt these standards when they become effective. Other standards and interpretations that are issued, but not yet effective, which are not expected to impact the Company have not been listed.

**Amendments to IFRS 3: Definition of a Business**

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations ("IFRS 3") to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test.

The amendments to IFRS 3 is effective for business combinations or asset acquisitions with acquisition dates on or after January 1, 2020. Earlier application of these amendments is permitted.

**Amendments to IAS 1 and IAS 8: Definition of Material**

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments to the definition of material is not expected to have a significant impact on the Company's consolidated financial statements.

**5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

The following are critical judgments and estimations that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

**Ore Reserves**

Management estimates its ore reserves based upon information compiled by qualified persons as defined in accordance with the Canadian Securities Administrators' National Instrument 43-101 Standards for Disclosure for Mineral Projects requirements. The estimated quantities of economically recoverable reserves are based upon interpretations of geological models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserve estimates can impact the carrying value of property, plant and equipment, mine development expenditures, provision for mine restoration and rehabilitation, the recognition of deferred tax assets, as well as the amount of depreciation and amortization charged to net profit within the consolidated statements of comprehensive income.

**Units-of-Production**

Management estimates recoverable proven and probable mineral reserves in determining the depreciation and amortization of mining assets, including buildings and property improvements and certain plant and equipment. This results in a depreciation/amortization charge proportional to the recovery of the anticipated ounces of gold. The life of the asset is assessed annually and considers its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates and assumptions, including the amount of recoverable proven and probable mineral reserves. The Company's units of production calculations are based on contained ounces of gold milled.

**Mine Restoration and Rehabilitation Provision**

Management assesses its mine restoration and rehabilitation provision each reporting period. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent, the timing and the cost of rehabilitation activities, technological changes, regulatory change, cost increases, and changes in discount rates. Those uncertainties

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may result in actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability.

**Impairment of Non-Current Assets**

Non-current assets are tested for impairment if there is an indicator of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset. Cash flows are discounted by an appropriate discount rate to determine the net present value. Management has assessed its CGUs as being all sources of mill feed through a central mill, which is the lowest level for which cash inflows are largely independent of other assets.

**Production Start Date**

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

- A significant level of capital expenditures compared to construction cost estimates are complete,
- Ability to produce gold in saleable form within specifications has been achieved,
- Reasonable period for testing has been completed, and
- Reasonable level of ongoing production based on mill throughput, recovery rates and mill availability.

**Stripping Costs in the Production Phase of a Surface Mine**

Management assesses the costs associated with stripping activities in the production phase of surface mining. Deferred stripping is defined as the excess waste material moved above the average strip ratio to provide access to further quantities of ore that will be mined in future periods, which are estimated by management.

**Taxes**

Management is required to make estimations regarding the tax basis of assets and liabilities and related income tax assets and liabilities and the measurement of income tax expense and indirect taxes. This requires management to make estimates of future taxable profit or loss, and if actual results are significantly different than its estimates, the ability to realize any deferred tax assets or discharge deferred tax liabilities on the Company's consolidated statement of financial position could be impacted.

**Contingencies**

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within the Company's control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims, that may result in such proceedings or regulatory or government actions that may negatively impact the Company's business or operations, the Company with assistance from its legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or assessing the impact on the carrying value of assets. Contingent assets are not recognized in the consolidated financial statements.

**Determination of Purchase Price Allocation**

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

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**6. ASSET ACQUISITIONS**

**a. Acquisition of Afema**

On March 22, 2018, the Company entered in to an agreement with Sodim Limited ("Sodim"), the owner of all of the issued and outstanding shares of Taurus Gold Afema Holdings Limited ("Afema"), and acquired 51 percent of Afema, which owns the Afema Gold project through the 90 percent controlled Afema Gold SA, for cash consideration of \$5.0 million. An additional \$2.5 million was paid in March 2019.

Pursuant to the agreement, a final \$2.5 million is payable upon the delivery of a confirmation study, feasibility study or updated feasibility study which shall include anticipated pre-production capital expenditures and the Company's written confirmation of its decision to proceed with the development of any Afema project. Upon reaching this milestone, the Company's participating interest will increase to 70 percent and Sodim can elect to maintain its 30 percent equity interest on a fully participatory basis or convert it to a 5 percent equity interest on a free carry basis or a 3 percent net smelter royalty on the Afema project.

Management has determined that the acquisition of Afema, along with its mining license and exploration permits, was a purchase of assets and assumption of liabilities and did not qualify as a business combination under IFRS 3. The value assigned to the assets acquired and liabilities assumed were based upon the fair value of consideration given at the date of acquisition and transaction costs were capitalized as part of the purchase consideration.

The Company has elected to measure the non-controlling interests as their proportionate share of the fair value of net identifiable assets acquired and liabilities assumed.

Consideration for the acquisition was \$7.8 million.

**b. Acquisition of Boss Gold and Boss Minerals**

On October 2, 2018, the Company completed the acquisition of the remaining 49 percent interest in the Golden Hill and Gourma exploration projects, owned by Boss Minerals Sarl ("Boss Minerals") and Boss Gold Sarl ("Boss Gold") (together, the "Boss Entities"), respectively, from Boss Resources Limited ("Boss Resources") for total consideration of AUD 10 million (US\$7.2 million). Upon closing, Teranga owned 100 percent interest in each of the Golden Hill and Gourma exploration projects.

Changes in the Company's ownership in subsidiaries that do not result in a loss of control are recorded as equity transactions. As a result of the acquisition of the remaining 49 percent interest in the Boss Entities, a debit of \$12.6 million was recognized directly in equity, which was the sum of the consideration paid of \$7.2 million and a \$5.4 million deficit representing Boss Resources' 49 percent non-controlling interest which was derecognized on October 2, 2018.

**c. Acquisition of Massawa**

On December 9, 2019, the Company entered into a definitive agreement pursuant to which it will acquire a 90 percent interest in Massawa from a wholly-owned subsidiary of Barrick and its joint venture partner, CSTTAO with the Government of Senegal holding the remaining 10 percent interest in Massawa.

Total aggregate consideration for the Massawa Acquisition is \$380 million ("Upfront Consideration") plus a gold price-linked contingent payment payable in cash and common shares of the Company.

The Upfront Consideration consists of approximately \$300 million payable in cash and approximately \$80 million to be settled by issuance of Teranga common shares to Barrick and CSTTAO.

In total, \$225 million of the Upfront Consideration will be funded under an acquisition facility agreement (the "Acquisition Facility") by Teranga's existing lender, Taurus Funds Management Pty Ltd. ("Taurus Funds"), which has agreed to lend \$200 million, and \$25 million to be provided by Barrick as a part of the lending syndicate under the Acquisition Facility (note 23). The balance of the Upfront Consideration will be funded by Teranga through a public equity offering (the "Offering") and private placement to Tablo Corporation, an entity controlled by David Mimran, a director of the Company (the "Private Placement"). The Offering was completed on December 18, 2019, refer to note 22 for details. On January 7, 2020, the Company completed the Private Placement of 11,677,942 Teranga common shares at C\$5.10 per common share for gross proceeds of C\$59.6 million (\$45.9 million). Proceeds from the Offering and Private Placement were held in escrow subject to completion of the Massawa Acquisition and have been recorded as restricted cash, refer to note 14 for details.

The completion of the Acquisition Facility, the Offering and the Private Placement are all inter-conditional with the completion of the Massawa Acquisition. The completion of the Massawa Acquisition is subject to receipt of the Massawa exploitation license and residual exploration license from the Government of Senegal, as well as certain other acknowledgments and approvals from the Government of Senegal including Teranga's integration plans for the Sabodala-Massawa Complex.

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The Company anticipates accounting for the Massawa Acquisition as a purchase of assets and assumption of liabilities and will not qualify as a business combination under IFRS 3. The Upfront Consideration and fair value of the gold price-linked contingent payment, plus directly attributable transaction costs, will be recorded as Mine Development Costs within Property, Plant and Equipment in the consolidated statement of financial position.

**7. REVENUE**

	For the years ended December 31,	
	2019	2018
Gold sales - spot price <sup>(i)</sup>	330,874	289,794
Silver sales	368	334
Gold stream arrangement <sup>(ii)</sup>	22,248	22,500
<b>Revenue</b>	<b>353,490</b>	<b>312,628</b>

(i) The Company realized cash proceeds from the sale of gold to Franco-Nevada Corporation ("Franco-Nevada") equivalent to 20 percent of the spot gold price. Refer to note 26 for further details.

(ii) The Company realized revenues from the drawdown of the gold stream liability to Franco-Nevada equivalent to \$1,000 per ounce of gold (80 percent of \$1,250 per ounce of gold). During the year ended December 31, 2019, the Company re-measured the remaining gold stream liability as a result of an update to Sabodala's mineral reserves and recognized a \$1.1 million cumulative catch-up adjustment to revenue. Refer to note 26 for further details.

For the year ended December 31, 2019, 236,087 ounces of gold were sold at an average realized price of \$1,377 per ounce, excluding 21,140 ounces delivered to Franco-Nevada (2018: 223,573 ounces were sold at an average realized price of \$1,271 per ounce, excluding 22,500 ounces delivered to Franco-Nevada).

The Company generated revenue from five customers in 2019 and 2018 as follows:

	For the years ended December 31,	
	2019	2018
Customer 1	276,005	145,266
Customer 2	20,853	137,925
Customer 3	28,441	1,230
Customer 4	28,097	28,207
Customer 5	94	—
<b>Total Revenue</b>	<b>353,490</b>	<b>312,628</b>

**8. MINE OPERATION EXPENSES**

	For the years ended December 31,	
	2019	2018
Mine production costs	180,812	175,179
Royalties <sup>(i)(ii)</sup>	21,364	19,809
Regional administration costs	2,732	1,868
Capitalized deferred stripping	(29,755)	(45,978)
Inventory movements	9,095	13,471
<b>Total Mine Operation Expenses</b>	<b>184,248</b>	<b>164,349</b>

(i) Includes royalties to the government of Senegal and Burkina Faso, advanced royalties to the government of Senegal and net smelter royalty to Sanembaore Sarl Pty Ltd. ("Sanembaore"). Refer to note 33 for further details.

(ii) Includes royalties to Axmin Inc. ("Axmin") on account of their 1.5 percent net smelter royalty on the Gora deposit. During the year ended December 31, 2019, the Company incurred \$0.6 million of Axmin royalties (2018: \$1.5 million). Ore from the Gora deposit has been fully processed during 2019.

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**9. DEPRECIATION AND AMORTIZATION**

	For the years ended December 31,	
	2019	2018
Depreciation and amortization - property, plant and equipment and mine development expenditures	49,823	43,264
Depreciation and amortization - deferred stripping assets	25,940	27,118
Depreciation and amortization - right-of-use assets	2,277	—
Inventory movements - depreciation	3,983	(1,486)
Capitalized deferred stripping - depreciation	(1,457)	(2,728)
<b>Total Depreciation and Amortization</b>	<b>80,566</b>	<b>66,168</b>

**10. ADMINISTRATION EXPENSES**

	For the years ended December 31,	
	2019	2018
Corporate office	11,772	11,090
Legal	311	132
Audit fees	715	467
Depreciation <sup>(i)</sup>	608	196
Others	1,117	1,733
<b>Total Administration Expenses</b>	<b>14,523</b>	<b>13,618</b>

(i) Includes depreciation of right-of-use assets on the prospective application of IFRS 16 in 2019.

**11. FINANCE COSTS**

	For the years ended December 31,	
	2019	2018
Interest and deferred financing costs on borrowings	9,472	3,388
Accretion expense <sup>(i)</sup>	8,125	9,723
Stocking fees	922	741
Bank charges	2,553	1,931
<b>Total Finance Costs</b>	<b>21,072</b>	<b>15,783</b>

(i) Includes interest expense on lease liability on the prospective application of IFRS 16 in 2019.

