Interim Condensed Consolidated Financial Statements of

TERANGA GOLD CORPORATION

For the three and nine months ended September 30, 2014

(unaudited)

TABLE OF CONTENTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CONSOLDIATED STATEMENTS OF CHANGES IN EQUITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION 1
2. SIGNIFICANT ACCOUNTING POLICIES 1
3. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED 3
4. ACQUISITION 3
5. REVENUE 4
6. COST OF SALES 5
7. ADMINISTRATION EXPENSES 6
8. FINANCE COSTS 6
9. OTHER (INCOME)/EXPENSES 6
10. TRADE AND OTHER RECEIVABLES 6
11. INVENTORIES 7
12. OTHER ASSETS 7
13. PROPERTY, PLANT AND EQUIPMENT 8
14. MINE DEVELOPMENT EXPENDITURES 9
15. TRADE AND OTHER PAYABLES 10
16. BORROWINGS 11
17. DEFERRED REVENUE 12
18. PROVISIONS 13
19. ISSUED CAPITAL 13
20. EARNINGS/(LOSSES) PER SHARE (EPS) 14
21. COMMITMENTS FOR EXPENDITURE 14
22. CONTINGENT LIABILITIES 15
23. CASH FLOW INFORMATION 15
24. FINANCIAL INSTRUMENTS 16
25. SHARE-BASED COMPENSATION 17
26. RELATED PARTY TRANSACTIONS 20

(unaudited, in $000's of United States dollars, except per share amounts)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)

		Three months ended September 30		Nine months ended September 30	
	Note	2014	2013	2014	2013
Revenue	5	56,711	50,564	184,035	239,625
Cost of sales	6	(47,973)	(37,371)	(165,494)	(145,978)
Gross profit		**8,738**	**13,193**	**18,541**	**93,647**
Exploration and evaluation expenditures		(672)	(849)	(2,399)	(4,362)
Administration expenses	7	(3,190)	(3,839)	(11,217)	(11,526)
Share-based compensation	25	(325)	(394)	(986)	(677)
Finance costs	8	(2,640)	(3,441)	(7,404)	(8,998)
Gains on gold hedge contracts		-	-	-	5,308
Gains on oil hedge contracts		-	-	-	31
Net foreign exchange gains/(losses)		1,342	(300)	1,342	(784)
Gain/(loss) on available for sale financial asset		-	452	-	(4,003)
Share of income from equity investment in OJVG		-	41	-	41
Other income/(expense)	9	36	(4,792)	(1,997)	(8,474)
		(5,449)	**(13,122)**	**(22,661)**	**(33,444)**
Net profit/(loss)		**3,289**	**71**	**(4,120)**	**60,203**
Profit/(loss) attributable to:					
Shareholders		2,422	(442)	(5,639)	51,737
Non-controlling interests		867	513	1,519	8,466
Net profit/(loss) for the period		**3,289**	**71**	**(4,120)**	**60,203**
Other comprehensive income/(loss): Items that may be reclassified subsequently to profit/loss for the period					
Change in fair value of available for sale financial asset, net of tax		(1)	-	3	(6,418)
Reclassification to income/(loss), net of tax		-	-	-	962
Other comprehensive (loss)/income for the period		**(1)**	**-**	**3**	**(5,456)**
Total comprehensive income/(loss) for the period		**3,288**	**71**	**(4,117)**	**54,747**
Total comprehensive income/(loss) attributable to:					
Shareholders		2,421	(442)	(5,636)	46,281
Non-controlling interests		867	513	1,519	8,466
Total comprehensive income/(loss) for the period		**3,288**	**71**	**(4,117)**	**54,747**
Earnings (loss) per share from operations attributable to the shareholders of the Company during the period					
- basic earnings/(loss) per share	20	0.01	(0.00)	(0.02)	0.20
- diluted earnings/(loss) per share	20	0.01	(0.00)	(0.02)	0.20

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

(unaudited, in $000's of United States dollars, except per share amounts)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at September 30, 2014	As at December 31, 2013
Current assets			
Cash and cash equivalents		13,025	14,961
Restricted cash	23b	15,000	20,000
Trade and other receivables	10	2,265	7,999
Inventories	11	60,209	67,432
Other assets	12	7,424	5,762
Total current assets		**97,923**	**116,154**
Non-current assets			
Inventories	11	78,068	63,740
Equity investment	4a	-	47,627
Property, plant and equipment	13	203,640	219,540
Mine development expenditures	14	266,547	176,391
Other non-current assets	12	8,054	947
Goodwill	4b	55,191	-
Total non-current assets		**611,500**	**508,245**
Total assets		**709,423**	**624,399**
Current liabilities			
Trade and other payables	15	50,483	56,891
Borrowings	16	21,299	70,423
Deferred revenue	17	21,870	-
Provisions	18	2,719	1,751
Total current liabilities		**96,371**	**129,065**
Non-current liabilities			
Borrowings	16	-	3,946
Deferred revenue	17	95,745	-
Provisions	18	14,923	14,336
Other non-current liabilities	15	16,434	10,959
Total non-current liabilities		**127,102**	**29,241**
Total liabilities		**223,473**	**158,306**
Equity			
Issued capital	19	367,851	342,470
Foreign currency translation reserve		(998)	(998)
Other components of equity		16,205	15,776
Retained earnings		91,102	96,741
Equity attributable to shareholders		**474,160**	**453,989**
Non-controlling interests		11,790	12,104
Total equity		**485,950**	**466,093**
Total equity and liabilities		**709,423**	**624,399**

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

Approved by the Board of Directors

Alan Hill
Director

Alan Thomas
Director

(unaudited, in $000's of United States dollars, except per share amounts)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Nine months ended September 30 2014	2013
Issued capital			
Beginning of period		342,470	305,412
Shares issued from public and private offerings	19	27,274	23,487
Less: Share issue costs	19	(1,893)	(180)
End of period		367,851	328,719
Foreign currency translation reserve			
Beginning of period		(998)	(998)
End of period		(998)	(998)
Other components of equity			
Beginning of period		15,776	21,814
Equity-settled share-based compensation reserve		426	1,417
Investment revaluation reserve on change in fair value of available for sale financial asset, net of tax		3	(5,456)
Stock options to Oromin Explorations Ltd. ("Oromin") employees	25a	-	585
End of period		16,205	18,360
Retained earnings			
Beginning of period		96,741	49,225
(Loss)/profit attributable to shareholders		(5,639)	51,737
End of period		91,102	100,962
Non-controlling interest			
Beginning of period		12,104	11,857
Non-controlling interest - portion of profit for the period		1,519	8,466
Non-controlling interest - acquisition of Oromin		-	11,005
Dividends accrued		(1,833)	(7,672)
End of period		11,790	23,656
Total shareholders' equity as at September 30		**485,950**	**470,699**

