MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the three and six months ended June 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial conditions and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the three and six months ended June 30, 2014. The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto ("Statements") of Teranga Gold Corporation ("Teranga" or the "Company") as at and for the three and six months ended June 30, 2014, as well as, with the audited consolidated financial statements of Teranga as at and for the twelve months ended December 31, 2013. The Company's Statements and MD&A are presented in United States dollars, unless otherwise specified, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Additional information about Teranga, including the Company's Annual Information Form for the year ended December 31, 2013, as well as all other public filings, is available on the Company's website at www.terangagold.com and on the SEDAR website (www.sedar.com).

This report is dated as of July 30, 2014. All references to the Company include its subsidiaries unless the context requires otherwise.

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

OVERVIEW OF THE BUSINESS

Teranga is a Canadian-based gold company which operates the Sabodala gold mine and is currently exploring 9 exploration licenses covering 1,055km^2 in Senegal, comprising the regional land package, surrounding the Sabodala gold mine.

Our vision has two growth phases. The first phase is to become the pre-eminent gold producer in Senegal with 250,000 to 350,000 ounces of annual gold production leveraging off of our existing mill and infrastructure. Our second phase envisions production rising to 400,000 to 500,000 ounces which will require an exploration discovery or an acquisition with a second mill expansion or a new standalone facility, all the while setting the benchmark in Senegal for responsible mining. Over the past several years more than twelve million ounces of measured and indicated resources have been identified within the south eastern Senegal region, including the Massawa, Golouma, Makabingui and Mako projects, along with the Company's own Sabodala gold mine. With exploration work completed to date and the prior exploration success seen in the area Management believes there is a reasonable basis for an exploration target that would substantiate the annual production targets set by the second phase of our vision. However, the potential quantity and grade of an exploration target is conceptual in nature. There has been insufficient exploration to determine a mineral resource of the size required to achieve the production target we have established and there is no certainty that further exploration work will result in the determination of mineral resources or that the production target itself will be realized. All of our actions are directed at achieving our vision.

On October 4, 2013, Teranga completed the acquisition of Oromin Exploration Ltd. ("Oromin"). Oromin held a 43.5 percent participating interest in the Oromin Joint Venture Group ("OJVG"). The OJVG held a fully participating 90 percent interest in Societe des Mines de Golouma S.A. ("Somigol"), an operating company under the laws of Senegal, and the remaining 10 percent carried interest is held by the Government of Senegal.

On January 15, 2014, the Company acquired the balance of the OJVG that it did not already own. The Company acquired Bendon International Ltd.'s ("Bendon") 43.5 percent participating interest and Badr Investment Ltd.'s ("Badr") 13 percent carried interest.

The acquisition of Bendon and Badr's interests in the OJVG increased Teranga's ownership to 100 percent and consolidates the Sabodala region, increasing the size of Teranga's mine license land holding from 33km^2 to 246km^2 by combining the two permitted mine licenses and more than doubling the Company's reserve base.

The OJVG holds a 15 year renewable mining lease in respect of the Golouma Gold Concession, which is located contiguous to the Sabodala mine license. This transaction provides for capital and operating cost synergies as the OJVG satellite deposits are integrated into Sabodala's mine plan, utilizing the Sabodala mill and related infrastructure.

With the OJVG acquisition now complete the Company has outlined its short, medium and long-term objectives.

In the short-term (2014-2015):

i. Integrate OJVG and Sabodala operations;

ii. Increase free cash flow through higher production and lower material movement, in part to retire the balance of the debt facility outstanding; and

iii. Increase reserves through the conversion of Measured, Indicated and Inferred Resources.

In the medium-term (2014-2016):

i. Evaluate the heap leach processing option (permit and build if the returns meet Teranga's hurdle rate);

ii. Continue to look for ways to improve mill throughput; and

iii. Optimize mine planning and grade.

In the long-term (2015 onward):

i. Remain disciplined about investments in exploration with a commitment to a modest, multi-year exploration program; and

ii. Look to make exploration discoveries on the regional exploration land package by continuing to systematically work through the many targets and prospects.

The Company expects to create value for shareholders by maximizing free cash flows in the short-term by integrating the OJVG allowing for annual production of approximately 250,000 ounces at lower industry quartile all-in sustaining costs of about $900 per ounce and a high conversion of EBITDA into free cash flow.

In the medium term, the Company expects to create shareholder value by leveraging the existing processing infrastructure at Sabodala to increase production, free cash flow and its mine life. While in the longer term, the Company expects to create shareholder value through discoveries on its regional land package and/or acquisitions of deposits in Senegal. All capital projects will be evaluated based on a disciplined capital allocation strategy with robust hurdle rates and quick payback periods. The Company is focused on only gold and only in Senegal.

FINANCIAL AND OPERATING HIGHLIGHTS

(US$000's, except where indicated)	Three months ended June 30		Six months ended June 30	
Operating Data	2014	2013	2014	2013
Gold Produced (ounces)	39,857	49,661	91,947	117,962
Gold Sold (ounces)	44,285	54,513	98,052	124,180
Average realized gold price[1]	1,295	1,379	1,294	1,217
Total cash costs ($ per ounce sold)[2]	815	642	750	582
All-in sustaining costs ($ per ounce sold)[2]	1,060	1,185	925	1,024
Total depreciation and amortization ($ per ounce sold)[2]	281	284	307	275

	Three months ended June 30		Six months ended June 30	
Financial Data	2014	2013	2014	2013
Revenue	57,522	75,246	127,324	189,061
Profit (loss) attributable to shareholders of Teranga	(12,018)	7,196	(8,061)	52,179
Per share	(0.04)	0.03	(0.02)	0.21
Operating cash flow	(9,793)	20,838	4,510	44,478
Capital expenditures	6,846	25,990	9,555	48,166
Free cash flow[3]	(16,639)	(5,152)	(5,045)	(3,688)
Cash and cash equivalents (including bullion receivables and restricted cash)	28,381	53,536	28,381	53,536
Net debt[4]	280	28,925	280	28,925
Total assets	706,182	583,937	706,182	583,937
Total non-current financial liabilities	128,069	20,484	128,069	20,484

Note: Results include the consolidation of 100% of the OJVG's operating results, cash flows and net assets from January 15, 2014.

[1] In 2013, includes the impact of 45,289 ounces delivered into gold hedge contacts at an average price of $806 per ounce.

[2] Total cash costs per ounce, all-in sustaining costs per ounce and total depreciation and amortization per ounce are prior to a non-cash inventory write-down to net realizable value and are non-IFRS financial measures that do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this report.

[3] Free cash flow is defined as operating cash flow less capital expenditures.

[4] Net debt is defined as total borrowings and financial derivative liabilities less cash and cash equivalents, bullion receivables and restricted cash.

Second Quarter Financial and Operating Highlights

- Gold production for the three months ended June 30, 2014 was 39,857 ounces, 20 percent lower than the same prior year period due to lower mined and processed grade partly offset by higher tonnes milled. Gold production for the quarter was weaker than expected due to lower mined grade during the second half of the quarter, and longer than planned downtime associated with scheduled maintenance of the crushing and milling circuits in May.
- During the second quarter of 2014, 44,285 ounces were sold at an average realized gold price of $1,295 per ounce. During the second quarter of 2013, 54,513 ounces were sold at an average realized price of $1,379 per ounce.
- Total cash costs for the three months ended June 30, 2014, excluding a non-cash inventory write-down to Net Realizable Value ("NRV"), were $815 per ounce, compared to $642 per ounce in the same prior year period. While total mine production costs were 9 percent lower than the year earlier quarter, higher per ounce costs were due to lower production and lower capitalized deferred stripping costs compared to the

year earlier period. See Review of Financial Results section.

- All-in sustaining costs for the three months ended June 30, 2014, excluding a non-cash inventory write-down to NRV, were $1,060 per ounce, 11 percent lower than the same prior year period. All-in sustaining costs were lower due to lower capital expenditures in the current year period.

- Depreciation and amortization expense per ounce for the three months ended June 30, 2014, excluding a non-cash inventory write-down to NRV was similar to the prior year quarter as lower depreciation on property, plant and equipment and mine development expenditures was offset by higher depreciation on capitalized deferred stripping assets.

- Gold revenue for the three months ended June 30, 2014 was $57.5 million, 24 percent lower than the same prior year period. The decrease in gold revenue was due to 20 percent lower production and 6 percent lower realized gold prices during the second quarter of 2014.

- During the second quarter 2014, the Company recorded a loss attributable to shareholders of $12.0 million ($0.04 loss per share), compared to a profit attributable to shareholders of $7.2 million ($0.03 per share) in the same prior year period. The decrease in profit and earnings per share over the prior year quarter were primarily due to a non-cash inventory write-down to net realizable value totaling $13.4 million and lower revenues.

- Cash flow used in operations was $9.8 million for the three months ended June 30, 2014, compared to cash flow provided by operations of $20.8 million in the same prior year period. The decrease in operating cash flow compared to the prior year quarter was due to lower revenues and higher net working capital outflows.

- Capital expenditures for the three months ended June 30, 2014 were $6.8 million compared to $26.0 million in the same prior year period. The decrease in capital expenditures was mainly due to lower sustaining and development expenditures and lower capitalized deferred stripping in the second quarter of 2014.

- On May 1, 2014, the Company closed on its offering of 36,000,000 common shares at a price of C$0.83 per share for gross proceeds of C$29.9 million, with a syndicate of underwriters. Net proceeds were $25.4 million after consideration of underwriter fees and expenses totaling approximately $1.9 million.

- The Company's cash balance at June 30, 2014 was $28.4 million, including restricted cash. Cash and cash equivalents were similar to the balance reported at March 31, 2014, as the increase in cash from the proceeds of the share offering was offset by cash flow used in operations of $9.8 million, debt and interest repayments totaling $9.2 million and capital expenditures of $6.8 million.

