

PRESS RELEASE
For Immediate ReleaseTSX Trading Symbol: TGZ
ASX Trading Symbol: TGZ**MARCH QUARTER REPORT**

Toronto, Canada: May 14, 2013

For a full explanation of Financial, Operating, Exploration and Development results please see the Interim Condensed Consolidated Financial Statements as at and for the period ended March 31, 2013 and the associated Management's Discussion & Analysis at www.terangagold.com.

Solid first quarter production and cash costs and hedge book eliminated.

- Consolidated profit for the first quarter of 2013 was \$45.0 million (\$0.18 per share), compared to a loss of \$2.1 million (\$0.01 per share) in the same prior year period.
- Gold production for the three months ended March 31, 2013 increased 63 percent to 68,301 ounces of gold compared to the same prior year period.
- As of April 15, 2013, the Company is 100 percent hedge free.
- Total cash costs for the three months ended March 31, 2013 decreased 18 percent to \$535 per ounce sold compared to the same prior year period.
- The Company's cash balance at March 31, 2013 increased to \$57.4 million, including \$6.4 million in bullion receivables.
- The company signed a long-term comprehensive Agreement in Principle with the Republic of Senegal in early April which sets out a predictable and stable fiscal operating environment for the Company's future investment in exploration, acquisitions and development to increase reserves and production.
- Gold production for 2013 is on track to be in the range of 190,000 – 210,000 ounces at total cash costs of \$650 to \$700 per ounce in line with 2013 guidance.¹

"Sabodala had another strong quarter, providing the foundation for a solid year. Beyond Sabodala, the Agreement in Principle signed between the Company and the Republic of Senegal paves the way for us to invest and develop in order to increase our reserves and production in Senegal for the long-term. Our ability to leverage off our existing mill and infrastructure should allow us to increase reserves, production, earnings, cash flow and free cash flow in the coming years," said Alan R. Hill, Executive Chairman.

Financial Highlights (details on Page 5)

- Gold revenue for the first quarter of 2013 was \$113.8 million compared to \$60.5 million in the same prior year period, an increase of 88 percent. The increase in gold revenue was mainly driven by higher gold sales.
- Consolidated profit attributable to shareholders of Teranga for the first quarter of 2013 was \$45.0 million (\$0.18 per share), compared to a loss of \$2.1 million (\$0.01 per share) in the same prior year period. The increase in profit and earnings per share were primarily due to an increase in gross profit from an increase in revenues and a significant loss on gold hedge contracts in the prior year.
- Operating cash flow for the first quarter of 2013 was \$23.6 million compared to \$35.9 million in the same prior year period. The decrease in operating cash flow was mainly due to delivery of 45,289 ounces into the hedge book during the first quarter of 2013 and the timing of working capital receipts and payments.
- Capital expenditures were \$22.2 million for the first quarter of 2013, which was \$9.3 million lower than the same prior year period. The decrease in capital expenditures was mainly due to higher expenditures in 2012 related to the mill expansion which was completed in second quarter 2012, partially offset by higher capitalized deferred stripping expenditures in first quarter 2013.

(1) Total cash costs per ounce sold is a common financial performance measure in the gold mining industry but has no standard meaning under IFRS. For a definition of this metric, please refer to page 11 of the Company's Management's Discussion and Analysis.

- The Company's cash balance at March 31, 2013 increased to \$57.4 million, including \$6.4 million in bullion receivables.
- During the first quarter of 2013, the average realized gold price was \$1,090 per ounce with 45,289 ounces delivered into gold hedge contracts at an average price of \$806 per ounce and 24,378 ounces sold at an average spot price of \$1,619 per ounce. During the same prior year period, 35,268 ounces were sold at an average price of \$1,712 per ounce.
- The gold forward sales contracts declined by 45,289 ounces during the first quarter 2013 to 14,500 ounces at March 31, 2013. As of April 15, 2013, the Company is 100 percent hedge free after having bought back the remaining "out of the money" gold forward sales contracts.
- During the first quarter of 2013, the Company entered into a new \$50 million finance lease facility with Macquarie Bank Limited ("Macquarie"). The lease facility replaces the finance lease facility previously in place with Société Générale ("SocGen"), which was assigned and novated to Macquarie. The proceeds will be put towards additional equipment for the Sabodala pit as well as the new equipment required for the Gora deposit that is currently being permitted. In total, \$22.7 million was outstanding at March 31, 2013, including \$10.5 million novated from SocGen during the quarter. A further \$4.3 million will be drawn down in the second quarter when final delivery of Sabodala equipment is received. The balance of \$23 million will be reserved for future drawn downs for purchases of mining equipment, as required.

"Now that we have eliminated the hedge book, our realized gold price should rise as we sell 100 percent of our production at spot gold prices. The higher realized gold price should result in higher cash margins and cash flows to further strengthen our balance sheet in 2013 and beyond. The free cash flow generated from Sabodala is expected to fund our growth initiatives through both exploration and consolidation," said Richard Young, President and CEO.

Operating Highlights (details on Page 5)

- Gold production for the three months ended March 31, 2013 increased 63 percent to 68,301 ounces of gold compared to the same prior year period due to the processing of higher grade ore combined with higher mill throughput as a result of the completion of the mill expansion.
- Gold sold for the three months ended March 31, 2013 increased 98 percent to 69,667 ounces compared to the same prior year period. Ounces sold during the first quarter were slightly higher than production for the period due to a draw-down of gold in circuit inventory. At March 31, 2013, gold in circuit and gold bullion inventory amounted to 11,883 ounces.
- Total cash costs for the three months ended March 31, 2013 decreased 18 percent to \$535 per ounce sold compared to the same prior year period. While gross mine site costs increased 35 percent due to higher mining and processing rates, the decrease in total cash costs per ounce was mainly due to higher gold ounces sold and higher capitalization of production phase stripping costs. Total cash costs have been adjusted for the adoption of IFRIC 20 for capitalization of a portion of production phase stripping costs.
- Total tonnes mined for the three months ended March 31, 2013 were 19 percent higher compared to the same prior year period due to the increase in hauling and drilling capacity of the mining fleet during 2012 and first quarter 2013.
- Ore tonnes mined were 17 percent higher compared to the prior year period while grades mined were 36 percent higher resulting in an increase in ounces mined of about 60 percent.
- Mining rates are expected to decrease by about 2 percent in the second quarter through the balance of the year despite the commissioning of 3 haul trucks and 1 shovel as the Company lowers its mining rate to maximize free cash flow in 2013 but maintain production guidance.
- Unit mining costs for the quarter were 3 percent higher than the prior year period, mainly due to higher costs for blasting consumables enabling better fragmentation for processing.
- Ore tonnes milled for the three months ended March 31, 2013 were 21 percent higher than the same prior year period due to an increase in mill capacity as a result of the completion of the mill expansion in the second quarter of 2012.
- Transfer chute design upgrades and the addition of more durable liners in the high wear points through the plant commenced with a comprehensive planned shutdown in January 2013, with further work to continue during planned shutdowns in both the second and third quarters 2013. These changes are anticipated to help reduce the frequency and duration of unplanned downtime allowing the design targets to be achieved. Crusher operating time is the key to meeting design target throughput rates.
- Unit processing costs for the three month period ended March 31, 2013 were 31 percent higher than the same prior year period mainly due to higher power generation cost due to a higher power demand associated with the increased milling capacity, higher maintenance costs associated with the planned January shutdown to improve crusher operating time, and higher consumption of grinding media required for the processing of a lower ratio of soft to hard ore blend.
- Unit general and administration costs for the three months ended March 31, 2013 were higher compared to the same prior year period mainly due to a buildup in manpower.