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

(unaudited, in $000's of United States dollars, except per share amounts)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three months ended September 30		Nine months ended September 30	
	Note	2014	2013	2014	2013
Cash flows related to operating activities					
Profit/(loss) for the period		3,289	71	(4,120)	60,203
Depreciation of property, plant and equipment	13	6,383	9,635	18,787	35,869
Depreciation of capitalized mine development costs	14	9,842	4,024	29,215	15,548
Inventory movements - non-cash	6	(2,805)	(2,393)	(4,486)	(5,863)
Inventory write-(up)/down to net realizable value - depreciation	6	(121)	-	4,191	-
Amortization of intangibles		150	249	555	770
Amortization of deferred financing costs		830	902	2,434	1,770
Inventory write-(up)/down to net realizable value	6	(250)	-	8,861	-
Unwinding of discounts	8	690	25	897	74
Share-based compensation	25	325	394	986	677
Deferred gold revenue recognized	17	(5,715)	-	(17,385)	-
Net change in gains on gold forward sales contracts		-	-	-	(42,955)
Net change in losses on oil contracts		-	-	-	456
Buyback of gold forward sales contracts		-	-	-	(8,593)
(Gain)/Loss on available for sale financial asset		-	(452)	-	4,003
Loss on disposal of property, plant and equipment		-	-	-	99
(Increase) / decrease in inventories		(2,440)	(834)	(15,782)	3,692
Changes in working capital other than inventory	23	3,644	5,071	(5,821)	(4,580)
Net cash provided by operating activities		**13,822**	**16,692**	**18,332**	**61,170**
Cash flows related to investing activities					
Decrease in restricted cash		-	-	5,000	-
Acquisition of Oromin Joint Venture Group ("OJVG")		-	-	(112,500)	-
Expenditures for property, plant and equipment		(1,472)	(2,391)	(2,755)	(13,531)
Expenditures for mine development		(3,780)	(14,738)	(12,053)	(51,691)
Acquisition of intangibles		-	(36)	-	(109)
Proceeds on disposal of property, plant and equipment		-	-	-	35
Net cash used in investing activities		**(5,252)**	**(17,165)**	**(122,308)**	**(65,296)**
Cash flows related to financing activities					
Net proceeds from equity offering		-	-	25,485	-
Proceeds from Franco-Nevada gold stream	17	-	-	135,000	-
Repayment of borrowings	16	(8,194)	(9,088)	(54,582)	(9,088)
Drawdown from equipment finance facility, net of financing costs paid		-	-	-	13,843
Financing costs paid		-	(1,200)	(1,000)	(1,200)
Interest paid on borrowings	16	(732)	(1,474)	(2,864)	(4,687)
Dividend payment to government of Senegal		-	-	-	(2,700)
Net cash (used in) / provided by financing activities		**(8,926)**	**(11,762)**	**102,039**	**(3,832)**
Effect of exchange rates on cash holdings in foreign currencies		-	(44)	1	431
Net decrease in cash and cash equivalents		**(356)**	**(12,279)**	**(1,936)**	**(7,527)**
Cash and cash equivalents at the beginning of period		**13,381**	**44,474**	**14,961**	**39,722**
Cash and cash equivalents at the end of period		**13,025**	**32,195**	**13,025**	**32,195**

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Teranga Gold Corporation ("Teranga" or the "Company") is a Canadian-based gold company listed on the Toronto Stock Exchange (TSX: TGZ) and the Australian Stock Exchange (ASX: TGZ). Teranga is principally engaged in the production and sale of gold, as well as related activities such as exploration and mine development. The Company was incorporated in Canada on October 1, 2010.

Teranga operates the Sabodala gold mine and is currently exploring nine exploration licenses covering 1,055km^2 in Senegal, comprising the regional land package that is surrounding the Company's Sabodala gold mine.

On October 4, 2013, Teranga completed the acquisition of Oromin Explorations Ltd. ("Oromin"). Oromin held a 43.5 percent participating interest in the Oromin Joint Venture Group ("OJVG"), which holds 90 percent of Societe des Mines de Golouma S.A. ("Somigol").

On January 15, 2014, the Company acquired the balance of the OJVG that it did not already own by acquiring 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 and more than doubling the Company's reserve base by combining the two permitted mine licenses.

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.

The address of the Company's principal office is 121 King street West, Suite 2600, Toronto, Ontario, Canada M5H 3T9.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Since the interim condensed consolidated financial statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2013.

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries and were approved by the Board of Directors on October 30, 2014.

b. Basis of presentation

All amounts included in these interim condensed consolidated financial statements have been presented in United States dollars unless otherwise stated. The interim condensed consolidated financial statements have been prepared on the basis of historical cost, except for equity settled and cash settled share-based payments that are fair valued at the date of grant and certain other financial assets and liabilities that are measured at fair value. The interim condensed consolidated financial statements have been prepared based on the Company's accounting policies set out in Note 3 of the annual audited consolidated financial statements for the year ended December 31, 2013, except for the changes described below in Note 2c.

c. New accounting policies

Goodwill

Under the acquisition method of accounting, the costs of business combinations are allocated to the assets acquired and liabilities assumed based on the estimated fair value at the date of acquisition. The excess of the fair value of consideration paid over the fair value of the identifiable net assets acquired is recorded as goodwill, which is assigned to the cash-generating unit ("CGU") or group of CGUs that are expected to benefit from the synergies of the business combination.

Goodwill is tested for impairment annually in the fourth quarter on November 1 unless there is an indication that goodwill is impaired and, if there is such an indication, goodwill will be tested for impairment at that time. For the purposes of impairment testing, goodwill is allocated to the Company's cash-generating units. The recoverable amount of a cash-generating unit is the higher of Value in Use ("VIU") and Fair Value Less Costs of Disposal ("FVLCD"). A goodwill impairment charge is recognized for any excess of the carrying amount of the unit over its recoverable amount. Goodwill impairment charges are not reversible.

Share-based Payment

The Company grants cash-settled awards in the form of Restricted Share 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 RSUs that vest based on the achievement of performance conditions are re-valued based on the current best estimate of the outcome of the performance condition at the reporting period. The cost of the award is recorded on a straight-line basis over the vesting period and is recorded within non-current liabilities on the consolidated statements of financial position, except for the portion that will vest within twelve months which are recorded within current liabilities. The expense for the award is recorded on a straight-line basis over the vesting period and is recorded within share-based compensation on the consolidated statements of comprehensive income / (loss).

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 current liabilities on the consolidated statements of financial position. The expense for the award is recorded on a straight-line basis over the vesting period and is recorded within share-based compensation on the consolidated statements of comprehensive income / (loss).

