MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the three and nine months ended September 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 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 nine months ended September 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 October 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. Look to make exploration discoveries on the regional land package by continuing to systematically work through the many targets and prospects through a modest, multi-year exploration program; and

ii. Look to make acquisitions of known deposits that can be processed through the Company's existing mill.

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$000's, except where indicated)	Three months ended September 30		Nine months ended September 30	
Operating Data	2014	2013	2014	2013
Gold Produced (ounces)	48,598	36,874	140,545	154,836
Gold Sold (ounces)	44,573	37,665	142,625	161,845
Average realized gold price[1]	1,269	1,339	1,286	1,245
Total cash costs ($ per ounce sold)[2]	781	748	760	621
All-in sustaining costs ($ per ounce sold)[2]	954	1,289	934	1,086
Total depreciation and amortization ($ per ounce sold)[2]	301	297	305	280

	Three months ended September 30		Nine months ended September 30	
Financial Data	2014	2013	2014	2013
Revenue	56,711	50,564	184,035	239,625
Profit (loss) attributable to shareholders of Teranga	2,422	(442)	(5,639)	51,737
Per share	0.01	(0.00)	(0.02)	0.20
Operating cash flow	13,822	16,692	18,332	61,170
Capital expenditures	5,252	17,165	14,808	65,331
Free cash flow[3]	8,570	(473)	3,524	(4,161)
Cash and cash equivalents (including bullion receivables and restricted cash)	28,025	36,156	28,025	36,156
Net cash (debt)[4]	6,726	(40,283)	6,726	(40,283)
Total assets	709,423	617,495	709,423	617,495
Total non-current liabilities	127,102	69,333	127,102	69,333

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

[1] For the nine months ended September 30, 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 non-cash inventory write-downs 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 cash (debt) is defined as total borrowings and financial derivative liabilities less cash and cash equivalents, bullion receivables and restricted cash.

Third Quarter Financial and Operating Highlights

- Gold production for the three months ended September 30, 2014 was 48,598 ounces, 32 percent higher than the same prior year period due to higher processed grade. Gold production for the quarter was weaker than expected. The Company experienced about a 5,000 ounce discrepancy between predicted gold production based on the daily production report assays, and reconciled gold poured and gold in circuit production at quarter end. Management is investigating the source of the discrepancy. Based on an initial assessment, it would appear that there is a bias in the assays by the independent lab on site that began in the third quarter and further investigation is underway. In addition, Management is reviewing the impact that processing Masato material may have had on moisture content and gold in circuit which independently or in combination could account for this discrepancy.

- During the third quarter of 2014, 44,573 ounces were sold at an average realized gold price of $1,269 per ounce. During the third quarter of 2013, 37,665 ounces were sold at an average realized price of $1,339 per ounce.

- Total cash costs per ounce for the three months ended September 30, 2014, excluding the reversal of non-cash inventory write-downs to net realized value ("NRV"), were marginally higher than the same prior year quarter mainly due to lower capitalized deferred stripping, partly offset by higher gold production.
- All-in sustaining costs for the three months ended September 30, 2014, excluding the reversal of non-cash inventory write-downs to NRV, were $954 per ounce, 26 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 September 30, 2014 was $301 per ounce, compared to $297 per ounce in the prior year quarter as lower depreciation on property, plant and equipment and mine development expenditures more than offset higher depreciation on capitalized deferred stripping assets.
- Gold revenue for the three months ended September 30, 2014 was $56.7 million, 12 percent higher than the same prior year period. The increase in gold revenue was due to 18 percent higher gold sales volume, partially offset by 5 percent lower realized gold prices during the third quarter of 2014.
- During the third quarter 2014, the Company recorded profit attributable to shareholders of $2.4 million ($0.01 per share), compared to a loss attributable to shareholders of $0.4 million ($0.00 loss per share) in the same prior year period. The increase in profit and earnings per share over the prior year quarter were primarily due to higher revenues in the current year quarter.
- Cash flow provided by operations was $13.8 million for the three months ended September 30, 2014, compared to cash flow provided by operations of $16.7 million in the same prior year period. The decrease in operating cash flow compared to the prior year quarter was primarily due the impact of delivering a portion of current period production to Franco-Nevada at 20 percent of gold spot prices, partially offset by higher revenues.
- Capital expenditures for the three months ended September 30, 2014 were $5.3 million compared to $17.2 million in the same prior year period. The decrease in capital expenditures was mainly due to lower capitalized deferred stripping in the third quarter of 2014.
- The Company's cash balance at September 30, 2014 was $28.0 million, including restricted cash. Cash and cash equivalents were similar to the balance reported at June 30, 2014, as cash flow provided by operations of $13.8 million was offset by debt and interest repayments totaling $8.9 million and capital expenditures of $5.3 million.
- For the nine months ended September 30, 2014, the Company has made a total of $44.2 million in one-time payments. This includes $24.6 million in debt repayments, $3.1 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. For the balance of the year, the Company expects to make a further $20.0 million in one-time payments, including about $18.0 million in debt repayments and about $2.0 million in payments to the Republic of Senegal. In total, the Company will have made approximately $65.0 million in one-time payments during 2014. Approximately $15.0 million in one-time payments to the Republic of Senegal, are now expected to be paid in 2015. The one-time payments described herein, excludes $30.0 million in debt retired in the first quarter 2014 as part of the Franco-Nevada transaction.