2013 Revised Guidance

	For the year ended December 31, 2013	
	Revised Guidance	Original Guidance
Operating results		
Production (oz)	190,000 - 210,000	190,000 - 210,000
Total cash costs (incl. royalties) ^{1,2} (\$/oz sold)	650 – 700	650 – 700
Exploration and evaluation expense (Regional Land Package) (\$ millions)	3.0	10.0 – 15.0
Administration expenses (\$ millions)	13.0	15.0 – 20.0
Capital expenditures (\$ millions)		
Mine site	20.0	20.0 - 25.0
Capitalized reserve development (Mine License)	5.0	5.0 - 10.0
Gora development costs		
Mobile equipment	5.0	30.0 - 35.0
Site development	5.0	15.0 - 20.0
Total Gora development costs	10.0	45.0 - 50.0
Capitalized deferred stripping ²	35.0	35.0 - 40.0
Total capital expenditures	70.0	105.0 - 125.0

¹ Total cash costs per ounce is a non-IFRS financial measure and does not have a standard meaning. For a definition of this metric, please see page 11 in the Management's Discussion and Analysis.

² Includes the impact of adopting IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine. Refer to Adoption of New Accounting Standards in the Management's Discussion and Analysis.

- First quarter results benefited from continuation of mining a high grade zone in phase two, as a result, the Company remains on track to produce between 190,000 – 210,000 ounces of gold in 2013. Total cash costs guidance for 2013 remains unchanged at \$650 to \$700 per ounce despite the increase in the royalty rate from 3% to 5% of sales effective January 1, 2013.
- In light of market conditions, we have lowered discretionary expenditures in a number of key areas including operations, exploration and administration, as well as, sustaining and development capital.
- Reserve development expenditures on the Mine License have been reduced while exploration drilling on the Regional Land Package is being minimized. The Agreement in Principle signed with the Government of Senegal in early April provides for the extension of five key regional exploration licenses which allows the Company to defer regional exploration activity. Exploration expense for 2013 is now expected to total \$3 million, a decrease from our original guidance range of \$10 to \$15 million, while capitalized reserve development costs are now expected at the lower end of our original guidance range of \$5 to \$10 million.
- General and administrative expenses have been reduced to \$13 million from the original guidance range of \$15 to \$20 million, but still provide for the necessary support of operations and development.
- Sustaining and development capital expenditures have been reduced by extending the timeline for the development of the Company's first satellite deposit at Gora, where permits are expected in 2013 and production in the first half of 2014. Mine site capital expenditures are expected at the lower end of our original guidance range of \$20 to \$25 million. Development expenditures at Gora in 2013 will be minimized to \$5 to \$10 million from a previous expected range of \$45 to \$50 million, of which \$23 million was to be financed via the new mobile equipment loan. Capitalized deferred stripping at the Sabodala pit is now expected at the bottom end of the original range of \$35 to \$40 million.
- With these changes, at a gold price of \$1,400 per ounce, we expect to generate free cash flow in 2013 which will further improve our financial strength during this period.

Development Highlights (Mine License)

- Drilling at the Sabodala open pit during the first quarter was primarily from within the pit and along the perimeter to the east and west of the current pit to upgrade and increase mineral resources. Drilling confirmed continuation of these zones. The 2013 drill program for Sabodala was largely completed at the end of first quarter 2013.
- Waste dump condemnation drilling to the SE of the Sabodala open pit encountered a zone of mineralization within the general trend of the NW Shear projected to the southeast near the base of Sambaya Hill. Drilling continued in this area during the first quarter, following up on results received in 2012.
- A large resource definition program is planned for 2013 for the Niakafiri, Niakafiri West, Dinkokhono and Soukhoto deposits, pending ongoing community discussions. In conjunction with our Agreement with the Republic of Senegal, Management expects to complete these discussions and commence drilling in the second quarter of 2013.
- The Masato North target area is located along the possible northeast trending splay of the Sabodala Shear zone, to the north of Masato. Drilling intersected a strongly altered shear zone containing sericite, albite and sulphides. A total of 870 metres in 6 holes were drilled in the first quarter 2013 and results are pending.

Exploration Highlights (Regional Land Package)

- A program of approximately 4,300 metres of Reverse Circulation ("RC") drilling was completed in the first quarter to follow up on the mineralization intersected at Tourokhoto Marougou in 2012. Three mineralized zones ranging in strike length from 0.5 km to 1.3 km and with varying widths have been outlined. Geological and resource modeling is ongoing. The previous drilling program identified significant mineralization on three RC lines spaced over a total strike length of 1,200 metres. The follow-up program was designed to determine if this mineralization is continuous between and along strike of these widely spaced lines.
- A 1,600 metre RC drill program was completed in the first quarter at Goumbou Gamba. The program was implemented to test the strike and down dip extensions of gold mineralization identified over a 2 km strike length in earlier Rotary Air Blast ("RAB") and RC drill campaigns.
- Geological mapping and rock chip sampling was undertaken at Soreto. A 4 km long surface gold anomaly associated with a major NNW regional shear structure was identified. A limited diamond drill-hole program has been designed to test the mineralization at depth.
- Geological mapping and trench sampling at Ninyenko has confirmed the existence of a near surface flat lying gold bearing brecciated shear zone with pervasive quartz-hematite-potassic alteration. Gold mineralization has been identified in prospect trenches covering an area 1.3 km long by 0.6 km wide. Channel sampling of the mineralized zone gave elevated gold values. Trenching and mapping is planned to locate extensions to the gold mineralization.

Corporate Update

- The Company signed a long-term comprehensive Agreement in Principle ("Agreement") with the Republic of Senegal in early April. The Agreement sets out a predictable and stable fiscal operating environment for the Company's future investment in exploration, acquisitions and development to increase reserves and production.
- The Agreement benefits all stakeholders and gives the Company the ability to invest with certainty in regards to the fiscal and operating parameters. The agreement is expected to be finalized during the second quarter of 2013.
- In April 2013, the Company appointed Mr. Jeff Williams to the Board of Directors of the Company. Mr. Williams is a non-executive member of the Company's Board and is also an advisor to Mineral Deposits Limited, the company that built the Sabodala mine.