**12. OTHER EXPENSES/(INCOME)**

	For the years ended December 31,	
	2019	2018
Unrealized losses/(gains) on derivative instruments <sup>(i)</sup>	15,171	(2,553)
Realized losses/(gains) on derivative instruments <sup>(i)</sup>	1,194	(6,746)
Losses/(gains) on change in fair value of share warrant liabilities <sup>(ii)</sup>	5,759	(1,136)
Losses/(gains) on change in fair value of gold offtake payment liability <sup>(iii)</sup>	2,177	(317)
Other tax expenses <sup>(iv)</sup>	5,632	—
Reclamation expense <sup>(v)</sup>	720	—
Re-measurement of contingent consideration <sup>(vi)</sup>	(2,242)	—
Interest income and other expenses	778	979
Business and other taxes	1,195	1,315
<b>Total Other Expense/(Income)</b>	<b>30,384</b>	<b>(8,458)</b>

(i) Refer to note 30 for further details.

(ii) Refer to note 25 for further details.

(iii) Refer to note 24 for further details.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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- (iv) Represents interest and penalties included within the \$10.4 million tax assessment in Senegal. Refer to note 13 for further details.
- (v) Represents reclamation costs incurred for the Koulouqwinde pit at Sabodala. As the Koulouqwinde pit was not included in the original mine plan and was fully mined during 2019, the estimated reclamation costs for the pit was recognized in 2019.
- (vi) Refer to note 21 for further details.

**13. INCOME TAX EXPENSE**

The Company records a current income tax expense on taxable income earned in Senegal at a rate of 25 percent. Current income tax is calculated using local tax rates on taxable income, which is estimated in accordance with local statutory requirements and is denominated in the Senegalese currency (CFA Franc). Wahgnion is currently not subject to current income tax. The tax basis of all assets and non-current intercompany loans are recorded using historical exchange rates and translated to the functional currency using the period end exchange rate, and as a result, the Company's deferred tax balances will fluctuate due to changes in foreign exchange rates. Current income taxes are also affected by changes in foreign exchange rates as unrealized foreign exchange gains as well as losses, recorded in the local financial statements, are taxable / deductible for purposes of calculating income tax in Senegal. The Company also has a number of development and exploration projects in Burkina Faso and Côte d'Ivoire, which currently do not generate any profit subject to income tax.

The Company operates in various countries in West Africa and may be subject to assessments by the regulatory authorities in each of those countries, which can be complex and subject to interpretation. Assessments may relate to matters such as income and other taxes, duties and other matters. The Company exercises informed judgment to interpret the provisions of applicable laws and regulations as well as their application and administration by regulatory authorities to reasonably determine and pay the amounts due. From time to time, the Company may undergo a review by the regulatory authorities and in connection with such reviews, disputes may arise with respect to the Company's interpretations about the amounts due and paid.

During the second quarter 2019, the Company received a tax assessment in the amount of \$8.7 million against its Senegalese operating entity, Sabodala Gold Operations SA ("SGO"), and \$1.7 million tax assessment against its Senegalese exploration entity, Sabodala Mining Company Sarl ("SMC"). Both assessments covered tax years 2015, 2016, and 2017 and are related to issues around the Company's corporate structure as well as the nature of treatment of intercompany transactions within the group. For the year ended December 31, 2019, the Company recorded \$4.3 million in income tax expense and \$5.6 million of interest and penalties in other expenses. The tax assessment was fully settled in 2019.

For the year ended December 31, 2019, the Company recorded income tax expense of \$25.3 million, comprised of current income tax expense of \$16.0 million and deferred income taxes of \$5.0 million (2018: \$23.3 million income tax expense, comprised of current income tax expense of \$13.0 million and deferred income taxes of \$10.3 million), as well as \$4.3 million related to the tax assessment.

	For the years ended December 31,	
	2019	2018
Current tax expense	16,017	13,017
Deferred tax expense	4,983	10,295
Other tax expense	4,317	—
<b>Total Income Tax Expense</b>	<b>25,317</b>	<b>23,312</b>



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The Company's provision for income taxes differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to income before income taxes as a result of the following:

	For the years ended December 31,	
	2019	2018
Income before tax	(4,635)	36,761
Statutory tax rates	26.5%	26.5%
Income before tax computed at statutory tax rates	(1,228)	9,742
Impact of foreign tax rates	3,058	2,478
Non-deductible items	6,213	3,153
Adjustment for prior years	(274)	(102)
Tax credits	(31)	(64)
Tax settlement	4,317	—
Change in foreign exchange rates	943	4,251
Unrecognized deferred tax assets	12,319	3,854
<b>Provision for Income Taxes</b>	<b>25,317</b>	<b>23,312</b>

**14. RESTRICTED CASH**

On December 18, 2019, the Company completed the Offering of 27,451,000 subscription receipts (the "Subscription Receipts") at C\$5.10 per Subscription Receipt for gross proceeds of C\$140 million (\$106.3 million) (note 22). The gross proceeds less 50 percent of the underwriters' fee were placed into escrow with Computershare Trust Company of Canada. The cash proceeds will be released from escrow upon satisfaction or waiver of certain release conditions (including closing of the Massawa Acquisition) (the "Release Conditions") (note 6c). If the Release Conditions are satisfied or waived on or before May 31, 2020, the escrowed funds (less the balance of the underwriters' fee) will be released to the Company. If the Release Conditions are not satisfied or waived prior to the May 31, 2020, the escrowed proceeds, together with interest earned, will be returned on a pro-rata basis to holders of the Subscription Receipts.

As at December 31, 2019, the Company had restricted cash of \$103.6 million (2018: nil).

On January 7, 2020, the Private Placement, to Tablo Corporation, of 11,677,942 common shares at C\$5.10 were completed and gross proceeds of C\$59.6 million (\$45.9 million) was placed into escrow and recorded as restricted cash.

**15. TRADE AND OTHER RECEIVABLES**

	As at December 31, 2019	As at December 31, 2018
<b>Current</b>		
Value added tax ("VAT") recoverable <sup>(i)</sup>	11,062	5,874
Other receivables <sup>(ii)</sup>	2,519	3,205
<b>Total Trade and Other Receivables</b>	<b>13,581</b>	<b>9,079</b>

- (i) VAT is levied at a rate of 18 percent on supply of goods and services and is recoverable on the majority of purchases in Senegal. Non-recoverable VAT is expensed to net (loss)/profit. In February 2016, the Company received an exemption for the payment and collection of refundable VAT. This exemption is governed by an amendment to the Company's mining convention and expires on May 2, 2022. The balance at the end of December 31, 2019 primarily relates to VAT amounts paid prior to May 2017 in Senegal, and VAT amounts paid within 24 months prior to commencement of operations at Wahgnion in Burkina Faso. On December 20, 2017, the Company received exoneration from VAT directly related to mining services during Wahgnion's construction phase from the Burkinabe government.
- (ii) Other receivables primarily include: \$1.0 million (2018: \$1.8 million) of receivables from suppliers for services, materials and utilities used at Sabodala and Wahgnion, \$0.2 million (2018: \$0.8 million) of sales tax refunds, a receivable from Sodim of \$1.1 million (2018: \$0.5 million) and a \$0.2 million (2018: nil) receivable from insurance claims.

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**16. INVENTORIES**

	As at December 31, 2019	As at December 31, 2018
<b>Current</b>		
Gold bullion	18,020	2,704
Gold in circuit	7,801	3,885
Ore stockpile	4,578	26,801
<b>Total gold inventories</b>	<b>30,399</b>	<b>33,390</b>
Diesel fuel	3,235	2,014
Materials and supplies	44,338	29,526
Goods in transit	6,458	678
<b>Total other inventories</b>	<b>54,031</b>	<b>32,218</b>
<b>Total current inventories</b>	<b>84,430</b>	<b>65,608</b>
<b>Non-current</b>		
Ore stockpile	92,166	86,105
<b>Total Inventories<sup>(i)</sup></b>	<b>176,596</b>	<b>151,713</b>

- (i) Inventories include the following related to Wahgnion: \$3.3 million (2018: \$2.4 million) of current ore stockpile, \$1.8 million (2018: nil) of gold in circuit, \$9.8 million (2018: nil) of gold bullion, \$4.9 million (2018: \$0.7 million) of non-current ore stockpile and \$9.3 million (2018: \$0.3 million) of other inventories.

**17. MARKETABLE SECURITIES**

	Amount
<b>Balance as at January 1, 2018</b>	<b>964</b>
Marketable securities acquired	77
Change in fair value of marketable securities during the year	(662)
Foreign exchange loss	(55)
<b>Balance as at December 31, 2018</b>	<b>324</b>
Change in fair value of marketable securities during the year	(92)
Foreign exchange gain	13
<b>Balance as at December 31, 2019</b>	<b>245</b>

The Company holds publicly traded equity securities that are classified as marketable securities and are revalued to prevailing market prices at each period end. Unrealized gains and losses from changes in fair value are accounted for in other comprehensive income. During the first quarter of 2018, the Company purchased 1,000,000 Sarama Resources Ltd. shares.

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**18. OTHER ASSETS**

	As at December 31, 2019	As at December 31, 2018
<b>Current</b>		
Prepayments <sup>(i)</sup>	4,164	5,043
Advanced royalty <sup>(ii)</sup>	760	1,184
Derivative financial assets <sup>(iii)</sup>	—	4,385
VAT certificates held <sup>(iv)</sup>	91	333
<b>Total Other Current Assets</b>	<b>5,015</b>	<b>10,945</b>
<b>Non-current</b>		
Advanced royalty <sup>(ii)</sup>	—	2,378
Prepayments for non-current assets <sup>(i)</sup>	—	1,226
Intangible assets	1,775	947
Deferred costs <sup>(v)</sup>	2,889	—
<b>Total Other Non-Current Assets</b>	<b>4,664</b>	<b>4,551</b>
<b>Total Other Assets</b>	<b>9,679</b>	<b>15,496</b>

- (i) As at December 31, 2019, prepayments include advances to vendors and contractors in Senegal of \$1.5 million (2018: \$2.7 million), \$0.5 million (2018: \$1.4 million) in Burkina Faso, \$1.6 million for insurance (2018: \$0.9 million) and \$0.6 million for corporate and others.
- (ii) As at December 31, 2019, there was \$0.8 million in other current assets as advanced royalty payments to the Government of Senegal. The advanced royalties are expensed to profit or loss based on actual production from the former Oromin Joint Venture Group ("OJVG") and Gora deposits. During the year ended December 31, 2019, the Company expensed \$2.8 million as amortization of the OJVG and Gora advanced royalties (2018: \$2.7 million). The advanced royalty recorded within other current assets is based on the expected production from the remaining OJVG deposit over the next year and the balance is recorded within other non-current assets.
- (iii) Refer to note 30 for further details.
- (iv) VAT certificates are highly liquid and convertible into cash at local banks or may be issued directly to the Company's suppliers to reduce future VAT collections or other taxes payable by the Company.
- (v) Represents transaction costs incurred related to the Massawa Acquisition and Acquisition Facility. Upon completion of the Massawa Acquisition and drawdown of the Acquisition Facility, these costs will be included in the acquisition cost of Massawa and recorded against borrowings, respectively.

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**19. PROPERTY, PLANT AND EQUIPMENT**

	Land, building, plant and equipment			Mine development costs subject to depreciation	Mine development costs not yet subject to depreciation <sup>(i)(ii)</sup>	Right-of-use assets	Total
	Sabodala and Corporate	Wahgnion	Wahgnion construction in progress				
<b>Cost</b>							
Balance as at January 1, 2018	459,482	3,049	7,271	497,416	71,511	—	1,038,729
Additions	9,854	14,146	128,249	60,052	39,421	—	251,722
Disposals	(57)	—	—	—	—	—	(57)
Balance as at December 31, 2018	469,279	17,195	135,520	557,468	110,932	—	1,290,394
Additions on initial application of IFRS 16	—	—	—	—	—	5,179	5,179
Additions	21,857	19,917	68,055	47,798	44,025	7,465	209,117
Disposals <sup>(iv)</sup>	(2,500)	—	—	—	—	—	(2,500)
Transfers <sup>(iii)</sup>	—	201,761	(201,761)	75,495	(75,495)	—	—
Balance as at December 31, 2019	488,636	238,873	1,814	680,761	79,462	12,644	1,502,190
<b>Accumulated depreciation</b>							
Balance as at January 1, 2018	284,964	827	—	232,104	—	—	517,895
Depreciation expense	25,876	1,599	—	44,605	—	—	72,080
Disposals	(45)	—	—	—	—	—	(45)
Balance as at December 31, 2018	310,795	2,426	—	276,709	—	—	589,930
Depreciation expense	27,919	1,848	—	50,328	—	2,950	83,045
Disposals <sup>(iv)</sup>	(1,971)	—	—	—	—	—	(1,971)
Balance as at December 31, 2019	336,743	4,274	—	327,037	—	2,950	671,004
<b>Net book value</b>							
Balance as at December 31, 2018 <sup>(i)</sup>	158,484	14,769	135,520	280,759	110,932	—	700,464
Balance as at December 31, 2019 <sup>(i)</sup>	151,893	234,599	1,814	353,724	79,462	9,694	831,186

- (i) Balance as at December 31, 2019 includes: \$241.2 million (2018: \$150.3 million) of property, plant and equipment and \$141.3 million (2018: \$96.5 million) of mine development costs associated with Wahgnion, \$432.1 million (2018: \$438.1 million) of costs associated with Sabodala, \$14.6 million (2018: \$14.4 million) of costs associated with Afema and \$2.0 million (2018: \$1.1 million) of cost associated with other projects.
- (ii) Total borrowing costs capitalized as a component of mine development as at December 31, 2019 was \$22.0 million (2018: \$3.1 million).
- (iii) On November 1, 2019, Wahgnion achieved commercial production at which point development expenditures were subject to depreciation.
- (iv) Disposals represent fully depreciated mobile equipment written-off and donation of the Sounkounkou camp to the government of Senegal.

