TERANGA
GOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the three and nine months ended September 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

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, 2016. 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, 2016, as well as, with the audited consolidated financial statements and MD&A of Teranga as at and for the twelve months ended December 31, 2015. 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, 2015, as well as all other public filings, is available on the Company's website (www.terangagold.com) and on the SEDAR website (www.sedar.com).

This report is dated as of October 28, 2016. 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 listed on both the Toronto and Australian stock exchanges (TSX/ASX: TGZ) and engaged in the exploration, development and production of gold. The Company operates one multi-deposit mine in Senegal, West Africa where it has produced more than 1.2 million ounces since 2010. At December 31, 2015, Sabodala had 2.6 million ounces of proven and probable reserves.

As part of the Company's strategy to become a multi-jurisdictional gold producer, with diversified production and cash flow, Teranga entered into two transactions in 2016.

On October 13, 2016, Teranga acquired Gryphon Minerals Limited ("Gryphon") in an all share transaction. Gryphon's key asset is the Banfora gold project, a permitted, high grade, open pit gold project located in Burkina Faso, West Africa with proven and probable reserves of 1.05 million ounces (16.7 Mt at 1.95g/t) and considerable exploration potential to further increase the reserve base[1].

Additionally, Teranga entered into a royalty agreement with Miminvest SA ("Miminvest), a privately-held company controlled by Mr. David Mimran, a director of Teranga, relating to the exploration, development and production of minerals in the Côte d'Ivoire, including permits owned by Miminvest. Groupe Mimran, a company controlled by the Mimran family, has been operating in the Côte d'Ivoire since 1963 and own the largest flour producer in the country.

Like Senegal, both Burkina Faso and Côte d'Ivoire have proven to be mining-friendly jurisdictions.

[1] As of the date of the acquisition of Gryphon Minerals Limited (October 13, 2016), the most recent Gryphon Reserve Estimate for the Banfora gold project was 826,000 ounces (17.4 Mt at 1.5 g/t) based on a lower capital cost heap leach processing option (see the Scheme Booklet for further details). However, as noted in Teranga's press release dated June 19, 2016 and re-confirmed herein, Teranga's preferred development path for the Banfora gold project is an optimized CIL flowsheet. The pro forma Combined Group Proven and Probable Mineral Reserve estimate of 3.7 million ounces as at December 31, 2015 included in Teranga's press release dated June 19, 2016 was based on Gryphon's CIL feasibility study Mineral Reserve estimate of 1.05 million ounces (16.7 Mt at 1.95 g/t) issued in January 2013. A number of relevant factors have changed since this estimate was issued by Gryphon Minerals in 2013, and as such and benefitting from an optimization study to be completed by Teranga, we anticipate updating the feasibility study and the resource and reserve estimates in the first half of 2017. The Mineral resources are as per Gryphon Minerals 2Mtpa Heap Leach Feasibility Study (JORC) released August 4, 2014. Complete information is available on Gryphon's website at www.gryphonminerals.com.au and filed on the ASX at www.asx.com.au.

Vision

Our vision is to become a pre-eminent mid-tier gold producer in West Africa.

Mission

Our mission is to create value for all of our stakeholders through responsible mining.

Strategy

To increase long-term sustainable cash flows, we have a three-pronged strategy focused on achieving: (i) reserve growth; (ii) production growth; and (iii) margin expansion.

(i) Reserve Growth: The first component of our growth strategy focuses on increasing reserves through converting resources to reserves on our mine sites, making large-scale discoveries on our exploration properties and acquiring existing deposits in West Africa. We continue to seek ways to leverage our operating, development and community expertise developed in Senegal, along with our strong balance sheet to add high quality West African gold assets to Teranga's portfolio, similar to the Gryphon acquisition and the Côte d'Ivoire royalty agreement recently added to our asset base.

(ii) Production Growth: The second component of our growth strategy is focused on maximizing throughput to our process facilities by increasing process capacity through high return initiatives that leverage our existing asset base and building new mines. Major growth opportunities and capital projects are evaluated using a minimum after-tax internal rate of return ("IRR") target to govern our capital allocation and investment decisions.

(iii) Margin Expansion: The third component of our growth strategy is to improve cash margins through productivity improvements and cost savings.

Overall, our focus is on increasing profitable production to maximize free cash flow.

FINANCIAL AND OPERATING HIGHLIGHTS

		Three months ended September 30,			Nine months ended September 30,		
Operating Data		**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Gold Produced	(oz)	49,481	32,956	50%	172,748	130,991	32%
Gold Sold	(oz)	45,161	33,982	33%	171,129	140,279	22%
Average realized gold price	($ per oz)	1,333	1,112	20%	1,244	1,185	5%
Total cash costs[1]	($ per oz sold)	617	712	(13%)	598	631	(5%)
All-in sustaining costs[1]	($ per oz sold)	907	1,191	(24%)	895	964	(7%)
		Three months ended September 30,			**Nine months ended September 30,**		
Financial Data		**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Revenue	($000's)	60,316	37,830	59%	213,076	166,385	28%
Profit attributable to shareholders of Teranga	($000's)	10,437	1,567	566%	24,395	21,281	15%
Per share	($)	0.03	0.00	N/A	0.06	0.06	0%
EBITDA[2]	($000's)	26,837	10,351	159%	82,498	67,320	23%
Operating cash flow	($000's)	13,255	(8,221)	N/A	58,356	20,679	182%
Capital expenditures (before Deferred Stripping)	($000's)	6,426	11,221	(43%)	25,481	23,543	8%
Capitalized deferred stripping	($000's)	3,065	2,047	50%	13,669	11,832	16%
Free cash flow[3]	($000's)	3,764	(21,489)	N/A	19,206	(14,696)	N/A
Free cash flow per ounce sold[3]	($ per oz sold)	83	(632)	N/A	112	(105)	N/A

[1] Total cash costs per ounce and all-in sustaining costs per ounce are Non-IFRS performance measures that do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this report.
[2] Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a Non-IFRS performance measure. Please refer to Non-IFRS Performance Measures at the end of this report.
[3] Free cash flow and free cash flow per ounce are defined as operating cash flow less capital expenditures. This is a Non-IFRS performance measure and does not have a standard meaning under IFRS.

Third Quarter and YTD 2016 Financial & Operating Highlights

- Surpasses more than 11 million hours worked without a lost time incident at the Sabodala Gold Operations
- Production for first nine months at an all-time high of 172,748 ounces, including 49,481 ounces in third quarter
- Record mill throughput for both three and nine-month periods
- Lower quarterly all-in sustaining costs of $907[2] per ounce includes development capital and total cash costs per ounce of $617[2]
- Net profit attributable to shareholders for the third quarter increased to $10.4 million or $0.03 per share
- Quarterly free cash flow per ounce improved to $83 from ($632) in the prior year
- 30 percent growth in year-to-date cash balance; pro-forma September 30, 2016 cash balance of $65.5 million[2]

Third Quarter and YTD 2016 Growth Highlights

- Successfully closed acquisition of Gryphon on October 13, 2016
- An extensive exploration program is planned in Burkina Faso during fourth quarter 2016 and through 2017 with expectations
  - to continue to convert resources to reserves within the four deposits currently within the mine plan
  - to begin testing of 11 advanced stage targets within trucking distance of the proposed mill
  - to initiate exploration programs on two highly prospective exploration properties: Golden Hill and Gourma
- An updated National Instrument 43-101 technical report for the Banfora gold project is well underway for target completion by the end of the second quarter of 2017, including updated capital and operating costs
- Completed mill optimization project ahead of schedule and 12 percent below budget

Outlook 2016

Following record nine-month production, the Company remains on track to achieve its 2016 guidance, with the following adjustments to the original outlook:

		2016 Original Guidance	2016 Revised Guidance	Material Factors and Assumptions
Total mined	('000t)	36,500 - 38,500	34,000 - 35,000	Total tonnes mined is expected to be lower due to reduced shovel availability.
Grade mined	(g/t)	2.75 - 3.25	2.50 - 2.75	Increased recovery of low-grade ore above reserves block model.