Outlook 2014

2014 Guidance Analysis

Based on the deferral of Sabodala high-grade ounces into 2015 and year to date production, the Company is lowering its 2014 annual production guidance to approximately 215,000 ounces, from the Company's previous guidance update when it guided to the bottom end of its original guidance range of 220,000 to 240,000 ounces. The lower production forecast is a result of a deferral of mining approximately 10,300 ounces (87,000 tonnes at over 3.5 gpt) at Sabodala into 2015 due to access constraints, as well as, the negative mill reconciliation of approximately 5,000 ounces during the third quarter. This is partly offset by higher expected tonnage and ore grades mined at Masato, as well as, higher overall throughput in the mill. Over and above normal operating risks, the primary risk to not achieving this revised production target is lower ore grades in the highest grade material to be mined at Sabodala and Masato. Over the final two months of the year, more than half of the planned mill feed is expected to be greater than 3 gpt. 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 (including capitalized reserve development) are now expected to total approximately $10.0 million for 2014. During the second quarter, the Company indicated that expenditures may increase to $12.0 million, for additional drilling, to expedite the conversion of resources to reserves on the mine licenses. This additional drilling is expected to take place in the fourth quarter, however, as a result of cost reductions on exploration overhead, we now expect total exploration expenditures to fall back in line with the original budget for the year.

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.

Capitalized expenditures, including sustaining mine site expenditures, project development expenditures for growth initiatives, capitalized deferred stripping, reserve development expenditures and payments to the Republic of Senegal are now expected to be approximately $20.0 million. A change in the accounting treatment for the advanced royalty payment to the Republic of Senegal results in the reclassification of approximately $10.0 million of capital expenditures to prepayment of operating expenditures. For further details, please see Review of Financial Results section.

As a result of the revised production guidance and changes to the mine plan that result in an additional 16 percent increase in material movement and a 4 percent increase in throughput increasing cash cost guidance to approximately $725 per ounce, $25 per ounce higher than the top end of the Company's original guidance. The Company 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 $32.0 million, which will be amortized over the mining of phase 4 of the Sabodala pit.

REVIEW OF OPERATING RESULTS

Operating Results		Three months ended September 30 2014	Three months ended September 30 2013	Nine months ended September 30 2014	Nine months ended September 30 2013
Ore mined	('000t)	1,272	537	3,508	2,548
Waste mined - operating	('000t)	4,201	3,321	15,585	8,518
Waste mined - capitalized	('000t)	524	4,853	1,479	14,645
Total mined	('000t)	5,997	8,711	20,572	25,711
Grade mined	(g/t)	1.71	1.08	1.58	1.63
Ounces mined	(oz)	69,805	18,721	178,858	133,378
Strip ratio	waste/ore	3.7	15.2	4.9	9.1
Ore milled	('000t)	903	887	2,613	2,292
Head grade	(g/t)	1.89	1.41	1.87	2.28
Recovery rate	%	88.5	91.6	89.4	92.0
Gold produced[1]	(oz)	48,598	36,874	140,545	154,836
Gold sold	(oz)	44,573	37,665	142,625	161,845
Average realized price	$/oz	1,269	1,339	1,286	1,245
Total cash cost (incl. royalties)[2]	$/oz sold	781	748	760	621
All-in sustaining costs[2]	$/oz sold	954	1,289	934	1,086
Mining	($/t mined)	3.12	2.48	2.93	2.57
Milling	($/t milled)	15.96	17.56	18.39	20.97
G&A	($/t milled)	4.46	4.60	4.74	5.59

[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.

Three months ended September 30, 2014		Masato	Sabodala	Total
Ore mined	('000t)	215	1,057	1,272
Waste mined	('000t)	603	4,122	4,725
Total mined	('000t)	818	5,179	5,997
Grade mined	(g/t)	1.18	1.81	1.71
Ounces mined	(oz)	8,142	61,663	69,805

Mining

Total tonnes mined for the three and nine months ended September 30, 2014 were 31 and 20 percent lower compared to the same prior year periods. Mining activities in the current year were mainly focused on the lower benches of phase 3 of the Sabodala pit which has an overall reduced stripping ratio. During the current quarter, mining began on schedule at Masato, the first of the OJVG deposits to be developed, with over 800,000 tonnes mined. In the same prior year periods, mining activities were mainly focused on waste stripping of the upper benches of phase 3. Total tonnes mined are expected to increase in the fourth quarter to over 9 million tonnes with approximately two thirds mined from Masato and the remainder from Sabodala. The change in the mine plan at Masato is due to better grade and tonnage than originally expected combined with fewer ore tonnes mined at Sabodala due to the access constraints anticipated on the lower benches of Phase 3. Overall for the year, total material moved is expected to increase from 26 million tonnes to almost 30 million tonnes.

Steps taken to improve grade control in the quarter included hiring a new mine manager, additional leadership in the production geology department, improved blasthole sampling and statistical controls, increased Reverse Circulation ("RC") infill drilling and reducing to 5 metre benches when necessary. As a result of these steps taken, mine performance significantly improved compared to the second quarter. Overall high-grade ounces mined during the quarter were greater than the reserve model predicted, however the average grade of this ore mined, which was modeled at approximately 3.5 gpt was about 2.8 gpt, and impacted production for the quarter.

Mining for the balance of the year is taking place in the high grade areas of the Sabodala pit and the upper benches of Masato. Access to the lowest benches of Phase 3 Sabodala which were originally scheduled for mining during the fourth quarter, have been deferred into 2015 due to bench access constraints. In total, approximately 10,300 high-grade ounces (87,000 tonnes at over 3.5 gpt) originally part of the 2014 mine plan are now expected to be mined and processed during first quarter 2015. As a result of this deferral, gold production will be impacted by about an approximately net 8,000 ounces for the year as this high-grade material is displaced by low-grade feed to the mill.

Total mining costs for the three and nine months ended September 30, 2014 were 13 and 9 percent lower than the same prior year periods due to decreased material movement and lower costs for light fuel oil (LFO) from lower market fuel prices. However, unit mining costs for the three and nine months ended September 30, 2014 were 26 and 14 percent higher than the same prior year periods due to fewer tonnes mined. Mining is mainly concentrated on the lower benches of phase 3 of the mine plan with limited space resulting in lower productivity, however, productivity at Masato has benefited from softer material leading to lower costs.

Processing

Ore tonnes milled for the three and nine months ended September 30, 2014 were 2 and 14 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 third quarter, the introduction of softer oxide ore from Masato has had a positive impact on crushing and milling rates as expected. Ore tonnes milled are expected to increase in the fourth quarter to over 1 million tonnes mainly as a result of blending the softer, finer oxide ore from Masato with harder Sabodala ore to achieve higher mill throughput. No major downtime is scheduled for the balance of the year.