	Year ended December 31, 2019	Year ended December 31, 2018
<b>Capitalized mine development additions</b>		
Deferred stripping costs	34,631	48,824
Capitalized mine development - Maki Medina	1,350	—
Capitalized mine development - Niakafiri	12,924	8,817
Capitalized reserve development - Sabodala	—	647
Capitalized mine development - Wahgnion <sup>(i)</sup>	42,012	25,060
Capitalized mining license - Afema	—	14,361
Other	906	1,764
<b>Total Capitalized Mine Development Additions</b>	<b>91,823</b>	<b>99,473</b>

- (i) Capitalized development costs include capitalized borrowing costs and pre-commercial production operating expenditures and gold sales revenue related to Wahgnion.

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Depreciation of property, plant and equipment for the year ended December 31, 2019 was \$32.7 million (2018: \$27.5 million). Depreciation of capitalized mine development costs for the year ended December 31, 2019 was \$50.3 million, of which \$3.4 million capitalized with the remainder expensed as cost of sales (2018: \$44.6 million).

Right-of-use assets are leases with lease terms greater than twelve months. The Company's most significant leases relate to mobile equipment and blasting services at Sabodala, laboratory services, and fuel and lubricant depot at Wahgnion. The mobile equipment lease, laboratory services lease, and fuel and lubricant depot lease has a further term of 8 months, 54 months, and 58 months respectively. The Company's other lease activities relate to its corporate offices and other equipment in Canada, Senegal, Burkina Faso and Côte d'Ivoire. These leases have an average term of 37 months.

**20. DEFERRED INCOME TAX ASSETS**

The deferred income tax assets balance reported on the balance sheet and relating to Sabodala is comprised of the following:

	As at December 31, 2019	As at December 31, 2018
<b>Deferred tax assets</b>		
Unrealized foreign exchange	9,080	9,049
Mining and property plant and equipment	98	4,417
Other	443	286
<b>Deferred Tax Assets</b>	<b>9,621</b>	<b>13,752</b>

The deferred income tax assets balance reported on the balance sheet and relating to Wahgnion is comprised of the following:

	As at December 31, 2019	As at December 31, 2018
<b>Deferred tax assets</b>		
Unrealized foreign exchange	770	237
Mining and property plant and equipment	—	2,207
Loss carry forwards	1,130	—
Other	111	—
<b>Deferred tax liabilities</b>		
Mining and property plant and equipment	(419)	—
<b>Deferred Tax Assets</b>	<b>1,592</b>	<b>2,444</b>

**Unrecognized Deferred Tax Assets**

Deferred income tax assets such as tax loss carry-forwards, property, plant and equipment, share issuance costs and transaction costs are recognized as assets to the extent that the realization of the related tax benefit through future taxable profits is probable.

	For the years ended December 31,	
	2019	2018
<b>Deferred income tax assets not recognized</b>		
Share issuance and transaction costs	108	286
Loss carry forwards	30,062	21,738
Property, plant and equipment	1,524	1,051
Other	3,064	2,206
<b>Deferred Income Tax Assets not Recognized</b>	<b>34,758</b>	<b>25,280</b>

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes on the unremitted earnings of certain subsidiaries as these amounts will not be distributed in the foreseeable future. Unremitted earnings totaled \$546,864 at December 31, 2019 (2018: \$499,305).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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As at December 31, 2019, the tax losses not recognized by the Company and their associated expiry dates are as follows:

	Expiry Date	For the years ended December 31,	
		2019	2018
<b>Tax losses - gross</b>			
Canada	2030 - 2039	113,228	81,606
Mauritius	2020 - 2024	248	220
Burkina Faso	Indefinite	6,457	—
Australia	Indefinite	35	225
<b>Total Tax Losses not Recognized</b>		<b>119,968</b>	<b>82,051</b>

**21. TRADE AND OTHER PAYABLES**

	As at December 31, 2019	As at December 31, 2018
<b>Current</b>		
Trade payables <sup>(i)</sup>	46,264	26,427
Sundry creditors and accrued expenses	27,847	34,317
Government royalties <sup>(ii)(iii)</sup>	5,713	3,930
Amounts payable to the government of Senegal <sup>(iv)(v)</sup>	9,886	9,886
Amounts payable to the government of Burkina Faso <sup>(vi)</sup>	467	—
Contingent consideration <sup>(viii)</sup>	555	534
<b>Total Current Trade and Other Payables</b>	<b>90,732</b>	<b>75,094</b>
<b>Non-Current</b>		
Amounts payable to the government of Senegal <sup>(vii)</sup>	8,055	8,150
Contingent consideration <sup>(viii)</sup>	—	2,297
<b>Total Other Non-Current Liabilities</b>	<b>8,055</b>	<b>10,447</b>
<b>Total Trade and Other Payables</b>	<b>98,787</b>	<b>85,541</b>

- (i) Trade payables are comprised of obligations by the Company to suppliers of goods and services. Terms are generally 30 to 60 days.
- (ii) In Senegal, government royalties are accrued at a rate of 5 percent of sales based on the mine head value of the gold and related substances produced, which was XOF 2,087.9 million (\$3.6 million) as of December 31, 2019 (2018: XOF 2,256.0 million (\$3.9 million)). For the year ended December 31, 2019, royalty payments totalling \$16.2 million related to the fourth quarter of 2018 and the first nine month of 2019 were made to the government of Senegal (2018: \$16.0 million related to the fourth quarter of 2017 and the first nine month of 2018).
- (iii) In Burkina Faso, government royalties are accrued at a rate of 3 to 5 percent of gold sales based on the daily spot price of gold, which was XOF 1,261.9 million (\$2.1 million) (2018: nil) as of December 31, 2019. For the year ended December 31, 2019, royalty payments totaling \$0.4 million had been paid to the government.
- (iv) A reserve payment is payable to the government of Senegal based on \$6.50 for each ounce of new reserves until December 31, 2012. As at December 31, 2019, \$2.1 million remains accrued as a current liability (2018: \$2.1 million).
- (v) The Company has agreed to advance accrued dividends to the government of Senegal related to its interest in Sabodala Gold Operations. As at December 31, 2019, \$7.8 million (2018: \$7.8 million) has been accrued based on net sales revenue for each of the twelve months ended December 31, 2013 and December 31, 2014. No additional amounts are owing on sales occurring beyond 2014.
- (vi) Pursuant to the 2015 Burkina Faso Mining Code, an amount equal to 1 percent of monthly turnover (before tax) is to be contributed to the mining fund for local development. For the year ended December 31, 2019, \$0.5 million (2018: nil) has been recorded.
- (vii) The Company agreed to establish a social development fund which involves making a payment of \$15.0 million to the government of Senegal at the end of the Sabodala Gold Mine's operational life. It is recorded at its net present value of \$8.1 million (2018: \$8.2 million). The change in this period is solely due to the accretion of the liability.
- (viii) In 2014, the Company acquired Badr Investment Ltd.'s ("Badr") 13 percent carried interest in the OJVG for cash consideration of \$7.5 million and further contingent consideration which will be based on realized gold prices and increases to the former OJVG's mining reserves through 2020, of which \$3.8 million was accrued upon finalization of the purchase price allocation in 2014. During the year ended December 31, 2019, the Company made a payment of \$0.1 million to Badr as a result of an update to Sabodala's mineral reserves. During the year ended December 31, 2019, the Company re-measured the contingent consideration based on anticipated increases to OJVG's mining reserves through 2020 and recognized a \$2.2 million



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In thousands of United States dollars)

adjustment. The total contingent consideration of \$0.6 million has been recorded as a current liability (2018: \$0.5 million in current liabilities and \$2.3 million in non-current liabilities).

### 22. SUBSCRIPTION RECEIPTS LIABILITY

On December 18, 2019, the Company completed the Offering of 27,451,000 Subscription Receipts at C\$5.10 per Subscription Receipt for gross proceeds of C\$140 million (\$106.3 million). Net proceeds from the Offering will be used to fund a portion of the Upfront Consideration for the Massawa Acquisition (note 6c), with the balance of the proceeds being used for exploration drilling across the Company's portfolio, transaction costs related to the Massawa Acquisition and for working capital purposes.

Each Subscription Receipt represents the right of the holder to receive, upon satisfaction or waiver of the Release Conditions, without payment of additional consideration, one common share of the Company. If the Release Conditions are satisfied or waived on or before May 31, 2020, each Subscription Receipt will convert into one common share of the Company. If the Release Conditions are not satisfied or waived prior to the May 31, 2020, the Subscription Receipts will be cancelled and holders of each Subscription Receipt will be entitled to receive an amount equal to C\$5.10 for each Subscription Receipt held together with the holder's pro-rata share of interest earned on the escrowed proceeds (note 14) from the Company.

The Subscription Receipts are listed on the TSX (TSX: TGZ.R).

### 23. BORROWINGS

As at December 31, 2019			
	Secured Development Finance Facility	Equipment Finance Facility	Total
Principal outstanding	193,500	8,133	201,633
Deferred financing costs	(19,560)	(298)	(19,858)
<b>Total Financing</b>	<b>173,940</b>	<b>7,835</b>	<b>181,775</b>
Current portion	41,500	1,406	42,906
Non-current portion	132,440	6,429	138,869
<b>Deferred Financing Costs</b>			
Financing costs	13,289	351	13,640
Fair value of gold offtake liability <sup>(i)</sup>	14,015	—	14,015
Share warrants issued <sup>(ii)</sup>	3,298	—	3,298
Accumulated amortization of deferred financing costs	(11,042)	(53)	(11,095)
<b>Total Deferred Financing Costs</b>	<b>19,560</b>	<b>298</b>	<b>19,858</b>

As at December 31, 2018			
	Secured Development Finance Facility	Equipment Finance Facility	Total
Principal outstanding	112,200	—	112,200
Deferred financing costs	(25,103)	—	(25,103)
<b>Total Financing</b>	<b>87,097</b>	<b>—</b>	<b>87,097</b>
Current portion	—	—	—
Non-current portion	87,097	—	87,097
<b>Deferred Financing Costs</b>			
Financing costs	12,278	—	12,278
Fair value of gold offtake liability <sup>(i)</sup>	14,015	—	14,015
Share warrants issued <sup>(ii)</sup>	3,105	—	3,105
Accumulated amortization of deferred financing costs	(4,295)	—	(4,295)
<b>Total Deferred Financing Costs</b>	<b>25,103</b>	<b>—</b>	<b>25,103</b>

(i) Refer to note 24 for further details.

(ii) Refer to note 25 for further details.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In thousands of United States dollars)

### a. Secured Development Finance Facility

On April 16, 2018, the Company entered into a secured development finance facility with Taurus Funds Management Pty Ltd. (the "Taurus Facility"). The Taurus Facility consists of two tranches to fund the development and advancement of the Company's projects in Burkina Faso. The first tranche consists of \$165 million used to fund the development of Wahgnion ("Wahgnion Tranche") and to repay all of the Company's outstanding debt drawn on the revolving credit facility with Société Générale ("Revolver Facility"). The second tranche consists of \$25 million to be used towards the advancement of a feasibility study for the Golden Hill Project ("Golden Hill Tranche"). The Golden Hill Tranche was increased by an additional \$10 million to \$35 million in October 2018 to fund the acquisition of the remaining 49 percent interest in Golden Hill and Gourma exploration projects from Boss Resources Limited for total consideration of AUD 10 million (US\$7.2 million).