- The Company has appointed Ernst & Young LLP as the Company's new auditors.
- The Company also announces that its Board of Directors has approved an amendment to its by-laws to add an advance notice requirement (the "Advance Notice By-Law"), which requires advance notice to be given to the Company in circumstances where nominations of persons for election as a director of the Company are made by shareholders other than pursuant to: (i) a requisition of a meeting made pursuant to the provisions of the Canada Business Corporations Act (the "CBCA"); or (ii) a shareholder proposal made pursuant to the provisions of the CBCA. Among other things, the Advance Notice By-law fixes a deadline by which shareholders must submit a notice of director nominations to the Company prior to any annual or special meeting of shareholders where directors are to be elected and sets forth the information that a shareholder must include in the notice for it to be valid.
- In the case of an annual meeting of shareholders, notice to the Company must be given not less than 30 nor more than 65 days prior to the date of the annual meeting, however, in the event the meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement.
- The Advance Notice By-Law is effective immediately and will be submitted to shareholders for confirmation and ratification at the Company's upcoming annual and special meeting of shareholders to be held on June 26th, 2013 (the "Meeting").
- The Company also announces that the Board has adopted a majority voting policy (the "Majority Voting Policy") with respect to the election of directors in uncontested elections. In the event that a nominee receives more "withheld" than "for" votes in an uncontested election, he or she will be expected to submit to the Board his or her resignation, to take effect upon acceptance by the Board. The Board, on the recommendation of the corporate governance and nominating committee, will consider the resignation and make its decision to accept or reject such resignation and announce its decision in a news release within 90 days after the shareholder meeting at which the candidacy of the director was considered.
- The full text of the Advance Notice By-Law and the Majority Voting Policy are available on SEDAR at www.sedar.com. Further details regarding the Meeting will be contained in a Management Information Circular that will be mailed to shareholders of the Company and filed on SEDAR in due course.

Review of First Quarter Financial Results

(US\$000's, except where indicated)	Three months ended March 31	
	2013	2012
Financial Results		
Revenue	113,815	60,526
Cost of sales	(55,971)	(31,117)
Gross Profit	57,844	29,409
Exploration and evaluation expenditures	(2,027)	(7,176)
Administration expenses	(3,830)	(3,349)
Share based compensation	73	(1,755)
Finance costs	(2,696)	(938)
Gains/(losses) on gold hedge contracts	2,193	(17,483)
Gains on oil hedge contracts	31	615
Net foreign exchange losses	(61)	(369)
Impairment of available for sale financial asset	(962)	-
Other income	9	8
Profit/(loss) for the period	50,574	(1,038)
Profit attributable to non-controlling interest	5,591	1,036
Profit/(loss) attributable to shareholders of Teranga	44,983	(2,074)
Basic earnings/(losses) per share	0.18	(0.01)

Review of First Quarter Operating Results

Operating Results		Three months ended March 31	
		2013	2012
Ore mined	('000t)	1,312	1,117
Waste mined	('000t)	7,536	6,316
Total mined	('000t)	8,848	7,433
Grade mined	(g/t)	1.87	1.38
Ounces mined	(oz)	78,929	49,516
Strip ratio	waste/ore	5.7	5.7
Ore milled	('000t)	696	573
Head grade	(g/t)	3.31	2.52
Recovery rate	%	92.1	90.0
Gold produced ¹	(oz)	68,301	41,904
Gold sold	(oz)	69,667	35,268
Average price received	\$/oz	1,090	1,712
Total cash cost (incl. royalties) ²	\$/oz sold	535	650
Mining	(\$/t mined)	2.61	2.53
Milling	(\$/t milled)	22.47	17.19
G&A	(\$/t milled)	6.17	5.61

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

² Total cash costs per ounce is a non-IFRS financial measure with no standard meaning under IFRS. For a definition of this metric, please see page 11 of the Management's Discussion and Analysis.

First Quarter Cost of Sales

(US\$000's, except where indicated)	Three months ended March 31	
	2013	2012
Cost of Sales		
Mine production costs	28,340	25,528
Depreciation and amortization	20,319	9,002
Royalties	5,610	1,822
Rehabilitation	1	4
Inventory movements	1,701	(5,239)
Total cost of sales	55,971	31,117

CORPORATE DIRECTORY

Directors

Alan Hill, Executive Chairman
Richard Young, President and CEO
Christopher Lattanzi, Non-Executive Director
Oliver Lennox-King, Non-Executive Director
Alan Thomas, Non-Executive Director
Frank Wheatley, Non-Executive Director
Jeff Williams, Non-Executive Director

Senior Management

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

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Auditor

Ernst & Young LLP

Share Registries

Canada: Computershare Trust Company of Canada
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Australia: Computershare Investor Services Pty Ltd
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Stock Exchange Listings

Toronto Stock Exchange, TSX symbol: TGZ
Australian Securities Exchange, ASX symbol: TGZ

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FORWARD LOOKING STATEMENTS

This news release contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Teranga, or developments in Teranga's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include, without limitation, all disclosure regarding possible events, conditions or results of operations that are based on assumptions about 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, 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 27, 2013, and in other company filings with securities and regulatory authorities which are available at www.sedar.com. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and, except as required by law, 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 news release should be construed as either an offer to sell or a solicitation to buy or sell Teranga securities.

COMPETENT PERSONS STATEMENT

The technical information contained in this Report relating to the mineral reserve estimates within the Sabodala, Sutuba, Niakafiri and Gora deposits and the Stockpiles, is based on information compiled by Julia Martin, P.Eng., MAusIMM (CP), a full time employee with AMC Mining Consultants (Canada) Ltd., is independent of Teranga, is a "qualified person" as defined in NI 43-101 and a "competent person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Martin has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Martin has reviewed and accepts responsibility for the reserve estimates disclosed above. Ms. Martin has consented to the inclusion in the report of the matters based on her information in the form and context in which it appears in this Report.

The technical information contained in this Report relating to the mineral resources is based on information compiled by Ms. Patti Nakai-Lajoie, who is a Member of the Association of Professional Geoscientists of Ontario. Ms. Patti Nakai-Lajoie is full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101. Ms. Patti Nakai-Lajoie has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Patti Nakai-Lajoie is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects and she consents to the inclusion in the report of the matters based on her information in the form and context in which it appears in this Report.