Processed grade for the quarter ended September 30, 2014 was 34 percent higher than the same prior year period mainly due to higher ore grades mined but was lower than planned as described earlier. The reported grade mined may also be understated if the reported gold in circuit is understated. As mentioned earlier, a review is underway.

Processed grade for the nine months ended September 30, 2014 was 18 percent lower than the same prior year period, as mill feed during 2014 was sourced mainly 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 at Sabodala will primarily take place in this high grade zone.

Gold production for the three months ended September 30, 2014 was 32 percent higher than the same prior period primarily but lower than plan. The Company experienced a 5,000 ounce discrepancy between predicted gold production based on the daily production report assays, and reconciled gold poured and gold in circuit production at quarter end. Management is investigating the source of the discrepancy. Based on an initial assessment, it would appear that there is a bias in the assays by the independent lab on site that began in the third quarter and further investigation is underway. In addition, Management is reviewing the impact that processing Masato material may have had on moisture content and gold in circuit which independently or in combination could account for this discrepancy.

Gold production for the nine months ended September 30, 2014 was 9 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 months ended September 30, 2014 were 7 percent lower than the same prior year period, mainly due to lower maintenance activities in the current period, and for the nine months ended September 30, 2014 costs were in line with the same prior year period. Unit processing costs for the three and nine months ended September 30, 2014 were 9 and 12 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 nine months ended September 30, 2014 were 3 and 6 percent lower than the prior year mainly due to lower insurance costs and higher throughput. Unit general and administration costs for the three and nine months ended September 30, 2014 were 3 and 15 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 for the three months ended September 30, 2014, excluding the reversal of non-cash inventory write-downs to NRV, were 4 percent higher than the same prior year period mainly due to lower capitalized deferred stripping, partly offset by higher production. For the nine months ended September 30, 2014, total cash costs per ounce, excluding the non-cash inventory write-down to NRV, were 22 percent higher than the same prior year periods, mainly due to lower capitalized deferred stripping and lower production compared to the year earlier period.

All-in sustaining costs per ounce for the three and nine months ended September 30, 2014, excluding the non-cash inventory adjustments to NRV, were 26 percent and 14 percent lower than the same prior year periods, mainly 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 September 30		Nine months ended September 30	
Financial Results	2014	2013	2014	2013
Revenue	56,711	50,564	184,035	239,625
Cost of sales[1]	(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	(3,190)	(3,839)	(11,217)	(11,526)
Share based compensation	(325)	(394)	(986)	(677)
Finance costs	(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)
Gain on equity investment	-	41	-	41
Other income (expense)	36	(4,792)	(1,997)	(8,474)
Profit (loss) before income tax	**3,289**	**71**	**(4,120)**	**60,203**
Income tax benefit	-	-	-	-
Profit (loss) for the period	**3,289**	**71**	**(4,120)**	**60,203**
Profit attributable to non-controlling interest	(867)	(513)	(1,519)	(8,466)
Profit (loss) attributable to shareholders of Teranga	**2,422**	**(442)**	**(5,639)**	**51,737**
Basic earnings (loss) per share	0.01	(0.00)	(0.02)	0.20

[1] Includes a non-cash inventory reversal of a writedown to net realizable value of $0.4 million during the three months ended September 30, 2014 ($13.1 million write-down to net realizable value during the nine months ended September 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 nine months ended September 30, 2014 was $56.7 million and $184.0 million, respectively, compared to gold revenue of $50.6 million and $239.6 million for the same prior year periods. Revenues for the nine months ended September 30, 2013 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 September 30, 2014, the average spot price of gold was $1,282 per ounce, trading between $1,214 and $1,340 per ounce. This compares to an average of $1,326 per ounce for the three months ended September 30, 2013, with a low of $1,192 per ounce and a high of $1,584 per ounce.

For the nine months ended September 30, 2014, the average spot price of gold was $1,288 per ounce, trading between $1,214 and $1,385 per ounce. This compares to an average of $1,456 per ounce for the nine months ended September 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 September 30		Nine months ended September 30	
Cost of Sales	2014	2013	2014	2013
Mine production costs - gross	37,230	39,265	121,287	127,197
Capitalized deferred stripping	(1,749)	(13,327)	(4,710)	(41,820)
	35,481	25,938	116,577	85,377
Depreciation and amortization - deferred stripping assets	6,915	1,966	19,385	5,780
Depreciation and amortization - property, plant & 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	(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**
(Reversal) write-down to net realizable value	(250)	-	8,861	-
(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**

For the three and nine months ended September 30, 2014, mine production costs, before capitalized deferred stripping, were $37.2 million and $121.3 million, respectively, compared to $39.3 million and $127.2 million in the same prior year periods. The decrease in the current year was due to lower total mining costs as a result of lower material movement and lower processing costs (please see Review of Operating Results section for additional information).

Depreciation and amortization for the three and nine months ended September 30, 2014 totaled $16.2 million and $48.0 million, respectively, compared to $13.6 million and $51.2 million in the prior year periods. Higher depreciation of deferred stripping balances in the current year periods was partially offset by lower depreciation on property, plant and equipment and mine development expenditures compared to the prior year periods. Approximately 80 percent of the Company's fixed assets are depreciated using the units of production method of depreciation.

For the three months ended September 30, 2014, royalties were $2.8 million compared to $2.5 million in the prior year period due to higher sales revenue in the current period. Royalties were $8.7 million for the nine months ended September 30, 2014, compared to $11.9 million in the prior year period due to lower sales revenue in the current year period.

Inventory movements for the three and nine months ended September 30, 2014 resulted in a decrease to cost of sales of $6.2 million and $20.8 million, respectively, compared to a decrease to cost of sales of $4.6 million and $2.5 million for the same prior year periods due to an increase in ounces mined.