Both tranches bear an interest rate of 8.75 percent per annum on the drawn amount, paid quarterly in arrears. Early repayment is permitted at any time without penalty. Principal repayments on the Wahgnion Tranche are due quarterly commencing on March 31, 2020 with the balance due on December 31, 2022. The principal repayment of the Golden Hill Tranche is due on December 31, 2022. A commitment fee of 2.5 percent on undrawn balances is due quarterly in arrears.

As part of the Taurus Facility arrangement, the Company granted 2.0 million share warrants to Taurus Funds on April 16, 2018. Each warrant allows the holder to acquire common shares of the Company at an exercise price of C\$5.22. The fair value of these warrants on the date of grant was \$3.1 million and was recognized as a deferred financing cost (note 25).

On February 26, 2019, the Company and Taurus Funds entered into an amending agreement whereby \$25 million of the Golden Hill Tranche was temporarily repurposed and made available for Wahgnion's development costs. Drawdowns, if any, under the repurposed Golden Hill Tranche are to be repaid no later than September 30, 2019, at which point the Golden Hill Tranche reverts back to its original purpose. In connection with this amendment, the Company issued an aggregate of 150,000 units of unlisted four-year warrants to Taurus Funds to acquire Teranga's common shares at an exercise price of C\$5.08 per share. The fair value of these warrants on the date of grant was \$0.2 million and was recognized as a deferred financing cost (note 25).

Furthermore, 100,000 unlisted four-year warrants exercisable at a strike price that is greater of: (i) the market price on the date of issuance; and (ii) 120 percent of Teranga's volume weighted average share price for the 20 trading days prior to the date of issuance, is issuable for every \$1.0 million drawn on the repurposed Golden Hill Tranche.

On May 30, 2019, the Company made a drawdown of \$14.0 million under the repurposed Golden Hill Tranche. An additional 1.4 million units of unlisted four-year warrants were issued to Taurus Funds to acquire Teranga's common shares at an exercise price of C\$3.83 per share. The fair value of these warrants on the date of grant was \$1.3 million and was recognized as a deferred financing cost (note 25).

On September 30, 2019, the Company amended the repurposed Golden Hill Tranche to extend the repayment to December 31, 2019. An additional 150,000 units of unlisted four-year warrants were issued to Taurus Funds to acquire Teranga's common shares at an exercise price of C\$6.49 per share. The fair value of these warrants on the date of grant was \$0.2 million and was recognized as a deferred financing cost (note 25).

On December 24, 2019, the Company further amended the repurposed Golden Hill Tranche to extend the repayment until the earlier of: (i) February 28, 2020; and (ii) 5 business days following public announcement by the Company of the satisfaction or waiver of the Release Conditions (note 14).

As at December 31, 2019, \$165.0 million was drawn on the Wahgnion Tranche and \$28.5 million was drawn on the Golden Hill Tranche (2018: \$102.2 million was drawn on the Wahgnion Tranche and \$10.0 million was drawn on the Golden Hill Tranche).

### b. Equipment Finance Facility

On March 5, 2019, the Company entered into an equipment finance facility with Caterpillar Financial Services Corporation (the "CAT Facility") for \$12.5 million to fund a portion of the mobile mining equipment and power generators for Wahgnion.

The CAT Facility bears interest at the London Inter-bank Offered Rate plus 5.1 percent per annum to be paid quarterly in arrears. Principal repayments are due over 5 years in equal quarterly installments commencing on the date of each drawdown. Early repayment is permitted at each interest payment date upon a prepayment fee of 1 percent. Drawdown availability period is up to August 4, 2020. A commitment fee of 1.5 percent of the undrawn amount is payable quarterly in arrears.

As at December 31, 2019, \$8.1 million was outstanding on the CAT Facility (2018: nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands of United States dollars)

**c. Acquisition Facility**

On December 9, 2019, the Company entered into the \$225 million Acquisition Facility with Taurus Funds and Barrick to finance the Massawa Acquisition (note 6c).

The Acquisition Facility bears interest at 7.85 percent per annum, paid quarterly in arrears. Principal repayment is due on December 31, 2022 with early repayment permitted at any time without penalty. A commitment fee of 2.5 percent per annum of the undrawn amount is payable quarterly in arrears.

As part of the Acquisition Facility, the Company will enter into a gold offtake agreement for Massawa's life of mine gold production. Under the terms of the gold offtake agreement, Taurus Funds will be entitled to an amount equal to the difference between the actual spot sale price per ounce and the lowest a.m. and p.m. London Bullion Market Association gold price per ounce during the eight business days preceding the sale date for gold ounces produced and sold from Massawa over the life of mine. Sales proceeds received by Teranga will be reduced by any amounts owed to Taurus Funds under the gold offtake agreement. Taurus Funds does not take physical delivery of gold ounces. The Company is under no obligation to physically deliver gold ounces to Taurus Funds.

The Company has the option to terminate the agreement by paying Taurus Funds the net present value (applying an 8.75 percent annual discount rate, and assuming production over the life of mine as of the date of termination) of \$20 per ounce multiplied by the number of outstanding gold ounces remaining under the gold offtake agreement.

Upon drawdown of the Acquisition Facility, Taurus Funds will be granted 4 million four year call rights over the Company's common shares at a strike price equal to 120 percent of the 5-day volume weighted average price of the Company's common shares on the date of announcement of the Massawa Acquisition. The call rights are to be settled in cash.

The completion of the Acquisition Facility is inter-conditional with the completion of the Massawa Acquisition (note 6c).

As at December 31, 2019, the Acquisition Facility was undrawn.

**24. GOLD OFFTAKE PAYMENT LIABILITY**

In conjunction with the Taurus Facility, the Company entered into a gold offtake payment agreement with Taurus Funds ("Gold Offtake Agreement") on May 31, 2018. Under the terms of the Gold Offtake Agreement, Taurus Funds is entitled to an amount equal to the difference between the actual spot sales price per ounce and the lowest a.m. and p.m. London Bullion Market Association gold price per ounce during the eight business days preceding the sale date for gold ounces produced and sold from Wahgnion, up to 1,075,000 ounces. Sales proceeds received by Teranga will be reduced by any amounts owed to Taurus Funds under the Gold Offtake Agreement. Taurus Funds does not take physical delivery of gold ounces. The Company is under no obligation to physically deliver gold ounces to Taurus Funds.

The Company has the option to terminate the agreement by paying Taurus Funds the net present value (applying an 8.75 percent annual discount rate, and assuming gold deliveries on a straight line basis for the first 9.5 years of mine life commencing from the date of first production) of \$20 per ounce multiplied by the number of outstanding gold ounces remaining under the Gold Offtake Agreement.

In August 2019, the Company began processing ore from Wahgnion. During the year ended December 31, 2019, the Company sold 34,447 ounces from Wahgnion resulting in a payment of \$0.5 million (2018: nil) on the gold offtake payment liability.

The Gold Offtake Agreement was classified as a derivative financial liability as the amount due to Taurus Funds is variable and determined based on the price spread between the spot price of gold on the date of sale and the lowest spot price of gold over periods of time in the future. As a result, the gold offtake payment liability is recorded at fair value at the end of each reporting period. The Company has estimated the fair value of the gold offtake payment liability using a discounted cash flow model based on Wahgnion's life-of-mine production. Key inputs used in the discounted cash flow model at each period were:

	As at December 31, 2019	As at December 31, 2018
Number of gold ounces outstanding	1,040,553	1,075,000
Estimated per ounce price spread between spot gold price and lowest price of the 8 preceding days	20.0	20.0
Discount rate	7.4%	9.0%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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	As at December 31, 2019	As at December 31, 2018
Current	2,534	—
Non-Current	12,824	13,699
<b>Total Gold Offtake Payment Liability</b>	<b>15,358</b>	<b>13,699</b>

**25. SHARE WARRANT LIABILITIES**

The following share warrants were outstanding as at December 31, 2019:

Grant date	Number	Expiry date	Exercise price
16-Apr-18	2,000,000	16-Apr-22	C\$5.22
26-Feb-19	150,000	27-Feb-23	C\$5.08
30-May-19	1,400,000	30-May-23	C\$3.83
30-Sep-19	150,000	30-Sep-23	C\$6.49

The currency of the exercise price of the warrants is different from the Company's functional currency and as a result the share warrants have been classified as a derivative financial liability. Changes in fair value of the financial liability are recognized as other income/(expense) at the end of each reporting period. Upon exercise, the associated share warrant liability will be reclassified to share capital. Should any of the share warrants expire unexercised, the associated share warrant liability will be recorded as other income in the consolidated statements of comprehensive income. There is no circumstance under which the Company would be required to pay any cash upon exercise or expiry of the warrants.

A reconciliation of the change in the fair values of share warrant liabilities is presented below:

	Number of warrants	Amount
<b>Balance as at January 1, 2018</b>	<b>—</b>	<b>—</b>
Granted during the year	2,000,000	3,105
Change in fair value of share warrant liabilities	—	(1,136)
<b>Balance as at December 31, 2018</b>	<b>2,000,000</b>	<b>1,969</b>
Granted during the year	1,700,000	1,678
Change in fair value of share warrant liabilities	—	5,759
<b>Balance as at December 31, 2019</b>	<b>3,700,000</b>	<b>9,406</b>

Fair values of share warrants were calculated using the Black-Scholes option pricing model with the following assumptions:

	As at December 31, 2019	As at December 31, 2018
Valuation date share price	C\$7.02	C\$4.03
Weighted average fair value of share warrants	C\$3.32	C\$1.34
Exercise price	C\$3.83 - C\$6.49	C\$5.22
Risk-free interest rate	1.68%	1.85%
Expected share market volatility	46% - 53%	57%
Expected life of share warrants (years)	2.3 - 3.8	3.3
Dividend yield	0%	0%
Number of share warrants exercisable	3,700,000	2,000,000

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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The grant date fair values of the share warrants granted on February 26, 2019, May 30, 2019, and September 30, 2019 were calculated with the following assumptions:

	February 26, 2019	May 30, 2019	September 30, 2019
Valuation date share price	C\$4.31	C\$3.21	C\$4.88
Weighted average fair value of share warrants	C\$1.70	C\$1.25	C\$1.71
Exercise price	C\$5.08	C\$3.83	C\$6.49
Risk-free interest rate	1.76%	1.47%	1.45%
Expected share market volatility	56%	56%	55%
Expected life of share warrants (years)	4.0	4.0	4.0
Dividend yield	0%	0%	0%
Number of share warrants exercisable	150,000	1,400,000	150,000

**26. GOLD STREAM LIABILITY**

On January 15, 2014, the Company completed a streaming transaction with Franco-Nevada. The Company is required to deliver 22,500 ounces of gold annually over the first six years followed by 6 percent of production from the Company's existing properties in Senegal, thereafter, in exchange for a deposit of \$135 million.

For accounting purposes, the agreement is considered a contract for the future delivery of gold ounces at the contracted price. The up-front payment of \$135 million is accounted for as a prepayment of undelivered ounces under the contract and is recorded as a gold stream liability.

For ounces of gold delivered to Franco-Nevada under the streaming transaction, Franco-Nevada pays the Company cash at the prevailing spot price of gold at the date of delivery on 20 percent of the ounces delivered. For the remaining 80 percent of the ounces delivered to Franco-Nevada, the gold stream liability balance is drawn down based on the contracted price as determined under IFRS 15, *Revenue from Contracts with Customers*. The gold stream liability is remeasured based on estimates of expected delivery of gold ounces to Franco-Nevada priced at 80 percent of \$1,250 per ounce of gold. Any future changes in timing, quantities and gold prices will result in an update to the liability balance.

During the year ended December 31, 2019, the Company delivered 21,140 ounces of gold to Franco-Nevada (2018: 22,500 ounces) and recorded revenue of \$28.1 million, consisting of \$5.9 million received in cash proceeds and \$22.2 million recorded as a reduction of gold stream liability (2018: revenue of \$28.2 million, consisting of \$5.7 million received in cash proceeds and \$22.5 million recorded as a reduction of gold stream liability).