In addition, the acquisition of Gryphon is expected to increase 2016 exploration expense by about $2 million and capital expenditures by $2 million.

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

[3] Pro-forma cash is a non-IFRS performance measure and does not have a standard meaning under IFRS. The Company defines pro-forma cash as cash including equity placement in October 2016 by Tablo Corporation of $7.6 million.

REVIEW OF OPERATING RESULTS

Operating Results		Three months ended September 30, 2016	2015	Change	Nine months ended September 30, 2016	2015	Change
Ore mined	('000t)	331	1,750	(81%)	1,599	5,889	(73%)
Waste mined - operating	('000t)	6,373	4,958	29%	19,680	13,770	43%
Waste mined - capitalized	('000t)	1,189	713	67%	4,637	4,775	(3%)
Total mined	('000t)	7,893	7,421	6%	25,916	24,434	6%
Grade mined	(g/t)	2.71	1.15	136%	2.58	1.17	121%
Ounces mined	(oz)	28,826	64,807	(56%)	132,911	220,967	(40%)
Strip ratio	waste/ore	22.9	3.2	605%	15.2	3.1	383%
Ore milled	('000t)	933	691	35%	2,991	2,503	20%
Head grade	(g/t)	1.78	1.62	10%	1.93	1.77	9%
Recovery rate	%	92.6	91.8	1%	92.9	92.0	1%
Gold produced[1]	(oz)	49,481	32,956	50%	172,748	130,991	32%
Gold sold	(oz)	45,161	33,982	33%	171,129	140,279	22%
Average realized price	$/oz	1,333	1,112	20%	1,244	1,185	5%
Total cash costs (incl. royalties)[2]	$/oz sold	617	712	(13%)	598	631	(5%)
All-in sustaining costs[2]	$/oz sold	907	1,191	(24%)	895	964	(7%)
Mining	($/t mined)	2.59	2.47	5%	2.32	2.30	1%
Mining long haul	($/t hauled)	2.79	5.31	(47%)	3.72	5.31	(30%)
Milling	($/t milled)	11.05	16.50	(33%)	10.75	14.29	(25%)
G&A	($/t milled)	4.55	5.66	(20%)	4.41	4.75	(7%)

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

[2] Total cash costs per ounce and all-in sustaining costs per ounce are non-IFRS financial measures 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, 2016		Nine months ended September 30, 2016		
		Gora	Golouma	Masato	Gora	Golouma
Ore mined	('000t)	160	171	455	576	568
Waste mined - operating	('000t)	3,873	2,500	166	10,424	9,090
Waste mined - capitalized	('000t)	1,189	-	-	4,637	-
Total mined	('000t)	5,222	2,671	621	15,637	9,658
Grade mined	(g/t)	1.67	3.69	1.16	2.73	3.58
Ounces mined	(oz)	8,570	20,256	16,969	50,647	65,295

		Three months ended September 30, 2015		Nine months ended September 30, 2015		
		Masato	Gora	Masato	Sabodala	Gora
Ore mined	('000t)	1,683	67	5,349	473	67
Waste mined - operating	('000t)	3,530	1,428	11,838	504	1,428
Waste mined - capitalized	('000t)	-	713	4,038	24	713
Total mined	('000t)	5,213	2,208	21,225	1,001	2,208
Grade mined	(g/t)	1.15	1.12	1.13	1.83	1.12
Ounces mined	(oz)	62,393	2,414	190,931	27,622	2,414

Review of operating results for the three months ended September 30, 2016

Mining

Mining activities in the third quarter were focused on Gora Phase 2, Golouma South, as well as pre-stripping at both Gora Phase 3 and Kerekounda. Overall, mining has shifted to higher grade, higher strip ratio deposits in 2016 from low grade, lower strip ratio deposits in the prior year. Total tonnes mined were 6 percent higher than the prior year period but lower than plan due to lower availability of the shovel fleet during the quarter. Management has been working with the maintenance contractor to improve shovel availabilities. Shovel availabilities are expected to be at planned rates by the end of the fourth quarter. As a result, full year guidance for total tonnes mined has been reduced to 34 - 35 million tonnes from 36.5 - 38.5 million tonnes. Full year gold production guidance is unaffected due to i) increased ore recovery during the current year, as both Gora and Golouma are reconciling better than the reserve model, ii) better recovery rates in the mill than planned, and iii) the mine plan for 2016 reflected a build-up of higher grade stockpiles. The high grade stockpile is expected to be lower than planned at year end but is expected to increase in 2017 as the ore is mined.

Processing

Ore milled for the three months was 933 thousand tonnes, 35 percent higher than the prior year period. High grade Golouma and Gora ore feed was supplemented with Sabodala and Masato stockpile material. Overall, ore tonnes milled during the third quarter represented the Company's highest third quarter rate, due in part to the earlier than planned commissioning of the second crushing circuit as part of the mill optimization, completed a quarter ahead of schedule and 12 percent lower than budget. In the prior year period, material handling issues with the material from Masato negatively impacted mill throughput rates during the rainy season.

Gold production for the three months increased by 50 percent compared to the prior year period, primarily as a result of higher mill throughput and head grades.

Costs – site operations

Total mining costs for the three months were $20.4 million, 11 percent higher than the prior year period. The increase over the prior year period is primarily due to a 6 percent increase in material movement compared to the year earlier period as well higher maintenance costs associated with the Company's aging drill fleet partially offset by lower fuel prices. On a unit cost basis, mining costs for the third quarter were 5 percent higher than the prior year mainly due to increased maintenance costs.

Total processing costs for the third quarter decreased to $10.3 million, 10 percent lower than the prior year period mainly due to lower fuel prices, despite a 35 percent increase in throughput. Accordingly, unit processing costs for the third quarter were 33 percent lower than the prior year period.

Total mine site general and administrative costs for the third quarter totaled $4.2 million, 11 percent higher than the prior year period mainly due to higher labour and non-refundable VAT costs. On a unit basis, general and administrative costs decreased by 20 percent over the prior year period due to higher tonnes milled.

Total cash costs decreased by 13 percent to $617 per ounce for the third quarter compared to the prior year period, mainly due to higher production more than offsetting the marginal increase in gross mine site costs from mining more material.

All-in sustaining costs per ounce were 24 percent lower than the prior year period due to higher production, lower total cash costs per ounce and lower mine development costs. The prior year figures include the final capital spend to complete the Gora deposit in mine development costs.

Review of operating results for the nine months ended September 30, 2016

Mining

Total tonnes mined for the nine months were 6 percent higher than the prior year period due to an increase in the utilization of the mobile equipment fleet to meet the 2016 mine plan. Mining activities in the current year have been mainly focused on the lower benches of the Masato deposit completed during the first quarter and the Gora and Golouma deposits which have been active throughout the first nine months of the year. Pre-stripping activities have commenced at both Gora Phase 3 and Kerekounda. In the prior year period, mining was focused on the upper benches of Masato, completion of phase 3 of the Sabodala pit and commencement of mining activities at Gora during the third quarter 2015.

Ore tonnes mined for the nine months were 73 percent lower than the prior year period, while ore grades mined were 121 percent higher, as mining has shifted to the higher grade deposits at Gora and Golouma.

Processing

Ore tonnes milled for the nine months were 20 percent higher than the prior year period. Year to date mill throughput represents the highest in Company history. Head grade year to date was nearly 10 percent higher than the prior year period, a reflection of the shift to higher grade deposits. The higher throughput rates over the first nine months of 2016 reflect some of the benefits of certain components of the mill optimization completed early and the commissioning of the second crusher during the third quarter. The mill optimization was completed a quarter ahead of schedule and 12 percent lower than budget.

Gold production for the nine months was a Company record 172,748 ounces, 32 percent higher than the prior year period, mainly due to higher mill throughput and head grades.

Costs – site operations

Total mining costs for the nine months were $60.1 million, 7 percent higher than the prior year period mainly due to a 6 percent increase in material movement. On a unit basis, mining costs for the nine months were 1 percent higher than the prior period mainly due to higher maintenance costs associated with the Company's aging drill fleet which was partly offset by lower fuel and emulsion prices.