The technical information contained in this Report relating to exploration results is based on information compiled by Mr. Martin Pawlitschek, who is a Member of the Australian Institute of Geoscientists. Mr. Pawlitschek is a consultant of Teranga and is not "independent" within the meaning of National Instrument 43-101. Mr. Pawlitschek has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Pawlitschek is a "Qualified Person" in accordance with NI 43-101 and he consents to the inclusion in the report of the matters based on his information in the form and context in which it appears in this Report.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME / LOSS
(Unaudited and in US\$000's, except per share amounts)

	<u>Three months ended</u> March 31, 2013	<u>Three months ended</u> March 31, 2012 (Restated)
Revenue	113,815	60,526
Cost of sales	(55,971)	(31,117)
Gross profit	57,844	29,409
Exploration and evaluation expenditures	(2,027)	(7,176)
Administration expenses	(3,830)	(3,349)
Share based compensation	73	(1,755)
Finance costs	(2,696)	(938)
Gain (losses) on gold hedge contracts	2,193	(17,483)
Gains on oil hedge contracts	31	615
Net foreign exchange (losses)/ gains	(61)	(369)
Impairment of available for sale financial asset	(962)	-
Other income	9	8
	(7,270)	(30,447)
Profit/(loss) before income tax	50,574	(1,038)
Income tax benefit	-	-
Profit/(loss) for the period	50,574	(1,038)
Profit/(loss) attributable to:		
Shareholders	44,983	(2,074)
Non-controlling interests	5,591	1,036
Profit/(loss) for the period	50,574	(1,038)
Other comprehensive loss:		
Exchange differences arising on translation of Teranga corporate entity	-	(63)
Change in fair value of available for sale financial asset, net of tax	(5,456)	(3,927)
Other comprehensive loss for the period	(5,456)	(3,990)
Total comprehensive income/(loss) for the period	45,118	(5,028)
Total comprehensive income/(loss) attributable to:		
Shareholders	39,527	(6,064)
Non-controlling interests	5,591	1,036
Total comprehensive income/(loss) for the period	45,118	(5,028)
Earnings/(losses) per share from operations attributable to the shareholders of the Company during the period		
- basic earnings/(losses) per share	0.18	(0.01)
- diluted earnings/(losses) per share	0.18	(0.01)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
STATEMENTS OF FINANCIAL POSITION
(Unaudited and in US\$000's)

	As at March 31, 2013	As at December 31, 2012 (Restated)
Current assets		
Cash and cash equivalents	51,016	39,722
Trade and other receivables	7,554	6,482
Inventories	73,376	74,969
Financial derivative assets	-	456
Other assets	5,080	6,836
Available for sale financial assets	8,273	15,010
Total current assets	145,299	143,475
Non-current assets		
Inventories	35,650	32,700
Property, plant and equipment	238,129	247,898
Mine development expenditures	158,429	138,609
Intangible assets	1,663	1,859
Total non-current assets	433,871	421,066
Total assets	579,170	564,541
Current liabilities		
Trade and other payables	40,920	44,823
Borrowings	10,307	10,415
Financial derivative liabilities	11,709	51,548
Provisions	1,920	1,940
Total current liabilities	64,856	108,726
Non-current liabilities		
Borrowings	69,037	58,193
Provisions	9,750	10,312
Other non-current liabilities	2,612	-
Total non-current liabilities	81,399	68,505
Total liabilities	146,255	177,231
Equity		
Issued capital	305,412	305,412
Foreign currency translation reserve	(998)	(998)
Equity-settled share based compensation reserve	16,845	16,358
Investment revaluation reserve	-	5,456
Accumulated income	94,208	49,225
Equity attributable to shareholders	415,467	375,453
Non-controlling interests	17,448	11,857
Total equity	432,915	387,310
Total equity and liabilities	579,170	564,541

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
STATEMENTS OF CHANGES IN EQUITY
(Unaudited and in US\$000's)

	<u>Three months ended</u> March 31, 2013	<u>Three months ended</u> March 31, 2012 (Restated)
Issued capital		
End of period	305,412	305,412
Foreign currency translation reserve		
Beginning of period	(998)	(935)
Exchange difference arising on translation of Teranga corporate entity	-	(63)
End of period	(998)	(998)
Equity-settled share based compensation reserve		
Beginning of period	16,358	12,599
Equity-settled share based compensation reserve	487	1,755
End of period	16,845	14,354
Investment revaluation reserve		
Beginning of period	5,456	(1,319)
Change in fair value of available for sale financial asset, net of tax	(5,456)	(3,927)
End of period	-	(5,246)
Accumulated income/(loss)		
Beginning of period	49,225	(43,375)
Profit/(Loss) attributable to shareholders	44,983	(2,074)
End of period	94,208	(45,449)
Non-controlling interest		
Beginning of period	11,857	(3,713)
Non-controlling interest - portion of profit for the period	5,591	957
End of period	17,448	(2,756)
Total shareholders' equity at March 31	432,915	265,317

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
STATEMENTS OF CASH FLOW
(Unaudited and in US\$000's)

	Three months ended March 31, 2013	Three months ended March 31, 2012 (Restated)
Cash flows related to operating activities		
Profit/(loss) for the period	50,574	(1,038)
Depreciation of property, plant and equipment	15,354	6,934
Depreciation of capitalized mine development costs	4,996	2,103
Amortization of intangibles	269	147
Amortization of borrowing costs	350	107
Unwinding of discount	24	23
Share based compensation	487	1,755
Net change in losses on gold hedge	(39,839)	17,483
Net change in losses on oil hedge	456	47
Impairment of available for sale financial asset	962	-
Profit on disposal of property, plant and equipment	99	-
Changes in working capital	(10,092)	8,366
Net cash provided by operating activities	23,640	35,927
Cash flows related to investing activities		
Increase in restricted cash	-	(348)
Redemption of short-term investments	-	592
Expenditures for property, plant and equipment	(4,624)	(15,491)
Expenditures for mine development	(17,479)	(15,995)
Acquisition of intangibles	(73)	(2)
Proceeds on disposal of property, plant and equipment	35	-
Net cash used in investing activities	(22,141)	(31,244)
Cash flows related to financing activities		
Repayment of borrowings	-	(2,800)
Draw down from finance lease facility, net of financing cost paid	11,146	2,862
Interest paid on borrowings	(1,670)	(279)
Net cash provided by (used in) financing activities	9,476	(217)
Effect of exchange rates on cash holdings in foreign currencies	319	(507)
Net increase in cash and cash equivalents held	11,294	3,959
Cash and cash equivalents at the beginning of period	39,722	7,470
Cash and cash equivalents at the end of period	51,016	11,429

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the three months ended
March 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2013

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 months ended March 31, 2013. 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 months ended March 31, 2013 as well as with the audited consolidated financial statements of Teranga as at and for the twelve months ended December 31, 2012. 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 twelve months ended December 31, 2012, as well as all other public filings, is available on the Company's website at www.terangagold.com and on the SEDAR website (www.sedar.com).

This report is dated as of May 14, 2013. All references to the Company include its subsidiaries unless the context requires otherwise.

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

OVERVIEW OF THE BUSINESS

Teranga is a Canadian-based gold company which operates the Sabodala gold mine and is currently exploring 10 exploration licenses covering 1,200km² in Senegal, comprising the regional land package, surrounding the Sabodala gold mine. The Sabodala gold mine, the regional land package, and shares held in Oromin Explorations Ltd.

("Oromin") are collectively referred to as the Sabodala Gold Assets.