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). 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 represent 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 $1,300 per ounce. 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 more ounces are mined, per ounce costs fall. As mining takes place in areas of Sabodala and Masato containing higher grades, a portion, if not all, of these non-cash write-offs are expected to reverse, including a portion during the fourth quarter. 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 nine months ended September 30, 2014 totaled $0.7 million and $2.4 million, respectively, compared to $0.8 million and $4.4 million in the prior year periods. Please see Regional Exploration section for additional information.

Administration

Administration expenses for the three and nine months ended September 30, 2014 were $3.2 million and $11.2 million, $0.6 million and $0.3 million lower than the same prior year periods, mainly due to lower Corporate office, Dakar office and social community costs in the current year.

Share based compensation

During the three months ended September 30, 2014, there were no common share stock options granted and during the nine months ended September 30, 2014, 130,000 common share stock options were granted. During the three months ended September 30, 2014, 150,000 common share stock options were forfeited and during the nine months ended September 30, 2014, 857,917 common share stock options were forfeited. During the nine months ended September 30, 2013, a total of 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 802,500 and 1,953,334 common share stock options were forfeited. No stock options were exercised during the either period.

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 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 September 30, 2014, the Company granted 13,887 RSUs at a price of C$0.72 per unit. During the nine months ended September 30, 2014, the Company granted 2,343,487 RSUs at a price of C$0.72 per unit. At September 30, 2014 there were no units vested and no units were cancelled. The Company did not grant any DSUs during the three months ended September 30, 2014. The Company granted 545,000 DSUs during the nine months ended September 30, 2014 at a price of C$0.72 per unit. At September 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, accretion expense related to unwinding the discount for certain liabilities recorded at a discount, and bank charges. Finance costs for the three and nine months ended September 30, 2014 were $2.6 million and $7.4 million, compared to $3.4 million and $9.0 million in the prior year periods. Finance costs were $0.8 million and $1.6 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 along with a further $24.6 million in scheduled debt repayments through the course of 2014, partially offset by higher accretion expense related to unwinding the discount for certain liabilities recorded at a discount.

Gold Hedge Contracts

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

Earlier in 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 and 45,289 ounces were also delivered into forward sales contracts at an average price of $806 per ounce. The gain on gold hedge contracts totaled $5.3 million for the nine months ended September 30, 2013, resulting from a decrease in the spot price of gold from December 31, 2012.

Oil Hedge Contracts

For the three and nine months ended September 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 gains of $1.3 million for the three months ended September 30, 2014 and $1.3 million for the nine months ended September 30, 2014 and generated losses of $0.3 million and $0.8 million for the same prior year periods, primarily related to realized gains and losses from the Sabodala gold mine operating costs recorded in the local currency and translated into the US dollar functional currency. As the local currency depreciated in value by 8 percent from June 30, 2014, foreign exchange gains were realized on payments denominated in the local currency made during the quarter.

Loss on available for sale financial assets

For the three and nine months ended September 30, 2014, there were no losses recognized on available for sale financial assets. For the three and nine months ended September 30, 2013, non-cash gains of $0.5 million and non-cash losses $4.0 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 income (expense)

Other income was $36 thousand for the three months ended September 30, 2014, representing interest income, and other expenses were $2.0 million for the nine months ended September 30, 2014. This compares to other expenses of $4.8 million and $8.5 million for the three and nine months in the prior year period, respectively. 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, financial advisory services and non-recurring legal and other expenses.

SUMMARY OF QUARTERLY RESULTS

(US$000's, except where indicated)	2014			2013				2012
	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Revenue	56,711	57,522	69,802	58,302	50,564	75,246	113,815	122,970
Average realized gold price ($/oz)	1,269	1,295	1,293	1,249	1,339	1,379	1,090	1,296
Cost of sales	47,973	62,236	55,285	50,527	37,371	52,636	55,971	57,250
Net earnings (loss)	2,422	(12,018)	3,957	(4,220)	(442)	7,196	44,983	54,228
Net earnings (loss) per share ($)	0.01	(0.04)	0.01	(0.01)	(0.00)	0.03	0.18	0.22
Operating cash flow	13,822	(9,793)	14,303	13,137	16,692	20,838	23,640	59,670
Ore mined ('000t)	1,272	974	1,262	1,993	537	698	1,312	2,038
Waste mined - operating ('000t)	4,201	5,233	6,151	6,655	3,321	2,683	2,513	4,362
Waste mined - capitalized ('000t)	524	458	497	420	4,853	4,770	5,023	912
Total mined ('000t)	5,997	6,665	7,910	9,068	8,711	8,151	8,848	7,312
Grade Mined (g/t)	1.71	1.39	1.61	1.61	1.08	1.59	1.87	2.04
Ounces Mined (oz)	69,805	43,601	65,452	103,340	18,721	35,728	78,929	133,549
Strip ratio (waste/ore)	3.7	5.8	5.3	3.6	15.2	10.7	5.7	2.6
Ore processed ('000t)	903	817	893	860	887	709	696	725
Head grade (g/t)	1.89	1.69	2.01	2.11	1.41	2.36	3.31	3.40
Gold recovery (%)	88.5	89.8	90.1	89.7	91.6	92.3	92.1	90.7
Gold produced[1] (oz)	48,598	39,857	52,090	52,368	36,874	49,661	68,301	71,804
Gold sold (oz)	44,573	44,285	53,767	46,561	37,665	54,513	69,667	71,604
Total cash costs per ounce sold[2] (including Royalties)	781	815	696	711	748	642	535	532
All-in sustaining costs per ounce sold[2] (including Royalties)	954	1,060	813	850	1,289	1,185	898	1,004
Mining ($/t mined)	3.1	2.9	2.8	2.6	2.5	2.6	2.6	3.1
Milling ($/t mined)	16.0	21.3	18.2	18.0	17.6	23.8	22.5	19.9
G&A ($/t mined)	4.5	4.9	4.8	4.8	4.6	6.3	6.2	6.4