Total processing costs for the nine months were $32.2 million, 10 percent lower than the prior year period, despite a 19 percent increase in mill throughput, due in large part to lower fuel prices. As a result, unit processing costs decreased by 25 percent compared to the prior year period.

Total mine site general and administrative costs for the nine months were $12.8 million, 12 percent higher than the prior year period mainly due to increased labour and non-refundable VAT costs. On a unit basis, mine site general and administrative costs decreased by 7 percent over the prior year period due to an increase in tonnes milled.

Total cash costs decreased by 5 percent to $598 per ounce for the nine months, compared to the prior year period, mainly due to higher production more than offsetting an increase in gross mine site costs from mining more material.

All-in sustaining costs per ounce for the nine months were 7 percent lower than the prior year period mainly due to higher production and lower total cash costs per ounce.

REVIEW OF FINANCIAL RESULTS

(US$000's, except where indicated)	Three months ended September 30, 2016	2015	% Change	Nine months ended September 30, 2016	2015	% Change
Revenue	60,316	37,830	59%	213,076	166,385	28%
Cost of sales[1]	(37,748)	(33,018)	14%	(138,506)	(125,618)	10%
Gross profit	**22,568**	**4,812**	**369%**	**74,570**	**40,767**	**83%**
Exploration and evaluation expenditures	(735)	(48)	1431%	(3,659)	(1,782)	105%
Administration expense[1]	(1,867)	(2,141)	(13%)	(5,416)	(7,934)	(32%)
Corporate social responsibility expenses[1]	(802)	(727)	10%	(2,834)	(1,937)	46%
Share-based compensation	(1,394)	(384)	263%	(4,943)	(1,752)	182%
Finance costs	(1,118)	(789)	42%	(3,455)	(2,186)	58%
Net foreign exchange (losses)/gains	(1,054)	472	N/A	(2,903)	2,154	N/A
Other (expenses)/income	684	20	N/A	(7,213)	2,050	N/A
Profit before income tax	**16,282**	**1,215**	**1240%**	**44,147**	**29,380**	**50%**
Income tax (expense)/income	(4,105)	846	(585%)	(14,764)	(5,510)	168%
Net profit	**12,177**	**2,061**	**491%**	**29,383**	**23,870**	**23%**
Profit attributable to non-controlling interests	(1,740)	(494)	252%	(4,988)	(2,589)	93%
Profit attributable to shareholders of Teranga	**10,437**	**1,567**	**566%**	**24,395**	**21,281**	**15%**
Basic earnings per share	0.03	0.00	499%	0.06	0.06	0%

[1] In 2016 in order to better align costs with industry peers, the Company has reclassified regional administration costs directly relating to cost of sales activities from administration expenses to cost of sales and corporate social responsibility costs to a separate line in the financial statements for the current and prior period.

(US$000's) **Cost of Sales**	Three months ended September 30, 2016	2015	% Change	Nine months ended September 30, 2016	2015	% Change
Mine production costs	36,104	33,707	7%	108,701	104,057	4%
Capitalized deferred stripping - cash	(3,113)	(2,047)	52%	(13,717)	(11,832)	16%
Capitalized deferred stripping - non-cash	(271)	(176)	54%	(1,136)	(1,165)	-2%
	32,720	31,484	4%	93,848	91,060	3%
Depreciation and amortization - deferred stripping assets	761	508	50%	1,725	5,117	(66%)
Depreciation and amortization - property, plant and equipment and mine development expenditures	8,758	7,252	21%	28,270	26,026	9%
Royalties	3,174	1,942	63%	11,428	8,315	37%
Amortization of advanced royalties	518	349	48%	2,200	1,105	99%
Regional administration costs[1]	355	509	(30%)	1,406	1,795	(22%)
Inventory movements	(8,679)	(9,829)	(12%)	(5,997)	(12,951)	(54%)
Inventory movements - non-cash	141	803	(82%)	5,626	5,151	9%
	(8,538)	(9,026)	(5%)	(371)	(7,800)	(95%)
Total cost of sales	**37,748**	**33,018**	**14%**	**138,506**	**125,618**	**10%**

[1]In 2016 in order to better align costs with industry peers, the Company has reclassified regional administration costs from administration expense to cost of sales for the current and prior period.

Review of financial results for the three months ended September 30, 2016

Revenue

Revenue for the three months ended September 30, 2016 increased by 59 percent over the prior year period due to increased sales volume and higher average realized gold prices in the current period. Gains and losses on gold derivative contracts have been classified within other income (expense).

	Three months ended September 30,		
Spot price per ounce of gold	**2016**	**2015**	**% Change**
Average	$1,335	$1,124	19%
Low	$1,308	$1,081	21%
High	$1,366	$1,168	17%
Average Realized	$1,333	$1,112	20%

Cost of Sales

For the three months ended September 30, 2016, total cost of sales increased by 14 percent over the prior year period to $37.7 million primarily due to higher mine production costs, higher depreciation and higher royalty expense due to an increase in material mined, processed and produced.

Mine production costs (before capitalized deferred stripping) of $36.1 million were 7 percent higher than the prior year period. See Review of Operating Results section for additional information.

In the three months ended September 30, 2016, $3.4 million of deferred stripping costs were capitalized relating to Gora compared to $2.2 million in the prior year period. Costs capitalized are amortized to expense as the deposit is mined.

Depreciation and amortization expense for the three months ended September 30, 2016 was $9.5 million, $1.8 million higher than the prior year period due to an increase in production. 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, 2016, $3.7 million of royalties were expensed compared to $2.3 million in the prior year period. The increase was primarily due to higher revenue in the current quarter, higher amortization of advanced royalties related to production from the former Oromin Joint Venture Group ("OJVG") deposits and royalties related to Gora.

Inventory movements in the three months ended September 30, 2016 resulted in a decrease to cost of sales of $8.5 million compared to a decrease of $9.0 million in the prior year period. The current quarter impact was primarily due to an increase in unit mining costs per ounce due to the increase in the strip ratio.

Exploration and evaluation

Exploration and evaluation expenditures for the three months ended September 30, 2016 were $0.7 million, $0.7 million higher than the prior year period. The Company continues to take a systematic and disciplined approach to exploration. Please see the Regional Business and Project Development and Exploration sections for additional information.

Administration expense

Administration expense for the three months ended September 30, 2016 was $1.9 million, $0.3 million lower compared to the prior year period. Lower administration expense in the current quarter is mainly due to lower legal fees.

Share-based compensation

Share-based compensation expense for the three months ended September 30, 2016 were $1.4 million, $1.0 million higher than the prior year period due to expenses related to new grants of share-based awards issued in 2016 and a significant increase in the Company's share price during the current year.

Net foreign exchange gains (losses)

Net foreign exchange losses of $1.0 million were realized by the Company in the three months ended September 30, 2016 primarily due to realized and unrealized foreign exchange losses recorded during the quarters as the Euro and CFA Franc appreciated relative to the US dollar.

Finance costs

Finance costs for the three months ended September 30, 2016 were $1.1 million, an increase of $0.3 million compared to the prior year period, mainly due to higher interest expense and bank charges.

Other income (expense)

Other income for the three months ended September 30, 2016 was $0.7 million compared with a nominal income amount in the prior year period. Other income in the current quarter included a reversal of a previous accrual for business taxes of $1.3 million and a gain of $0.2 million on gold forward sales contracts and zero cost collars. This was partially offset by $0.8 million in legal and advisory costs related to the acquisition of Gryphon.

Income tax expense

For the three months ended September 30, 2016, the Company recorded income tax expense of $4.1 million, comprised of current income tax expense of $3.9 million and deferred income tax of $0.2 million. In the prior year period, income tax recovery of $0.8 million was comprised of current income tax expense of $0.1 million and deferred income tax recovery of $0.9 million. Higher current income tax expense in the current period was mainly due to higher gross profit.

Net profit

Consolidated net profit attributable to shareholders for the three months ended September 30, 2016 was $10.4 million ($0.03 per share), compared to consolidated net profit of $1.6 million ($0.00 per share) in the prior year period. The increase in profit in the current quarter is mainly due to higher revenues from gold sales.