The Sabodala gold mine, which came into operation in 2009, is located 650 kilometres southeast of the capital of Senegal, Dakar within the West African Birimian geological belt in Senegal where approximately 11 million ounces of gold resources have been discovered over the past six years, and lies about 90 kilometres from major gold mines in Mali.

Management believes that the combination of the Sabodala gold mine and mill and its regional land package, all within trucking distance to the Sabodala mill, provides the basis for growth in reserves and production, resulting in expected growth in earnings and cash flow per share as new discoveries are made and processed through the Sabodala mill.

Our Mission is to share the benefits with all of our stakeholders through responsible mining. We strive to act as a responsible corporate citizen by building projects together with the communities near our planned operations and by committing to using best available technologies as we carry out our actions. We aim to achieve benefits for all parties involved, and to contribute to the sustainability and improved livelihoods for the communities in which we operate.

Our Vision is to become a preeminent gold producer in West Africa while setting the benchmark for responsible mining.

Phase 1: Become a mid-tier gold producer in Senegal with 250,000 to 350,000 ounces of annual gold production leveraging off the Company's existing mill and infrastructure

Phase 2: Increase annual gold production to 400,000 to 500,000 ounces via a mill expansion as gold inventories increase.

ADOPTION OF IFRIC 20

2012 comparative amounts have been restated to reflect the Company's adoption of IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine. Refer to Adoption of New Accounting Standards.

FINANCIAL AND OPERATING HIGHLIGHTS

2013 First Quarter Results

(US\$000's, except where indicated) Financial Data	Three months ended March 31	
	2013	2012
Revenue	113,815	60,526
Profit/(loss) attributable to shareholders of Teranga	44,983	(2,074)
Per share	0.18	(0.01)
Operating cash flow	23,640	35,927
Capital expenditures	22,176	31,432
Free cash flow ¹	1,464	4,495
Cash and cash equivalents (including bullion receivables)	57,459	19,197
Net debt ²	40,690	39,198

Operating Data	Three months ended March 31	
	2013	2012
Gold Produced (ounces)	68,301	41,904
Gold Sold (ounces)	69,667	35,268
Average realized price (\$ per ounce)	1,090	1,712
Total cash costs (\$ per ounce sold) ³	535	650
Total depreciation and amortization (\$ per ounce sold) ³	268	212
Total production costs (\$ per ounce sold) ³	803	863

Note: March 31, 2012 values were restated due to the adoption of IFRIC 20. Refer to Adoption of New Accounting Standards.

¹ Free cash flow is defined as operating cash flow less capital expenditures.

² Net debt is defined as total borrowings less cash and cash equivalents.

³ Total cash costs per ounce, total depreciation and amortization per ounce and total production costs per ounce are non-IFRS financial measures and do not have a standard meaning under IFRS. For definitions of these metrics, please see page 11 of this report.

First Quarter Financial and Operating Highlights

- Gold revenue for the first quarter of 2013 was \$113.8 million compared to \$60.5 million in the same prior year period, an increase of 88 percent. The increase in gold revenue was mainly driven by higher gold sales.
- Consolidated profit attributable to shareholders of Teranga for the first quarter of 2013 was \$45.0 million (\$0.18 per share), compared to a loss of \$2.1 million (\$0.01 per share) in the same prior year period. The increase in profit and earnings per share were primarily due to an increase in gross profit from an increase in revenues and a significant loss on gold hedge contracts in the prior year.
- Operating cash flow for the first quarter of 2013 was \$23.6 million compared to \$35.9 million in the same prior year period. The decrease in operating cash flow was mainly due to delivery of 45,289 ounces into the hedge book during the first quarter of 2013 and the timing of working capital receipts and payments.
- Capital expenditures were \$22.2 million for the first quarter of 2013, which was \$9.3 million lower than the same prior year period. The decrease in capital expenditures was mainly due to higher expenditures in 2012 related to the mill expansion which was completed in second quarter 2012, partially offset by

higher capitalized deferred stripping expenditures in first quarter 2013.

- Gold production for the three months ended March 31, 2013 increased 63 percent to 68,301 ounces of gold compared to the same prior year period due to the processing of higher grade ore combined with higher mill throughput as a result of the completion of the mill expansion.
- Gold sold for the three months ended March 31, 2013 increased 98 percent to 69,667 ounces compared to the same prior year period. Ounces sold during the first quarter were slightly higher than production for the period due to a draw-down of gold in circuit inventory. At March 31, 2013, gold in circuit and gold bullion inventory amounted to 11,883 ounces.
- Total cash costs for the three months ended March 31, 2013 decreased 18 percent to \$535 per ounce sold compared to the same prior year period. While gross mine site costs increased 35 percent due to higher mining and processing rates, the decrease in total cash costs per ounce was mainly due to higher gold ounces sold and higher capitalization of production phase stripping costs. Total cash costs have been adjusted for the adoption of IFRIC 20 for capitalization of a portion of production phase stripping costs.

- The Company's cash balance at March 31, 2013 increased to \$57.4 million, including \$6.4 million in bullion receivables.
- Total production costs per ounce, comprised of total cash costs and depreciation and amortization, were \$803 per ounce in the first quarter of 2013 compared to \$863 per ounce in the same prior year period.
- During the first quarter of 2013, the average realized gold price was \$1,090 per ounce with 45,289 ounces delivered into gold hedge contracts at an average

price of \$806 per ounce and 24,378 ounces sold at an average spot price of \$1,619 per ounce. During the same prior year period, 35,268 ounces were sold at an average price of \$1,712 per ounce.

- The gold forward sales contracts declined by 45,289 ounces during the first quarter 2013 to 14,500 ounces at March 31, 2013. As of April 15, 2013, the Company is 100 percent hedge free after having bought back the remaining "out of the money" gold forward sales contracts.

Outlook 2013

	For the year ended December 31, 2013	
	Revised Guidance	Original Guidance
Operating results		
Production (oz)	190,000 - 210,000	190,000 - 210,000
Total cash costs (incl. royalties) ^{1,2} (\$/oz sold)	650 - 700	650 - 700
Exploration and evaluation expense (Regional Land Package) (\$ millions)		
	3.0	10.0 - 15.0
Administration expenses (\$ millions)		
	13.0	15.0 - 20.0
Capital expenditures (\$ millions)		
Mine site	20.0	20.0 - 25.0
Capitalized reserve development (Mine License)	5.0	5.0 - 10.0
Gora development costs		
Mobile equipment	5.0	30.0 - 35.0
Site development	5.0	15.0 - 20.0
Total Gora development costs	10.0	45.0 - 50.0
Capitalized deferred stripping ²	35.0	35.0 - 40.0
Total capital expenditures	70.0	105.0 - 125.0

¹ Total cash costs per ounce is a non-IFRS financial measure and does not have a standard meaning. For a definition of this metric, please see page 11 of this report.