[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 nine months ended September 30, 2014, the Company delivered 5,625 and 16,875 ounces of gold, respectively, 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, consisting of $4.3 million received in cash proceeds and $17.4 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. 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 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 $nil and $1.5 million have been expensed during the three and nine months ended September 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 with the Senegalese Ministry of Mines. The Company commenced the processing of Golouma mine license ore in the Sabodala mill in September 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 was completed during the third quarter. As a result, the integrated LOM production schedule represents a "base case" scenario with flexibility to improve cash flows in subsequent years. During the second and third quarter 2014, the Company's technical team completed optimization work to improve on the 2015 mine plan included in the Company's technical report filed in the first quarter of this year. The goal is to increase the amount of free cash flow generated next year by reducing the amount of material moved at Masato, which in turn frees up required mobile equipment for the operation of Gora, thereby reducing 2015 capital expenditures. Overall, an improvement in the range of $40 to $60 million[1] is targeted as compared to the previous plan, including the benefit of the deferral of ore containing approximately 10,300 ounces (over 3.5 gpt) from the Sabodala mine plan that was originally scheduled to be mined in 2014.

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 situations have typically been when the mill was operating when the primary and secondary crushed ore stockpile levels were 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.

The study to quantify and optimize the relationship between an increase in crusher availability to the SAG and Ball Mill system (SABC), as well as, other design enhancements within the crushing and grinding system was completed during the third quarter, and support the

[1] Based on US$/EUR exchange rate of 1.325 and LFO of $1.15 per litre

Company's initial expectations. A related study to install a second crushing system was also completed in the third quarter.

The overall mill throughput increases will be accomplished by adjustments to the design of the SAG, Ball Mills and crusher systems that collectively will provide for an integrated increase in total plant throughput by 5 to 10 percent.

The most immediate improvements will be made to the SAG mill as part of our sustaining capital program. Specifically, adjustments will be made to the liner designs for a more efficient A:B ratio that reduces wear and packing; installation of a vortex discharge head for more efficient removal of ore from the SAG and increase the recycle crusher capacity by installing a trommel screen to minimize recycle of fines.

The second area of improvement will be made by increasing the power to the ball mills by approximately 1200Kw (600Kw per ball mill). This will provide the ability to increase the charge from 30 percent at present up to 38 percent to provide for more grinding power. Detailed engineering for the mechanical assembly including redesign of the ball mill gear boxes, shaft and gear sets and potential limitations for cooling for the increased load on the existing motors is underway.

The final component of the mill upgrade will consist of adding an additional primary jaw crusher to operate in parallel with the current unit. This will increase availability to the live storage for the mill circuit, and second, provide ability to reduce the top size primary crusher feed. Next stage detailed engineering is underway to design the layout specifics, double deck screen enhancements and transfer point details.

These upgrades are expected to be operational over a span of approximately 18 months, with continual improvement earlier from the sustaining capital initiatives. Using scoping and prefeasibility study level (PFS) engineering cost estimate level of accuracy, the total estimated capital cost for all the initiatives are expected to range from $12-15 million with expected throughput to now be 460-480 tpoh for fresh ore (higher for an oxide blend), for an IRR of 30 to 60 percent.[2] Simulations have demonstrated that production potential exist beyond 480 tpoh with these new configurations for upside potential once commissioning has been completed after installation.

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 to 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

Phase 1 of the testwork is determining the optimum economics for three geological zones within the oxide: saprolite, soft transition and hard transition. Phase 2 of the analysis is examining the leachability for the sulphide ore. Based on the positive results from Phase 1, the Company is proceeding onto Phase 2.

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 nearing completion, and management is starting to scope engineering design options so that a PFS can commence to determine capital costs and operating parameters as a basis for economic analysis.

Key milestones for the project are as follows:

- Complete Phase 1 testwork, economic analysis and initiate engineering design to pre-feasibility study PFS level – fourth quarter 2014;
- Complete additional follow up optimization testwork and, initiate Phase 2 testwork on the ROM stockpiles – fourth quarter 2014 and first half 2015;
- Initiate design concepts and proceed with a PFS level engineering design study - first half 2015; 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 encouraged by the results of the phase one program to date. Preliminary results to date have indicated key variables (recovery rates, agglomeration and cyanide consumption of the oxide ore zones) are in line with the Company's initial expectations.

The hard transition oxide ore, (representing approximately 40 percent) is being tested at a top size of 12.5 mm crush with 8 kg/t of cement addition that passed percolation tests representing a lift height to 16 metres. Preliminary results from the column leach tests indicate recovery of 80 percent and 0.6 kg/t cyanide consumption after 53 days.

The soft transition ore (representing approximately 50 percent) has variable characteristics throughout the deposits and will require further optimization as the engineering progresses to the next stage. These samples are currently being tested at 25mm top size crush with a range of 8-20 kg/t cement that passed percolation tests representing a lift height from 8-16m. Preliminary results

[2] Key Assumptions: gold spot price/ounce – US$1,250, recovery rate – 90%

from the column tests indicate gold recovery ranging from 70-80 percent and 0.4-0.6 kg/t cyanide consumption after 53 days.

Additional testwork is ongoing for the saprolite ore (representing approximately 10 percent).

A bulk sample comprising 9Mt of low grade ROM stockpile will be prepared for testwork in the fourth quarter and into 2015.

The Company is targeting production from heap leach commencing in 2017, with the quantities and scale of operation to be defined upon the completion of phase two and completion of drilling of potential low-grade heap leach material on the combined mine licenses. At this point, the Company anticipates that heap leach could account for 10 to 20 percent of annual production once it is fully operational.

Gora Development

The high-grade Gora deposit 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.

The environmental approval for the Gora project, the final phase of the permitting process, has been validated by the technical committee charged with its review. The environmental assessment report is now in the public communication phase which we expect to be completed during the fourth quarter.