Review of financial results for the nine months ended September 30, 2016

Revenue

Revenue for the nine months ended September 30, 2016 increased by 28 percent over the prior year period due to increased sales volume and, to a lesser extent, the rising price of gold. Gains and losses on gold derivative contracts have been classified within other income (expense).

	Nine months ended September 30,		
Spot price per ounce of gold	**2016**	**2015**	**% Change**
Average	$1,258	$1,178	7%
Low	$1,077	$1,081	0%
High	$1,366	$1,296	5%
Average Realized	$1,244	$1,185	5%

Cost of Sales

For the nine months ended September 30, 2016, total cost of sales increased by $12.9 million over the prior year period to $138.5 million, primarily due to higher mine production costs and higher royalty expense due to increases in material mined, processed and produced.

Mine production costs (before capitalized deferred stripping) of $108.7 million were $4.6 million higher than the prior year period. See Review of Operating Results section for additional information.

In the nine months ended September 30, 2016, $14.8 million of deferred stripping costs were capitalized relating to Gora which is amortized as the deposit is mined. The prior year period amount of $13.0 million relates mainly to the capitalization of stripping costs at the Masato and Gora deposits.

Depreciation and amortization expense for the nine months ended September 30, 2016 was $30.0 million, $1.1 million lower than the prior year period. Depreciation expense in 2016 reflects lower amortization of deferred stripping assets. This was partially offset by increased production and corresponding depreciation rates.

For the nine months ended September 30, 2016, $13.6 million of royalties were expensed compared to $9.4 million in the prior year period. The increase was primarily due to higher revenue in the current period, higher amortization of advanced royalties related to production from the former OJVG deposits and royalties related to Gora.

Inventory movements in the nine months ended September 30, 2016 resulted in a net decrease to cost of sales of $0.4 million compared to a net decrease to cost of sales of $7.8 million in the prior year. For the current year, an increase in cash inventory costs, due to a higher strip ratio, was offset by a decrease in non-cash inventory costs as a result of a net reduction to ore stockpiles.

Exploration and evaluation

Exploration and evaluation expenditures for the nine months ended September 30, 2016 were $3.7 million, $1.9 million higher than the prior year period. The Company continues to take a systematic and disciplined approach to exploration. Please see the Regional Exploration section for additional information.

Administration expense

Administration expense for the nine months ended September 30, 2016 was $5.4 million, $2.5 million lower than the prior year period. Lower administration expense in the current period is mainly due to lower corporate office and legal and consulting costs.

Corporate social responsibility expense

CSR expense for the nine months ended September 30, 2016 was $2.8 million, $0.9 million higher than the prior year period mainly due to timing of spend related to social commitments.

Share-based compensation

Share-based compensation expense for the nine months ended September 30, 2016 was $4.9 million, $3.2 million higher than the prior year period due to expenses related to new grants of share-based awards issued during 2015 and 2016, and significant increases in the Company's share price during the current year period.

Finance costs

Finance costs for the nine months ended September 30, 2016 was $3.5 million, $1.3 million higher than the prior year period mainly due to higher interest expense on borrowings and higher bank charges.

Net foreign exchange gains (losses)

Net foreign exchange losses of $2.9 million were realized by the Company in the nine months ended September 30, 2016 primarily due to realized and unrealized foreign exchange losses recorded during the first and third quarters 2016 as the Euro and CFA Franc appreciated relative to the US dollar.

Other income (expense)

Other expense for the nine months ended September 30, 2016 was $7.2 million compared with other income of $2.1 million in the prior year. Other expense in the current period included $2.7 million in losses on gold derivative contracts, $1.2 million in Gryphon acquisition related costs, $1.2 million for business taxes, $1.0 million related to registration fees to merge the Sabodala and Golouma mining concessions as part of the acquisition of the OJVG, as well as, miscellaneous non-recurring costs incurred during the period. Other income in the prior year period related to realized gains on gold forward contracts.

Income tax expense

For the nine months ended September 30, 2016, the Company recorded income tax expense of $14.8 million, comprised of current income tax expense of $13.9 million and deferred income tax expense of $0.9 million. In the prior year period, income tax expense of $5.5 million was comprised of current income tax expense of $2.5 million and deferred income tax expense of $3.0 million. The Company became subject to a 25 percent corporate income tax rate calculated on profits in Senegal effective May 2, 2015.

Net profit

Consolidated net profit attributable to shareholders for the nine months ended September 30, 2016 was $24.4 million ($0.06 per share), compared to consolidated net profit of $21.3 million ($0.06 per share) in the prior year period. The increase in profit in the current year is due to higher revenues from gold sales.

REVIEW OF QUARTERLY FINANCIAL RESULTS

(US$000's)	2016			2015				2014
	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Revenue	60,316	73,562	79,198	58,235	37,830	60,064	68,491	76,553
Average realized gold price ($/oz)	1,333	1,261	1,169	1,099	1,112	1,198	1,217	1,199
Cost of sales	37,748	48,227	52,531	49,266	33,018	43,827	48,773	38,198
Net earnings (loss)[1]	10,437	6,146	7,812	(71,824)	1,567	6,726	12,987	27,693
Net earnings (loss) per share ($)[1]	0.03	0.02	0.02	(0.19)	0.00	0.02	0.04	0.08
Operating cash flow	13,255	20,958	24,143	9,755	(8,221)	12,269	16,631	30,677
Ore mined ('000t)	331	363	905	1,859	1,750	1,893	2,246	2,666
Waste mined - operating ('000t)	6,373	6,307	7,000	4,612	4,958	5,192	3,619	5,594
Waste mined - capitalized ('000t)	1,189	2,787	661	726	713	1,221	2,841	490
Total mined ('000t)	7,893	9,457	8,566	7,197	7,421	8,306	8,706	8,750
Grade Mined (g/t)	2.71	3.53	2.16	1.37	1.15	1.18	1.17	1.47
Ounces Mined (oz)	28,826	41,272	62,813	82,057	64,807	71,781	84,379	126,334
Strip ratio (waste/ore)	22.9	25.0	8.5	2.9	3.2	3.4	2.9	2.3
Ore processed ('000t)	933	1,006	1,052	919	691	951	861	1,009
Head grade (g/t)	1.78	1.76	2.23	1.86	1.62	1.77	1.90	2.44
Gold recovery (%)	92.6	92.1	93.7	93.4	91.8	91.4	92.6	90.1
Gold produced[1] (oz)	49,481	52,540	70,727	51,292	32,956	49,392	48,643	71,278
Gold sold (oz)	45,161	58,297	67,672	52,939	33,982	50,074	56,223	63,711
Total cash costs per ounce sold[2] (including Royalties)	617	619	567	668	712	602	609	598
All-in sustaining costs per ounce sold[2] (including Royalties)	907	968	824	969	1,191	948	841	711
Mining ($/t mined)	2.59	2.25	2.15	2.83	2.47	2.40	2.06	2.58
Mining long haul ($/t hauled)	2.79	4.00	5.08	5.33	5.31	-	-	-
Milling ($/t mined)	11.05	10.46	10.77	13.27	16.50	12.37	14.64	13.91
G&A ($/t mined)	4.55	4.68	4.02	4.99	5.66	3.89	4.98	4.27

[1]The first quarter 2015 includes the impact of restating the deferred income tax expenses related to temporary timing differences.

[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.

Our revenues over the last several quarters reflect the variation in quarterly production and a trend of marginally increasing spot gold prices that have fluctuated around recent low levels in the current metal commodity cycle while production costs have been decreasing due to lower input costs, favourable foreign currency movements and operational efficiencies. This general trend has translated into improving net earnings. Operating cash flow levels fluctuate depending on the price of gold and production levels each quarter.

Net loss recorded during the fourth quarter 2015 includes a non-cash impairment charge. Net earnings recorded during the fourth quarter 2014 were higher than other quarters mainly due to reversal of non-cash inventory write-downs recorded during the second and third quarters 2014.

Operating cash flows during the first quarter 2016 and fourth quarter 2014 were higher mainly due to higher gold production and sales, and lower during the third quarter 2015 due to lower gold production and sales.