IFRIC 21 - Levies

In May 2013, the IASB issued IFRIC Interpretation 21, Levies, which was developed by the IFRS Interpretations Committee (the "Committee"). The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached.

The interpretation is applicable for annual periods beginning on or after January 1, 2014. The Company has evaluated the impact of IFRIC 21 and has determined that there was no impact on its consolidated financial statements.

3. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

a. IFRS 9 – Financial Instruments

IFRS 9, "Financial instruments" (IFRS 9), was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. In July 2013, the IASB tentatively decided to defer the Mandatory effective date of IFRS 9. On July 24, 2014, the IASB issued the final version of IFRS 9 with an effective adoption date of January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

4. ACQUISITION

a. Acquisition of Oromin

On August 6, 2013, the Company acquired 78,985,388 common shares of Oromin (Oromin being one of the three joint venture partners holding 43.5 percent of the OJVG) for total consideration paid of $24.1 million. Together with the 18,699,500 Oromin shares owned by the Company and a further 2,091,013 shares obtained, this represented a total of 99,775,901 Oromin shares or approximately 72.6 percent of the outstanding Oromin shares. Upon acquisition of control, the Company consolidated the identifiable assets and liabilities of Oromin, including its equity-accounted investment in OJVG.

On October 4, 2013, the Company completed the acquisition of all of the remaining issued and outstanding common shares of Oromin for total consideration of $13.7 million holding an equity interest in the investment in OJVG at end of 2013.

In 2013, the Company issued 71,183,091 Teranga shares to acquire all of the Oromin shares for consideration of $37.8 million.

b. Acquisition of the OJVG

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. Upon finalization of the allocation of the purchase price, $3.8 million of contingent consideration was accrued as a non-current liability based on targeted additions to OJVG reserves.

The Company determined that the combined transactions represented a single business combination 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.

(unaudited, in $000's of United States dollars, except per share amounts)

In accordance with business combination 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's identifiable assets and liabilities. Expected future cash flows were based on estimates of projected future revenue, expected future production costs and capital expenditures. The Company finalized the purchase price allocation during the third quarter of 2014. The excess of the acquisition cost over the net identifiable assets acquired, including consideration of non-controlling interest, represents goodwill.

Goodwill principally reflects the ability to create operational synergies. The acquisition will benefit from the use of the existing mill and infrastructure. In addition, the Company has the ability to optimize the phasing of the mining and processing of its existing reserves and the OJVG reserves due to the close proximity of the OJVG pits to the Sabodala mill.

The following tables present the purchase price and the final allocation of the purchase price to the net identifiable assets and liabilities acquired.

Consideration transferred - Acquisition of OJVG	
Total acquisition cost - Bendon	105,000
Total acquisition cost - Badr	11,314
Fair value of existing 43.5% interest in OJVG - Oromin	47,059
Consideration transferred	163,373
Cash acquired with OJVG	(32)
Consideration, net of cash acquired	**163,341**

Summary of Final Purchase Price Allocation	
Total consideration	**163,373**
Assets	
Current assets	127
Mine development expenditures	109,207
Total assets	109,334
Liabilities	
Current liabilities	1,152
Total liabilities	1,152
Net identifiable assets acquired	**108,182**
Goodwill	**55,191**

Since the date of acquisition, the OJVG has not recorded any revenue and a net loss of $0.07 million was included in the consolidated statement of comprehensive income / (loss) for the nine months ended September 30, 2014.

5. REVENUE

	Three months ended September 30		**Nine months ended September 30**	
	2014	**2013**	**2014**	**2013**
Gold sales - spot price (i)	56,576	50,419	183,440	239,178
Silver sales	135	145	595	447
Total revenue	**56,711**	**50,564**	**184,035**	**239,625**

(i) During the three and nine months ended September 30, 2014, the Company delivered 5,625 ounces and 16,875 ounces of gold to Franco-Nevada Corporation ("Franco-Nevada"), respectively. The Company realized proceeds from the sale of these ounces equivalent to 20 percent of the spot gold price. Please refer to note 17.

(unaudited, in $000's of United States dollars, except per share amounts)

For the three months ended September 30, 2014, 44,573 ounces of gold were sold at an average realized price of $1,269 per ounce (2013: 37,665 ounces were sold at an average price of $1,339 per ounce). For the nine months ended September 30, 2014, 142,625 ounces of gold were sold at an average realized price of $1,286 per ounce (2013: 161,845 ounces were sold at an average price of $1,478 per ounce). Revenue in the comparative period in the prior year excludes the impact of gold hedges as gains and losses on ounces delivered into gold hedge contracts are classified within gains (losses) on gold hedge contracts.

For the three months ended September 30, 2013, there were no deliveries made into gold hedge contracts. Including the impact of gold hedge losses, for the nine months ended September 30, 2013, 161,845 ounces of gold were sold at an average realized price of $1,245 per ounce, including 45,289 ounces that were delivered into gold hedge contracts at $806 per ounce, representing 28 percent of gold sales for the period and 116,556 ounces were sold into the spot market at an average price of $1,416 per ounce.

During the second quarter of 2013, the Company bought back the remaining 14,500 ounces "out of the money" gold forward sales contracts at a cost of $8.6 million.

During 2014, the Company delivered all of its gold to two customers (2013: one customer): $49.5 million and $7.1 million for the three months ended September 30, 2014 (2013: $50.4 million) and $161.7 million and $21.7 million for the nine months ended September 30, 2014 (2013: $239.2 million).

6. COST OF SALES

	Three months ended September 30		Nine months ended September 30	
	2014	**2013**	**2014**	**2013**
Mine production costs	37,230	39,265	121,287	127,197
Capitalized deferred stripping	(1,749)	(13,327)	(4,710)	(41,820)
Depreciation and amortization - deferred stripping assets	6,915	1,966	19,385	5,780
Depreciation and amortization - property, plant and equipment and mine development expenditures	9,310	11,596	28,617	45,420
Royalties	2,789	2,507	8,692	11,865
Rehabilitation	-	4	-	6
Inventory movements - cash	(3,346)	(2,247)	(16,343)	3,393
Inventory movements - non-cash	(2,805)	(2,393)	(4,486)	(5,863)
Total cost of sales before write-down to net realizable value	**48,344**	**37,371**	**152,442**	**145,978**
Inventory (reversal) write-down to net realizable value	(250)	-	8,861	-
Inventory (reversal) write-down to net realizable value - depreciation	(121)	-	4,191	-
	(371)	-	13,052	-
Total cost of sales	**47,973**	**37,371**	**165,494**	**145,978**

During the three months ended September 30, 2014, the Company recorded a $0.4 million reversal of the non-cash write-down on long-term low-grade ore stockpile inventory that had been previously recorded during the second quarter 2014. Higher grades mined during the third quarter resulted in a decrease in the per ounce cost of inventory (including applicable overhead, depreciation and amortization).