As part of the gold streaming transaction with Franco-Nevada, the Company is required to maintain a minimum consolidated cash balance of \$15.0 million.

	Amount
<b>Balance as at January 1, 2018</b>	<b>102,305</b>
Accretion of gold stream liability	8,957
Amortization of gold stream liability	(22,500)
<b>Balance as at December 31, 2018</b>	<b>88,762</b>
Accretion of gold stream liability	7,614
Re-measurement of gold stream liability <sup>(i)</sup>	(1,108)
Amortization of gold stream liability	(21,140)
<b>Balance as at December 31, 2019</b>	<b>74,128</b>

(i) Refer to note 7 for re-measurement of gold stream liability.

	As at December 31, 2019	As at December 31, 2018
Current	7,158	14,860
Non-Current	66,970	73,902
<b>Total Gold Stream Liability</b>	<b>74,128</b>	<b>88,762</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**27. PROVISIONS**

	As at December 31, 2019	As at December 31, 2018
<b>Current</b>		
Mine restoration and rehabilitation <sup>(i)</sup>	2,119	370
Employee benefits <sup>(ii)</sup>	3,977	2,815
Cash settled share-based compensation <sup>(iii)</sup>	7,893	4,055
<b>Total Current Provisions</b>	<b>13,989</b>	<b>7,240</b>
<b>Non-Current</b>		
Mine restoration and rehabilitation <sup>(i)</sup>	48,427	33,735
Employee benefits <sup>(ii)</sup>	671	798
Cash settled share-based compensation <sup>(iii)</sup>	1,615	795
<b>Total Non-Current Provisions</b>	<b>50,713</b>	<b>35,328</b>
<b>Total Provisions</b>	<b>64,702</b>	<b>42,568</b>

- (i) The rehabilitation provision represents the present value of rehabilitation costs relating to Sabodala which are expected to be incurred up to 2042 and Wahgnion which are expected to be incurred up to 2042. The non-current provision includes \$32.9 million (2018: \$27.5 million) for Sabodala and \$15.6 million (2018: \$6.2 million) for Wahgnion. The provision has been recorded based on estimates and assumptions which management believe are a reasonable basis to estimate the future liability. The estimates are reviewed regularly to take into account any material changes to the rehabilitation work required. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation work required that will reflect market conditions at the relevant time.
- (ii) The current provisions for employee benefits include \$1.5 million (2018: \$1.1 million) of accrued vacation and \$2.5 million (2018: \$1.7 million) of long service leave entitlements as at December 31, 2019. The non-current provisions for employee benefits include \$0.6 million (2018: \$0.8 million) of accrued vacation.
- (iii) The provision for cash settled share-based compensation represents the fair values of vested fixed bonus units, Restricted Share Units ("RSUs") and Deferred Share Units ("DSUs"). Refer to note 39 for further details.

**28. LEASE LIABILITIES**

Lease liabilities are measured at the present value of the future lease payments net of any cash incentives receivable at the balance sheet date. Lease payments are apportioned between finance charges and the reduction of the liability. Finance charges are based on the lease specific incremental borrowing rate at the commencement date of the lease. The incremental borrowing rate differs between each category of asset, location of asset and the duration of the lease. Lease payments for leases over buildings exclude service costs and property taxes.

The carrying amounts of lease liabilities and movements during the year are:

	Amount
<b>Balance as at January 1, 2019</b>	<b>5,179</b>
Additions	7,385
Accretion of interest	390
Lease payments	(3,239)
Foreign exchange loss	32
<b>Balance as at December 31, 2019</b>	<b>9,747</b>
Current	3,805
Non-current	5,942



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In thousands of United States dollars)

The following are the amounts recognized in profit and loss:

	For the year ended December 31, 2019
Depreciation expense for right-of-use assets	2,661
Interest expense on lease liabilities	390
Expense related to short-term leases	12,423
Variable lease payments	3,826
Rental income from subleases	(103)
<b>Total Amount Recognized in Profit or Loss</b>	<b>19,197</b>

The maturity analysis of lease liabilities is disclosed in note 33.

### 29. DEFERRED REVENUE

The amount represents a gold prepayment facility with a customer for 10,000 ounces of gold at an average price of \$1,438 per ounce (2018: nil). The amounts will be recognized as revenue when gold ounces are delivered to the customer and are to be settled with future gold production no later than 91 days from the date of the advance payment.

### 30. DERIVATIVE FINANCIAL LIABILITIES

	As at December 31, 2019	As at December 31, 2018
Gold forward sales contracts	(10,722)	4,385
Call options	(64)	—
<b>Total Derivative Financial (Liabilities)/Assets</b>	<b>(10,786)</b>	<b>4,385</b>

#### a. Gold forward sales contracts

As at December 31, 2019, the Company had 51,000 ounces (2018: 81,500 ounces) of outstanding gold forward sales contracts with a fair value liability of \$10.7 million (2018: asset of \$4.4 million) as follows:

	As at December 31, 2019	
Volume (oz)	Forward Price	Settlement Period
25,500 <sup>(i)</sup>	1,330	Q1 2020
25,500	1,330	Q2 2020

(i) Subsequent to December 31, 2019, 4,650 ounces and 8,500 ounces of outstanding gold forward sales contracts were rolled over to settle in second and third quarter 2020, respectively, at an average price of \$1,324 and \$1,326, respectively.

	As at December 31, 2018	
Volume (oz)	Forward Price	Settlement Period
25,000	1,341	Q1 2019
26,500 <sup>(i)</sup>	1,350	Q2 2019
30,000 <sup>(i)</sup>	1,350	Q3 2019

(i) Subsequent to contract inception, in 2019, 51,000 ounces of outstanding gold forward sales contracts were rolled over to settle in first quarter 2020 and second quarter 2020.

During the year ended December 31, 2019, the Company entered into 25,000 ounces (2018: 56,500 ounces) of gold forward sales contracts and settled 55,500 ounces (2018: 106,000 ounces) of gold forward sales contracts.

#### b. Call option - Gold

In conjunction with the extension of the gold prepayment facility with a customer, on December 20, 2019, the Company provided a call option to purchase 5,000 ounces of gold at a price of \$1,600 per ounce with an expiry date of March 19, 2020. As at December 31, 2019, the call option had a fair value liability of \$64 thousand.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In thousands of United States dollars)

### c. Call option - Foreign exchange

As at December 31, 2019, the Company held a call option to sell US dollars and purchase C\$40 million at a rate of 1.3235 with an expiry date of January 8, 2020. As at December 31, 2019, the call option had a fair value liability of \$nil and expired unexercised.

### 31. ISSUED CAPITAL

	Number of shares	Amount
<b>Balance as at January 1, 2018</b>	<b>107,343,902</b>	<b>496,333</b>
Stock options exercised	242,867	924
<b>Balance as at December 31, 2018</b>	<b>107,586,769</b>	<b>497,257</b>
Stock options exercised	99,508	385
<b>Balance as at December 31, 2019</b>	<b>107,686,277</b>	<b>497,642</b>

The Company is authorized to issue an unlimited number of common shares with no par value. Holders of common shares are entitled to one vote for each common share on all matters to be voted on by shareholders at meetings of the Company's shareholders. All dividends which the Board of Directors may declare shall be declared and paid in equal amounts per share on all common shares at the time outstanding. There are no pre-emptive, redemption or conversion rights attached to the common shares. All common shares, when issued, are and will be issued as fully paid and non-assessable shares without liability for further calls or to assessment.

### Capital Risk Management

The Company manages its capital with the following objectives:

- Ensure sufficient financial flexibility to achieve both short and long-term business objectives including funding of future growth and development and exploration opportunities.
- Maintain an optimal capital structure to maximize shareholder return through maximising long-term free cash flows.
- Safeguarding the Company's ability to continue as a going concern.

Through the ongoing management of its capital, the Company will make adjustments to the structure of its capital based on changing economic, industry, and business conditions in the jurisdictions in which it operates in an effort to meet its objectives. In doing so, the Company may issue new shares or debt, buy back issued shares, or pay off any outstanding debt. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, stock options, contributed surplus and accumulated earnings, which at December 31, 2019 totaled \$578,903 (2018: \$607,127).

### 32. (LOSS)/EARNINGS PER SHARE (EPS)

	For the years ended December 31,	
	2019	2018
Basic (loss)/earnings per share	(0.31)	0.11
Diluted (loss)/earnings per share	(0.31)	0.11
Net (loss)/profit used in the calculation of basic EPS	(33,393)	11,794
Weighted average number of common shares for the purposes of basic EPS ('000)	107,591	107,425
Effect of dilutive share options, warrants and subscription receipts ('000)	—	234
Weighted average number of common shares outstanding for the purpose of diluted EPS ('000)	107,591	107,659

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 6.3 million share options, 3.7 million share warrants and 27.5 million subscription receipts that were anti-dilutive for the year ended December 31, 2019 (2018: 3.0 million share options, 2.0 million share warrants and nil subscription receipts).

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**33. COMMITMENTS FOR EXPENDITURES**

As at December 31, 2019, the Company had the following payments due on contractual obligations and commitments:

Payments Due by Period (\$ Millions)					
	Total	< 1 Year	1 - 3 Years	4 - 5 Years	> 5 Years
Debt <sup>(i)</sup>	201.6	42.9	155.8	2.9	—
Franco-Nevada gold stream <sup>(ii)</sup>	118.4	13.7	22.5	17.6	64.6
Purchase obligations for supplies and services <sup>(iii)</sup>	5.7	2.4	3.3	—	—
Sustaining capital commitments <sup>(iv)</sup>	9.0	2.6	6.4	—	—
Afema investment <sup>(v)</sup>	6.1	6.1	—	—	—
Lease commitments	14.0	3.9	6.7	2.0	1.4
<b>Total</b>	<b>354.8</b>	<b>71.6</b>	<b>194.7</b>	<b>22.5</b>	<b>66.0</b>

- (i) On April 16, 2018, the Company entered into the Taurus Facility. As at December 31, 2019, \$165.0 million was drawn on the Wahgnion Tranche and \$28.5 million was drawn on the Golden Hill Tranche. On March 5, 2019, the Company entered into the CAT Facility. As at December 31, 2019, \$8.1 million was outstanding on the CAT Facility.
- (ii) On January 15, 2014, the Company completed a gold stream transaction with Franco-Nevada. The Company is required to deliver 22,500 ounces annually over the first six years followed by 6 percent of production from the Company's existing properties in Senegal, thereafter, in exchange for a deposit of \$135.0 million. The commitment estimate assumes a gold price of \$1,250 per ounce.
- (iii) Purchase obligations for supplies and services - includes commitments related to maintenance and explosives services contracts.
- (iv) Sustaining capital commitments - purchase obligations for capital expenditures at Sabodala and Burkina Faso, which include only those items where binding commitments have been entered into.
- (v) On December 7, 2017, the Company entered into a memorandum of understanding with Sodim for the exploration and development of the Afema land package in Côte d'Ivoire, for total cash consideration of \$10.0 million, payable over four installments. During 2018, two instalments totalling \$5.0 million were paid. The third installment of \$2.5 million was paid in 2019. A fourth instalment of \$2.5 million will be payable upon delivery of a confirmation study or updated feasibility study with Teranga's confirmation of its decision to proceed with the Afema project. Under the terms of the memorandum of understanding, the Company maintains its 51 percent interest in the Afema mine license and Afema permits through the completion of a three-year \$11.0 million exploration and community relations work program, increasing its interest to 70 percent on the Afema mine license through the delivery of a positive economic evaluation of potential mining on the Afema land package and Teranga's commitment to fund its 70 percent interest in the project through construction. Pursuant to the Company's existing joint venture agreement with Miminvest SA, a 3 percent royalty is payable to Miminvest in connection with Teranga's share of production or product emanating from the Afema mining lease as the land package was considered an exploration property.