BUSINESS AND PROJECT DEVELOPMENT

Burkina Faso

Acquisition of Gryphon Minerals Limited

In June 2016, Teranga announced that it had entered into an agreement to acquire Gryphon in an all share transaction.

On July 19, 2016, the Company acquired a 5 percent interest in Gryphon by way of a placement (the "Gryphon Placement"). Through the Gryphon Placement, Teranga subscribed for 21.2 million fully paid ordinary shares of Gryphon for total consideration of approximately $3.3 million. As a result of the Gryphon Placement, Teranga owned approximately 5 percent of Gryphon's issued shares as at September 30, 2016. Following the Placement, Teranga commenced a resource conversion drill program, plant re-design studies required to complete a fully optimized and derisked feasibility study in the first half of 2017, and an update to the relocation action plan and tailings storage facility design required as a result of the decision to move forward with a carbon-in-leach plant.

On October 13, 2016, Teranga implemented the previously announced acquisition (the "Acquisition") of Gryphon, by way of a scheme of arrangement (the "Scheme") under the Australian Corporations Act 2001 (Cth).

Pursuant to the Scheme, shareholders of Gryphon received an aggregate of 70,638,853 Teranga common shares held on the Toronto Stock Exchange or chess depository interests ("CDIs") listed on the Australian Securities Exchange ("ASX") (based on their election) on the basis of 0.169 Teranga common share or CDI for each Gryphon common share not already held by the Company.

Gryphon's key asset is the Banfora gold project ("Banfora"), a permitted, high grade, open pit gold project located in Burkina Faso, West Africa, a mining-friendly jurisdiction.

In January 2013 Gryphon announced a proven and probable reserve of 1.05 million ounces (16.7 Mt at 1.95g/t) contained within a series of open pit deposits as part of a Feasibility Study on a 2Mtpa CIL operation[4]. There is potential to add reserves both at the Banfora project itself and, within trucking distance on the proposed mill, through exploration targets on Gryphon's highly prospective land package.

Banfora Gold Project Update

In addition to an advanced drilling campaign completed in third quarter (see page 16)**,** preliminary technical work in preparation for an updated feasibility study for the Banfora gold project has been in progress since July. This has included follow up metallurgical testwork to optimize the CIL process flowsheet, comminution circuit modeling, a market survey for power source options and a tailings design and water balance optimization review. This process has revealed a number of operational synergies with the Sabodala operations which are planned to be incorporated into the design basis. In parallel, the strategic review and execution plan for the relocation action plan (RAP) and livelihood restoration plan are underway.

The feasibility study will comprise of an updated resource and reserve estimate, revised plant design, construction execution plan and updated capital and operating costs. All key consultant expertise for the technical composition of the updated feasibility study have been engaged and work has now been initiated in the respective areas. The new study will leverage Teranga's extensive operational and construction experience in West Africa to optimize the study.

Expectation for completion is by the end of the second quarter 2017 at which point a construction decision will be made. An additional exploration program is planned for a number of prospective areas on the Banfora property to continue during the completion of the feasibility study timeframe.

Côte d'Ivoire

Royalty Agreement with Miminvest

During the second quarter 2016, the Company entered into a royalty agreement with Miminvest SA ("Miminvest") to identify and acquire gold exploration stage mining opportunities in Côte d'Ivoire. Miminvest is a company established to invest in gold and natural resources in West Africa and is controlled by the Mimran family and David Mimran. It holds four existing exploration permits, representing 1,380 km^2 in Côte d'Ivoire. David Mimran, in addition to being CEO of Miminvest, is CEO of Grands Moulins d'Abidjan and Grands Moulins de Dakar, one of the largest producers of flour

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[4] As of the date of the acquisition of Gryphon Minerals Limited (October 13, 2016), the most recent Gryphon Reserve Estimate for the Banfora gold project was 826,000 ounces (17.4 Mt at 1.5 g/t) based on a lower capital cost heap leach processing option (see the Scheme Booklet for further details). However, as noted in Teranga's press release dated June 19, 2016 and re-confirmed herein, Teranga's preferred development path for the Banfora gold project is an optimized CIL flowsheet. The pro forma Combined Group Proven and Probable Mineral Reserve estimate of 3.7 million ounces as at December 31, 2015 included in Teranga's press release dated June 19, 2016 was based on Gryphon's CIL feasibility study Mineral Reserve estimate of 1.05 million ounces (16.7 Mt at 1.95 g/t) issued in January 2013. A number of relevant factors have changed since this estimate was issued by Gryphon Minerals in 2013, and as such and benefitting from an optimization study to be completed by Teranga, we anticipate updating the feasibility study and the resource and reserve estimates in the first half of 2017. The Mineral resources are as per Gryphon Minerals 2Mtpa Heap Leach Feasibility Study (JORC) released August 4, 2014. Complete information is available on Gryphon's website at www.gryphonminerals.com.au and filed on the ASX at www.asx.com.au.

and agri-food in West Africa and is also a director and the largest shareholder of Teranga.

Under the terms of the royalty agreement, a separate entity will be created and be wholly owned and funded by Teranga, Miminvest will transfer into the entity its permits and in exchange retain a net smelter royalty interest of 3 percent and will provide ongoing in-country strategic advice. Teranga will reimburse Miminvest for all direct and reasonable costs associated with exploration work related to all transferred permits. Furthermore, the entity will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest permits.

The royalty agreement represents an opportunity to increase Teranga's optionality and expand the Company's footprint in West Africa with David Mimran, a strong local partner with whom we have worked closely. While there have been many discoveries in mining-friendly Côte d'Ivoire, we believe there to be undiscovered gold deposits. The combined Teranga and Gryphon technical team has significant expertise, a track record of success and in-depth knowledge of the geology of Côte d'Ivoire, making this a logical next step in our West Africa growth plan.

Senegal

Mill Optimization

A mill optimization project was completed and commissioned in August approximately one quarter ahead of schedule and approximately 12 percent under budget. Launched in mid-2015, a second primary jaw crusher, screen and conveyor assembly was added to tie into our existing facility. This additional configuration in the materials handling infrastructure is expected to increase throughput in the plant by up to 15 percent on an annualized basis for fresh ore; however, there may be potential to increase throughput further based on optimization of the grinding circuit once steady state has been achieved. In addition to higher production, unit processing costs are expected to be decreased by approximately 5 percent as a result of the installation.

Approximately $3.1 million was spent during third quarter 2016, for a total project spend of approximately $17.5 million in comparison to the $20.0 million budgeted.

EXPLORATION

Senegal Exploration Highlights

Initial resource estimations were completed for three new deposits during the third quarter 2016 as outlined in Table 1. Two of these deposits, Goumbati West (Zones A, B and C) and Golouma North (Zones A, B and C) are situated on the Mine License while the third deposit, Marougou Main, is situated within the regional land package.

Representative plans and sections related to the initial resource estimations for these deposits are available on the Company's website at www.terangold.com under "Exploration".

Table 1

Deposit	Indicated Resources			Inferred Resources		
	Tonnes	Grade	Au oz	Tonnes	Grade	Au oz
	('000s)	(g/t Au)	('000s)	('000s)	(g/t Au)	('000s)
Golouma North	170	1.32	7	295	1.42	14
Goumbati West	568	1.69	31	178	1.19	7
Marougou Main	0	0	0	1,199	1.41	54
Total	**738**	**1.61**	**38**	**1,672**	**1.39**	**75**

Notes for Mineral Resources:

1. CIM definitions were followed for Mineral Resources.
2. Open pit oxide Mineral Resources are estimated at a cut-off grade of 0.35 g/t Au.
3. Open pit transition and fresh rock Mineral Resources are estimated at a cut-off grade of 0.40 g/t Au.
4. High grade assays were capped at grades ranging from 5.0 g/t Au to 13.5 g/t Au.
5. Open pit shells were used to constrain open pit resources.
6. Mineral Resources are estimated using a gold price of US$1,450 per ounce.
7. Sum of individual amounts may not equal due to rounding

Sabodala Mine Lease Reserve Development

The two most advanced exploration prospects on the Mine Lease, Goumbati West and Golouma North, continue to yield encouraging results from the ongoing 2016 exploration program subsequent to completion of the initial resource estimation. Further drilling is planned to continue throughout the fourth quarter of 2016.