- For the year to date ended June 30, 2014, the Company has made a total of $35.0 million in one-time payments. This includes $16.4 million in debt repayments, $2.1 million in payments to the Republic of Senegal and one-time payments related to the acquisition of the OJVG, including $9.0 million for transaction, legal and office closure costs and $7.5 million to acquire Badr's share of the OJVG.

Outlook 2014

2014 Guidance Analysis

Despite the weaker second quarter, the Company remains on track to meet its 2014 annual production guidance range of 220,000 to 240,000 ounces but expects production at the lower end of the range. Total production costs, including mining, processing and site general and administrative expenditures are expected to be at the higher end of guidance of $155 to $165 million due to changes in the mine plan that result in more material moved than planned.[1] As a result, total cash costs are expected to be at the higher end of the original guidance ranges of $650 to $700 per ounce. For further details please see Review of Operating Results section.

Total exploration and evaluation expenditures for the Sabodala and OJVG mine licenses as well as the Regional Land Package were originally expected to total approximately $10 million for 2014. However, the expenditures may increase to $12 million, for additional drilling, to expedite the conversion of resources to reserves on the mine licenses.

Administrative and Corporate Social Responsibility ("CSR") expenses are expected to be $15 to $16 million, in line with guidance. These include corporate office costs, Dakar and regional office costs and CSR costs, but exclude corporate depreciation, transaction costs and other non-recurring costs.

Sustaining capitalized expenditures, including sustaining mine site expenditures, project development expenditures, capitalized deferred stripping, reserve development expenditures and payments to the Republic of Senegal were originally expected to be $28 to $33 million. In the first half of 2014, Management identified further growth opportunities (please see Business and Project Development section for additional information) including opportunities to convert resources to reserves on the mine licenses; mill optimization opportunities to increase the milling rate; and opportunities to accelerate heap leach testing and related activities. Including planned expenditures for these growth opportunities, and through optimization of existing capital projects, total capital expenditures are now expected to be approximately $33 million in 2014.

As a result of production at the lower end of guidance and cash cost at the higher end of guidance, the Company now

[1] Key Assumptions: gold spot price/ounce – US$1,250, light fuel oil – US$1.15/litre, heavy fuel oil – US$0.98/litre, US/euro exchange rate - $1.325

expects all-in sustaining costs of about $900 per ounce, $25 per ounce higher than the top end of the original guidance range of $800 to $875 per ounce.

Total depreciation and amortization for the year is expected to be between $285 and $315 per ounce sold in line with guidance, comprised of $125 to $140 per ounce sold related to depreciation on Sabodala plant, equipment and mine development assets, $40 to $45 per ounce sold related to assets acquired with the OJVG and $120 to $130 per ounce sold for depreciation of deferred stripping assets. At the end of 2014, the balance of the deferred stripping asset related to Sabodala is expected to be approximately $30 million, which will be amortized over the mining of phase 4 of the Sabodala pit.

REVIEW OF OPERATING RESULTS

		Three months ended June 30		Six months ended June 30	
Operating Results		2014	2013	2014	2013
Ore mined	('000t)	974	698	2,236	2,011
Waste mined - operating	('000t)	5,233	2,683	11,384	5,197
Waste mined - capitalized	('000t)	458	4,770	955	9,792
Total mined	('000t)	6,665	8,151	14,575	17,000
Grade mined	(g/t)	1.39	1.59	1.51	1.77
Ounces mined	(oz)	43,601	35,728	109,053	114,657
Strip ratio	waste/ore	5.8	10.7	5.5	7.5
Ore milled	('000t)	817	709	1,710	1,405
Head grade	(g/t)	1.69	2.36	1.86	2.83
Recovery rate	%	89.8	92.3	89.9	92.2
Gold produced[1]	(oz)	39,857	49,661	91,947	117,962
Gold sold	(oz)	44,285	54,513	98,052	124,180
Average realized price	$/oz	1,295	1,379	1,294	1,217
Total cash cost (incl. royalties)[2]	$/oz sold	815	642	750	582
All-in sustaining costs[2]	$/oz sold	1,060	1,185	925	1,024
Mining	($/t mined)	2.90	2.64	2.85	2.62
Milling	($/t milled)	21.29	23.77	19.68	23.13
G&A	($/t milled)	4.92	6.25	4.88	6.21

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

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

Mining

Total tonnes mined for the three and six months ended June 30, 2014 were 18 and 14 percent lower compared to the same prior year periods. Mining activities in the current year were solely focused on lowering the benches of phase 3 of the Sabodala pit which has an overall reduced stripping ratio. In the same prior year periods, mining activities were focused on completing phase 2 near the bottom of the Sabodala pit combined with primarily waste stripping of the upper benches of phase 3. Total tonnes mined are expected to decline further in the second half of the year in line with the Company's plan to minimize material movement in the current gold price environment with a focus on maximizing free cash flows.

Ore tonnes mined for the three and six months ended June 30, 2014 were 40 and 11 percent higher than the same prior year periods as mining activities in the prior year periods were mainly focused on waste stripping of phase 3.

Ore tonnes and overall grade mined in the second half of the quarter were lower than planned as mining activity focused on a peripheral area of the Sabodala ore body on the upper benches of phase 3. This area of the ore body has shown less continuity than in other peripheral areas previously mined. Greater variation in grade and thickness and complexity in the geometry and continuity resulted in lower than expected grades and ore tonnage. Management changed its practices for ore recovery in these areas by increasing sampling, revising blast hole modeling and mining the ore zones at 5 metre benches from the previous 10 metre bench intervals.

In addition, access to a high grade area of the deposit, scheduled for mining in the second quarter, was deferred into the third quarter due to bench access constraints which required a small redesign of phase 3. This modification adds 1.3 million waste tonnes to the 2014 plan that was originally scheduled for mining in phase 4 of the Sabodala pit in 2016. Mining through the balance of the year is primarily taking place in the high grade area of the Main Flat Zone. This is expected to lead to higher ore grades mined and processed in the second half of 2014. Provided grades and ore tonnes mined are on plan, the Company remains on track to meet its 2014 production guidance of 220,000 to 240,000 ounces but expects production at the lower end of the range.

Total mining costs for the three and six months ended June 30, 2014 were 10 and 7 percent lower than the same prior year periods due to decreased material movement, partly offset by higher costs for light fuel oil (LFO) and higher costs associated with the redesign of phase 3 and mining in 5 metre benches from the previous 10 metres. Unit mining costs for the three and six months ended June 30, 2014 were 10 and 9 percent higher than the same prior year periods due to fewer tonnes mined. Mining is concentrated on the lower benches of phase 3 of the mine plan with limited space resulting in lower productivity. Total mining costs for the balance of the year are expected to be approximately $7.0 million higher than plan due to changes in the mine plan that will result in an additional 2.6 million tonnes mined, half of which, as noted previously, is related to the redesign of phase 3 and the balance is related to earlier than planned access to Masato.

The development of Masato, the first deposit from the OJVG acquisition, is complete and ready for production in the third quarter.

Processing

Ore tonnes milled for the three and six months ended June 30, 2014 were 15 and 22 percent higher than the same prior year periods due to improvements made during the first and second quarters of 2013 to reduce the frequency and duration of unscheduled operational downtime and increase throughput in the crushing circuit to better match mill capacity. During the second quarter of 2014, scheduled maintenance of the crushing and milling circuits resulted in a net 10 days of planned and unplanned downtime in May, due to repairs to the secondary cone crusher, replacement of high wear components in the SAG mill and repairs to the primary crusher. No major downtime is scheduled for the balance of the year.

Processed grade for the quarter ended June 30, 2014 was 28 percent lower than the same prior year period, mainly due to lower ore grades.

Processed grade for the six months ended June 30, 2014 was 34 percent lower than the same prior year period, as mill feed during 2014 was sourced from ore from phase 3 of the Sabodala pit at grades closer to reserve grade. In the prior year period, mill feed was primarily sourced from a high grade zone on the lower benches of phase 2 of the Sabodala pit. Mining through the balance of the year will primarily take place in this high grade zone, which continues into phase 3, increasing the grade to the mill.

Gold production for the three and six months ended June 30, 2014 was 20 and 22 percent lower than the same prior year periods, due to lower mined and processed grade partly offset by higher tonnes milled.

Total processing costs for the three and six months ended June 30, 2014 were 3 and 4 percent higher than the same prior year periods, mainly due to higher mill throughput. Unit processing costs for the three and six months ended June 30, 2014 were 10 and 15 percent lower than the prior year periods due to higher tonnes milled.

General and Administrative – Site Operations

Total mine site general and administrative costs for the three and six months ended June 30, 2014 were 7 and 8 percent lower than the prior year mainly due to lower insurance costs. Unit general and administration costs for the three and six months ended June 30, 2014 were 21 percent lower than the same prior year periods due to lower general and administrative costs and higher tonnes milled.

Costs per Ounce

Total cash costs per ounce, excluding the non-cash inventory write-down to NRV, for the three and six months ended June 30, 2014 were 27 and 29 percent higher than the same prior year periods. The increase in total cash costs per ounce was mainly due to lower production and lower capitalized deferred stripping compared to the year earlier periods.

All-in sustaining costs per ounce, excluding the non-cash inventory write-down to NRV, for the three and six months ended June 30, 2014 were 11 and 10 percent lower than the same prior year periods. All-in sustaining costs per ounce were lower due to lower capital expenditures in the current year periods.

ALL-IN SUSTAINING COSTS PER OUNCE

Beginning in the second quarter of 2013, the Company adopted an "all-in sustaining costs" measure and "all-in costs" measure consistent with the guidance issued by the World Gold Council ("WGC") on June 27, 2013. For additional information, please refer to Non-IFRS Financial Measures.