For the nine months ended September 30, 2014, the net non-cash write-down was $13.1 million. The non-cash write-down previously recorded in the second quarter of 2014 was as a result of an increase in costs added to low-grade ore stockpiles during the second quarter. Lower ore grades mined during the quarter resulted in an increase in the per ounce cost of inventory (including applicable overhead, depreciation and amortization).

(unaudited, in $000's of United States dollars, except per share amounts)

7. ADMINISTRATION EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2014	**2013**	**2014**	**2013**
Corporate office	1,656	1,840	5,904	5,982
Dakar office	289	340	964	926
Social community costs	490	745	1,482	1,453
Audit fees	38	142	248	385
Legal and other	536	491	1,970	1,926
Depreciation	181	281	649	854
Total administration expenses	**3,190**	**3,839**	**11,217**	**11,526**

8. FINANCE COSTS

	Three months ended September 30		Nine months ended September 30	
	2014	**2013**	**2014**	**2013**
Interest on borrowings	801	2,076	2,999	5,801
Amortization of borrowing costs	830	902	2,434	1,770
Unwinding of discount	690	25	897	74
Political risk insurance	36	170	160	482
Stocking fees	205	204	658	607
Bank charges	78	64	256	264
Total finance costs	**2,640**	**3,441**	**7,404**	**8,998**

9. OTHER (INCOME)/EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2014	**2013**	**2014**	**2013**
Acquisition and related costs (i)	-	4,468	2,065	7,321
Other	-	334	-	1,198
Interest income	(36)	(10)	(68)	(45)
Total other (income)/expenses	**(36)**	**4,792**	**1,997**	**8,474**

(i) Comprised of costs for legal, advisory and consulting.

10. TRADE AND OTHER RECEIVABLES

	As at September 30, 2014	As at December 31, 2013
Current		
Trade receivables (i)	458	7,376
Other receivables (ii)	1,807	623
Total trade and other receivables	**2,265**	**7,999**

(i) Trade receivables relate to gold and silver shipments made prior to period end that were settled after quarter end.
(ii) Other receivables primarily include receivables from suppliers for services, materials and utilities used at the Sabodala gold mine and OJVG gold project and $0.5 million of Canadian sales tax refunds as at September 30, 2014 (December 31, 2013: $0.2 million).

(unaudited, in $000's of United States dollars, except per share amounts)

11. INVENTORIES

	As at September 30, 2014	As at December 31, 2013
Current		
Gold bullion	4,727	7,192
Gold in circuit	5,731	5,010
Ore stockpile	12,633	17,443
Total gold inventories	**23,091**	**29,645**
Diesel fuel	2,902	3,136
Materials and supplies	32,377	31,737
Goods in transit	1,839	2,914
Total other inventories	**37,118**	**37,787**
Total current inventories	**60,209**	**67,432**
Non-Current		
Ore stockpile (i)	78,068	63,740
Total inventories	**138,277**	**131,172**

(i) During the period ended September 30, 2014, the Company recognized net write-downs to net realizable value on inventory totalling $13.1 million. These adjustments were required as the carrying value of gold inventory exceeded its net realizable value. Refer to note 6.

12. OTHER ASSETS

	As at September 30, 2014	As at December 31, 2013
Current		
Prepayments (i)	3,640	4,256
Security deposit (ii)	1,500	1,500
OJVG Advanced royalty payment (iii)	2,276	-
Available for sale financial assets	8	6
Total other current other assets	**7,424**	**5,762**
Non-current		
OJVG Advanced royalty payment (iii)	7,675	-
Intangible assets	379	947
Total other long-term assets	**8,054**	**947**
Total other assets	**15,478**	**6,709**

(i) As at September 30, 2014, prepayments include $1.9 million (December 31, 2013 - $2.9 million) of advances to vendors and contractors and $1.7 million for insurance (December 31, 2013 - $1.4 million).

(ii) The security deposit represents a security for payment under the mining fleet and maintenance contract.

(iii) During the three months ended September 30, 2014, the Company commenced production from the OJVG and In accordance with the Global Agreement between the Company and the Republic of Senegal, the Company recorded a $10.0 million advanced royalty payment to the Government of Senegal related to the waiver of the Government's right to acquire an additional equity interest in the OJVG. The advanced royalty has been recorded within other current assets based on expected production from the OJVG over the next year and the remaining is recorded within other non-current assets. The advanced royalty balance will be drawn down based on actual production from the OJVG. Refer to notes 15 and 21.

(unaudited, in $000's of United States dollars, except per share amounts)

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings and property improvement	Plant and equipment	Office furniture and equipment	Motor vehicles	Equipment under finance lease	Capital work in progress	Total
Cost							
Balance as at January 1, 2013	**44,453**	**275,680**	**1,804**	**3,086**	**42,417**	**8,062**	**375,502**
Additions	-	-	-	-	-	15,154	**15,154**
Capitalized mine rehabilitation	-	4,694	-	-	-	-	**4,694**
Disposals	-	(15)	(4)	(246)	(501)	-	**(766)**
Reclassification	-	118	-	-	-	-	**118**
Transfer	582	17,549	391	191	-	(18,713)	**-**
Balance as at December 31, 2013	**45,035**	**298,026**	**2,191**	**3,031**	**41,916**	**4,503**	**394,702**
Additions	-	-	-	-	-	2,829	**2,829**
Capitalized mine rehabilitation	-	226	-	-	-	-	**226**
Disposals	-	-	(5)	-	-	-	**(5)**
Reclassification	-	100	-	-	-	-	**100**
Transfer	-	2,909	-	-	-	(2,909)	**-**
Balance as at September 30, 2014	**45,035**	**301,261**	**2,186**	**3,031**	**41,916**	**4,423**	**397,852**
Accumulated depreciation							
Balance as at January 1, 2013	**14,404**	**84,013**	**1,011**	**1,835**	**26,341**	**-**	**127,604**
Disposals	-	(3)	(2)	(220)	(402)	-	**(627)**
Depreciation expense	4,812	34,435	435	386	8,117	-	**48,185**
Balance as at December 31, 2013	**19,216**	**118,445**	**1,444**	**2,001**	**34,056**	**-**	**175,162**
Disposals	-	-	(4)	-	-	-	**(4)**
Depreciation expense	1,495	14,311	284	255	2,709	-	**19,054**
Balance as at September 30, 2014	**20,711**	**132,756**	**1,724**	**2,256**	**36,765**	**-**	**194,212**
Net book value							
Balance as at December 31, 2013	**25,819**	**179,581**	**747**	**1,030**	**7,860**	**4,503**	**219,540**
Balance as at September 30, 2014	**24,324**	**168,505**	**462**	**775**	**5,151**	**4,423**	**203,640**

Additions made to property, plant and equipment during the nine months ended September 30, 2014 relate mainly to tailing facility upgrades.