**SABODALA GOLD OPERATIONS SA ("SGO"), SABODALA MINING COMPANY SARL ("SMC"), WAHGNION GOLD OPERATIONS SA ("WGO") AND THE OROMIN JOINT VENTURE GROUP LTD. ("OJVG") OPERATING COMMITMENTS**

The Company has the following operating commitments in respect of the SGO, SMC, WGO and the OJVG:

- Pursuant to the Company's Senegal Mining Concession, a royalty of 5 percent is payable to the Republic of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date for SGO.
- Pursuant to the completion of the acquisition of the OJVG, the Company is required to make initial payments totalling \$10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the exploration licenses converted to mine licenses when the ore is processed through the Sabodala mill. The initial payment is to be used to finance social projects in the mine site region, which are determined by the Republic of Senegal and will be paid either directly to suppliers for the completion of specific projects or to specified ministries of the Republic of Senegal. An additional payment will become payable when the actual cumulative production from the OJVG, net of mining royalties, multiplied by the Company's weighted average gold prices, multiplied by 1 percent, exceeds the initial payments.
- Pursuant to the Company's Senegal Mining Concession, \$1.2 million is payable annually for community projects and infrastructure to support local communities surrounding the Company's operations and social development of local authorities in the surrounding Kedougou region.
- In addition to the Company's corporate social responsibility spending, Teranga has agreed to establish a social development fund which includes making a payment of \$15.0 million to the Republic of Senegal at the end of the mine operational life. As at December 31, 2019, \$8.1 million was accrued which is the discounted value of the \$15.0 million future payment.

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- \$0.4 million is payable annually for training of Senegalese Directorate of Mines and Geology officers and Mines Ministry and \$30 thousand is payable annually for logistical support of the territorial administration of the region for SGO.
- On May 1, 2016, SGO entered into a commitment with local communities around its Gora deposit to provide annual social assistance funding. An amount of \$0.2 million is payable for each year of operations. As at December 31, 2019, \$0.4 million has not been paid and will be carried forward to future years.
- \$0.4 million is payable annually, until 2024, to the Ministry of Environment pursuant to a forestry protocol with the Government of Senegal.
- Pursuant to the Company's Burkina Faso Mining Concession, a sliding net smelter royalty of 3 to 5 percent of gold sales, based on the daily spot price of gold, is payable to the government of Burkina Faso.
- According to the terms of a sale agreement between Teranga and Sanembaore, a net smelter royalty of 1 percent from all sales revenue is payable to Sanembaore.
- Pursuant to the 2015 Burkina Faso Mining Code, 1 percent of monthly turnover (before tax) is to be contributed to the mining fund for local development.

**Offtake Obligation**

Under the Offtake Agreement, Taurus Funds is entitled to an amount, in cash, equal to the difference between the actual spot sales price per ounce and the lowest a.m. and p.m. London Bullion Market Association gold price per ounce during the eight business days preceding the sale date for all Wahgnion gold ounces produced and sold, up to 1,075,000 ounces. See note 24 for more information.

**34. CONTINGENT LIABILITIES**

**Outstanding tax assessments**

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

The Company operates in various countries in West Africa and may be subject to assessments by the regulatory authorities in each of those countries, which can be complex and subject to interpretation. Assessments may relate to matters such as income and other taxes, duties and other matters. The Company exercises informed judgment to interpret the provisions of applicable laws and regulations as well as their application and administration by regulatory authorities to reasonably determine and pay the amounts due. From time to time, the Company may undergo a review by the regulatory authorities and in connection with such reviews, disputes may arise with respect to the Company's interpretations about the amounts due and paid.

On December 31, 2019, the Company received a tax assessment for \$1.0 million relating to capital gain realized on acquisition of the remaining 49 percent interest in the Gourma exploration project. The capital gain tax is payable by the seller of the interest in the exploration project but the holder of the mining title, Boss Gold, is jointly liable when the seller is not a resident of Burkina Faso. In the calculation of the capital gain tax the tax authorities did not consider any costs spent historically on Gourma exploration permits, therefore, the Company believes the tax assessment will be resolved with an immaterial amount of tax due.

As at December 31, 2019, the Company did not have any material provisions for tax assessments. The Company believes the ultimate resolution of any assessments will not have a material adverse effect on the financial position of the Company.

**Reserve payment**

A reserve payment is payable to the Republic of Senegal, calculated on the basis of \$6.50 for each ounce of new reserves until December 31, 2012 and 1 percent of the trailing twelve-month gold price for each ounce of new reserve beyond December 31, 2012 on the Sabodala mine license. As at December 31, 2019, \$2.1 million was accrued as a current liability.

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**35. EXPLORATION LICENSES AND JOINTLY CONTROLLED OPERATIONS AND ASSETS**

The Company has exploration licenses or is a joint venturer in the following jointly controlled operations and assets:

Nature of Venture	Principal Activity	Interest (%) 2019
<b>Sabodala Mining Company</b>		
Bransan	Gold Exploration	100
Sounkounkou <sup>(i)</sup>	Gold Exploration	100
<b>Boss Gold Sarl</b>		
Boutouanou <sup>(ii)</sup>	Gold Exploration	100
Diabatou <sup>(ii)</sup>	Gold Exploration	100
<b>Boss Minerals Sarl</b>		
Baniri	Gold Exploration	100
Intiedougou	Gold Exploration	100
Mougue	Gold Exploration	100
<b>Gryphon Minerals Burkina Faso Sarl <sup>(iii)</sup></b>		
Dierisso II <sup>(ii)</sup>	Gold Exploration	100
Nianka II <sup>(iv)</sup>	Gold Exploration	100
Nogbele II <sup>(iv)</sup>	Gold Exploration	100
Zeguedougou II <sup>(iv)</sup>	Gold Exploration	100
Nogbele Sud <sup>(v)</sup>	Gold Exploration	100
<b>Teranga Exploration (Ivory Coast) Sarl <sup>(vi)</sup></b>		
Dianra <sup>(vii)</sup>	Gold Exploration	100
Guित्रy <sup>(viii)</sup>	Gold Exploration	100
Sangaredougou	Gold Exploration	100
<b>Taurus Gold CI Sarl <sup>(ix)</sup></b>		
Aboisso <sup>(x)</sup>	Gold Exploration - Jointly Controlled	51
Ayame <sup>(x)</sup>	Gold Exploration - Jointly Controlled	51
Maferé <sup>(x)</sup>	Gold Exploration - Jointly Controlled	51

- (i) The joint venture partner of the exploration permit has elected to take a 1.5 percent net smelter royalty on all currently identified targets within the original Sounkounkou permit and including the Gora project in exchange for its fully participatory 20 percent interest. For any new exploration targets identified, the joint venture partner may elect to maintain a 20 percent participatory interest or convert such interest into a 1.5 percent net smelter royalty.
- (ii) A first renewal of the exploration permit was granted by the Burkinabe Minister of Mines to Boss Gold Sarl on July 26, 2019.
- (iii) Sanembaore holds a 1 percent net smelter royalty in Wahgnion.
- (iv) An application to the Burkinabe Minister of Mines for a first renewal of the exploration permit was filed by Gryphon Minerals Burkina Faso Sarl on September 29, 2019.
- (v) An exceptional renewal of the exploration permit was granted by the Burkinabe Minister of Mines to Gryphon Minerals Burkina Faso Sarl on January 8, 2020.
- (vi) A 3 percent net smelter royalty is owing to Miminvest SA ("Miminvest").
- (vii) An application to the Ivorian Minister of Mines for a first renewal of the exploration permit was filed by Teranga Exploration (Ivory Coast) Sarl on September 6, 2019.
- (viii) An application to the Ivorian Minister of Mines for a first renewal of the exploration permit was filed by Teranga Exploration (Ivory Coast) Sarl on July 19, 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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- (ix) A 1 percent net smelter royalty is owing to an Ivorian state controlled entity, SODEMI, pursuant to a mining development agreement. An additional net smelter royalty of 3 percent is applicable only with respect to Teranga's equity ownership interest in the Taurus Gold CI Sarl permits under the terms of the Teranga Miminvest agreement. Pursuant to its agreement with Sodim Limited dated March 22, 2018, Teranga also retains a right to acquire a 70 percent interest in all of the aforementioned permits upon delivery of a technical study confirming Teranga's commitment to move forward with the development of a mine on any of these permits.
- (x) An application to the Ivorian Minister of Mines for a second renewal of the exploration permit was filed by Taurus Gold CI Sarl on March 13, 2019.

**36. CONTROLLED ENTITIES**

The significant mining and exploration entities of Teranga that have non-controlling interests are listed below.

	Country of Incorporation	Effective Percentage Ownership 2019
Sabodala Gold Operations SA	Senegal	90.0
Wahgnion Gold Operations SA	Burkina Faso	89.8
Afema Gold SA	Côte d'Ivoire	45.9
Taurus Gold CI Sarl	Côte d'Ivoire	51.0
Boss Minerals Sarl	Burkina Faso	100.0

**37. CASH FLOW INFORMATION**

	For the years ended December 31,	
	2019	2018
<b>Changes in working capital excluding inventories</b>		
Increase in trade and other receivables	(4,541)	(5,367)
(Increase)/decrease in other assets	(1,259)	741
Increase/(decrease) in trade and other payables	34,328	(7,372)
Increase/(decrease) in provisions	(1,689)	106
Increase in deferred revenue	14,380	—
Increase in current income taxes payable	3,560	7,303
<b>Net Change in Working Capital Excluding Inventories</b>	<b>44,779</b>	<b>(4,589)</b>



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**38. FINANCIAL INSTRUMENTS**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

**a. Categories of financial instruments**

The following table illustrates the classification of the Company's financial instruments, as at December 31, 2019 and December 31, 2018:

	As at December 31, 2019	As at December 31, 2018
<b>Financial assets:</b>		
Cash and cash equivalents	29,717	46,615
Restricted cash	103,593	—
Measured at amortized cost		
Trade and other receivables	13,581	9,079
Measured at fair value through profit or loss		
Derivative financial assets	—	4,385
Measured at fair value through other comprehensive income		
Marketable securities	245	324
<b>Financial liabilities:</b>		
Measured at amortized cost		
Trade and other payables	98,787	85,541
Borrowings	181,775	87,097
Lease liabilities	9,747	—
Measured at fair value through profit or loss		
Subscription receipts liability	101,531	—
Derivative financial liabilities	10,786	—
Gold offtake payment liability	15,358	13,699
Share warrant liabilities	9,406	1,969
Cash settled share-based compensation	9,508	4,850

Sabodala's and Teranga's financial assets, excluding those related to Wahgnion and Afema related entities, have been pledged as collateral for the gold stream arrangement with Franco-Nevada. The Company's Wahgnion related entities' assets have been pledged as collateral for the Taurus Facility and the CAT Facility.

**b. Commodity Market Risk**

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including foreign exchange rates and commodity prices.

The Company may, at its discretion, use forward or derivative contracts to manage its exposure to changes in commodity prices.

**c. Foreign Currency Risk Management**

The Company has certain financial instruments denominated in CFA Franc, EUR, CAD, AUD and other currencies. Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to the CFA Franc, EUR, CAD, AUD and other currencies may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which are denominated in the CFA Franc, EUR, CAD, AUD and other currencies.

To mitigate foreign exchange risk, the Company may consider options to manage its exposures in the future. No foreign exchange contracts were entered into in 2019.

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities are as follows:

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	Financial Assets		Financial Liabilities	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
CFA Franc (XOF)	24,116	25,352	37,732	44,873
EUR	3,371	378	25,179	2,726
CAD	101,944	1,123	121,741	10,119
AUD	56	60	1,427	107
Other	1	1	3,112	596

**Foreign Currency Sensitivity Analysis**

The Company is mainly exposed to CFA Franc, EUR, CAD and AUD. Based on the Company's currency exposures relating to foreign currency denominated monetary items, a 10 percent appreciation of the US dollar against the applicable foreign currencies would have resulted in the following gains/(losses) at December 31, 2019 and December 31, 2018:

	Financial Assets		Financial Liabilities	
	As at December 31, 2019	As at December 31, 2018	As at December 31, 2019	As at December 31, 2018
<b>CFA Franc (XOF) Impact</b>				
Gain or (loss)	(2,412)	(2,535)	3,773	4,487
<b>EUR Impact</b>				
Gain or (loss)	(337)	(38)	2,518	273
<b>CAD Impact</b>				
Gain or (loss)	(10,194)	(112)	12,174	1,012
<b>AUD Impact</b>				
Gain or (loss)	(6)	(6)	143	11

**d. Interest Rate Risk Management**

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in the market interest rates. The Company ensures that there is sufficient available capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

The following table illustrates the classification of the Company's financial instruments which are exposed to interest rate risk as at December 31, 2019 and December 31, 2018:

	As at December 31, 2019	As at December 31, 2018
<b>Financial Assets</b>		
Cash and cash equivalents	29,717	46,615
Restricted cash	103,593	—
<b>Financial Liabilities</b>		
Borrowings	7,835	—

The Company's interest rate on its borrowing is calculated at 8.75 percent margin on the Taurus Facility and 9.25 percent on the Equipment Finance Facility.