Anticipating a successful conclusion to the public communication phase of the Gora environmental process, Management expects the permit process to be completed in the fourth quarter 2014. However, construction permits required to initiate construction for the access road are expected to be granted shortly. Planning and engineering for the access road is ongoing. Selection of contractors is expected within the next few weeks, with mobilization and initiation of construction by 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 2015 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.

Renewal of Heremakono Exploration Permit

The Heremakono exploration permit is host to a series of exploration targets, most notably Nienienko, Soreto, and Soreto north. This permit was originally awarded in October of 2005 and, absent an extraordinary request for an extension, would have expired in October 2014. A lack of safe and secure access to certain exploration permits was an issue raised with the Government of Senegal last spring and the State agreed to grant extraordinary extensions upon the expiry of their customary 9 year terms to address the Company's concerns.

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 mining commenced on schedule during the quarter.

An advanced exploration program began at Masato during the second quarter 2014 and continued into the third quarter 2014 to, among other objectives; test the continuity of portions of the high-grade sub-domains, which were removed from the Masato reserve base after the acquisition of the OJVG earlier this year.

The overall program consisted of drilling and trenching to confirm interpretation of domains and high-grade sub-domains, infill gaps and upgrading Inferred Resources, determining optimal RC grade control drill spacing, and obtaining additional geotechnical data for pit slope analysis. Overall, the program confirms our interpretation of the resource model and provides additional confidence in the nature of high-grade mineralization within the deposit.

Surface trenching and RC drilling revealed additional ore zones not modeled in the supergene enriched laterite ore near surface during mining of the uppermost benches in the third quarter 2014. Additional RC drilling is ongoing to infill drill and test the localized higher grade zones outlined in the further spaced diamond drilling as mining progresses through the fourth quarter 2014 and beyond.

All drill hole assay data for the 2014 Masato exploration program, including drill hole locations and a location map, will be available on the Company's website at www.terangagold.com under "Exploration".

The Company is in the process of updating the Masato resources and reserves, which is expected in the fourth quarter. The updated results will incorporate the results of the exploration program this year including interpreting the infill drill results from the high-grade sub-domains compared to the previously interpreted high-grade sub-domains.

Golouma

Infill drilling commenced during the third quarter 2014 for potential conversion of inferred resources and evaluate the mineralization potential of structural features along strike and to the northwest of the existing reserves. Seven diamond drill holes were completed before the annual rainy season impeded access. The remainder of the 25 hole program is expected to be completed in the fourth quarter, as well as, follow up on near surface mineralization encountered in several of the seven holes completed in the quarter.

Masato Northeast

Detailed mapping and trenching programs were initiated on the Masato Northeast prospect which is situated 1km northeast along strike of the Masato deposit. The prospect overlies a 2.5km long structural splay of the main Masato structural trend. Grab samples collected along the structure have yielded gold values of 5.7 gpt Au, 16.1 gpt Au and 25.2 gpt Au. Pending additional results from the trench samples, management will determine if it will proceed with a diamond drilling programme in the fourth quarter.

Kerekounda

Both RC and Diamond Drill Hole ("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.

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. Due to the positive results for the heap leach test work, work in these areas is expected to commence in the fourth quarter 2014, but may be deferred into 2015 to coincide with drilling near Sabodala village on the Niakifiri reserves.

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 and third quarter 2014 at the Ninienko prospect and is ongoing. 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.

An isopach plan of the mineralized quartz vein and felsic breccia systems is in progress, and will be used to develop a plan for DDH and a possible RC drill program. Due to the limitation of surface trenching and mapping used to develop the flat lying mineralized zone at surface, additional trenching and mapping will also be undertaken in prospective zones near to the area to expand on the currently defined zone and to further develop an understanding of the source of mineralization zones for potential drill targets at depth. A detailed geochemical soil sampling program has been planned for the fourth quarter which will follow up and test co-incident gold-molybdenum-copper and potassium anomalies identified by earlier regional termite mound sampling programs. A diamond drill program will commence once this work has been completed, likely to be scheduled for early 2015.

Soreto

Following up on a small 5 DDH program at the Soreto prospect in 2013, a program totaling 15 DDH for 2014 was completed during the quarter. 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 gpt, 7 metres at 1.38 gpt and 1 metre at 12.2 gpt. At least three continuous shear zones were intercepted along strike. These featured 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 and when projected to surface, align with the surface workings from artisanal mining.

The significant intercepts for the holes are shown in the table below.

Intersections, > 0.5g/t Au with max 2m internal dilution						
HOLEID	UTM29N East	UTM29N North	Azi	Dip	Downhole Depth (m)	Intercept Values (core length @ g/t Au)
HKDD0008	185,469	1,487,713	305	-55.0	15.0	1m @ 7.64 g/t
					37.0	1m @ 1.51 g/t
					77.0	1m @ 3.07 g/t
HKDD0009	185,406	1,487,358	305	-55.0	75.0	2m @ 2.52 g/t
HKDD0010	185,272	1,487,454	305	-55.0	96.0	3m @ 1.47 g/t
HKDD0011	185,298	1,487,807	305	-55.0	57.5	2.5m @ 2.78 g/t
				including	*59.5*	*0.5m @ 11.45 g/t*
					178.0	1m @ 1.27 g/t
HKDD0014	185,173	1,487,903	305	-55.0	25.0	0.5m @ 1.97 g/t
HKDD0015	185,497	1,487,473	295	-55.0	108.0	2m @ 2.71 g/t
					131.0	3m @ 1.63 g/t
HKDD0018	184,897	1,486,763	305	-55.0	37.0	2m @ 1.00 g/t
HKDD0019	184,819	1,488,367	305	-55.0	81.5	2.5m @ 6.41 g/t
				including	*82.5*	*0.5m @ 19.30 g/t*
					121.0	2m @ 1.20 g/t
HKDD0020	184,646	1,488,488	305	-55.0	47.0	1m @ 2.20 g/t
HKDD0022	184,473	1,488,608	305	-55.0	147.0	1m @ 1.33 g/t

1. True widths are unknown.
2. Intercept gold values are determined from uncapped assays.

Further infill drilling is being planned for the quarter 2014 to further extend these mineralized shear zones along strike and infill drill to 50 metre spacing between the fence lines.