Depreciation of property, plant and equipment was $6.5 million for the three months ended September 30, 2014 (2013: $9.7 million) and $19.1 million for the nine months ended September 30, 2014 (2013: $35.9 million).

(unaudited, in $000's of United States dollars, except per share amounts)

14. MINE DEVELOPMENT EXPENDITURES

	Amount
Cost	
Balance as at January 1, 2013	**187,329**
Additions incurred during the year	67,873
Balance as at December 31, 2013	**255,202**
Acquisition of OJVG	109,207
Additions incurred during the year	10,164
Balance as at September 30, 2014	**374,573**
Accumulated depreciation	
Balance as at January 1, 2013	**48,720**
Depreciation expense	30,091
Balance as at December 31, 2013	**78,811**
Depreciation expense	29,215
Balance as at September 30, 2014	**108,026**
Carrying amount	
Balance as at December 31, 2013	**176,391**
Balance as at September 30, 2014	**266,547**

	As at September 30, 2014		
	Total cost	Accumulated depreciation	Carrying amount
Development and exploration costs	184,857	(61,547)	123,310
Acquisition of OJVG	109,207	(5,727)	103,480
Deferred stripping asset	80,509	(40,752)	39,757
Total mine development expenditures incurred	**374,573**	**(108,026)**	**266,547**

	As at December 31, 2013		
	Total cost	Accumulated depreciation	Carrying amount
Development and exploration costs	179,403	(57,445)	121,958
Deferred stripping asset	75,799	(21,366)	54,433
Total mine development expenditures incurred	**255,202**	**(78,811)**	**176,391**

	As at September 30, 2014	As at December 31, 2013
Capitalized mine development additions		
Deferred stripping costs	4,710	43,264
Gora	259	491
Masato	2,784	-
Other capitalized reserve development	295	3,511
Payments to the Republic of Senegal	-	16,609
Other	2,116	3,998
Total capitalized mine development additions	**10,164**	**67,873**

Mine development expenditures represent development costs in relation to the Sabodala gold mine, Gora satellite deposit and development costs for the Masato deposit.

Acquisition of the OJVG represents the fair value of the mine development expenditures acquired through the acquisition of Oromin and the remaining interests in the OJVG.

The Gora and Masato projects were advanced from the exploration stage to the development stage effective January 1, 2012 and January 15, 2014, respectively, after technical feasibility and commercial viability studies had been completed, or in the case of Masato, at the effective date of the acquisition.

(unaudited, in $000's of United States dollars, except per share amounts)

Depreciation of capitalized mine development of $9.8 million was expensed within cost of sales for the three months ended September 30, 2014 (2013: $4.0 million) and $29.2 million for the nine months ended September 30, 2014 (2013: $15.5 million).

15. TRADE AND OTHER PAYABLES

	As at September 30, 2014	As at December 31, 2013
Current		
Trade payables (i)	19,828	21,410
Sundry creditors and accrued expenses	6,087	11,865
Government royalties (ii)	9,369	16,296
Amounts payable to Republic of Senegal (iii) (iv) (v)(viii)	15,199	7,320
Total current trade and other payables	**50,483**	**56,891**
Non-Current		
Amounts payable to Republic of Senegal (iii) (vi)(viii)	12,418	10,959
Contingent liabilities (vii)	4,016	-
Total other non-current liabilities	**16,434**	**10,959**
Total payables	**66,917**	**67,850**

(i) Trade payables comprise of obligations by the Company to suppliers of goods and services. Terms are generally 30 days.

(ii) Government royalties are payable annually based on the mine head value of the gold and related substances produced at a rate of 5 percent of sales.

(iii) 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. One payment of $0.9 million was made in 2013 and an additional payment of $0.9 million was made during the second quarter of 2014. As at September 30, 2014, $0.9 million remains accrued as a current liability and the final payment of $0.9 million has been accrued as a non-current liability and recorded at its net present value.

(iv) During the second quarter of 2014, a payment of $1.2 million was made in full settlement of the Sabodala Gold Operations SA ("SGO") 2012 tax assessment. Refer to note 22 for further details.

(v) The Company has agreed to advance accrued dividends to the Republic of Senegal in relation to its interest in SGO. For the period ended September 30, 2014, $7.0 million has been accrued based on net sales revenue (2013: $5.2 million). Refer to note 22 for further details.

(vi) 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 operational life, which has been accrued at its net present value.

(vii) The Company acquired Badr's 13 percent carried interest in the OJVG for cash consideration of $7.5 million and further contingent consideration based on higher realized gold prices and increases to OJVG reserves through 2020, of which $4.0 million has been accrued for the period ended September 30, 2014 at its net present value. Upon finalization of the purchase price allocation, $3.8 million of contingent consideration was accrued.

(viii) During the three months ended September 30, 2014, the Company commenced production from the OJVG and in accordance with the Global Agreement between the Company and the Republic of Senegal, the Company is required to make initial payments totalling $10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the Somigol project. During the three and nine months ended September 30, 2014, $1.0 million was paid and the remaining $9.0 million has been accrued as a non-current liability of $7.2 million and a current liability of $1.8 million.

(unaudited, in $000's of United States dollars, except per share amounts)

16. BORROWINGS

	As at September 30, 2014	As at December 31, 2013
Current		
Loan facility	15,000	60,000
Equipment finance liabilities	7,386	12,775
Transaction costs	(1,087)	(2,352)
Total current borrowings	**21,299**	**70,423**
Non-Current		
Equipment finance liabilities	-	4,192
Transaction costs	-	(246)
Total non-current borrowings	**-**	**3,946**
Total borrowings	**21,299**	**74,369**

a. Macquarie Loan Facility

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. As at September 30, 2014, $15.0 million was outstanding and is scheduled to be repaid in full 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.

b. Macquarie Equipment Finance Facility

During the first quarter of 2013, the Company entered into a $50.0 million equipment 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. As at September 30, 2014, $7.4 million was outstanding.