**Interest Rate Sensitivity Analysis**

If interest rates had been higher or lower by 50 basis points and all other variables were held constant, the profit and net assets would increase or decrease by:

	Financial Assets		Financial Liabilities	
	As at December 31, 2019	As at December 31, 2018	As at December 31, 2019	As at December 31, 2018
Profit or (loss)	222	391	(27)	(26)

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**e. Credit Risk Management**

The Company's credit risk is primarily attributable to cash and cash equivalents, restricted cash and derivative financial instruments. The Company does not have any significant credit risk exposure as cash and cash equivalents and restricted cash are held with multi-national financial institutions with limited credit risk.

The Company does not have significant credit risk exposure on accounts receivable as gold sales are executed with either AAA rated banking institutions or established gold metal merchants, including government entities, with access to significant credit lines. Gold production is sold into the spot market.

The Company is exposed to the credit risk of Senegalese and French banks that disburse cash on behalf of its Senegal subsidiaries. The Company manages its Senegalese and French bank credit risk by centralizing custody, control and management of its surplus cash resources at the corporate office and only transferring money to its subsidiary based on immediate cash requirements, thereby mitigating exposure to Senegalese banks. The Company is exposed to the credit risk of Burkinabe banks related to its Burkinabe subsidiaries. The Company manages its Burkinabe bank credit risk by using Burkinabe subsidiaries of multi-national banks. The Company's current balances held in Côte d'Ivoire is not currently significant.

**f. Liquidity Risk Management**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company monitors its risk of a shortage using projected cash flows and by monitoring the maturity of both its financial assets and liabilities.

Cash flow forecasting is performed in the operating entity of the group and combined by the Company's finance group. The Company's finance group monitors the liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom in its accounts so that the Company does not breach any of its covenants.

**Liquidity Tables**

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company will be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Due				
		On Demand	1 to 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 years
Financial Liabilities						
December 31, 2019						
Non-Interest bearing	—%	74,111	11,364	5,135	7,793	—
Variable interest rate instrument	9.25%	—	—	1,968	7,696	—
Variable interest rate instrument	1.07%	—	—	107,291	—	—
Fixed interest rate instruments	8.75%	—	18,128	38,605	173,551	—
Fixed interest rate instruments	6.71%	—	1,062	2,765	7,154	321
Fixed interest rate instruments	3.08%	2,093	—	—	—	—
Fixed interest rate instruments	5.00%	—	—	—	—	15,000
Fixed interest rate instruments	7.50%	—	—	555	—	—
Total		76,204	30,554	156,319	196,194	15,321
December 31, 2018						
Non-interest bearing	—%	60,745	3,930	12,649	7,793	—
Fixed interest rate instruments	8.75%	—	—	—	112,200	—
Fixed interest rate instruments	3.08%	2,093	—	—	—	—
Fixed interest rate instruments	5.00%	—	—	—	—	15,000
Fixed interest rate instruments	7.50%	—	—	534	2,298	—
Total		62,838	3,930	13,183	122,291	15,000

Management considers that the Company has adequate current assets and forecasted cash flow from operations to manage liquidity risk arising from settlement of current and non-current liabilities.

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**g. Fair Value of Financial Instruments**

The Company's trade and other receivables, trade and other payables, borrowings and lease liabilities are carried at amortized cost, which approximates fair value. Cash and cash equivalents, restricted cash, derivative financial instruments, marketable securities, subscription receipts liability, cash settled share-based compensation, gold offtake payment liability and share warrant liabilities are measured at fair value. Borrowings and lease liabilities are based on discounted future cash flows using discount rates that reflect current market conditions for similar financial instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

Financial instruments carried at amortized cost on the consolidated statement of financial position are as follows:

	As at December 31, 2019		As at December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial Assets</b>				
Trade and other receivables	13,581	13,581	9,079	9,079
<b>Financial Liabilities</b>				
Trade and other payables	98,787	98,787	85,541	85,541
Subscription receipts liability	101,531	107,291	—	—
Borrowings	181,775	202,773	87,097	114,109
Lease liabilities	9,747	9,747	—	—

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

The Company values financial instruments carried at fair value using quoted market prices, where available. Quoted market prices (unadjusted) in active markets represent a Level 1 valuation. When quoted market prices in active markets are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels at the end of the reporting period. There were no transfers between levels of the fair value hierarchy during the period.

The following table outlines financial assets and liabilities measured at fair value in the consolidated statement of financial position and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

	As at December 31, 2019			As at December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial Assets</b>						
Cash and cash equivalents	29,717	—	—	46,615	—	—
Restricted cash	103,593	—	—	—	—	—
Marketable securities	245	—	—	324	—	—
Derivative financial assets	—	—	—	—	4,385	—
<b>Total</b>	<b>133,555</b>	<b>—</b>	<b>—</b>	<b>46,939</b>	<b>4,385</b>	<b>—</b>
<b>Financial Liabilities</b>						
Derivative financial liabilities	—	10,786	—	—	—	—
Gold offtake payment liability	—	15,358	—	—	13,699	—
Share warrant liabilities	—	9,406	—	—	1,969	—
Cash settled share-based compensation	9,123	385	—	4,725	125	—
<b>Total</b>	<b>9,123</b>	<b>35,935</b>	<b>—</b>	<b>4,725</b>	<b>15,793</b>	<b>—</b>

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**39. SHARE-BASED COMPENSATION**

Share-based compensation expense for the year ended December 31, 2019 totalled \$8.5 million (2018: \$4.9 million).

**a. Incentive Stock Option Plan**

The Incentive Stock Option Plan (the “Plan”) authorizes the Board of Directors to grant options to purchase shares of the Company to directors, officers, employees and consultants of the Company and its subsidiaries.

The vesting of options is determined by the Board of Directors at the date of grant. The term of options granted under the Plan is at the discretion of the Board of Directors, provided that such term cannot exceed ten years from the date the option is granted.

Each employee share option is convertible into one common share of Teranga on exercise. No amounts are paid or payable by the recipient upon receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry subject to the terms of the Plan.

The following reconciles the share options outstanding at the beginning and end of the year:

	Number of options	Weighted average exercise price
<b>Balance as at January 1, 2018</b>	<b>4,454,491</b>	<b>C\$9.20</b>
Granted during the year	1,321,000	C\$4.22
Forfeited during the year	(324,738)	C\$6.34
Exercised during the year <sup>(i)</sup>	(242,867)	C\$3.25
<b>Balance as at December 31, 2018</b>	<b>5,207,886</b>	<b>C\$8.39</b>
Granted during the year <sup>(ii)</sup>	1,518,500	C\$4.36
Forfeited during the year	(352,232)	C\$6.66
Exercised during the year <sup>(i)</sup>	(99,508)	C\$3.44
<b>Balance as at December 31, 2019</b>	<b>6,274,646</b>	<b>C\$7.59</b>
Number of options exercisable - December 31, 2018	3,704,864	
Number of options exercisable - December 31, 2019	3,868,198	

(i) The weighted average share price at the time of the option exercises was C\$6.20 (2018: C\$5.19).

(ii) The exercise price of new stock options granted was determined using a volume weighted average trading price of the Company's shares for the 5-day period ending on the grant date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands of United States dollars)

The following stock options were outstanding as at December 31, 2019:

Option series	Number	Grant date	Expiry date	Exercise price (C\$)	FV at grant date (C\$)
Granted on November 26, 2010	1,012,000	26-Nov-10	26-Nov-20	15.00	5.95
Granted on December 3, 2010	240,000	3-Dec-10	3-Dec-20	15.00	5.95
Granted on February 9, 2011	85,000	9-Feb-11	9-Feb-21	15.00	4.95
Granted on April 27, 2011	5,000	27-Apr-11	27-Apr-21	15.00	4.00
Granted on August 13, 2011	72,000	13-Aug-11	13-Aug-21	15.00	4.10
Granted on December 20, 2011	199,000	20-Dec-11	20-Dec-21	15.00	3.05
Granted on February 24, 2012	36,000	24-Feb-12	24-Feb-22	15.00	1.83
Granted on February 24, 2012	45,000	24-Feb-12	24-Feb-22	15.00	6.32
Granted on June 5, 2012	10,000	5-Jun-12	5-Jun-22	15.00	0.85
Granted on September 27, 2012	120,000	27-Sep-12	27-Sep-22	15.00	4.65
Granted on October 9, 2012	120,000	9-Oct-12	9-Oct-22	15.00	5.05
Granted on October 31, 2012	16,000	31-Oct-12	31-Oct-22	15.00	2.60
Granted on December 3, 2012	40,000	3-Dec-12	3-Dec-22	15.00	3.05
Granted on June 3, 2013	24,000	3-Jun-13	3-Jun-23	15.00	0.20
Granted on March 31, 2015	330,000	31-Mar-15	31-Mar-20	3.20	1.75
Granted on March 31, 2015	64,000	31-Mar-15	31-Mar-20	3.20	1.50
Granted on March 31, 2016	512,712	31-Mar-16	31-Mar-21	3.33	1.75
Granted on August 11, 2016	18,225	11-Aug-16	11-Aug-21	5.34	3.20
Granted on March 7, 2017	404,997	7-Mar-17	7-Mar-22	4.20	1.50-1.90
Granted on March 29, 2017	267,990	29-Mar-17	29-Mar-22	4.15	1.75-2.10
Granted on July 17, 2017	3,472	17-Jul-17	17-Jul-22	3.43	1.46-1.69
Granted on March 29, 2018	1,096,000	29-Mar-18	29-Mar-24	4.19	1.86-2.37
Granted on April 26, 2018	15,000	26-Apr-18	26-Apr-24	4.78	2.12-2.73
Granted on May 7, 2018	6,000	7-May-18	7-May-24	5.01	2.24-2.80
Granted on May 24, 2018	7,500	24-May-18	24-May-24	5.33	2.34-2.98
Granted on June 21, 2018	10,000	21-Jun-18	21-Jun-24	5.33	2.20-2.84
Granted on September 4, 2018	6,000	4-Sep-18	4-Sep-24	3.88	1.47-1.81
Granted on September 17, 2018	2,250	17-Sep-18	17-Sep-24	3.90	1.48-1.82
Granted on November 1, 2018	4,000	1-Nov-18	1-Nov-24	3.61	1.71-1.97
Granted on February 28, 2019	1,406,500	28-Feb-19	28-Feb-25	4.39	1.73-2.18
Granted on March 18, 2019	50,000	18-Mar-19	18-Mar-25	4.19	1.71-2.13
Granted on April 12, 2019	40,000	12-Apr-19	12-Apr-25	3.72	1.34-1.69
Granted on May 13, 2019	6,000	13-May-19	13-May-25	3.10	1.48-1.80

As at December 31, 2019, approximately 3.4 million options (December 31, 2018: 6.1 million) were available for issuance under the Company's stock option plan.

The estimated fair value of share options is amortized over the period in which the options vest which was three years, except for the options granted on March 29, 2018 and subsequent grants, which vest over four years. For those options which vest on single or multiple dates, either on issuance or on meeting milestones (the “measurement date”), the entire fair value of the vesting options is recognized immediately on the measurement date.

Of the 6,274,646 common share stock options issued and outstanding as at December 31, 2019, 3,868,198 were vested and 37,698 vest over a three-year period, and 2,368,750 vest over a four-year period. As at December 31, 2019, the weighted average remaining contractual term of outstanding stock options exercisable was 1.6 years.