REVIEW OF FINANCIAL RESULTS

(US$000's, except where indicated)	Three months ended June 30		Six months ended June 30	
Financial Results	2014	2013	2014	2013
Revenue	57,522	75,246	127,324	189,061
Cost of sales[1]	(62,236)	(52,636)	(117,521)	(108,607)
Gross Profit	**(4,714)**	**22,610**	**9,803**	**80,454**
Exploration and evaluation expenditures	(583)	(1,486)	(1,727)	(3,513)
Administration expenses	(4,039)	(3,857)	(8,027)	(7,687)
Share based compensation	(350)	(356)	(661)	(283)
Finance costs	(2,648)	(2,861)	(4,764)	(5,557)
Gains on gold hedge contracts	-	3,115	-	5,308
Gains on oil hedge contracts	-	-	-	31
Net foreign exchange gains (losses)	(47)	(423)	-	(484)
Loss on available for sale financial asset	-	(3,493)	-	(4,455)
Other income (expense)	(248)	(3,691)	(2,033)	(3,682)
Profit (loss) before income tax	**(12,629)**	**9,558**	**(7,409)**	**60,132**
Income tax benefit	-	-	-	-
Profit (loss) for the period	**(12,629)**	**9,558**	**(7,409)**	**60,132**
Loss (profit) attributable to non-controlling interest	611	(2,362)	(652)	(7,953)
Profit (loss) attributable to shareholders of Teranga	**(12,018)**	**7,196**	**(8,061)**	**52,179**
Basic earnings (loss) per share	(0.04)	0.03	(0.02)	0.21

[1] Includes a non-cash inventory writedown to net realizable value of $13.4 million during the three months ended June 30, 2014.

Note: Results include the consolidation of 100% of the OJVG's operating results, cash flows and net assets from January 15, 2014.

Revenue

Gold revenue for the three and six months ended June 30, 2014 was $57.5 million and $127.3 million, respectively, compared to gold revenue of $75.2 million and $189.1 million for the same prior year periods. The decrease in gold revenue was due to lower sales volume from lower production and lower spot gold prices in the current year. Revenues for the prior year exclude the impact of realized losses on ounces delivered into forward sales contracts which are classified within gains and losses on gold hedge contracts.

For the three months ended June 30, 2014, the average spot price of gold was $1,288 per ounce, trading between $1,243 and $1,326 per ounce. This compares to an average of $1,415 per ounce for the three months ended June 30, 2013, with a low of $1,192 per ounce and a high of $1,584 per ounce.

For the six months ended June 30, 2014, the average spot price of gold was $1,291 per ounce, trading between $1,221 and $1,385 per ounce. This compares to an average of $1,523 per ounce for the six months ended June 30, 2013, with a low of $1,192 per ounce and a high of $1,694 per ounce.

Cost of sales

(US$000's)	Three months ended June 30		Six months ended June 30	
Cost of Sales	2014	2013	2014	2013
Mine production costs - gross	40,988	44,901	84,057	87,932
Capitalized deferred stripping	(1,543)	(13,802)	(2,961)	(28,493)
	39,445	31,099	81,096	59,439
Depreciation and amortization - deferred stripping assets	5,038	1,627	12,470	3,814
Depreciation and amortization - property, plant & equipment and mine development expenditures	8,529	15,692	19,307	33,824
Royalties	2,422	3,748	5,903	9,358
Rehabilitation	-	1	-	2
Inventory movements	(5,518)	2,303	(12,997)	5,640
Inventory movements - non-cash	(1,103)	(1,834)	(1,681)	(3,470)
Total cost of sales before writedown to net realizable value	**48,813**	**52,636**	**104,098**	**108,607**
Writedown to net realizable value	9,111	-	9,111	-
Writedown to net realizable value - depreciation	4,312	-	4,312	-
	13,423	-	13,423	-
Total cost of sales	**62,236**	**52,636**	**117,521**	**108,607**

For the three and six months ended June 30, 2014, mine production costs, before capitalized deferred stripping, were $41.0 million and $84.1 million, respectively, compared to $44.9 million and $87.9 million in the prior year period. Lower total mining costs as a result of lower material movement were partially offset by higher processing activity (please see Review of Operating Results section for additional information).

Depreciation and amortization for the three and six months ended June 30, 2014 totaled $13.6 million and $31.8 million, respectively, compared to $17.3 million and $37.6 million in the prior year periods. Depreciation was lower for the three and six months ended June 30, 2014 due to lower depreciation on property, plant and equipment and mine development expenditures compared to the prior year periods, partially offset by higher depreciation of deferred stripping balances. Approximately 80 percent of the Company's fixed assets are depreciated using the units of production method of depreciation.

For the three and six months ended June 30, 2014, royalties were $2.4 million and $5.9 million compared to $3.7 million and $9.4 million in the prior year periods. Royalties were $1.3 million and $3.5 million lower, respectively, than the prior year periods due to lower sales revenue in the current year period.

Inventory movements for the three and six months ended June 30, 2014 resulted in a decrease to cost of sales of $6.6 million and $14.7 million, respectively, compared to an increase to cost of sales of $0.5 million and $2.2 million for the same prior year periods after reflecting the non-cash inventory write-down.

During the three months ended June 30, 2014, the Company recognized a non-cash write-down on long-term low-grade ore stockpile inventory of $13.4 million, as a result of an increase in costs added to low-grade ore stockpiles during the quarter. Fewer ounces mined during the quarter resulted in an increase in the per ounce cost of inventory (including applicable overhead, depreciation and amortization). Higher per ounce inventory costs have a greater impact on low-grade stockpile values because of the higher future processing costs required to produce an ounce of gold. The non-cash write-down represents the portion of historic costs that would not be recoverable based on the Company's long-term forecasts of future processing and overhead costs at a gold price of $1,237 per ounce (including the impact of the Franco-Nevada gold stream). Fluctuations in the mine plan result in wide fluctuations in the per ounce cost of our long-term ore stockpiles. During periods where fewer ounces are mined, per ounce costs rise, while during those periods when mining takes place in higher grade areas, per ounce costs fall. As mining takes place in higher grade areas of Sabodala and Masato, a portion of this non-cash write-off is expected to reverse over the course of the balance of the year. Conversely, should long-term gold prices decline or future costs rise, there is a potential for further NRV adjustments.

Exploration and Evaluation

Exploration and evaluation expenditures for the three and six months ended June 30, 2014 totaled $0.6 million and $1.7 million, respectively, compared to $1.5 million and $3.5 million in the prior year periods (please see Regional Exploration section for additional information).

Administration

Administration expenses for the three and six months ended June 30, 2014 were $4.0 million and $8.0 million compared to $3.9 million and $7.7 million in the prior year periods. Higher social community costs related to the acquisition of the OJVG and additional staffing in the Dakar office were largely offset by lower depreciation.

Share based compensation

During the three and six months ended June 30, 2014, 130,000 common share stock options were granted. During the three months ended June 30, 2014, 59,028 common share stock options were cancelled and during the six months ended June 30, 2014, 707,917 common share stock options were cancelled. During the three and six months ended June 30, 2013, a total of 310,000 and 820,000 common share stock options were granted to directors, officers, and employees, all at an exercise price of C$3.00 per share, and 670,278 and 1,150,834 common share stock options were cancelled. No stock options were exercised during the either period.

Of the 23,159,933 common share stock options issued and outstanding as at June 30, 2014, 15,248,333 vest over a three-year period, 7,911,600 are already vested and 175,000 vests based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized based on our best estimate of outcome of achieving our results.

In order to allow non-executive directors and employees to participate in the long-term success of the Company and to promote alignment of interests between directors/employees and shareholders, the Company introduced a new Deferred Share Unit Plan ("DSU Plan") for non-executive directors and a new Restricted Share Unit Plan ("RSU Plan") for employees during the second quarter 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. For employees, 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 three year period and as to the other 50 percent, in thirds based on the Company's achievement of performance-based criteria.

During the three months ended June 30, 2014, the Company granted 2,329,600 RSUs at a price of C$0.72 per unit. At June 30, 2014 there were no units vested and no units were cancelled. The Company granted 545,000 DSUs during the three months ended June 30, 2014 at a price of C$0.72 per unit. At June 30, 2014 there were no units vested and no units were cancelled.

Finance Costs

Finance costs reflect interest costs related to the outstanding bank and mobile equipment loans, amortization of capitalized deferred financing costs, political risk insurance relating to the project finance facility and bank charges. Finance costs for the three and six months ended June 30, 2014 were $2.6 million and $4.8 million, compared to $2.9 million and $5.6 million in the prior year periods. Finance costs were $0.3 million and $0.8 million lower, respectively, than the same prior year periods primarily due to lower interest on borrowings as a result of the repayment of $30.0 million under the project loan facility in first quarter 2014.

Gold Hedge Contracts

For the three and six months ended June 30, 2014, there were no forward sales contracts outstanding.

During the three months ended June 30, 2013, the Company bought back the remaining "out of the money" gold forward sales contracts at a cost of $8.6 million and became 100 percent hedge free. During the three months ended March 31, 2013, 45,289 ounces were delivered into forward sales contracts at an average price of $806 per ounce. The gain on gold hedge contracts totaled $3.1 million and $5.3 million for the three and six months ended June 30, 2013, respectively, resulting from a decrease in the spot price of gold from December 31, 2012.

Oil Hedge Contracts

For the three and six months ended June 30, 2014, there were no oil hedge contracts outstanding since the oil hedge contracts were completed at March 31, 2013. The gain on settlement of oil hedge contracts totaled $31 thousand for the quarter ended March 31, 2013 and resulted from an increase in the spot oil price over December 31, 2012.

Net Foreign Exchange Gains and Losses

The Company generated foreign exchange losses of $47 thousand for the three months ended June 30, 2014 and $nil for the six months ended June 30, 2014, respectively, and generated losses of $0.4 million and $0.5 million for the same prior year periods, primarily related to realized losses from the Sabodala gold mine operating costs recorded in the local currency and translated into the US dollar functional currency.