² Includes the impact of adopting IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine. Refer to Adoption of New Accounting Standards.

First quarter results benefited from continuation of mining a high grade zone in phase two, as a result, the Company remains on track to produce between 190,000 – 210,000 ounces of gold in 2013. Total cash costs guidance for 2013 remains unchanged at \$650 to \$700 per ounce despite the increase in the royalty rate from 3% to 5% effective January 1, 2013.

In light of market conditions, we have lowered discretionary expenditures in a number of key areas including operations, exploration and administration, as well as, sustaining and development capital.

Reserve development expenditures on the Mine License have been reduced while exploration drilling on the Regional Land Package is being minimized. The Agreement in Principle signed with the Government of Senegal in early April provides for the extension of five key regional exploration licenses which allows the Company to defer regional exploration activity. Exploration expense for 2013 is now expected to total \$3 million, a decrease from our original guidance range of \$10 to \$15 million, while capitalized reserve development costs are now expected at

the lower end of our original guidance range of \$5 to \$10 million.

General and administrative expenses have been reduced to \$13 million from the original guidance range of \$15 to \$20 million, but still provide for the necessary support of operations and development.

Sustaining and development capital expenditures have been reduced by extending the timeline for the development of the Company's first satellite deposit at Gora, where permits are expected in 2013 and production in the first half of 2014. Mine site capital expenditures are expected at the lower end of our original guidance range of \$20 to \$25 million. Development expenditures at Gora in 2013 will be minimized to \$5 to \$10 million from a previous expected range of \$45 to \$50 million, of which \$23 million was to be financed via the new mobile equipment loan. Capitalized deferred stripping at the Sabodala pit is now expected at the bottom end of the original range of \$35 to \$40 million.

With these changes, at a gold price of \$1,400 per ounce, we expect to generate free cash flow in 2013 which will further improve our financial strength during this period.

REVIEW OF FINANCIAL RESULTS

(US\$000's, except where indicated)	Three months ended March 31	
	2013	2012
Financial Results		
Revenue	113,815	60,526
Cost of sales	(55,971)	(31,117)
Gross Profit	57,844	29,409
Exploration and evaluation expenditures	(2,027)	(7,176)
Administration expenses	(3,830)	(3,349)
Share based compensation	73	(1,755)
Finance costs	(2,696)	(938)
Gains/(losses) on gold hedge contracts	2,193	(17,483)
Gains on oil hedge contracts	31	615
Net foreign exchange losses	(61)	(369)
Impairment of available for sale financial asset	(962)	-
Other income	9	8
Profit/(loss) for the period	50,574	(1,038)
Profit attributable to non-controlling interest	5,591	1,036
Profit/(loss) attributable to shareholders of Teranga	44,983	(2,074)
Basic earnings/(losses) per share	0.18	(0.01)

Revenue

Gold revenue for the three months ended March 31, 2013 was \$113.8 million compared to gold revenue of \$60.5 million for the same prior year period. The increase in gold revenue was driven by a higher volume of gold sales, partially offset by lower spot gold prices. Revenues exclude the impact of realized losses on ounces delivered into forward sales contracts which are classified within losses on gold hedge contracts.

During the first quarter of 2013, the average market price of gold was \$1,631 per ounce, with gold trading between a range of \$1,562 and \$1,692 per ounce based on the London PM Fix gold price. This compares to an average of \$1,690 per ounce during the prior year quarter, with a low of \$1,565 and a high of \$1,785 per ounce.

Cost of Sales

(US\$000's, except where indicated)	Three months ended March 31	
	2013	2012
Cost of Sales		
Mine production costs	28,340	25,528
Depreciation and amortization	20,319	9,002
Royalties	5,610	1,822
Rehabilitation	1	4
Inventory movements	1,701	(5,239)
Total cost of sales	55,971	31,117

Cost of sales for the three months ended March 31, 2013 totalled \$56.0 million and consists of mine production costs, depreciation and amortization, royalties, rehabilitation costs and inventory movement costs. This compares with cost of sales for the prior year period of \$31.1 million.

For the three months ended March 31, 2013, mine production costs were \$28.3 million compared with \$25.5 million in the prior year. Higher mine production costs were due to higher mining and processing activity (see Review of Operating Results section).

Depreciation and amortization for the three months ended March 31, 2013 totalled \$20.3 million compared with \$9.0 million for the prior year period. On a gross cost basis,

depreciation was higher in 2013 due to higher gold sales as many of the Company's fixed assets are depreciated using the units of production method of depreciation. In addition, depreciation was higher in the first quarter of 2013 as the plant expansion was completed in the second quarter of 2012.

For the three months ended March 31, 2013, royalties were \$5.6 million, \$3.8 million higher than the three months ended March 31, 2012. Higher royalties were due to higher gold sales and an increase in the royalty rate on sales from 3% to 5%, effective January 1, 2013.

Inventory movements for the three months ended March 31, 2013 resulted in an increase to cost of sales of \$1.7 million compared to a reduction of \$5.2 million for the prior

year period. The 2013 increase to cost of sales is mainly due to lower ore in stockpiles.

Exploration and Evaluation

Exploration and evaluation expenditures for the three months ended March 31, 2013 totalled \$2.0 million, \$5.1 million lower than the prior year period, reflecting the Company's decision to minimize drilling on the regional land package in the current gold price environment.

Administration

Administration expenses for the three months ended March 31, 2013, which include costs of the corporate and Dakar offices as well as community and social responsibility costs ("CSR"), were \$3.8 million, \$0.5 million higher than the prior year period. The higher costs in the first quarter of 2013 reflect higher expenditures in the corporate & Dakar offices and ongoing CSR activities, partially offset by lower professional and consulting fees. Administration costs are expected to decline in the next few quarters as cost containment initiatives are instituted.

Share based compensation

During the three months ended March 31, 2013, a total of 510,000 common share stock options were granted to directors, officers, employees and consultants, all at an exercise price of \$3.00 per share, and 480,556 common share stock options were cancelled. No stock options were exercised during the quarter.

Of the 17,168,611 common share stock options issued and outstanding as at March 31, 2013, 16,993,611 vest over a three-year period and 175,000 vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized based on our best estimate of outcome of achieving our results.

Finance Costs

Finance costs for the three months ended March 31, 2013 of \$2.7 million reflect interest costs related to the outstanding bank and mobile equipment loans, amortization of capitalized borrowing costs, political risk insurance relating to the project finance facility and bank charges. Finance costs were higher than the prior year period due to higher debt balances and interest costs on borrowings.

Gold Hedge Contracts

During the three months ended March 31, 2013, 45,289 ounces were delivered into forward sales contracts at an average price of \$806 per ounce, representing 65 percent of gold sales for the quarter. A total of 24,378 ounces of gold were sold into the spot market at an average price of \$1,619 per ounce resulting in an average realized price for the quarter of \$1,090 per ounce. During the same prior year period, 35,268 ounces were sold into the spot market at an average price of \$1,712 per ounce.