As at December 31, 2019, 2,024,000, 1,601,396 and 2,649,250 share options had a contractual life of ten, five and six years at issuance, respectively.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands of United States dollars)

***Fair value of stock options granted***

The grant date fair value of options granted during the year ended December 31, 2019 was calculated using the Black-Scholes option pricing model with the following assumptions:

	For the years ended December 31,	
	2019	2018
Grant date share price	C\$3.43-C\$4.33	C\$3.64-C\$5.37
Weighted average fair value of awards	C\$1.92	C\$2.25
Exercise price <sup>(i)</sup>	C\$3.10-C\$4.39	C\$3.61-C\$5.33
Range of risk-free interest rates	1.54%-1.81%	1.88%-2.40%
Expected share price volatility <sup>(ii)</sup>	55%-60%	56%-65%
Expected life of options (years)	3.3-4.8	3.3-5.0
Dividend yield	0%	0%
Forfeiture rate	3%-14%	3%-14%

- (i) Represents the 5-day volume-weighted average price of the Company's shares on the TSX for the period ending on the grant date.
- (ii) Volatility was determined using the 4-year average historical volatility of the Company's share price.

**b. Fixed Bonus Units ("FBUs")**

The Fixed Bonus Plan authorizes the directors to grant FBUs to officers and employees of the Company and its subsidiaries in lieu of participating in the Stock Option Plan. Each FBU entitles the holder upon exercise to receive a cash payment equal to the closing price of a common share of Teranga on the TSX on the business day prior to the date of exercise, less the exercise price. FBUs may be exercised at any time from the date of vesting to the date of their expiry subject to the terms of the plan. FBUs are not transferable or assignable.

The exercise price of each FBU is determined by the Board of Directors at the date of grant but in no event shall be less than the 5 day weighted average closing price of the common shares as reported on the TSX for the period ended on the business day immediately preceding the day on which the FBU was granted.

The vesting of the FBUs is determined by the Board of Directors at the date of grant. The term of FBUs granted under the plan is at the discretion of the Board of Directors, provided that such term cannot exceed ten years from the date that the FBU is granted.

As at December 31, 2019, there were 383,500 FBUs outstanding that were granted on August 8, 2012, March 31, 2015, March 31, 2016 and April 15, 2019 with expiry dates ranging from March 31, 2020 through to April 15, 2025. Of the 383,500 FBUs outstanding as at December 31, 2019, 236,000 FBUs have an exercise price of C\$15.00, 60,000 FBUs have exercise price of C\$3.20, 27,500 FBUs have an exercise price of C\$3.33 and 60,000 FBUs have an exercise price of C\$4.24. Outstanding FBUs have an average fair value of C\$1.39 per FBU as at December 31, 2019. The total fair value of the FBUs at December 31, 2019 was \$0.4 million (2018: \$0.1 million).

The estimated fair values of the FBUs are amortized over the period in which the FBUs vest. As of December 31, 2019, 361,461 FBUs were vested (2018: 322,732).

A reconciliation of the change in the fair values of the FBUs is presented below:

	Amount
<b>Balance as at January 1, 2018</b>	<b>121</b>
Increase in fixed bonus units liability	19
Net foreign exchange gain	(15)
<b>Balance as at December 31, 2018</b>	<b>125</b>
Increase in fixed bonus units liability	252
Net foreign exchange gain	8
<b>Balance as at December 31, 2019</b>	<b>385</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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The fair value of FBUs granted was calculated using the Black-Scholes option pricing model with the following assumptions:

	For the years ended December 31,	
	2019	2018
Share price at the end of the period	C\$7.02	C\$4.03
Weighted average fair value of vested awards	C\$1.39	C\$0.53
Exercise price <sup>(i)</sup>	C\$3.20-C\$15.00	C\$3.20-C\$15.00
Range of risk-free interest rates	1.67%-1.68%	1.86%
Expected share price volatility <sup>(ii)</sup>	43%-58%	62%
Expected life of FBUs (years)	0.3-5.3	1.4-3.2
Dividend yield	0%	0%
Forfeiture rate	5%-50%	5%-50%

- (i) Represents the 5-day volume-weighted average price of the Company's shares on the TSX for the period ending on the grant date.
- (ii) Volatility was determined using the historical volatility of the Company's share price based on the expected life of each FBU.

**c. Restricted Stock Units ("RSUs")**

The Company introduced a RSU Plan for employees in 2014. RSUs are not convertible into Company stock and simply represent a right to receive an amount of cash (subject to withholdings), on vesting, equal to the product of i) the number of RSUs held, and ii) the volume weighted average trading price of the Company's shares for the five trading days prior to such date. RSUs will generally vest as to 50 percent in thirds over a 3 year period and as to the other 50 percent, in thirds upon satisfaction of annual production and cost targets, except for the options granted on March 29, 2018 and subsequent grants, which vest as to 25 percent in thirds over a three-year period, 50 percent in thirds upon satisfaction of annual production and cost targets and 25 percent in thirds upon satisfaction of matching the average performance of the VanEck Vectors Junior Gold Miners ETF ("GDXJ").

During the year ended December 31, 2019, 648,100 RSUs were granted at an average price of C\$4.39 per unit and 28,833 RSUs were forfeited (2018: 821,000 RSUs granted and 211,866 RSUs forfeited). As at December 31, 2019, a total of 1,326,588 RSUs were outstanding of which 890,162 units were vested. As at December 31, 2019, \$3.2 million of current RSU liability and \$1.2 million of non-current RSU liability have been recorded in the consolidated financial statements of financial position (2018: \$2.0 million and \$0.7 million in current and non-current RSU liability, respectively).

**d. Deferred Stock Units ("DSUs")**

The Company introduced a DSU Plan for non-executive directors in 2014. DSUs represent a right for a non-executive director to receive an amount of cash (subject to withholdings), on ceasing to be a director of the Company, equal to the product of (i) the number of DSUs held, and (ii) the volume weighted average trading price of the Company's shares for the five trading days prior to such date.

The Company granted 172,000 DSUs during the year ended December 31, 2019 at a price of C\$4.39 per unit. Of the 908,998 DSUs outstanding at December 31, 2019, 880,331 DSUs were vested. As at December 31, 2019, \$4.7 million of current DSU liability has been recorded in the consolidated financial statements (2018: \$2.1 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**40. SEGMENT INFORMATION**

Teranga's Chief Operating Decision Maker ("CODM"), reviews the operating results, assesses the performance and makes capital allocation decisions at the following segments: Sabodala in Senegal; Corporate entities; Wahgnion in Burkina Faso; and exploration projects in Senegal, Burkina Faso and Côte d'Ivoire (including Afema). The CODM evaluates the segments' performance based on production and operating costs. The following table details the Company's operating results and summary asset information by segment.

Year ended December 31, 2019					
	Sabodala	Corporate	Wahgnion	Exploration	Total
Revenue	318,476	—	35,014	—	353,490
Mine operation expenses	(163,534)	—	(20,714)	—	(184,248)
Depreciation and amortization	(73,534)	—	(7,032)	—	(80,566)
<b>Cost of sales</b>	<b>(237,068)</b>	<b>—</b>	<b>(27,746)</b>	<b>—</b>	<b>(264,814)</b>
<b>Gross profit</b>	<b>81,408</b>	<b>—</b>	<b>7,268</b>	<b>—</b>	<b>88,676</b>
Exploration and evaluation expenditures	—	—	—	(11,021)	(11,021)
Administration expenses	—	(14,523)	—	—	(14,523)
Corporate social responsibility expenses	(3,444)	(319)	(567)	—	(4,330)
Share-based compensation	—	(8,464)	—	—	(8,464)
Finance costs	(4,422)	(7,760)	(7,890)	(1,000)	(21,072)
Net foreign exchange losses	(2,954)	(271)	(244)	(48)	(3,517)
Other expenses	(4,761)	(24,548)	(148)	(927)	(30,384)
<b>Operating expenses</b>	<b>(15,581)</b>	<b>(55,885)</b>	<b>(8,849)</b>	<b>(12,996)</b>	<b>(93,311)</b>
<b>Profit/(loss) before income tax</b>	<b>65,827</b>	<b>(55,885)</b>	<b>(1,581)</b>	<b>(12,996)</b>	<b>(4,635)</b>
Income tax expense	(24,116)	—	(851)	(350)	(25,317)
<b>Net profit/(loss)</b>	<b>41,711</b>	<b>(55,885)</b>	<b>(2,432)</b>	<b>(13,346)</b>	<b>(29,952)</b>

Year ended December 31, 2018					
	Sabodala	Corporate	Wahgnion	Exploration	Total
Revenue	312,628	—	—	—	312,628
Mine operation expenses	(164,349)	—	—	—	(164,349)
Depreciation and amortization	(66,168)	—	—	—	(66,168)
<b>Cost of sales</b>	<b>(230,517)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(230,517)</b>
<b>Gross profit</b>	<b>82,111</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>82,111</b>
Exploration and evaluation expenditures	—	—	—	(13,160)	(13,160)
Administration expenses	—	(13,618)	—	—	(13,618)
Corporate social responsibility expenses	(3,386)	(314)	—	—	(3,700)
Share-based compensation	—	(4,851)	—	—	(4,851)
Finance costs	(3,648)	(9,680)	(2,224)	(231)	(15,783)
Net foreign exchange (losses)/gains	(2,205)	(301)	(427)	253	(2,680)
Other (expenses)/income	(2,083)	9,917	624	—	8,458
<b>Operating expenses</b>	<b>(11,322)</b>	<b>(18,847)</b>	<b>(2,027)</b>	<b>(13,138)</b>	<b>(45,334)</b>
<b>Profit/(loss) before income tax</b>	<b>70,789</b>	<b>(18,847)</b>	<b>(2,027)</b>	<b>(13,138)</b>	<b>36,777</b>
Income tax expense	(22,222)	—	(1,090)	—	(23,312)
<b>Net profit/(loss)</b>	<b>48,567</b>	<b>(18,847)</b>	<b>(3,117)</b>	<b>(13,138)</b>	<b>13,465</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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Selected non-current asset balances are detailed below:

As at December 31, 2019					
	Sabodala	Corporate	Wahgnion	Exploration	Total
Property, plant and equipment <sup>(i)</sup>	154,151	1,365	241,232	1,252	398,000
Mine development expenditures	277,952	—	141,265	13,969	433,186
Total non-current assets	529,711	4,350	389,903	15,265	939,229

(i) Property, plant and equipment includes right-of-use assets

As at December 31, 2018					
	Sabodala	Corporate	Wahgnion	Exploration	Total
Property, plant and equipment	157,063	349	150,018	1,343	308,773
Mine development expenditures	278,390	—	98,869	14,432	391,691
Total non-current assets	537,526	612	253,394	15,784	807,316

**41. RELATED PARTY TRANSACTIONS**

**a. Transactions with key management personnel**

During the year ended December 31, 2019, there were transactions totalling \$95 thousand, (2018: \$50 thousand), between the Company and an entity controlled by Alan R. Hill, the Company's Chairman, for consulting services.

**b. Exploration agreement with Miminvest SA**

The Company has an exploration agreement with Miminvest SA ("Miminvest"), a related party, to identify and acquire gold exploration stage mining opportunities in Côte d'Ivoire. Miminvest is a company established to invest in gold and natural resources in West Africa and is controlled by the Mimran family and Mr. David Mimran, a director and the largest shareholder of Teranga. Miminvest holds 5 existing exploration permits, representing 1,838 km<sup>2</sup> in Côte d'Ivoire.

Under the terms of the exploration agreement, a separate entity was created and is owned and funded by Teranga. Miminvest transferred its permits into the entity and in exchange retains a net smelter royalty interest of 3 percent and will provide ongoing in-country strategic advice. Furthermore, the entity will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest permits.

**42. KEY MANAGEMENT PERSONNEL COMPENSATION**

The Company considers key members of management to include the President and CEO and officers.

The remuneration of the key members of management includes 6 members during years ended December 31, 2019 and 2018. The remuneration during the years ended December 31, 2019 and 2018 is as follows:

For the years ended	Short Term Benefits			Cash settled share based payments - value vested during the year	Equity settled share based payments - value vested during the year	Total
	Salary and Fees	Non-Cash Benefits	Cash Bonus <sup>(i)</sup>	RSUs	Options	
<b>December 31, 2019</b>						
Compensation	1,984	13	1,145	1,158	502	<b>4,802</b>
<b>December 31, 2018</b>						
Compensation	1,777	13	1,030	825	348	<b>3,993</b>

(i) These amounts are based on cash payments made during the year and relate to the prior year.



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