Loss on available for sale financial assets

For the three months ended June 30, 2014, there was no loss recognized on available for sale financial assets. For the three and six months ended June 30, 2013, non-cash losses of $3.5 million and $4.5 million were recognized on the Oromin shares based on further declines in Oromin's share price, relative to a previous impairment loss that was recorded as at December 31, 2012.

Other expenses

Other expenses were $248 thousand for the three months ended June 30, 2014 and $2.0 million for the six months ended June 30, 2014. This compares to other expenses of $3.7 million for the three and six months in the prior year period. The expenses in the current year relate to costs associated with the acquisitions of Oromin and the OJVG. The prior year period expenses related to costs associated with the offer to acquire Oromin and non-recurring legal and other expenses.

SUMMARY OF QUARTERLY RESULTS

(US$000's, except where indicated)	2014		2013				2012	
	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Revenue	57,522	69,802	58,302	50,564	75,246	113,815	122,970	105,014
Average realized gold price ($/oz)	1,295	1,293	1,249	1,339	1,379	1,090	1,296	1,290
Cost of sales	62,236	55,285	50,527	37,371	52,636	55,971	57,250	45,814
Net earnings (loss)	(12,018)	3,957	(4,220)	(442)	7,196	44,983	54,228	26,033
Net earnings (loss) per share ($)	(0.04)	0.01	(0.01)	(0.00)	0.03	0.18	0.22	0.11
Operating cash flow	(9,793)	14,303	13,137	16,692	20,838	23,640	59,670	13,976
Ore mined ('000t)	974	1,262	1,993	537	698	1,312	2,038	655
Waste mined - operating ('000t)	5,233	6,151	6,655	3,321	2,683	2,513	4,362	1,786
Waste mined - capitalized ('000t)	458	497	420	4,853	4,770	5,023	912	4,456
Total mined ('000t)	6,665	7,910	9,068	8,711	8,151	8,848	7,312	6,897
Grade Mined (g/t)	1.39	1.61	1.61	1.08	1.59	1.87	2.04	1.92
Ounces Mined (oz)	43,601	65,452	103,340	18,721	35,728	78,929	133,549	40,516
Strip ratio (waste/ore)	5.8	5.3	3.6	15.2	10.7	5.7	2.6	9.5
Ore processed ('000t)	817	893	860	887	709	696	725	650
Head grade (g/t)	1.69	2.01	2.11	1.41	2.36	3.31	3.40	3.11
Gold recovery (%)	89.8	90.1	89.7	91.6	92.3	92.1	90.7	84.6
Gold produced[1] (oz)	39,857	52,090	52,368	36,874	49,661	68,301	71,804	55,107
Gold sold (oz)	44,285	53,767	46,561	37,665	54,513	69,667	71,604	62,439
Total cash costs per ounce sold[2] (including Royalties)	815	696	711	748	642	535	532	509
All-in sustaining costs per ounce sold[2] (including Royalties)	1,060	813	850	1,289	1,185	898	1,004	1,025
Mining ($/t mined)	2.9	2.8	2.6	2.5	2.6	2.6	3.1	2.7
Milling ($/t mined)	21.3	18.2	18.0	17.6	23.8	22.5	19.9	21.9
G&A ($/t mined)	4.9	4.8	4.8	4.6	6.3	6.2	6.4	5.7

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

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

BUSINESS AND PROJECT DEVELOPMENT

Franco-Nevada Gold Stream

On January 15, 2014, the Company completed a gold stream transaction with Franco-Nevada Corporation ("Franco-Nevada"). The Company is required to deliver to Franco-Nevada 22,500 ounces annually over the first six years followed by 6 percent of production from the Company's existing properties, including those of the OJVG, thereafter, in exchange for a deposit of $135.0 million. Franco-Nevada's purchase price per ounce is set at 20 percent of the prevailing spot price of gold.

The deposit of $135.0 million has been treated as deferred revenue within the statement of financial position.

During the three and six months ended June 30, 2014, the Company delivered 5,625 and 11,250 ounces of gold, respectively, to Franco-Nevada. During the three months ended June 30, 2014, the Company recorded revenue of $7.3 million, consisting of $1.5 million received in cash proceeds and $5.8 million recorded as a reduction of deferred revenue. During the six months ended June 30, 2014, the Company recorded revenue of $14.6 million, consisting of $3.0 million received in cash proceeds and $11.6 million recorded as a reduction of deferred revenue.

Acquisition of the OJVG

During the third and fourth quarters of 2013, the Company issued 71,183,091 Teranga shares to acquire all of the Oromin shares (Oromin being one of the three joint venture partners holding 43.5 percent of the OJVG) for total consideration of $37.8 million.

On January 15, 2014, the Company acquired the balance of the OJVG that it did not already own from Bendon and Badr.

The Company acquired Bendon's 43.5 percent participating interest in the OJVG for cash consideration of $105.0 million. Badr's 13 percent carried interest in the OJVG was acquired for cash consideration of $7.5 million and further contingent consideration based on higher realized gold prices and increases to OJVG reserves through 2020. For the three months ended June 30, 2014, $3.8 million of contingent consideration has been accrued based on targeted additions to OJVG reserves. The acquisitions of Bendon's and Badr's interest in the OJVG were funded by the gold stream agreement with Franco-Nevada and from the Company's existing cash balance.

The acquisition of Bendon's and Badr's interests in the OJVG increased the Company's ownership to 100 percent and consolidated the Sabodala region, increasing the size of the Company's interests in mine license from $33km^2$ to $246km^2$, more than doubling the Company's reserve base and providing the Company with the flexibility to integrate the OJVG satellite deposits into its existing operations. The contribution of 100 percent of the OJVG has been reflected into Teranga's results from January 15, 2014.

Acquisition related costs of approximately $0.3 million and $1.5 million have been expensed during the three and six months ended June 30, 2014, respectively, and are presented within Other expenses in the consolidated statements of comprehensive income.

Golouma Mine License and Extension of Sabodala Mine License

During the second quarter of 2014, the integration of the Golouma mine license into an expanded Sabodala mine concession was agreed to in principle with the Senegalese Ministry of Mines and a revised expanded Sabodala mining convention is anticipated to be executed during the third quarter. The Company has all approvals required to process Golouma ore in the Sabodala mill. The Sabodala mine license was also extended until 2022 as part of the integration of the two license areas during the second quarter of 2014.

Municipal and Provincial Election in Senegal

In June 2014, Senegal held municipal and provincial elections. Following the elections, the President re-constituted his cabinet with the appointment of a new Prime Minister and a number of new ministers in various portfolios. The Ministers of Mines and Finance, key points of contact for the Company, remained unchanged. Overall, the Company believes the new Prime Minister and new cabinet members will continue with the President's pro foreign investment and mining mandate. In fact, the new Prime Minister was previously in charge of the Emerging Senegal Plan, and visited Sabodala with the President in April of this year.

Base-Case Life of Mine Plan

During the first quarter 2014, the Company filed a National Instrument – Standards of Disclosures for Mineral Projects ("NI 43-101") technical report which include an integrated life of mine ("LOM") plan for the combined operations of Sabodala and the OJVG. The integrated LOM plan has been designed to maximize free cash flow in the current gold price environment. The sequence of the pits can be optimized, as well as the sequencing of phases within the pits, based not only on grade, but also on strip ratio, ore hardness, and the capital required to maximize free cash flows in different gold price environments. As a result, the integrated LOM annual production profile represents an optimized cash flow for 2014 and a balance of gold production and cash flow generated in the subsequent five years. There are opportunities to increase gold production in years 2015-2018 based on current reserves. With expectations for additional reserves, including infill drilling of the high grade zone at Masato, further mine plan optimization work is required. As a result, the integrated LOM production schedule represents a "base case" scenario with flexibility to improve gold production and/or cash flows in subsequent years. During the second quarter 2014, the Company's technical team commenced a review of the 2015 mine plan to identify opportunities, which may result in lower material movement, lower capital expenditures and higher free cash flows

Mill Enhancements

The average hourly mill throughput rate estimated when the crusher is in operation is approximately 430 tonnes per operating hour (tpoh) or 3.5 million tonnes per annum (mtpa). However, the mill has experienced periods of sustained operation where the mill throughput has exceeded 480 tpoh. These occurrences have typically been when the mill was operating when the primary and secondary crushed ore stockpile levels have been full. Analysis of plant data shows that there is a correlation between the crusher downtime and mill throughput, which in turn is directly related to the inventory level of the crushed stockpiles.

Several engineering studies have been initiated to determine potential throughput enhancements to the current plant design, including:

- The design and cost to install a second crushing system that would provide redundancy and near 100% availability to the crusher stockpiles.
- The quantification of the relationship between an increase in crusher availability to the SAG and Ball mill system (SABC), as well as other design enhancements within the crush and grinding system.

Key milestones for the project are as follows:

- Quantify SAG mill critical sizing relationships and throughput potential through test work and simulation;
- Determine the maximum sustained production rate and required design changes to the SABC and crushing circuit;
- Develop a cost estimate and construction schedule; and
- Technical analysis supporting a development decision (targeted for completion in third quarter 2014).

The Company is targeting an overall 5 to 10 percent increase in throughput.

Heap Leach Project

The LOM plan shows a significant amount of both oxide and sulphide low grade reserves that are mined during the operating period but not processed until the end of the mine life. There also exists significant potential along an 8km mineralized structural trend covering both mine leases to increase the known reserves with near surface, oxidized ore.

The potential benefit to accelerating value from this ore earlier by feeding it through a heap leach process is being evaluated. A comprehensive testwork program is in progress that will evaluate the heap leach potential for:

Phase 1

- Saprolite, near surface ore
- Various stages of the soft and hard oxidized transition zones

Phase 2

- Sulphide ore on the ROM stockpile

Previous testwork has shown that there are higher capital and operating costs to heap leaching ore as depth increases and the level of oxidation decreases. Phase 1 of the testwork will form the basis to determine the optimum economics for three geological zones within the oxide: saprolite, soft transition and hard transition. Phase 2 of the analysis will examine the leachability for the sulphide ore. However, since this is likely to include much higher capital and operating costs, the decision to proceed in this phase will be contingent on the results of the testwork carried out for Phase 1.