Gora Northeast Extension and Zone ABC

Trenching and mapping programs are being planned for the fourth quarter to investigate potentially gold mineralized extensions of the Gora gold deposit into the Zone ABC prospect which has significant gold soil anomalies co-incident with regional structural trends.

FINANCIAL CONDITION REVIEW

Balance Sheet Review

Cash

The Company's cash balance at September 30, 2014 was $28.0 million, including restricted cash. Cash and cash equivalents were similar to the balance reported at June 30, 2014, as cash flow provided by operations of $13.8 million was offset by debt and interest repayments totaling $8.9 million and capital expenditures of $5.3 million.

For the nine months ended September 30, 2014, the Company has made a total of $44.2 million in one-time payments. This includes $24.6 million in debt repayments, $3.1 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. The one-time payments described herein, excludes $30 million in debt retired in the first quarter 2014 as part of the Franco-Nevada transaction.

Non-Current Assets

Total non-current assets increased by $103.3 million to $611.5 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 $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 September 30, 2014, $7.4 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 September 30, 2014, $15.0 million was outstanding and is scheduled 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 nine months ended September 30, 2014, the Company delivered 5,625 and 16,875 ounces of gold, respectively, 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, consisting of $4.3 million received in cash proceeds and $17.4 million recorded as a reduction of deferred revenue.

LIQUIDITY AND CASH FLOW

Cash Flow

(US$000's)	Three months ended September 30		Nine months ended September 30	
Cash Flow	2014	2013	2014	2013
Operating	13,822	16,692	18,332	61,170
Investing	(5,252)	(17,165)	(122,308)	(65,296)
Financing	(8,926)	(11,762)	102,039	(3,832)
Effect on exchange rates on holdings in foreign currencies	-	(44)	1	431
Change in cash and cash equivalents during period	(356)	(12,279)	(1,936)	(7,527)
Cash and cash equivalents - beginning of period	13,381	44,474	14,961	39,722
Cash and cash equivalents - end of period	13,025	32,195	13,025	32,195
Restricted cash	15,000	-	15,000	-
Cash and cash equivalents, including restricted cash	28,025	32,195	28,025	32,195

Operating Cash Flow

(US$000's)	Three months ended September 30		Nine months ended September 30	
Changes in working capital	2014	2013	2014	2013
Decrease/(increase) 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	3,644	5,071	(5,821)	(4,580)

Cash provided by operations was $13.8 million for the three months ended September 30, 2014, 21 percent lower than cash provided by operations of $16.7 million in the same prior year period. The decrease in operating cash flow compared to the prior year quarter was primarily due the impact of delivering a portion of current period production to Franco-Nevada at 20 percent of gold spot prices, partially offset by higher revenues.

For the nine months ended September 30, 2014, operating cash provided $18.3 million compared to $61.2 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. For the nine months ended September 30, 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 September 30		Nine months ended September 30	
Capital Expenditures	2014	2013	2014	2013
Mine site & development capital	(1,210)	(3,680)	(7,573)	(20,516)
Capitalized reserve development	(2,293)	(158)	(2,524)	(2,995)
Capitalized deferred stripping	(1,749)	(13,327)	(4,711)	(41,820)
Total Capital Expenditures	(5,252)	(17,165)	(14,808)	(65,331)
Acquisition of the OJVG	-	-	(112,500)	-
Decrease in restricted cash	-	-	5,000	-
Other	-	-	-	35
Investing activities	(5,252)	(17,165)	(122,308)	(65,296)

Net cash used in investing activities for the three months ended September 30, 2014 was $5.3 million compared to $17.2 million in the same prior year period. The decrease was mainly due to lower capitalized deferred stripping costs in the third quarter of 2014

For the nine months ended September 30, 2014, net cash used in investing activities was $122.3 million compared to $65.3 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 used by financing activities for the three months ended September 30, 2014 was $8.9 million, compared to net cash used by financing activities of $11.8 million in the same prior year period. Financing cash flow in the current period includes the repayment of borrowings of $8.2 million and interest paid on borrowings of $0.7 million. Financing cash flows in 2013 include the repayment of borrowings of $9.1 million and interest paid on borrowings of $1.5 million.

Net cash provided by financing activities for the nine months ended September 30, 2014 was $102.0 million compared to net cash used by financing activities of $3.8 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 $25.5 million from the equity offering, partially offset by the repayment of borrowings of $54.6 million and interest paid on borrowings of $2.9 million. Financing cash flows in 2013 include proceeds of $13.8 million received from the finance facility, partially offset by the repayment of borrowings of $9.1 million, interest paid on borrowings of $4.7 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.

The Company's cash position at September 30, 2014 was $28.0 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, $8.0 million in advance dividends, $9.0 million in remaining legal and office closure costs related to the acquisition of the OJVG, $7.5 million to acquire Badr's share of the OJVG and $15 million in government payments.

As at September 30, 2014, the Company has made a total of $44.2 million in one-time payments. This includes $24.6 million in debt repayments, $3.1 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. For the balance of the year, the Company expects to make a further $20.0 million in one-time payments, including about $18.0 million in debt repayments and about $2.0 million in payments to the Republic of Senegal. In total, the Company will have made approximately $65.0 million in one-time payments during 2014. Approximately $15.0 million in one-time payments to the Republic of Senegal, are now expected to be paid in 2015. The one-time payments described herein, excludes $30.0 million in debt retired in the first quarter as part of the Franco-Nevada transaction.

Using a $1,250 per ounce gold price for the balance of the year, the Company expects to generate sufficient cash flow during the remainder of 2014 to fund the remaining approximately $21.0 million in one-time payments and end the year debt free with between $20.0 and $25.0 million in cash. Notwithstanding, the Company's cash position is highly dependent on the gold price, and while the Company expects it will generate sufficient free cash flow from operations to fund its growth initiatives and repay the outstanding balance of the Loan Facility in 2014, it working to put a standby facility in place by year-end to provide additional financial flexibility, should lower gold prices materialize to ensure sufficient liquidity is maintained by the Company.