The gain on gold hedge contracts totalled \$2.2 million for the three months ended March 31, 2013 and resulted from a decrease in the spot price of gold from December 31, 2012. The total mark-to-market loss at March 31, 2013 of the remaining 14,500 ounces of gold under gold hedge contracts recorded as a financial derivative liability decreased to \$11.7 million due to the reduction in forward sales contracts outstanding during the quarter.

As of April 15, 2013, the Company is 100 percent hedge free after having bought back the remaining "out of the money" gold forward sales contracts at a cost of \$8.6 million.

Oil Hedge Contracts

The gain on oil hedge contracts totalled \$0.5 million for the quarter ended March 31, 2013 and resulted from an increase of \$5 per barrel over the December 31, 2012 spot price of oil. The oil hedge contracts were completed at March 31, 2013.

Net Foreign Exchange Gains and Losses

The Company generated foreign exchange losses of \$0.1 million for the three months ended March 31, 2013 primarily related to realized losses from the Sabodala gold mine operating costs recorded in the local currency and translated into the US dollar functional currency.

Impairment of Available for Sale Financial Asset

For the three months ended March 31, 2013, the Company recognized a non-cash impairment loss of \$1.0 million on the Oromin Exploration Limited ("Oromin") shares. This impairment loss was based on a further decline in Oromin's share price.

REVIEW OF OPERATING RESULTS

Operating Results		Three months ended March 31	
		2013	2012
Ore mined	('000t)	1,312	1,117
Waste mined	('000t)	7,536	6,316
Total mined	('000t)	8,848	7,433
Grade mined	(g/t)	1.87	1.38
Ounces mined	(oz)	78,929	49,516
Strip ratio	waste/ore	5.7	5.7
Ore milled	('000t)	696	573
Head grade	(g/t)	3.31	2.52
Recovery rate	%	92.1	90.0
Gold produced ¹	(oz)	68,301	41,904
Gold sold	(oz)	69,667	35,268
Average price received	\$/oz	1,090	1,712
Total cash cost (incl. royalties) ²	\$/oz sold	535	650
Mining	(\$/t mined)	2.61	2.53
Milling	(\$/t milled)	22.47	17.19
G&A	(\$/t milled)	6.17	5.61

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

² Total cash costs per ounce is a non-IFRS financial measure with no standard meaning under IFRS. For a definition of this metric, please see page 11 of this report.

Total tonnes mined for the three months ended March 31, 2013 were 19 percent higher compared to the same prior year period due to the increase in hauling and drilling capacity of the mining fleet during 2012 and first quarter 2013. Ore tonnes mined were 17 percent higher compared to the prior year period while grades mined were 36 percent higher resulting in an increase in ounces mined of about 60 percent. Mining rates are expected to decrease by about 2 percent in the second quarter through the balance of the year despite the commissioning of 3 haul trucks and 1 shovel as the Company lowers its mining rate to maximize free cash flow in 2013 but maintain production guidance.

Unit mining costs for the quarter were 3 percent higher than the prior year period, mainly due to higher costs for blasting consumables enabling better fragmentation for processing.

Ore tonnes milled for the three months ended March 31, 2013 were 21 percent higher than the same prior year period due to an increase in mill capacity as a result of the completion of the mill expansion in the second quarter of 2012. Transfer chute design upgrades and the addition of more durable liners in the high wear points through the plant commenced with a comprehensive planned shutdown in January 2013, with further work to continue during planned shutdowns in both the second and third quarters 2013. These changes are anticipated to help reduce the frequency and duration of unplanned downtime allowing the design targets to be achieved. Crusher operating time is the key to meeting design target throughput rates.

Unit processing costs for the three month period ended March 31, 2013 were 31 percent higher than the same prior year period mainly due to higher power generation

cost due to a higher power demand associated with the increased milling capacity, higher maintenance costs associated with the planned January shutdown to improve crusher operating time, and higher consumption of grinding media required for the processing of a lower ratio of soft to hard ore blend.

Unit general and administration costs for the three months ended March 31, 2013 were higher compared to the same prior year period mainly due to a buildup in manpower.

Total cash costs for the three months ended March 31, 2013 were \$37.3 million compared to cash costs of \$22.9 million in the same prior year period. Total cash costs for the three months ended March 31, 2013 decreased 18 percent to \$535 per ounce sold compared to the same prior year period. While gross mine site costs increased 35 percent due to higher mining and processing rates, the decrease in total cash costs per ounce was due to higher gold ounces sold and capitalization of production phase stripping costs. Total cash costs have been adjusted for the adoption of IFRIC 20 for capitalization of a portion of production phase stripping costs.

Total production cost per ounce, including total cash costs and depreciation and amortization, were \$803 per ounce sold for the three months ended March 31, 2013 compared to \$863 per ounce for the prior year period, a reduction of 7 percent.

STRATEGY AND DEVELOPMENT

Agreement with Republic of Senegal

The Company signed a long-term comprehensive Agreement in Principle ("Agreement") with the Republic of Senegal in early April. The Agreement sets out a

predictable and stable fiscal operating environment for the Company's future investment in exploration, acquisitions and development to increase reserves and production. The Agreement benefits all stakeholders and gives the Company the ability to invest with certainty in regards to the fiscal and operating parameters. The agreement is expected to be finalized during the second quarter of 2013.

The Republic of Senegal has agreed to support the Company in its plan for further development, notably:

- To a price and formula to allow for the acquisition of the Republic's additional participation option on deposits not on the Company's Mine License and to incorporate these into the Company's existing Mine License and fiscal regime;
- To support drilling of the Niakafiri deposit on the Mine License;
- To extend the term of its renewable Mine License by five years to 2022 and extend five key exploration licenses by a further 18 months beyond current expiry periods;
- To commit to work with the Company to ensure full access to exploration targets currently occupied by artisanal miners;
- To settle all outstanding tax assessments in a fair and equitable manner; and
- To resolve the Special Contribution Tax of 5% in return for the fiscal changes to our stability agreement noted below.

The Company has agreed to the following:

- To increase the royalty rate on sales from 3% to 5% effective January 1, 2013;
- The Company intends to make a payment of approximately \$5.4 million related to accrued dividends to the Republic of Senegal in respect of its existing 10% minority interest. The payment is expected to be made upon the completion of embedding the Agreement into the Company's mining and exploration concessions. The Company has also agreed to advance a further \$8.0 million in 2014 and 2015.
- The Company intends to make a payment of approximately \$4.2 million related to the waiver of the right for the Republic of Senegal to acquire an additional interest in the Gora project. The payment is expected to be made upon receipt of all required approvals authorizing the processing of all ore through the Sabodala plant.

Additional Board member

In April 2013, the Company appointed Mr. Jeff Williams to the Board of Directors of the Company.

Mr. Williams is a non-executive member of the Company's Board and is also an advisor to Mineral Deposits Limited, the company that built the Sabodala mine.