Goumbati West Deposit

Goumbati West, a NNE trending gold in quartz vein system comprised of Zones A, B and C is located approximately 10 kilometres from the Sabodala Plant. Drilling evaluation is at a very early stage and the shallow, near-surface intersections comprising the resource estimate are almost entirely oxide in composition with only the most recent deeper holes transitioning into fresher material.

To date, Goumbati West Zones A and B have been drilled on 40-metre sections along a 960-metre strike extent and down-dip to approximately 100-110 metres predominantly on 20 and 40 metre centers. The Goumbati West quartz vein system displays very good hole to hole and section to section continuity and remains open to further expansion along trend both north and south as well as to depth. Surface trenching results along trend beyond the area drilled to date, indicate that the Goumbati West quartz vein system has a minimum strike extent of approximately 1,500 metres. Current drilling is stepping out along trend to the north testing both gold-in-soil geochem anomalies and coincident trench results located between Goumbati West and the Kobokoto South Prospect. In addition, positive initial drilling results at Goumbati West Zone C, covering an extensive gold-in-soil geochemical anomaly located immediately west of Goumbati West Zones A and B, suggests that a sub-parallel quartz vein system is present.

Golouma North Deposit

Golouma North, is comprised of three partially defined mineralized zones, A, B and C. These three zones have a combined NNE strike extension of approximately 1,000 metres. Golouma North is located 5 kilometres from the

Sabodala Plant and proximal to a series of deposits already in the current mine plan, including Golouma West, Golouma South and Kerekounda. Previous drilling was predominantly on Zone A, a structurally complex area of intersecting ductile and brittle, mafic volcanic hosted, shear zones. Zone A has been drill tested at 40-metre centers on 40-metre Sections along a 280-metre strike extent to depths of between 80 and 120 metres down-dip.

Drilling will continue at Golouma North during the fourth quarter 2016 predominantly within Zone B where limited drilling has intersected favorable results, and subsequently directed towards linking Zones A, B and C along the entirety of the favorable structural trend.

Other Mine Lease Prospects

Elsewhere on the Mine Lease, fourth quarter drilling programs are planned to: follow-up on successful initial drilling at Maleko, test for a long-trend gold mineralization at the Niakafiri South extension target and evaluate positive trenching results at the Torosita Prospect.

Senegal Regional Exploration

In addition, there are a number of Regional Exploration targets that, although not quite as advanced as the Mine License prospects, have also returned favourable trenching and drilling results. Of these Regional Prospects detailed work at Marougou Main has culminated in a favourable geologic model that identifies the controlling components of the gold mineralization. As noted above, an initial resource estimate has now been completed at this deposit (Table 1). A multi-drill, follow-up program is anticipated at Marougou Main during the fourth quarter of 2016.

Marougou Main Deposit

The Marougou Main deposit is situated on the regional exploration ground approximately 10 kilometres east of the Gora open pit, which is located approximately 25 kilometres north of the Sabodala Plant. Marougou Main is proximal to several other prospects, Tourokhoto, Marougou North, Marougou South and Dembala Hill, where trenching and drilling exploration programs will be underway in the fourth quarter and into 2017. Favourable exploration results from these nearby prospects, together with continued exploration success at Marougou Main, makes this entire area a key potential resource target of interest.

The NNE trending Marougou Main deposit is comprised of a series of shallow to moderately-dipping, sub-parallel gold mineralized horizons within a sequence of steeply-dipping, alternating fine and coarse bedded sediments proximal to the regional MTZ shear system. Initial RC profile drilling was on broad spaced 200-metre sections with more recent core drilling on much tighter centres focused on clarifying structural and geologic controls on the gold mineralization.

Two drills will begin a resource expansion drilling program at Marougou Main during the fourth quarter 2016, focusing primarily on defining strike extension correlation and depth continuity of the sub-parallel gold horizons.

Other Prospects

Systematic exploration of the various targets and prospects throughout the Doughnut area (Honey, Jam, Cinnamon) has provided considerable encouragement, all of which will lead to follow-up trenching and drilling campaigns on a number of fronts in the fourth quarter of 2016.

A more detailed geologic summary of the third quarter 2016 exploration results is available on the Company's website at www.terangagold.com under "Exploration".

Burkina Faso Exploration Highlights

A comprehensive 15-month exploration program has been designed for each of the Banfora, Golden Hill and Gourma gold projects and is scheduled to begin this November. For clarity, the Banfora gold project includes both a mine license with an area of 89km^2 and a regional land package comprised of five exploration permits totaling 933km^2, which surrounds the Banfora mine license. Highlights of this program are as follows (further details are available in the October 26, 2016 Exploration release which can be found on the Company's website at www.terangagold.com).

- A recently completed drill program at Banfora provides confirmation of mineralization in three of the four deposits defined by previous geological modeling through extension of high grade shoots from infill drilling and potential expansion of the resource along strike and at depth in areas.

- An extensive exploration program is planned in Burkina Faso during fourth quarter 2016 and through 2017 with expectations

  - to continue to convert resources to reserves within the four deposits currently within the mine plan

  - to begin testing of 11 advanced stage targets within trucking distance of the proposed mill

  - to initiate exploration programs on the Golden Hill exploration property located within the highly prospective Houndé Greenstone Belt, and the Gourma exploration property located 125km southeast of Ouagadougou.

Cote d'Ivoire Exploration Highlights

Guitry, Tiassale, Dianra, Mahpaleu

Teranga holds, by way of joint venture, four greenfield exploration tenements totalling nearly 1,400km^2 in Cote d'Ivoire. As a follow-up to recently completed preliminary field investigations including stream sediment and soil sampling, a high precision BLEG drainage survey is planned across the entire land package at an average density of one sample per 5 km^2 for completion during first quarter 2017. The detailed BLEG survey will be complemented with the acquisition of remote sensing data and undertaking reconnaissance scale geological mapping ahead of drawing up other work plans based off the drainage sampling results.

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

(US$000's)	As at September 30, 2016	As at December 31, 2015
Balance Sheet		
Cash and cash equivalents	57,871	44,436
Trade and other receivables	14,050	15,701
Inventories	164,526	164,427
Deferred tax assets	22,225	23,098
Other assets	456,282	448,554
Available for sale financial assets	3,416	-
Total assets	**718,370**	**696,216**
Trade and other payables	61,792	62,545
Borrowings	13,762	13,450
Provisions	35,240	30,824
Deferred revenue	74,234	91,345
Other liabilities	24,726	19,783
Total liabilities	**209,754**	**217,947**
Total equity	**508,616**	**478,269**

Balance Sheet Review

Cash

The Company's cash balance at September 30, 2016 was $57.9 million, $13.4 million higher than the balance at the start of the year, primarily due to cash flow provided by operations of $58.3 million partly offset by capital expenditures and investments totalling $42.5 million during the first nine months of 2016. As at September 30, 2016, $15.0 million was drawn from the $30 million Revolver Facility. Including the equity placement in October 2016 by Tablo Corporation of $7.6 million, the Company's pro-forma cash balance at September 30, 2016 was $65.5 million.

Trade and Other Receivables

The trade and other receivables balance of $14.0 million includes $11.3 million in VAT recoverable which is expected to be refunded over the balance of 2016 and 2017. In February 2016, the Company received an exemption for the payment and collection of refundable VAT. This exemption is governed by an amendment to our mining convention and is enforceable for the next 6 years, expiring on May 2, 2022.

Deferred Revenue

During the nine months ended September 30, 2016, the Company delivered 16,875 ounces of gold to Franco-Nevada and recorded revenue of $21.4 million, consisting of $3.8 million received in cash proceeds, $0.5 million in accounts receivable and $17.1 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	**2016**	**2015**	**2016**	**2015**
Operating	13,255	(8,221)	58,356	20,679
Investing	(12,797)	(13,268)	(42,456)	(35,375)
Financing	(237)	12,999	(1,290)	8,764
Effect of exchange rates on cash holdings in foreign currencies	(488)	-	(1,175)	1
Change in cash and cash equivalents during the period	(267)	(8,490)	13,435	(5,931)
Cash and cash equivalents - beginning of period	**58,138**	**38,369**	**44,436**	**35,810**
Cash and cash equivalents - end of period	**57,871**	**29,879**	**57,871**	**29,879**
Free cash flow[1]	3,764	(21,489)	19,206	(14,696)
Free cash flow per ounce sold[1]	83	(632)	112	(105)

[1] Free cash flow and free cash flow per ounce are defined as operating cash flow less capital expenditures.