The following table shows the minimum repayment schedule:

	As at September 30, 2014		As at December 31, 2013	
	Minimum future payments	Present value of minimum future payments	Minimum future payments	Present value of minimum future payments
No later than one year	7,386	7,018	12,775	12,290
Later than one year and not later than five years	-	-	4,192	3,946
Total finance lease liabilities	**7,386**	**7,018**	**16,967**	**16,236**
Included in the financial statements as:				
Current	7,386	7,018	12,775	12,290
Non-current	-	-	4,192	3,946

The Equipment Facility has a remaining term of nine months expiring in June 2015. Minimum future payments consist of two payments over the remaining term of the loan. Interest is calculated at LIBOR plus 7.5 percent paid quarterly in arrears. Due to the variable nature of the interest repayments, the table above excludes all future interest amounts.

(unaudited, in $000's of United States dollars, except per share amounts)

17. DEFERRED REVENUE

On January 15, 2014, the Company completed a streaming 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.

For ounces of gold delivered to Franco-Nevada under the streaming transaction, Franco-Nevada will pay in cash the prevailing spot price of gold at the date of delivery for 20 percent of the ounces. For the remaining 80 percent of the ounces delivered to Franco-Nevada, the deferred revenue balance will be drawn down based on the prevailing spot price for gold. Once the deferred revenue has been drawn down to, nil, the Company will only receive the 20 percent cash payment referred to above for the 6 percent of ounces produced.

The initial term of the contract is 40 years and the deposit bears no interest. For accounting purposes, the agreement is considered a contract for the future delivery of gold ounces at contracted price. The up-front $135.0 million payment is accounted for as prepayment of yet-to-be delivered ounces under the contract and are recorded as deferred revenue.

During the three and nine months ended September 30, 2014, the Company delivered 5,625 ounces and 16,875 ounces, respectively, of gold to Franco-Nevada. During the three months ended September 30, 2014, the Company recorded revenue of $7.1 million, consisting of $1.4 million received in cash proceeds and $5.7 million recorded as a reduction of deferred revenue. During the nine months ended September 30, 2014, the Company recorded revenue of $21.7 million associated with the ounces delivered to Franco-Nevada, consisting of $4.3 million received in cash proceeds and $17.4 million recorded as a reduction of deferred revenue.

	Amount
Balance as at January 1, 2014	-
Deposit received	135,000
Amortization of deferred revenue	(17,385)
Balance as at September 30, 2014	**117,615**

	As at September 30, 2014	As at December 31, 2013
Current		
Deferred revenue	21,870	-
Non-Current		
Deferred revenue	95,745	-
Total deferred revenue	**117,615**	**-**

(unaudited, in $000's of United States dollars, except per share amounts)

18. PROVISIONS

	As at September 30, 2014	As at December 31, 2013
Current		
Employee benefits (i)	2,424	1,751
Cash settled share-based compensation (iii)	295	-
Total current provisions	**2,719**	**1,751**
Non-Current		
Mine restoration and rehabilitation (ii)	14,540	14,227
Cash settled share-based compensation (iii)	383	109
Total non-current provisions	**14,923**	**14,336**
Total provisions	**17,642**	**16,087**

(i) The provisions for employee benefits include $1.8 million accrued vacation and $0.6 million long service leave entitlements for the period ended September 30, 2014 (December 31, 2013 - $1.2 million and $0.6 million).

(ii) Mine restoration and rehabilitation provision represents a constructive obligation to rehabilitate the Sabodala gold mine based on the mining concession. The majority of the reclamation activities will occur at the completion of active mining and processing (which as of September 30, 2014 was estimated based on a Sabodala pit mine closure in 2019 and Masato pit mine closure in 2027 due to the acquisition of the OJVG) but a limited amount of concurrent rehabilitation will occur throughout the mine life.

(iii) The provision for cash settled share-based compensation represents the amortization of the fair value of the fixed bonus plan units and the amortization of the fair value of the RSUs and DSUs. Please see Note 25 for further details.

19. ISSUED CAPITAL

	Number of shares	Amount
Balance as at January 1, 2013	**245,618,000**	**305,412**
Issued to Oromin shareholders	71,183,091	37,264
Less: Share issue costs	-	(206)
Balance as at January 1, 2014	**316,801,091**	**342,470**
Equity offering issuance	36,000,000	27,274
Less: Share issue costs	-	(1,893)
Balance as at September 30, 2014	**352,801,091**	**367,851**

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.

In 2013, the Company completed the acquisition of all of the issued and outstanding common shares of Oromin that it did not already own. The Company issued 71,183,091 Teranga shares to acquire all of the Oromin for consideration of $37.3 million.

The Company is authorized to issue an unlimited number of common shares with no par value. Holders of common shares are entitled to one vote for each common share on all matters to be voted on by shareholders at meetings of the Company's shareholders. All dividends which the Board of Directors may declare shall be declared and paid in equal amounts per share on all common shares at the time outstanding. There are no pre-emptive, redemption or conversion rights attached to the common shares. All common shares, when issued, are and will be issued as fully paid and non-assessable shares without liability for further calls or to assessment.

(unaudited, in $000's of United States dollars, except per share amounts)

20. EARNINGS/(LOSSES) PER SHARE (EPS)

	Three months ended September 30		Nine months ended September 30	
	2014	**2013**	**2014**	**2013**
Basic EPS (US$)	0.01	(0.00)	(0.02)	0.20
Diluted EPS (US$)	0.01	(0.00)	(0.02)	0.20
Basic EPS:				
Net profit/(loss) used in the calculation of basic EPS	2,422	(442)	(5,639)	51,737
Weighted average number of common shares for the purposes of basic EPS ('000)	352,801	274,700	336,845	255,418
Weighted average number of common shares for the purpose of diluted EPS ('000)	352,801	274,700	336,845	255,418

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 23.0 million and 23.9 million shares relating to share options which were anti-dilutive for the periods ended September 30, 2014 and September 30, 2013, respectively.

21. COMMITMENTS FOR EXPENDITURE

a. Capital Expenditure Commitments

The Company has committed to spend a total of $100 thousand over the next year in respect of a mining equipment supply contract.

b. Sabodala Gold Operations ("SGO"), Sabodala Mining Company ("SMC") and the 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 completion of the acquisition of the OJVG, the Company is required to make initial payments totalling $10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the OJVG. The initial payment is to be used to finance social projects in the mine site region, which are determined by the Republic of Senegal and will be paid either directly to suppliers for the completion of specific projects or to specified ministries of the Republic of Senegal. During the three and nine months ended September 30, 2014, $1.0 million was paid and the remaining $9.0 million has been accrued and is expected to be paid during the remainder of 2014 and through 2015. An additional payment will be payable when the actual cumulative production from the OJVG, net of mining royalties, multiplied by the Company's weighted average gold prices, multiplied by 1 percent, exceeds the initial payments.
- Pursuant to the Company's Mining Concession, $1,225 thousand is payable annually for community projects and infrastructure to support local communities surrounding the Company's operations and social development of local authorities in the surrounding Kedougou region.
- $30 thousand is payable annually 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 is payable annually for training of Directorate of Mines and Geology officers and Mines Ministry.
- $250 thousand is payable annually for a forestry protocol to the Ministry of Environment for the period of 5 years. As the protocol was signed on April 2, 2014, the prorated payment for 2014 amounted to $187.5 thousand.
- $925 thousand is payable annually for additional reserves until 2016 ($3.7 million in total for the period from 2013 to 2016).
- $112 thousand is payable annually as institutional support for the exploration licenses.