CONTRACTUAL OBLIGATIONS AND COMMITTMENTS

As at September 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]	7.4	7.4	-	-	-
2 -Year Loan Facility[2]	15.0	15.0	-	-	-
Franco-Nevada gold stream[3]	117.6	21.9	65.7	30.0	-
Exploration commitments[4]	11.2	-	11.2	-	-
Government of Senegal payments[5]	40.7	18.6	7.1	-	15.0
Total	**191.9**	**62.9**	**84.0**	**30.0**	**15.0**

[1] During the first quarter of 2013, the Company entered into a $50.0 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, $30.0 million of the Loan Facility was retired. The outstanding balance is scheduled to 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 and OJVG additional waiver payment 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 completion of the acquisition of the OJVG, the Company is required to make initial payments totaling $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.

CONTINGENT LIABILITIES

Government of Senegal payments

(US$000's)	Cash payments made		Contingent liabilities	Accrued liabilities
Government of Senegal payments	Three months ended September 30, 2014	Nine months ended September 30, 2014	As at September 30, 2014	As at September 30, 2014
Royalty payments	-	14,291	-	9,369
Reserve payment	-	925	-	1,850
SGO 2012 tax assessment	-	1,200	-	-
Social development fund payment	-	-	-	15,000
Accrued dividend payment	-	-	3,697	7,003
Gora project advanced royalty payment	-	-	4,200	-
OJVG Advanced royalty payment	1,002	1,002	-	8,998
	1,002	17,418	7,897	42,220

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 September 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 September 30, 2014, the Company has recorded $9.8 million which is the discounted value of the $15.0 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, 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.

Gora project advanced royalty 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 fourth quarter 2014/first quarter of 2015.

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 $18.0 million of the SGO 2011 tax assessment of approximately $24.0 million has been resolved and approximately $6.0 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 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 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 consolidated statements of comprehensive income (loss).

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 Company finalized the purchase price 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 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 September 30		Nine months ended September 30	
Cash costs per ounce sold	2014	2013	2014	2013
Gold produced[1]	48,598	36,874	140,545	154,836
Gold sold	44,573	37,665	142,625	161,845
Cash costs per ounce sold				
Cost of sales	47,973	37,371	165,494	145,978
Less: depreciation and amortization	(16,225)	(13,562)	(48,002)	(51,200)
Less: realized oil hedge gain	-	-	-	(487)
Add: non-cash inventory movement	2,805	2,393	4,486	5,863
Less: inventory reversal (write-down) to net realizable value	371	-	(13,052)	-
Less: other adjustments	(94)	1,962	(591)	317
Total cash costs	**34,830**	**28,164**	**108,335**	**100,471**
Total cash costs per ounce sold	**781**	**748**	**760**	**621**
All-in sustaining costs				
Total cash costs	34,830	28,164	108,335	100,471
Administration expenses[2]	2,449	3,207	10,071	9,897
Capitalized deferred stripping	1,749	13,327	4,711	41,820
Capitalized reserve development	2,293	158	2,524	2,995
Mine site capital	1,210	3,680	7,575	20,516
All-in sustaining costs	**42,531**	**48,536**	**133,215**	**175,699**
All-in sustaining costs per ounce sold	**954**	**1,289**	**934**	**1,086**
All-in costs				
All-in sustaining costs	42,531	48,536	133,215	175,699
Social community costs not related to current operations	580	745	1,482	1,453
Exploration and evaluation expenditures	672	849	2,399	4,362
All-in costs	**43,783**	**50,130**	**137,096**	**181,513**
All-in costs per ounce sold	**982**	**1,331**	**961**	**1,122**
Depreciation and amortization	16,225	13,562	48,002	51,200
Non - cash inventory movement	(2,805)	(2,393)	(4,486)	(5,863)
Total depreciation and amortization	**13,420**	**11,169**	**43,516**	**45,337**
Total depreciation and amortization per ounce sold	**301**	**297**	**305**	**280**

[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	October 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	15,218,333
Stock options granted at exercise prices in the range of $1.09-$2.17 per option	7,791,600
Fully diluted share capital	**375,811,024**

[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 September 30, 2014, there were transactions totaling $35 thousand ($86 thousand during the nine months ended September 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 September 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 nine months ended September 30, 2014 which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

The Company had previously limited the scope of the design of ICFR and DC&P to exclude the controls, policies and procedures of the OJVG and the Dakar office of the OJVG. The scope limitation allows an issuer to limit its design of ICFR and DC&P to exclude the controls, policies and procedures of a company acquired for a maximum of 365 days. Over the last year, the controls, policies and procedures of the OJVG have been in the process of being integrated into the Sabodala operations and are expected to be completed during the fourth quarter of 2014. The operating and financial results of the OJVG entity in Senegal are also out of scope as they are an immaterial component of the consolidation process. As a result, for the immaterial nature of these operating results, the Company has removed this scope limitation from the three and nine months ended September 30, 2014 Certification of Disclosure in Issuer's Annual and Interim Filings.

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, 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, General Manager, SGO & Vice President, Development Senegal

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Dakar Almadies
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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:
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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, anticipated fourth quarter results 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, 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 exploration programs are being managed by Peter Mann, FAusIMM. Mr. Mann is a full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101. Mr. Mann has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Mann is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. The technical information contained in this news release relating exploration results are based on, and fairly represents, information compiled by Mr. Mann. Mr. Mann has verified and approved the data disclosed in this release, including the sampling, analytical and test data underlying the information. The RC samples are prepared at site and assayed in the SGS laboratory located at the site. Analysis for diamond drilling is sent for fire assay analysis at ALS Johannesburg, South Africa. Mr. Mann has consented to the inclusion in this news release of the matters based on his compiled information in the form and context in which it appears herein.

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.*