Operating Cash Flow

(US$000's)	Three months ended September 30,		Nine months ended September 30,	
Changes in working capital other than inventory	**2016**	**2015**	**2016**	**2015**
Increase in trade and other receivables	(24)	(5,252)	(5,075)	(8,089)
Decrease in other assets	15	2,372	6,952	1,763
Increase/(decrease) in trade and other payables	1,534	(1,772)	(382)	(12,646)
Increase/(decrease) in provisions	2	-	(616)	(1)
Increase in current income taxes payable	3,758	139	5,428	2,550
Net change in working capital other than inventory	**5,285**	**(4,513)**	**6,307**	**(16,423)**

Cash provided by operations for the three months ended September 30, 2016 was $13.3 million compared to a use of cash of $8.2 million in the prior year period. The increase in operating cash flow was primarily due to higher profit and lower VAT payments during the third quarter 2016 compared to the prior year period.

Cash provided by operations for the nine months ended September 30, 2016 was $58.4 million compared to $20.7 million in the prior year period. The increase in operating cash flow was primarily due to higher profit and lower government royalties and VAT payments made during the year, compared to the prior year period.

Investing Cash Flow

(US$000's)	Three months ended September 30,		Nine months ended September 30,	
Investing activities	**2016**	**2015**	**2016**	**2015**
Mine site capex - sustaining	1,355	1,178	4,918	3,286
Mine site capex - project	2,434	2,388	10,826	3,448
Development capital	1,626	6,001	5,522	12,837
Capitalized reserve development (mine site exploration)	1,011	1,654	4,215	3,972
Capital Expenditures, before Deferred Stripping	**6,426**	**11,221**	**25,481**	**23,543**
Capitalized deferred stripping	3,065	2,047	13,669	11,832
Capital Expenditures	**9,491**	**13,268**	**39,150**	**35,375**
Investment in Gryphon Minerals Limited common shares	3,306	-	3,306	-
Investing Activities	**12,797**	**13,268**	**42,456**	**35,375**

Net cash used in investing activities for the three months ended September 30, 2016 was $12.8 million, $0.5 million lower than the prior year period. Lower development capital was mostly offset by higher deferred stripping costs related to Gora and cash used to invest in shares of Gryphon.

Net cash used in investing activities for the first nine months of 2016 were $42.5 million, $7.1 million higher than the prior year period. The increase in investing cash outflows was primarily due to higher capital expenditures related to project costs for the mill optimization project and capitalized deferred stripping, and cash used to invest in share of Gryphon, partly offset by lower development capital.

Financing Cash Flow

Net cash used in financing activities for the three months ended September 30, 2016 was $0.2 million, related to interest and financing costs paid on borrowings. The comparative prior year period provided cash of $13.0 million as a result of a $15.0 million draw-down of the Revolver Facility which was offset by $2.0 million in financing costs paid.

Net cash used in financing activities for the nine months was $1.3 million, related to interest and financing costs paid on borrowings, compared to generating cash of $8.8 million in the prior year period. Financing activities in the prior year period included the $15.0 million drawdown of the Revolver Facility less financing costs paid of $2.0 million, and $4.2 million in a repayment of borrowings.

LIQUIDITY AND CAPITAL RESOURCES OUTLOOK

In June 2016, the Company completed an extension of its $30.0 million Revolver Facility with Société Générale. The Revolver Facility matures on September 30, 2019, with the available amount decreasing to $15.0 million on June 30, 2018. The Revolver Facility carries an interest rate of LIBOR plus 4.65 percent with any unused facility amounts subject to a commitment fee of 1.6 percent. All financial covenants remain unchanged from the original facility. As at September 30, 2016, $15.0 million was drawn on the Revolver Facility for working capital needs.

Subsequent to the quarter and in connection with the implementation of the scheme to acquire Gryphon Minerals, Tablo Corporation, controlled by Mr. David Mimran, exercised its pre-emptive participation right, pursuant to a Voting and Investor Rights Agreement with Teranga dated October 14, 2015, to subscribe for 9,671,625 Teranga common shares (the "Private Placement"), representing 13.69 percent of Teranga's common shares and CDIs issued under the Scheme (calculated on a non-diluted basis). Following the completion of the Private Placement, Tablo held a total of 63,376,260, or 13.41 percent, of Teranga's issued and outstanding common shares (calculated on a non-diluted basis and post issuance of the Teranga common shares and CDIs issued on the Scheme and the Private Placement). The issuance price to Tablo was C$1.0322 per share, being the 5-day volume weighted average price of Teranga common shares as of close of business on October 12, 2016. The Private Placement resulted in net proceeds of C$10.0 million ($7.6 million). The Teranga common shares issued to Tablo will be subject to a customary four month hold period.

Our primary sources of liquidity are the Company's cash position at September 30, 2016, which was $57.9 million, cash flow from operations and the Revolver Facility. Including the Private Placement, on a pro-forma basis, the Company's cash balance at September 30, 2016 would have been approximately $65.5 million.

The key factors impacting our financial position and the Company's liquidity include the following:

- the Company's ability to generate free cash flow from operating activities;
- expected capital expenditure requirements; and
- the gold price.

Our cash position is highly dependent on the key factors noted above, and we expect we will generate sufficient cash flow from operations combined with our Revolver Facility to fund our current and short-term initiatives. Using a $1,200 per ounce gold price for the balance of the year, the Company expects to generate free cash flow in 2016.

The Banfora project is currently in the early stages of pre-construction activities and therefore has yet to generate any revenues. The Company is currently assessing various alternatives of financing construction of the project which may include debt or equity or a combination thereof. The Company's current cash balance and the cash flows from Sabodala Gold Operations will be key contributors to the development of the Banfora project. Funding under any facility will be subject to customary conditions precedent for a financing of the type. Although the Company has been successful in the past in financing its activities, there is no certainty any project debt or equity offering will be successfully completed.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

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

In February 2016, after an increase in the gold spot price, the Company entered into gold forward contracts with Société Générale to deliver 28,000 ounces with settlement dates from March to August 2016 at an average price of $1,201 per ounce. There were no outstanding hedge forward contracts as at September 30, 2016.

At the end of February 2016, the Company entered into zero cost collars with Macquarie Bank. The agreements provide a guaranteed floor price of $1,150 per ounce and also provide exposure to the gold price up to an average of $1,312 per ounce. These agreements cover 15,000 ounces of production between October and December 2016.

CONTRACTUAL OBLIGATIONS AND COMMITTMENTS

The Company has entered into capital purchase obligations related to various projects. As at September 30, 2016, total future purchase obligations related to these projects were approximately $0.5 million.

CONTINGENT LIABILITIES

Royalty payments

Government royalties are accrued based on the mine head value of the gold and related substances produced at a rate of 5 percent of sales payable on an annual basis. During the three and nine months ended September 30, 2016, the Company paid $2.1 million related to approximately 50 percent of first quarter 2015 royalties. At September 30, 2016, $19.8 million of government royalties related to 2015 and 2016 have been accrued. In 2016, the Company intends to make payments of 2015 royalties using VAT refund certificates received from the Government of Senegal, which can be applied directly against royalties and income taxes owed by the Company to the Government of Senegal.

Outstanding tax assessments

During the first quarter 2016, confirmation of the withdrawal of the January 2015 tax assessment was received without any further liability to SGO. In April 2016, the Company received a similar withdrawal of the 2011 tax assessment for all but $1.0 million, which remains in dispute.

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 2015 annual MD&A.

Production start date

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

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

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements or mineable reserve development. It is also at this point that depreciation/amortization commences. During the first quarter 2016, the Golouma pit commenced production upon ore release in late January 2016.

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.