(unaudited, in $000's of United States dollars, except per share amounts)

22. CONTINGENT LIABILITIES

During the second quarter of 2013, the Company signed a definitive global agreement with the Republic of Senegal. A component of the agreement relates to the settlement of outstanding tax assessments and special contribution payment.

a. 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 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. The Company believes 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 SMC tax assessment received in January 2013.

b. Government Payments

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, expected in 2015. Approximately $7.0 million has been accrued based on net sales revenue as at September 30, 2014, of which $5.2 is now expected to be made in early 2015 with the remaining estimated amount to be paid subsequently in 2015.

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.

23. CASH FLOW INFORMATION

a. Change in working capital other than inventory

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Changes in working capital other than inventory				
(Increase)/decrease in trade and other receivables	(101)	4,511	6,212	1,146
Decrease/(increase) in other assets	1,331	(1,769)	620	33
Increase/(decrease) in trade and other payables	2,326	2,350	(13,297)	(5,653)
Increase/(decrease) in provisions	88	(21)	644	(106)
Net change in working capital other than inventory	**3,644**	**5,071**	**(5,821)**	**(4,580)**

b. Cash balances restricted for use

On January 15, 2014, the Company amended its existing $60.0 million Loan Facility agreement with Macquarie and retired half of the balance of $30.0 million. As at September 30, 2014, $15.0 million was outstanding and is scheduled to be repaid in full on December 31, 2014. The amended Loan Facility agreement replaced the restricted cash requirement with a minimum liquidity threshold of $15.0 million at all times and removed the Project Life Ratio financial covenant.

(unaudited, in $000's of United States dollars, except per share amounts)

24. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

As at September 30, 2014, the Company's financial instruments consisted of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

The following table illustrates the classification of the Company's financial instruments, other than cash and cash equivalents, as at September 30, 2014 and December 31, 2013:

	As at September 30, 2014	As at December 31, 2013
Financial assets:		
Loans and receivables		
Restricted cash	15,000	20,000
Trade and other receivables	2,265	7,999
Financial liabilities:		
Other financial liabilities at amortized cost		
Borrowings	21,299	74,369
Trade and other payables	67,595	67,959

b. Fair value of financial instruments

The Company's trade and other receivables, and trade and other payables are substantially carried at amortized cost, which approximates fair value. Cash and cash equivalents and available-for-sale financial assets are measured at fair value. Borrowings are based on discounted future cash flows using discount rates that reflect current market conditions for this financial instrument with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

Financial instruments carried at amortized cost on the consolidated balance sheets are as follows:

	As at September 30, 2014		As at December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Borrowings	22,386	21,891	76,967	73,510

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

The Company values instruments carried at fair value using quoted market prices, where available. Quoted market prices (unadjusted) in active markets represent a Level 1 valuation. When quoted market prices in markets are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

(unaudited, in $000's of United States dollars, except per share amounts)

The following table outlines financial assets and liabilities measured at fair value in the consolidated financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

	As at September 30, 2014			As at December 31, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets						
Cash and cash equivalents	13,025	-	-	14,961	-	-
Restricted cash	15,000	-	-	20,000	-	-
Total	28,025	-	-	34,961	-	-

25. SHARE-BASED COMPENSATION

The share-based compensation expense for the three months and nine months ended September 30, 2014 totaled $0.3 million and $1.0 million (2013: $0.4 million and $0.7 million).

a. Incentive Stock Option Plan

No common share options were granted in the third quarter of 2014 and 130,000 options were granted for the nine months ended September 30, 2014 to directors and employees (2013: nil and 820,000 options, respectively). During the three and nine months ended September 30, 2014, a total of 150,000 and 857,917 options were forfeited, respectively (2013: 802,500 and 1,953,334 options). No stock options were exercised during the nine months ended September 30, 2014 and September 30, 2013. As at September 30, 2014, there were 21,169,973 and 1,839,960 outstanding options vested and unvested, respectively.

In connection with the acquisition of Oromin in 2013, Teranga issued 7,911,600 replacement stock options.

The following stock options were outstanding as at September 30, 2014:

Option series	Number	Grant date	Expiry date	Exercise price (C$)	FV at grant date (C$)
Granted on November 26, 2010	6,420,000	26-Nov-10	26-Nov-20	3.00	1.19
Granted on December 3, 2010	2,225,000	03-Dec-10	03-Dec-20	3.00	1.19
Granted on February 9, 2011	725,000	09-Feb-11	09-Feb-21	3.00	0.99
Granted on April 27, 2011	25,000	27-Apr-11	27-Apr-21	3.00	0.80
Granted on June 14, 2011	455,000	14-Jun-11	14-Jun-21	3.00	0.94
Granted on August 13, 2011	360,000	13-Aug-11	13-Aug-21	3.00	0.82
Granted on December 20, 2011	1,485,000	20-Dec-11	20-Dec-21	3.00	0.61
Granted on February 24, 2012	720,000	24-Feb-12	24-Feb-22	3.00	0.37
Granted on February 24, 2012	283,333	24-Feb-12	24-Feb-22	3.00	1.26
Granted on June 5, 2012	50,000	05-Jun-12	05-Jun-22	3.00	0.17
Granted on September 27, 2012	600,000	27-Sep-12	27-Sep-22	3.00	0.93
Granted on October 9, 2012	600,000	09-Oct-12	06-Oct-22	3.00	1.01
Granted on October 31, 2012	80,000	31-Oct-12	31-Oct-22	3.00	0.52
Granted on October 31, 2012	180,000	31-Oct-12	31-Oct-22	3.00	0.18
Granted on December 3, 2012	200,000	03-Dec-12	03-Dec-22	3.00	0.61
Granted on February 23, 2013	370,000	23-Feb-13	23-Feb-23	3.00	0.42
Granted on May 14, 2013	190,000	14-May-13	14-May-23	3.00	0.82
Granted on June 3, 2013	120,000	03-Jun-13	03-Jun-23	3.00	0.71
Granted on May 1, 2014	50,000	01-May-14	01-May-24	3.00	0.68
Granted on June 4, 2014	80,000	04-Jun-14	04-Jun-24	3.00	0.60
Granted on August 6, 2013	573,600	06-Aug-13	06-Feb-15	1.09	*
Granted on August 6, 2013	45,000	06-Aug-13	06-Feb-15	1.50	*
Granted on August 6, 2013	4,437,600	06-Aug-13	06-Feb-15	1.54	*
Granted on August 6, 2013	2,735,400	06-Aug-13	06-Feb-15	2.17	*

* As part of the Oromin acquisition, 7,911,600 replacement stock options were issued which vested immediately.