The testwork is being completed by Klappes, Cassidy and Associates (KCA) at their facilities in Reno, Nevada, who are experienced in testing and designing heap leach facilities throughout the world, including West Africa. Phase 1 of the program is expected to be completed in third quarter 2014, at which point engineering design can commence to determine capital costs and operating parameters as a basis for economic analysis.

The decision to initiate testwork for Phase 2 of the program will be based on the results of Phase 1.

Key milestones for the project are as follows:

- Complete Phase 1 testwork, economic analysis and if warranted, initiate engineering design to pre-feasibility study ("PFS") level – third quarter 2014;
- Complete additional follow up optimization testwork and, if warranted, initiate Phase 2 testwork – third/fourth quarters 2014;
- Commence preliminary economic analysis and make development decision - fourth quarter 2014; and
- Initiate feasibility study ("FS") level engineering design, initiate targeted resource drilling and environmental studies to support an environmental and social impact assessment ("ESIA") submission - 2015

The Company is targeting potential annual heap leach production between 30,000 and 50,000 ounces commencing 2017.

Gora Development

The Gora deposit which hosts 0.29 million ounces of proven and probable reserves at 4.74 g/t will be operated as a satellite deposit to the Sabodala mine requiring limited local infrastructure and development. Ore will be hauled to the Sabodala processing plant by a dedicated fleet of trucks and processed on a priority basis, displacing lower grade feed as required.

A revised environmental and social impact assessment ("ESIA") for the Gora project was filed with the Senegalese authorities on April 1, 2014. The revised EISA is required to be validated by a technical committee and once approved it is then presented by that authority to a public hearing. Following the public hearing it is anticipated that the Ministry of Environment ("MOE") will issue an environmental approval for the Gora project. The technical committee meeting to validate the revised Gora EISA is scheduled for August. Assuming a successful validation hearing, Management anticipates the final approval to be received by the MOE within 30 to 60 days.

Management expects the permit process to be completed in third quarter 2014 and construction to be initiated based on the new integrated LOM plan with the OJVG by fourth quarter 2014. Initial engineering is ongoing and site surveys were conducted during the second quarter 2014 to allow for initiation of the access road construction in late 2014.

Sabodala Mine License Reserve Development

The Sabodala Mine License covers 33km^2 and, in addition to the mine related infrastructure, contains the Sabodala, Masato, Niakafiri, Niakafiri West, Soukhoto and Dinkokhono deposits.

Niakafiri

In 2013, additional surface mapping was completed at Niakafiri in conjunction with the re-logging of several diamond drill holes which were incorporated into the geological model for the Niakafiri deposit. Further exploration work, including additional drilling, is targeted for the fourth quarter of this year following discussions with Sabodala village.

In addition to the potential expansion of hard ore reserves at Niakafiri, the Company is exploring for potential softer ore that may be conducive to heap leach, with emphasis on the mineralized trend to the north and south of the current reserves at Niakafiri.

OJVG Mine License Reserve Development

The OJVG mine license covers 213km^2. As we have integrated the OJVG geological database into a combined LOM plan, a number of areas have been revealed as potential sources for reserve additions within the mining lease. These targets have been selected based on potential for discovery and inclusion into open pit reserves.

Masato

Development of the Masato deposit is complete and is ready for mining once the geological drilling programs have been completed and analyzed. The access road construction, waste dump preparation, mine infrastructure and bench access development have been completed.

Masato Geology Programs

A significant amount of geological field work occurred on the Masato ore body during the second quarter 2014 to increase understanding in preparation for mining in the second half of 2014. These programs include infill Diamond Drill Hole ("DDH") drilling of the high grade zones, a gridded pattern Reverse Circulation ("RC") grade control program, surface trenching and a condemnation drilling program for the waste dump areas.

1. *Infill DDH Drilling*

   During the second quarter 2014, 22 diamond drill holes totaling approximately 2,800 metres were completed to confirm the existing interpretation and grades of the mineralization domains, upgrade resource classification of Inferred Resource blocks, "twin" previously drilled holes and delineate high grade zones. Sampling and dispatch of core samples to ALS Chemex in South Africa is ongoing. Assay results are expected in third quarter 2014 and will be incorporated into an updated resource model.

   A total of 4 diamond drill holes were drilled for geotechnical data and testing. Logging is ongoing and will be completed in third quarter 2014.

2. *Surface Mapping, Trenching and RC Grade Control*

   A gridded RC drill program has been planned to delineate mineralization at 10 metre spacing to determine the optimal spacing of RC holes for the mine operations grade control program. A total of 98 holes totaling 6,100 metres are planned in two separate test blocks in the Masato north and south pit areas. The program was 50 percent complete at the end of second quarter 2014, and is expected to be completed during third quarter 2014. Assay results from the first 28 holes have been received and confirm the existing mineralization model trends and grades.

   A total of 16 trenches have been planned to confirm the location and grades of near surface mineralization. Approximately 85 percent of the trenches in the North Pit area have been excavated with 50 percent of these having been mapped and sampled. The remaining trenching and sampling programs with the receipt of assay results is expected to be completed in third quarter 2014. Four additional trenches were excavated for heap leach sampling program. Assay results returned to date confirm the surface location of mineralization and gold grades from adjacent drill holes.

3. *Condemnation RAB drilling*

   A Rotary Air Blast ("RAB") drilling sterilization program over the planned dumps and lay down footprint areas was completed during second quarter 2014. Approximately 80 percent of the assay results have been received to date of which the maximum gold value reported was 0.6 g/t. There is no indication at present of economic concentrations of gold occurring in these areas.

   Data from the RAB drilling program was used in conjunction with surface mapping data to produce soil isopach plans (for stripping and stock piling of topsoil) and soil characteristics for geotechnical investigations.

Golouma

Infill drilling is planned for potential conversion of inferred resources and evaluating the mineralization potential of structural features along strike to the existing reserves. Since access has been established, drilling is expected to commence in third quarter 2014.

Kerekounda

Both RC and DDH drilling is planned to determine the extent of mineralization further along strike of the existing reserves. This program is expected to commence in fourth quarter 2014.

Niakafiri SE and Maki Medina

Both RC and DDH drilling is planned for potential conversion of inferred resources, geotechnical holes for pit wall determination and exploratory holes to the north toward the Niakafiri deposit to evaluate extension along strike. Pending results of the heap leach test work, additional drilling to determine near surface oxide resources may also be evaluated. Work in these areas is expected to commence in late third quarter 2014 and continue through to the end of the year.

Regional Exploration

The Company currently has 9 exploration permits encompassing approximately 1,055km^2 of land surrounding the Sabodala and OJVG mine licenses (246km^2 exploitation permits). Over the past 3 years, with the initiation of a regional exploration program on this significant land package, a tremendous amount of exploration data has been collected and systematically interpreted to prudently implement follow-up programs. Targets are therefore in various stages of advancement and are then prioritized for follow-up work and drilling. Early geophysical and geochemical analysis of these areas has led to the demarcation of at least 50 anomalies, targets and prospects and the Company expects that several of these areas will ultimately be developed into mineable deposits. The Company has identified some key targets that despite being early stage, display significant potential. However, due to the sheer size of the land position, the process of advancing an anomaly through to a mineable deposit takes time and the Company is using a systematic, disciplined approach to maximize potential for success.

Ninienko

An extensive mapping and a trenching program, over 1,500 metres, was conducted during second quarter 2014 at the Ninienko prospect. This work outlined a 500 metre-plus wide zone with gold mineralization occurring in flat lying, near surface (0-2 metres) quartz vein and felsic breccia units developed over a strike length of 1,500 metres.

Highlights of the elevated gold values reported from these trenches include:

- 0.5m @ 3.96 g/t, Quartz feldspar breccia
- 1.5m @ 7.24 g/t, Broken quartz feldspar breccia
- 0.9m @ 7.38 g/t, Quartz vein
- 0.4m @ 9.65 g/t, Quartz feldspar breccia and quartz vein
- 1.0m @ 2.53 g/t, Quartz feldspar breccia and quartz vein
- 1.0m @ 2.70 g/t, Quartz feldspar breccia and quartz vein
- 0.4m @ 2.48 g/t, Quartz vein
- 1.2m @ 2.45 g/t, Quartz feldspar breccia and quartz vein
- 0.8m @ 3.27 g/t, Quartz vein
- 1.0m @ 8.89 g/t, Quartz vein

An isopach plan of the mineralized quartz vein and felsic breccia systems is in progress, this will be used to develop a plan for DDH and a possible RC drill program in fourth quarter 2014. Additional trenching and mapping will also be undertaken in the second half of 2014.

Soreto

Following up on a small 5 DDH program at the Soreto prospect in 2013, a program totaling 15 DDH for 2014 has commenced, with 7 DDH totaling 1,500 metres completed during the second quarter 2014 with assay results pending. These were located along two fence lines placed 150 metres on either side of the 2013 fence that intersected gold values including 3 metres at 2.1 g/t, 7 metres at 1.38 g/t and 1 metre at 12.2 g/t. Several of these holes intersected shallow dipping (25 - 35º) altered shear zones with felsic dyke, sheared and brecciated silicified metasediments containing quartz-carbonate veins with disseminated pyrite and visible gold in places. The shear zones coincide with the major NNE regional shear structure with an associated 6km long geochemical soil anomaly. Sampling and dispatch of split core samples to ALS Chemex in South Africa is ongoing.

A further 8 DDH totaling 2,000 metres are planned to be drilled along the current fence lines. It is expected that all the DDH will be sampled and assay results received by the end of third quarter 2014.