Earnings before interest, taxes, depreciation and amortization" is a non-GAAP financial measure, which excludes income tax, finance costs (before unwinding of discounts), interest income and depreciation and amortization from net earnings. EBITDA is intended to provide additional information to investors and analysts and do not have any standardized definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Management believes that EBITDA is a valuable indicator of our ability to generate liquidity by producing operating cash flow to: fund working capital needs, service debt obligations, and fund capital expenditures.

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	**2016**	**2015**	**2016**	**2015**
Gold produced[1] (oz)	49,481	32,956	172,748	130,991
Gold sold (oz)	45,161	33,982	171,129	140,279
Cash costs per ounce sold				
Cost of sales[2]	37,748	33,018	138,506	125,618
Less: depreciation and amortization	(9,519)	(7,760)	(29,995)	(31,143)
Add: non-cash inventory movement	(141)	(803)	(5,626)	(5,151)
Add: non-cash capitalized deferred stripping	271	176	1,136	1,165
Less: regional administration costs	(355)	(509)	(1,406)	(1,795)
Less: other adjustments	(132)	62	(318)	(108)
Total cash costs	**27,872**	**24,184**	**102,297**	**88,586**
Total cash costs per ounce sold	**617**	**712**	**598**	**631**
All-in sustaining costs				
Total cash costs	27,872	24,184	102,297	88,586
Administration expenses[2]	3,243	2,500	10,296	9,450
Regional administration costs	355	509	1,406	1,795
Capitalized deferred stripping	3,065	2,047	13,669	11,832
Capitalized reserve development	1,011	1,654	4,215	3,972
Mine site capital	5,415	9,567	21,266	19,571
All-in sustaining costs	**40,961**	**40,461**	**153,149**	**135,206**
All-in sustaining costs per ounce sold	**907**	**1,191**	**895**	**964**
All-in costs				
All-in sustaining costs	40,961	40,461	153,149	135,206
Social community costs not related to current operations	802	727	2,834	1,937
Exploration and evaluation expenditures	735	48	3,659	1,782
All-in costs	**42,498**	**41,237**	**159,642**	**138,925**
All-in costs per ounce sold	**941**	**1,213**	**933**	**990**
Depreciation and amortization	9,519	7,760	29,995	31,143
Non - cash inventory movement	141	803	5,626	5,151
Total depreciation and amortization	**9,660**	**8,563**	**35,621**	**36,294**
Total depreciation and amortization per ounce sold[2]	**214**	**252**	**208**	**259**

[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.

Earnings before interest, taxes, depreciation and amortization calculated as follows:

	Three months ended September 30, 2016		**Nine months ended September 30,**	
(US$000's)	**2016**	**2015**	**2016**	**2015**
Profit for the period	12,177	2,061	29,383	23,870
Add: finance costs	890	568	2,693	1,459
Less: finance income	(13)	(20)	(26)	(49)
Add: income tax expense	4,105	(846)	14,764	5,510
Add: depreciation and amortization	9,678	8,588	35,684	36,530
Earnings before interest, taxes, depreciation and amortization	**26,837**	**10,351**	**82,498**	**67,320**

OUTSTANDING SHARE DATA

The Company's fully diluted share capital as at October 28, 2016, is as follows:

Outstanding	
Ordinary shares as at September 30, 2016	392,248,437
Common shares issued to Gryphon Minerals Limited on October 12, 2016	70,638,853
Common shares issued to Tablo Corporation on October 12, 2016	9,671,625
Stock options granted at an exercise price of C$3.00 per option	11,667,500
Stock options granted at an exercise price of C$0.64 per option	3,516,821
Stock options granted at an exercise price of C$0.67 per option	3,687,051
Stock options granted at an exercise price of C$1.07 per option	91,125
Stock options granted at an exercise price of C$1.26 per option	23,030
Fully diluted share capital	**491,544,442**

TRANSACTIONS WITH RELATED PARTIES

During the three and nine months ended September 30, 2016, there were transactions totalling $10 thousand and $45 thousand, respectively, between the Company and a director-related entity. No loans were made to directors or director-related entities during the period.

The Company entered into a royalty agreement with a related party, Miminvest, to identify and acquire gold exploration stage mining opportunities in Côte d'Ivoire. Miminvest is a company established to invest in gold and natural resources in West Africa and is controlled by the Mimran family and David Mimran, a director and the largest shareholder of Teranga. Miminvest holds four existing exploration permits, representing 1,380 km^2 in Côte d'Ivoire.

Under the terms of the royalty agreement, a separate entity will be created and be wholly owned and funded by Teranga. Miminvest will transfer into the entity its permits and in exchange retain a net smelter royalty interest of 3 percent and will provide ongoing in-country strategic advice. Teranga will reimburse Miminvest for all direct and reasonable costs associated with exploration work related to all transferred permits. Furthermore, the entity will pursue additional exploration projects in Côte d'Ivoire outside of the existing Miminvest permits.

SHAREHOLDINGS

Teranga's 90 percent shareholding in SGO, the company operating 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.

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 at September 30, 2016, 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, 2016 which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

On May 14, 2013, COSO issued an updated Internal Control – Integrated Framework ("2013 COSO Framework") which superseded the 1992 COSO Framework. The Company performed an assessment identifying differences between the two COSO frameworks and is currently executing the transition plan. At present, management does not expect implementation of the 2013 COSO Framework to have a material effect on the Company's ICFR. The Company is planning to certify compliance with the 2013 COSO framework in the fourth quarter of 2016.

Until transition to the 2013 COSO framework is complete, we will continue to use the 1992 framework in connection with our assessment of internal control over financial reporting.

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, 2015. 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.

CORPORATE DIRECTORY

Directors

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

Senior Management

Richard Young, President and CEO
Paul Chawrun, COO
Navin Dyal, CFO
David Savarie, General Counsel & Corporate Secretary
Sepanta Dorri, Vice President Corporate and Stakeholder Development
David Mallo, Vice President Exploration
Aziz Sy, General Manager, Senegal
Nico Uys, Operations Manager, Sabodala

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Auditor

Ernst & Young LLP

Share Registries

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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

FORWARD LOOKING STATEMENTS

This 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 2016 results, mineral reserve and mineral resource estimates, anticipated life of mine operating and financial results, commencement of expected drill programs, the anticipated exploration spend for 2017, the anticipated conversion of resources into reserves at Banfora, the timing and the completion of the updated 2Mtpa Feasibility Study for Banfora, the timing of completion of construction of Banfora including first gold pour, and anticipated future development and interest in joint venture projects. 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 30, 2016, 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.

TERANGA GOLD 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 Report relating to mineral resource estimates for the Company's Sabodala Gold Operations 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.

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 2012 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.

GRYPHON MINERALS COMPETENT AND QUALIFIED PERSONS STATEMENT

Reserve Estimates

(as per January 31, 2013 Gryphon Minerals press release for 2Mtpa CIL Bankable Feasibility Study ("BFS"))

The maiden Ore Reserves for the Banfora Gold Project have been derived by Cube Consulting under the direction of Quinton de Klerk to a standard reportable in accordance with the "Australasian Code for Reporting of Exploration Results, Mineral Resources (JORC Code 2004 & NI43-101) and Ore Reserves" (JORC Code 2004) and are based on the Mineral Resource Models estimated by CSA Global in this announcement. The Ore Reserve estimate is based on the Mineral Resources classified as "Measured" and "Indicated" after consideration of all mining, metallurgical, social, environmental and financial aspects of the operation. The Proved Ore Reserve has been derived from the Measured Mineral Resource, and the Probable Ore Reserve has been derived from the Indicated Mineral Resource. The cut-off grades used in the estimation of the Banfora Ore Reserves are the non-mining, break-even gold grade taking into account mining recovery and dilution, metallurgical recovery, site operating costs, royalties and revenues. For reporting of Ore Reserves the calculated cut-off grades were rounded to the first decimal gram per tonne of gold. The cut-off *grades vary depending on the material type and the pit location. The grades and metal stated in the Ore Reserves Estimate include mining recovery and dilution estimates. The Ore Reserve Estimate is reported within the open pit designs prepared as part of the BFS.*