(unaudited, in $000's of United States dollars, except per share amounts)

As at September 30, 2014, approximately 12.3 million (2013: 8.6 million) options were available for issuance under the Plan.

The estimated fair value of share options is amortized over the period in which the options vest which is normally three years. For those options which vest on single or multiple dates, either on issuance or on meeting milestones (the "measurement date"), the entire fair value of the vesting options is recognized immediately on the measurement date.

Of the 23,009,933 common share stock options issued and outstanding as at September 30, 2014, 15,043,333 vest over a three-year period, 7,791,600 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 the best estimate of outcome of achieving our results.

As at September 30, 2014, 15,218,833 share options had a contractual life of ten years at issuance and 7,791,600 share options issued in connection with the acquisition of Oromin have a remaining contractual life of 4 months.

Fair value of stock options granted

The fair value at the grant date was calculated using Black-Scholes option pricing model with the following assumptions:

	Three months ended September 30		Nine months ended September 30	
	2014	**2013**	**2014**	**2013**
Grant date share price	C$0.00	C$0.50	C$0.60-C$0.68	C$0.05-C$1.44
Exercise price	C$0.00	C$1.09-C$2.17	C$3.00	C$1.09-C$3.00
Range of risk-free interest rate	0%	1.15%	1.05%-1.28%	1.03%-1.21%
Volatility of the expected market price of share	0%	67.30%	67.28%-68.30%	67.28%-68.30%
Expected life of options (years)	0.00	1.5	2.0-3.5	1.5-3.5
Dividend yield	0%	0%	0%	0%
Forfeiture rate	0%	5%	5%-50%	5%-50%

Due to lack of sufficient historical information for the Company, volatility was determined using the existing historical volatility information of the Company's share price combined with the industry average for comparable-size mining companies.

Movements in shares options during the period

The following table reconciles the share options outstanding at the beginning and end of the period:

	Number of options	Weighted average exercise price
Balance as at beginning of the year - January 1, 2013	**17,139,167**	**C$3.00**
Granted during the year	820,000	C$3.00
Replacement stock options issued to Oromin employees on change of control	7,911,600	C$1.09-C$2.17
Forfeited during the year	(2,132,917)	C$3.00
Balance as at end of the year - December 31, 2013	**23,737,850**	**C$2.33**
Granted during the year	130,000	C$2.81
Forfeited during the year	(857,917)	C$2.81
Balance as at end of the year - September 30, 2014	**23,009,933**	**C$2.40**
Number of options exercisable - December 31, 2013	20,640,532	
Number of options exercisable - September 30, 2014	21,169,973	

There were no options exercised during the nine months ended September 30, 2014 and September 30, 2013.

(unaudited, in $000's of United States dollars, except per share amounts)

b. Fixed Bonus Plan

The Fixed Bonus Plan was introduced during the third quarter of 2012. As at September 30, 2014, a total of 1,360,000 Units were outstanding (December 31, 2013: 1,440,000 units). During the three months ended September 30, 2014, no Units were forfeited or exercised.

As at September 30, 2014, there were 1,360,000 Units outstanding that were granted on August 8, 2012 with expiry dates ranging from November 24, 2020 through to February 24, 2022. The Units each have an exercise price of C$3.00 and have fair value as at September 30, 2014 in the range of C$0.04 to C$0.19 per Unit. The total fair value of the Units as at September 30, 2014 was $0.2 million (December 31, 2013: $0.1 million).

The estimated fair values of the Units were amortized over the period in which the Units vest. Of the 1,360,000 Units outstanding, 50 percent vested upon issuance, 25 percent vested on December 31, 2012 and 25 percent vested on December 31, 2013.

Fair value of Units granted

The fair value was calculated using the Black-Scholes pricing model with the following assumptions:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Share price at the end of the period	C$0.75	C$0.67	C$0.75	C$0.67
Exercise price	C$3.00	C$3.00	C$3.00	C$3.00
Range of risk-free interest rate	1.12%-1.63%	1.18%-1.86%	1.12%-1.63%	1.18%-1.86%
Volatility of the expected market price of share	66.71%-68.3%	66.71%-68.3%	66.71%-68.3%	66.71%-68.3%
Expected life of options (years)	2.0-5.0	2.0-5.0	2.0-5.0	2.0-5.0
Dividend yield	0%	0%	0%	0%
Forfeiture rate	5%-50%	5%-50%	5%-50%	5%-50%

Due to lack of sufficient historical information for the Company, volatility was determined using the existing historical volatility information of the Company's share price combined with the industry average for comparable-size mining companies.

c. Restricted Stock Units ("RSUs")

The Company introduced a new Restricted Share Unit Plan ("RSU Plan") for employees during the second quarter 2014. RSUs are not convertible into Company stock and simply represent a right to receive an amount of cash (subject to withholdings), on vesting, equal to the product of i) the number of RSUs held, and ii) the volume weighted average trading price of the Company's shares for the five trading days prior to such date. RSUs will generally vest as to 50 percent in thirds over a three-year period and as to the other 50 percent, in thirds upon satisfaction of annual production and cost targets.

During the three months ended September 30, 2014, the Company granted 13,887 RSUs and during the nine months ended September 30, 2014, 2,343,487 RSUs were granted. As at September 30, 2014, there were no units vested and no units were cancelled.

d. Deferred Stock Units ("DSUs")

The Company introduced a new Deferred Share Unit Plan ("DSU Plan") for non-executive directors during the second quarter of 2014. DSUs represent a right for a non-executive director to receive an amount of cash (subject to withholdings), on ceasing to be a director of the Company, equal to the product of (i) the number of DSUs held, and (ii) the volume weighted average trading price of the Company's shares for the five trading days prior to such date.

The Company granted 545,000 DSUs during the second quarter of 2014. As at September 30, 2014, there were no units vested and no units have been cancelled

26. RELATED PARTY TRANSACTIONS

a. Equity interests in related parties

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 33 of the audited annual consolidated financial statements of the Company for the period ended December 31, 2013.

b. Transactions with key management personnel

Details of key management personnel compensation are disclosed in Note 25 and Note 38 of the audited annual consolidated financial statements of the Company for the period ended December 31, 2013.

No loans were made to directors or director-related entities during the period.