KC Prospect

Approximately 3,200 metres of trenching was completed across a mineralized structural trend with intense quartz veining and brecciated felsic intrusives developed over a strike length of approximately 1,800 metres. Sampling of the trenches yielded elevated gold values in the overburden of up to 18.45 g/t over 0.4 metres and 6.27 g/t over 0.6 metres. The quartz vein and breccia zone yielded elevated gold values in the range of 1.95 g/t over 0.3 metres true width and 1.41 g/t over 0.2 metres true width with limited continuity along strike. Due to limited mineralization in the in situ rock, it was determined that follow up drilling was not likely to produce results and resources were best allocated to higher prospective targets.

A follow-up soil sampling and trenching program is planned in fourth quarter 2014 to evaluate a large soil anomaly (peak values of 2.64 g/t and 2.38 g/t**)** located 800 metres to the west of workings which may account for the elevated gold anomalies identified in over burden in the trenches.

Garaboureya

Evaluation of the Garaboureya prospect which shows promise through high soil geochemical anomalies and mineralization in outcropping rock is planned later in the year. The Company is working to obtain drill core from over 200 DDH holes previously drilled which were exploring for iron ore deposits on the property. The drill core was not assayed for gold. Access to the drill core could help accelerate the understanding of the geology.

FINANCIAL CONDITION REVIEW

Balance Sheet Review

Cash

The Company's cash balance at June 30, 2014 was $28.4 million, including restricted cash. Cash and cash equivalents were similar to the balance reported at March 31, 2014, as the increase in cash from the proceeds of the share offering was offset by cash flow used in operations of $9.8 million, debt repayments totaling $9.2 million and capital expenditures of $6.8 million.

For the year to date ended June 30, 2014, the Company has made a total of $35.0 million in one-time payments. This includes $16.4 million in debt repayments, $2.1 million in payments to the Republic of Senegal, and one-time payments related to the acquisition of the OJVG, including $9.0 million for transaction, legal and office closure costs and $7.5 million to acquire Badr's share of the OJVG.

Non-Current Assets

Total non-current assets increased by $101.5 million to $609.7 million or 20 percent, compared to December 31, 2013. The increase reflects an increase in mine development expenditures and goodwill due to the acquisition of Bendon's and Badr's interest in the OJVG.

Borrowings

During the first quarter of 2013, the Company entered into a new $50.0 million finance facility with Macquarie ("Equipment Facility"). The proceeds were put towards additional equipment for the Sabodala pit. During the fourth quarter of 2013, the Company cancelled the undrawn commitment from the Equipment Facility. At June 30, 2014, $10.6 million was outstanding.

On January 15, 2014, the Company amended its existing $60.0 million loan facility agreement with Macquarie ("Loan Facility") and retired half of the balance of $30.0 million. At June 30, 2014, $20.0 million was outstanding and is scheduled to be repaid with one payment of $5.0 million on September 30, 2014 and the balance of $15.0 million to be repaid on December 31, 2014. The amended Loan Facility agreement replaced the restricted cash requirement with a minimum liquidity threshold of $15.0 million and removed the Project Life Ratio financial covenant.

Deferred Revenue

In connection with the gold stream transaction with Franco-Nevada, the Company received $135.0 million on January 15, 2014, which was recorded as deferred revenue.

During the three and six months ended June 30, 2014, the Company delivered 5,625 and 11,250 ounces of gold, respectively, to Franco-Nevada. During the three months ended June 30, 2014, the Company recorded revenue of $7.3 million, consisting of $1.5 million received in cash and $5.8 million recorded as a reduction of deferred revenue. During the six months ended June 30, 2014, the Company recorded revenue of $14.6 million, consisting of $3.0 million received in cash and $11.6 million recorded as a reduction of deferred revenue.

LIQUIDITY AND CASH FLOW

Cash Flow

(US$000's)	Three months ended June 30		Six months ended June 30	
Cash Flow	2014	2013	2014	2013
Operating	(9,793)	20,838	4,510	44,478
Investing	(6,846)	(25,990)	(117,056)	(48,131)
Financing	16,315	(1,546)	110,965	7,930
Effect on exchange rates on holdings in foreign currencies	(1)	156	1	475
Change in cash and cash equivalents during period	(325)	(6,542)	(1,580)	4,752
Cash and cash equivalents - beginning of period	13,706	51,016	14,961	39,722
Cash and cash equivalents - end of period	13,381	44,474	13,381	44,474
Restricted cash	15,000	-	15,000	-
Cash and cash equivalents, including restricted cash	28,381	44,474	28,381	44,474

Operating Cash Flow

(US$000's)	Three months ended June 30		Six months ended June 30	
Changes in working capital	2014	2013	2014	2013
Decrease/(increase) in trade and other receivables	(752)	(2,293)	6,313	(3,365)
Decrease/(increase) in other assets	(538)	45	(711)	1,802
Increase/(decrease) in trade and other payables	(12,656)	811	(15,623)	(8,003)
Increase/(decrease) in provisions	87	(39)	556	(85)
Net change in working capital	(13,859)	(1,476)	(9,465)	(9,651)

Cash used in operations was $9.8 million for the three months ended June 30, 2014, compared to cash provided by operations of $20.8 million in the same prior year period. The decrease in operating cash flow compared to the prior year quarter was due to lower revenues, including the impact of delivering a portion of current period production to Franco-Nevada at 20 percent of gold spot prices, and higher net working capital outflows. In 2013, operating cash flow included a use of cash to buy-back-back the remaining "out of the money" gold forward sales contracts

For the six months ended June 30, 2014, operating cash provided $4.5 million compared to $44.5 million in the same prior year period. The decrease was primarily due to lower revenues, including the impact of delivering a portion of current period production to Franco-Nevada at 20 percent of gold spot prices. In 2013, operating cash flow included a use of cash to buy-back-back the remaining "out of the money" gold forward sales contracts and the delivery of 45,289 ounces into the hedge book at $806 per ounce.

Investing Cash Flow

(US$000's)	Three months ended June 30		Six months ended June 30	
Capital Expenditures	2014	2013	2014	2013
Mine site & development capital	(5,193)	(11,679)	(6,363)	(16,836)
Capitalized reserve development	(110)	(509)	(231)	(2,837)
Capitalized deferred stripping	(1,543)	(13,802)	(2,962)	(28,493)
Total Capital Expenditures	(6,846)	(25,990)	(9,556)	(48,166)
Acquisition of the OJVG	-	-	(112,500)	-
Decrease in restricted cash	-	-	5,000	-
Other	-	-	-	(38)
Investing activities	(6,846)	(25,990)	(117,056)	(48,204)

Net cash used in investing activities for the three months ended June 30, 2014 was $6.8 million compared to $26.0 million in the same prior year period. The decrease was due to lower capitalized deferred stripping costs and mine site and development capital expenditures in the second quarter of 2014.

For the six months ended June 30, 2014, net cash used in investing activities was $117.1 million compared to $48.1 million in the same prior year period. The increase in cash flow used in investing activities was due to the acquisition of the OJVG of $112.5 million, partially offset by lower sustaining and development capital expenditures, lower capitalized deferred stripping costs and lower capitalized reserve development expenditures in the current year, as well as a $5.0 million decrease in the restricted cash balance.

Financing Cash Flow

Net cash provided by financing activities for the three months ended June 30, 2014 was $16.3 million, compared to net cash used by financing activities of $1.5 million in the same prior year period. Financing cash flow in the current year include net proceeds of $25.4 million from the equity offering, partially offset by the repayment of borrowings of $8.2 million and interest paid on borrowings of $1.0 million. Financing cash flows in 2013 include proceeds of $2.7 million received from the finance facility, partially offset by interest paid on borrowings of $1.5 million and advance dividends paid to the Republic of Senegal of $2.7 million.

Net cash provided by financing activities for the six months ended June 30, 2014 was $111.0 million compared to net cash provided by financing activities of $7.9 million in the same prior year period. Financing cash flows in 2014 include proceeds of $135.0 million received from the Franco-Nevada gold stream transaction and net proceeds of $25.4 million from the equity offering, partially offset by the repayment of borrowings of $46.4 million and interest paid on borrowings of $2.1 million. Financing cash flows in 2013 include proceeds of $13.8 million received from the finance facility, partially offset by interest paid on borrowings of $3.2 million and advance dividends paid to the Republic of Senegal of $2.7 million.

Liquidity and Capital Resources Outlook

During the second quarter on May 1, 2014, the Company entered into an agreement with a syndicate of underwriters to purchase 36,000,000 common shares, on a bought deal basis, at a price of C$0.83 per share for gross proceeds of approximately C$29.9 million. Net proceeds were $25.4 million after consideration of underwriter fees and expenses totaling approximately $1.9 million.

Including the proceeds from the equity offering, the Company's cash position at June 30, 2014 was $28.4 million. For 2014, the Company had identified approximately $80 million in one-time payments, including the retirement of $43 million of $47 million combined balance outstanding under the Loan Facility and the Equipment Facility, $15 million in government payments, $8.0 million in advance dividends, $9.0 million in remaining legal and office closure costs related to the acquisition of the OJVG and $7.5 million to acquire Badr's share of the OJVG. As at June 30, 2014, approximately $35.0 million of the total $80 million had been paid, including $16.4 million in debt repayments and approximately $16.5 million paid towards the remaining legal and office closure costs and costs to acquire Badr's interest in the OJVG and approximately $2.1 million in government payments.

Together with existing cash, and using a $1,250 per ounce gold price, the Company expects to generate sufficient cash flow in the second half of 2014 to fund the remaining approximately $46 million in one-time payments. Notwithstanding, the Company's cash position is highly dependent on the gold price, and while our objective is to repay the outstanding balance of the Loan Facility in 2014, the Company may look to extend the repayment terms beyond 2014, should lower gold prices materialize or review other alternatives to ensure sufficient liquidity is maintained by the Company.

CONTRACTUAL OBLIGATIONS AND COMMITTMENTS

As at June 30, 2014, the Company had the following payments due on contractual obligations and commitments:

Payments Due By Period (US$ millions)	Total	< 1 year	1-3 years	4-5 years	>5 years
Mining Fleet Lease Facility[1]	10.6	10.6	-	-	-
2 -Year Loan Facility[2]	20.0	20.0	-	-	-
Franco-Nevada gold stream[3]	123.3	23.8	71.4	28.1	-
Exploration commitments[4]	11.2	-	11.2	-	-
Government of Senegal payments[5]	41.8	23.0	3.8	-	15.0
Total	**206.9**	**77.3**	**86.4**	**28.1**	**15.0**

[1] During the first quarter of 2013, the Company entered into a $50 million finance lease facility with Macquarie. During the fourth quarter of 2013, the Company cancelled the undrawn commitment from the facility. The facility bears interest of LIBOR plus 7.5 percent and will be fully repaid in the second quarter of 2015.

[2] Reflects a 2-Year Loan Facility concluded with Macquarie in June 2012. The Loan Facility bears interest of LIBOR plus a margin of 10 percent. During the first quarter of 2014, $30 million of the Loan Facility was retired. The outstanding balance is scheduled to be repaid with one payment of $5.0 million on September 30, 2014 and the remaining $15 million will be repaid on December 31, 2014.

[3] 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, including those of the OJVG, thereafter, in exchange for a deposit of $135.0 million. The commitment estimate includes a gold price assumption of $1,250 per ounce.

[4] Reflects the exploration permits, licenses and drilling contracts committed to by the Company. The "exploration commitments" only represent the amounts the Company is required to spend to remain eligible for the renewal of permits beyond the current validity period. The Company may elect to allow certain permits to expire and are not required to spend the "committed" amount per respective permit. The Company will not incur any penalties for not meeting the financial requirement for additional validity period tenure.

[5] Refer to Contingent Liabilities - Government of Senegal payments for further details. Excludes royalty payments which are included within Operating Commitments.

Sabodala Gold Operations ("SGO"), Sabodala Mining Company ("SMC") and the OJVG ("OJVG") Operating Commitments

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

Pursuant to the Company's 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 Company's Mining Concession, $875 thousand annually is payable in community projects and infrastructure to support local communities surrounding the Company's operations and social development of local authorities in the surrounding Kedougou region. Once production from the OJVG deposits has commenced, the annual amount increases to $1,225 thousand.

$30 thousand annually is payable for logistical support of the territorial administration of the region for SGO and $150 thousand per year is payable for training of the Mines Administration personnel and logistical support of the Ministry of Mines technical services for the OJVG from date of notification of the Mining Concession.

$200 thousand annually is payable for training of Directorate of Mines and Geology officers and Mines Ministry.

$250 thousand annually is payable for a forestry protocol to the Ministry of Environment for the period of 5 years. As the protocol was signed on April 2nd, 2014, the prorated payment for 2014 amounted to $187.5 thousand.

$925 thousand annually is payable for additional reserves until 2016 ($3.7 million in total for the period 2013 - 2016).

$112 thousand annually is payable as institutional support for the exploration licenses.

CONTINGENT LIABILITIES

Government of Senegal payments

(US$000's)	Cash payments made		Contingent liabilities	Accrued liabilities
Government of Senegal payments	Three months ended June 30, 2014	Six months ended June 30, 2014	As at June 30, 2014	As at June 30, 2014
Royalty payments	14,291	14,291	-	7,272
Reserve payment	925	925	-	1,850
SGO 2012 tax assessment	1,200	1,200	-	-
Social development fund payment	-	-	-	15,000
Accrued dividend payment	-	-	4,263	6,437
Gora project waiver payment	-	-	4,200	-
OJVG waiver payment	-	-	10,000	-
	16,416	16,416	18,463	30,559

Royalty payments

Government royalties are payable annually and are accrued based on the mine head value of the gold and related substances produced at a rate of 5 percent of sales. During the second quarter of 2014, a payment of $14.3 million for 2013 royalties were paid to the Republic of Senegal. A balance of $0.8 million remains accrued at June 30, 2014 for the remaining portion of 2012 royalties to be paid to the Republic of Senegal.

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 12 month gold price for each ounce of new reserve beyond December 31, 2012 on the Sabodala mine license.

Social development fund payment

The Company has agreed to establish a social development fund which involves making a payment of $15.0 million to the Republic of Senegal at the end of the mine operational life. As at June 30, 2014, the Company has recorded $9.3 million which is the discounted value of the $15 million future payment.

Accrued dividends

In connection with the Global Agreement signed with the Republic of Senegal in 2013, the Company has agreed to advance approximately $13.4 million of accrued dividends in respect of its 10 percent minority interest between 2013 and 2015. In 2013, the Company made a payment of $2.7 million with a further payment of $2.7 million required once drilling activities recommence at Niakafiri. A payment of approximately $5.2 million will be made in third quarter 2014 with the remaining estimated amount to be paid in 2015.

Gora project waiver payment

The Company is required to make a payment of approximately $4.2 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the Gora project. The payment is expected to be made upon receipt of all required approvals authorizing the processing of all Gora project ore through the Sabodala plant which is expected in third quarter 2014.

OJVG waiver payment

With the completion of the acquisition of the OJVG in January 2014, the Company is required to make a payment of $10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the Somigol project. The payment is expected to be made upon receipt of all permits required to integrate the Somigol project into the Sabodala mining concession, which is expected to be paid in third quarter 2014.

Settled and outstanding tax assessments

During the second quarter of 2013, the Company made a payment of $1.2 million in partial settlement of the Sabodala Gold Operations SA ("SGO") tax assessment received in December 2012. During the second quarter of 2014, a payment of $1.2 million was made in final settlement.

Approximately $18 million of the SGO 2011 tax assessment of approximately $24 million has been resolved and approximately $6 million remains in dispute. We believe that the remaining amount in dispute is without merit and that these issues will be resolved with no or an immaterial amount of tax due.

During the second quarter of 2013, the Company made a payment of $1.4 million in full settlement of the Sabodala Mining Company SARL ("SMC") tax assessment received in January 2013.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Certain accounting estimates have been identified as being "critical" to the presentation of our financial condition and results of operations because they require us to make subjective and/or complex judgments about matters that are inherently uncertain; or there is a reasonable likelihood that materially different amounts could be reported under different conditions or using different assumptions and estimates. The following is a summary of significant updates to these estimates, since the discussion of these estimates in our 2013 annual MD&A.

Share-based Payment

The Company grants cash-settled awards in the form of Restricted Stock Units ("RSUs") and Deferred Share Units ("DSUs") to certain employees, officers and directors of the Company.

RSUs

Under the Company's RSU plan, each RSU granted has a value equal to 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 grant of the award. At each reporting period the awards are re-valued 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 liabilities on the balance sheet. 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 income statement.

DSUs

Under the Company's DSU plan, each DSU granted has a value equal to 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 re-valued 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 liabilities on the balance sheet. 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 income statement.

Acquisition of the OJVG

The Company determined that the transactions to acquire the balance of the OJVG it did not already own represent a single business combinations with Teranga as the acquirer. From January 15, 2014, 100 percent of OJVG's results were consolidated into the Company's operating results, cash flows and net assets.

In accordance with the acquisition method of accounting, the acquisition cost has been allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. The Company used a discounted cash flow model to determine the fair value of the OJVG. Expected future cash flows were based on estimates of projected future revenues, expected future production costs and capital expenditures. The purchase price is preliminary as the fair value of the OJVG is still being evaluated by the Company and the impact of deferred income taxes is being determined. The excess of the acquisition cost over the net identifiable assets acquired, including consideration of non-controlling interest, represents goodwill.

Goodwill arose on these acquisitions principally due to the ability to create operational synergies. The Company has the ability to optimize the ounces that are processed through the mill due to the close proximity of the OJVG pits to the Sabodala mill. The acquisitions will benefit from leveraging off of the existing built mill and infrastructure.

NON-IFRS FINANCIAL MEASURES

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

Beginning in the second quarter of 2013, we adopted an "all-in sustaining costs" measure and an "all-in costs" measure consistent with the guidance issued by the World Gold Council ("WGC") on June 27, 2013. The Company believes that the use of all-in sustaining costs and all-in costs will be helpful to analysts, investors and other stakeholders of the Company in assessing its operating performance, its ability to generate free cash flow from current operations and its overall value. These new measures will also be helpful to governments and local communities in understanding the economics of gold mining. The "all-in sustaining costs" is an extension of existing "cash cost" metrics and incorporate costs related to sustaining production. The "all-in costs" includes additional costs which reflect the varying costs of producing gold over the life-cycle of a mine.

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

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

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

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

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

"Total depreciation and amortization per ounce sold" is a common financial performance measure in the gold mining industry but has no standard meaning under IFRS. It is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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

(US$000's, except where indicated)	Three months ended June 30		Six months ended June 30	
Cash costs per ounce sold	2014	2013	2014	2013
Gold produced[1]	39,857	49,661	91,947	117,962
Gold sold	44,285	54,513	98,052	124,180
Cash costs per ounce sold				
Cost of sales	62,236	52,636	117,521	108,607
Less: depreciation and amortization	(13,567)	(17,319)	(31,777)	(37,638)
Less: realized oil hedge gain	-	-	-	(487)
Add: non-cash inventory movement	1,103	1,834	1,681	3,470
Less: inventory writedown to net realizable value	(13,423)	-	(13,423)	-
Less: other adjustments	(246)	(2,135)	(497)	(1,645)
Total cash costs	**36,103**	**35,016**	**73,505**	**72,307**
Total cash costs per ounce sold	**815**	**642**	**750**	**582**
All-in sustaining costs				
Total cash costs	36,103	35,016	73,505	72,307
Administration expenses[2]	4,009	3,566	7,621	6,689
Capitalized deferred stripping	1,543	13,802	2,961	28,493
Capitalized reserve development	110	509	231	2,837
Mine site capital	5,191	11,679	6,361	16,836
All-in sustaining costs	**46,956**	**64,572**	**90,680**	**127,162**
All-in sustaining costs per ounce sold	**1,060**	**1,185**	**925**	**1,024**
All-in costs				
All-in sustaining costs	46,956	64,572	90,680	127,162
Social community costs not related to current operations	493	368	902	708
Exploration and evaluation expenditures	583	1,486	1,727	3,513
All-in costs	**48,032**	**66,426**	**93,310**	**131,383**
All-in costs per ounce sold	**1,085**	**1,219**	**952**	**1,058**
Depreciation and amortization	13,567	17,319	31,777	37,638
Non - cash inventory movement	(1,103)	(1,834)	(1,681)	(3,470)
Total depreciation and amortization	**12,464**	**15,485**	**30,096**	**34,168**
Total depreciation and amortization per ounce sold	**281**	**284**	**307**	**275**

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

[2] Administration expenses include share based compensation and exclude Corporate depreciation expense and social community costs not related to current operations.

OUTSTANDING SHARE DATA

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

Outstanding	July 30, 2014
Ordinary shares	316,801,091
Equity issuance[1]	36,000,000
	352,801,091
Stock options granted at an exercise price of $3.00 per option	15,368,333
Stock options granted at exercise prices in the range of $1.09-$2.17 per option	7,791,600
Fully diluted share capital	**375,961,024**

[1] 36,000,000 ordinary shares were issued upon closing of the equity offering on May 1, 2014.

TRANSACTIONS WITH RELATED PARTIES

During the quarter ended June 30, 2014, there were transactions totaling $16 thousand ($51 thousand during the six months ended June 30, 2014) between the Company and a director-related entity.

Shareholdings

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

The Company bought 100 percent of Oromin in 2013, which holds a 43.5 percent participating interest in the OJVG.

During the first quarter of 2014, the Company acquired the remaining interests in the OJVG that it did not already own.

CEO/CFO CERTIFICATION

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

The Company's CEO and CFO certify that, as June 30, 2014, the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The control framework the Company's CEO and CFO used to design the Company's ICFR is The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework established in 1992. There is no material weakness relating to the design of ICFR. There has been no change in the Company's design of the ICFR that occurred during the three and six months ended June 30, 2014 which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

The Company has limited the scope of the design of ICFR and DC&P to exclude the controls, policies and procedures of (i) the OJVG, the balance sheet and operating results of which are included in the consolidated financial statements of Teranga for the three and six months ended June 30, 2014 following its acquisition on January 15, 2014; and (ii) the Dakar office of the OJVG, the operating results which are included in the consolidated financial statements of Teranga for the three and six months ended June 30, 2014. The scope limitation is in accordance with Section 3.3 of NI 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings, which allows an issuer to limit its design of ICFR and DC&P to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates.

OJVG Summary Balance Sheet

(US$000's)	As at June 30, 2014
Balance Sheet	
Cash and cash equivalents	124
Trade and other receivables	599
Mine development expenditures	110,428
Other assets	4
Total assets	**111,155**
Trade and other payables	1,000
Intercompany payables	89,497
Total liabilities	**90,498**
Total equity	**20,657**

RISKS AND UNCERTAINTIES

The Company identified a number of risk factors to which it is subject to in its Annual Information Form filed for the year ended December 31, 2013. These various financial and operational risks and uncertainties continue to be relevant to an understanding of our business, and could have a significant impact on profitability and levels of operating cash flow. These risks and uncertainties include, but are not limited to: fluctuations in metal prices (principally the price of gold), capital and operating cost estimates, borrowing risks, production estimates, need for additional financing, uncertainty in the estimation of mineral reserves and mineral resources, the inherent danger of mining, infrastructure risk, hedging activities, insured and uninsured risks, environmental risks and regulations, government regulation, ability to obtain and renew licenses and permits, foreign operations risks, title to properties, competition, dependence on key personnel, currency, repatriation of earnings and stock exchange price fluctuations.

There is a risk that if the Company either continues to experience lower than expected grades and ore tonnes in the Sabodala pit or initial mining in new deposits, including Masato scheduled for third quarter 2014, that results in either lower ore tonnes or grade, the Company may miss its production guidance for the year.

CORPORATE DIRECTORY

Directors

Alan Hill, Chairman
Richard Young, President and CEO
Jendayi Frazer, Non-Executive Director
Edward Goldenberg, Non-Executive Director
Christopher Lattanzi, Non-Executive Director
Alan Thomas, Non-Executive Director
Frank Wheatley, Non-Executive Director

Senior Management

Richard Young, President and CEO
Mark English, Vice President, Sabodala Operations
Paul Chawrun, Vice President, Technical Services
Navin Dyal, Vice President and CFO
David Savarie, Vice President, General Counsel & Corporate Secretary
Kathy Sipos, Vice President, Investor & Stakeholder Relations
Aziz Sy, Vice President, Development Senegal
Macoumba Diop, General Manager and Government Relations Manager, SGO

Registered Office

121 King Street West, Suite 2600
Toronto, Ontario, M5H 3T9, Canada
T: +1 416 594 0000
F: +1 416 594 0088
E: investor@terangagold.com
W: www.terangagold.com

Senegal Office

2K Plaza
Suite B4, 1er Etage
sis la Route due Meridien President
Dakar Almadies
T: +221 338 693 181
F: +221 338 603 683

Auditor

Ernst & Young LLP

Share Registries

Canada: Computershare Trust Company of Canada
T: +1 800 564 6253
Australia: Computershare Investor Services Pty Ltd
T: 1 300 850 505

Stock Exchange Listings

Toronto Stock Exchange, TSX symbol: TGZ
Australian Securities Exchange, ASX symbol: TGZ
For further information please contact: Kathy Sipos, Vice-President, Investor & Stakeholder Relations:
T: +1 416 594 0000
E: ksipos@terangagold.com

FORWARD LOOKING STATEMENTS

This news release contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Teranga, or developments in Teranga's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include, without limitation, all disclosure regarding possible events, conditions or results of operations, future economic conditions and courses of action, the proposed plans with respect to mine plan and consolidation of the Sabodala Gold Project and OJVG Golouma Gold Project, mineral reserve and mineral resource estimates, anticipated life of mine operating and financial results, targeted date for a NI 43-101 compliant technical report, amendment to the OJVG mining license, the approval of the Gora ESIA and permitting and the completion of construction related thereto. Such statements are based upon assumptions, opinions and analysis made by management in light of its experience, current conditions and its expectations of future developments that management believe to be reasonable and relevant. These assumptions include, among other things, the ability to obtain any requisite Senegalese governmental approvals, the accuracy of mineral reserve and mineral resource estimates, gold price, exchange rates, fuel and energy costs, future economic conditions and courses of action. Teranga cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. The risks and uncertainties that may affect forward-looking statements include, among others: the inherent risks involved in exploration and development of mineral properties, including government approvals and permitting, changes in economic conditions, changes in the worldwide price of gold and other key inputs, changes in mine plans and other factors, such as project execution delays, many of which are beyond the control of Teranga, as well as *other risks and uncertainties which are more fully described in the Company's Annual Information Form dated March 31, 2014, and in other company filings with securities and regulatory authorities which are available at www.sedar.com. Teranga does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Nothing in this report should be construed as either an offer to sell or a solicitation to buy or sell Teranga securities.*

COMPETENT PERSONS STATEMENT

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

The technical information contained in this document relating to the mineral reserve estimates for Gora and Niakafiri is based on, and fairly represents, information and supporting documentation prepared by Julia Martin, P.Eng. who is a member of the Professional Engineers of Ontario and a Member of AusIMM (CP). Ms. Martin is a full time employee with AMC Mining Consultants (Canada) Ltd., is independent of Teranga, is a "qualified person" as defined in NI 43-101 and a "competent person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Martin has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Martin is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Ms. Martin has reviewed and accepts responsibility for the Mineral Reserve estimates for Gora and Niakafiri disclosed in this document and has consented to the inclusion of the matters based on her information in the form and context in which it appears in this Report

The technical information contained in this Report relating to mineral resource estimates for Niakafiri, Gora, Niakafiri West, Soukhoto, and Diadiako is based on, and fairly represents, information compiled by Ms. Nakai-Lajoie. Ms. Patti Nakai-Lajoie, P. Geo., is a Member of the Association of Professional Geoscientists of Ontario, which is currently included as a "Recognized Overseas Professional Organization" in a list promulgated by the ASX from time to time. Ms. Nakai-Lajoie is a full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101. Ms. Nakai-Lajoie has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Nakai-Lajoie is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Ms. Nakai-Lajoie has consented to the inclusion in this Report of the matters based on her compiled information in the form and context in which it appears in this Report.

The technical information contained in this Report relating to mineral resource estimates for Sabodala, Masato, Golouma, Kerekounda, and Somigol Other are based on, and fairly represents, information compiled by Ms. Nakai-Lajoie. Ms. Patti Nakai-Lajoie, P. Geo., is a Member of the Association of Professional Geoscientists of Ontario, which is currently included as a "Recognized Overseas Professional Organization" in a list promulgated by the ASX from time to time. Ms. Nakai-Lajoie is a full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101. Ms. Nakai-Lajoie has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Nakai-Lajoie is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Ms. Nakai-Lajoie has consented to the inclusion in this Report of the matters based on her compiled information in the form and context in which it appears in this Report.

Teranga's disclosure of mineral reserve and mineral resource information is governed by NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as may be amended from time to time by the CIM ("CIM Standards"). CIM definitions of the terms "mineral reserve", "proven mineral reserve", "probable mineral reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource", are substantially similar to the JORC Code corresponding definitions of the terms "ore reserve", "proved ore reserve", "probable ore reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource", respectively. Estimates of mineral resources and mineral reserves prepared in accordance with the JORC Code would not be materially different if prepared in accordance with the CIM definitions applicable under NI 43-101. There can be no *assurance that those portions of mineral resources that are not mineral reserves will ultimately be converted into mineral reserves.*