Mine License (ML) Reserve Development

The Sabodala Mine License covers 33km² and, in addition to the mine related infrastructure, contains the Sabodala, Masato, Niakafiri, Niakafiri West, Soukhoto and Dinkokhono deposits.

During the first quarter 2013, Reverse Circulation ("RC") and Diamond Drilling ("DD") on the ML totalled about 10,000 metres at a cost of \$1.4 million.

The overall objective of the ML exploration program is to extend the life of mine, at a production rate of about 200,000 ounces per year, to the year 2020 to 2025, which would result in a 10 to 15 year mine life since the IPO in 2010.

Sabodala – Main Flat Extension (MFE) / Lower Flat Zone (LFZ)

In first quarter 2013, more than 3,000 metres of drilling was completed at Sabodala to further define the ore body. Drilling targeted the MFE immediately adjacent to the current ultimate pit, as well as additional mineralization located below the MFE, to confirm the continuation of these zones. The targeted zones are positioned between 150 metres and 350 metres below the surface. The MFE remains open down plunge and to the northwest.

Drilling during the first quarter was primarily from within the pit and along the perimeter to the east and west of the current pit to upgrade and increase mineral resources. Drilling confirmed continuation of these zones. The 2013 drill program for Sabodala was largely completed at the end of first quarter 2013.

Waste dump condemnation drilling to the SE of the Sabodala open pit encountered a zone of mineralization within the general trend of the NW Shear projected to the SE near the base of Sambaya Hill. Drilling continued in this area during the first quarter, following up on results received in 2012.

Further analysis and modeling of results is planned during the second quarter 2013.

Niakafiri West, Soukhoto and Dinkokhono

A large resource definition program is planned for 2013 for the Niakafiri, Niakafiri West, Dinkokhono and Soukhoto deposits, pending ongoing community discussions. In conjunction with our Agreement with the Republic of Senegal, Management expects to complete these discussions and commence drilling in the second quarter of 2013.

Masato North

The Masato North target area is located along the possible northeast trending splay of the Sabodala Shear zone, to the north of Masato. Drilling intersected a strongly altered shear zone containing sericite, albite and sulphides. A total of 870 metres in 6 holes were drilled in the first quarter 2013 and results are pending.

Regional Exploration

There are currently 50 anomalies and drill targets that have been identified on the Company's approximately 1,200 km²

Regional Land Package ("RLP"), all within trucking distance of the mill. During first quarter 2013, the primary focus for the regional exploration program was on the Tourokhoto-Marougou and Goumbou Gamba prospects, and geological mapping and trench sampling programs were undertaken on the Ninyenko and Soreto prospects within the Heremakono Permit.

Tourokhoto-Marougou

A program of approximately 4,300 metres of RC drilling was completed in the first quarter to follow up on the mineralization intersected at Tourokhoto Marougou in 2012. Three mineralized zones ranging in strike length from 0.5 km to 1.3 km and with varying widths have been outlined. Geological and resource modeling is ongoing. The previous drilling program identified significant mineralization on three RC lines spaced over a total strike length of 1,200 metres. The follow-up program was designed to determine if this mineralization is continuous between and along strike of these widely spaced lines.

Goumbou Gamba

A 1,600 metre RC drill program was completed in the first quarter at Goumbou Gamba. The program was

implemented to test the strike and down dip extensions of gold mineralization identified over a 2 km strike length in earlier Rotary Air Blast ("RAB") and RC drill campaigns.

Results indicate that gold grades are of a low tenor and are widely dispersed within the shear zone. Geological modeling is ongoing.

Soreto

Geological mapping and rock chip sampling was undertaken at Soreto. A 4 km long surface gold anomaly associated with a major NNW regional shear structure was identified. A limited diamond drill-hole program has been designed to test the mineralization at depth.

Ninyenko

Geological mapping and trench sampling at Ninyenko has confirmed the existence of a near surface flat lying gold bearing brecciated shear zone with pervasive quartz-hematite-potassic alteration. Gold mineralization has been identified in prospect trenches covering an area 1.3 km long by 0.6 km wide. Channel sampling of the mineralized zone gave elevated gold values. Trenching and mapping is planned to locate extensions to the gold mineralization.

CASH FLOW

(US\$000's, except where indicated)	Three months ended March 31	
	2013	2012
Cash Flow		
Operating	23,640	35,927
Investing	(22,141)	(31,244)
Financing	9,476	(217)
Effect on exchange rates on holdings in foreign currencies	319	(507)
Change in cash and cash equivalents during period	11,294	3,959
Cash and cash equivalents - beginning of period	39,722	7,470
Cash and cash equivalents - end of period	51,016	11,429

Operating Cash Flow

Operating cash flow for the three months ended March 31, 2013 was \$23.6 million compared to \$35.9 million for the three months ended March 31, 2012. The decrease in operating cash flow was mainly due to delivery of 45,289

ounces into the hedge book during the first quarter of 2013 and the timing of working capital receipts and payments.

Investing Cash Flow

(US\$000's, except where indicated)	Three months ended March 31	
	2013	2012
Capital Expenditures		
Mine site & development capital	5,147	17,264
Capitalized reserve development	2,338	7,125
Capitalized deferred stripping	14,691	7,042
Total Capital Expenditures	22,176	31,432

Net cash used in investing activities for the three months ended March 31, 2013 was \$22.1 million, compared to \$31.2 million in the prior year period. The decrease reflects lower mine site capital expenditures due to completion of the mill expansion and lower capitalized reserve development costs, partially offset by higher

capitalized deferred stripping costs in the current year quarter.

Financing Cash Flow

Net cash provided by financing activities for the three months ended March 31, 2013 was \$9.5 million compared

to net cash used in financing activities of \$0.2 million in the prior year period. Net cash provided by financing activities in first quarter 2013 include proceeds of \$11.1 million received from Macquarie Bank Limited ("Macquarie"), net of transaction costs paid, and borrowing costs of \$1.8 million. Financing cash flows in 2012 include proceeds of the finance lease facility of \$2.9 million, partially offset by repayments of the finance lease facility of \$2.8 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity continues to improve, even as it extinguishes its hedge book, with \$57.4 million, including \$6.4 million in bullion receivables, in addition to 4,453 ounces in bullion inventory at March 31, 2013. The gold forward sales contracts declined during the first quarter to 14,500 ounces as at March 31, 2013 and subsequent to quarter end the Company bought back the remaining "out of the money" gold forward sales contracts.

During the first quarter of 2013, the Company entered into a new \$50 million finance lease facility with Macquarie. The lease facility replaces the finance lease facility previously in place with SocGen, which was assigned and novated to Macquarie. The proceeds will be put towards additional equipment for the Sabodala pit as well as the new equipment required for the Gora deposit that is currently being permitted. In total, \$22.7 million was outstanding at March 31, 2013, including \$10.5 million novated from SocGen during the quarter. A further \$4.3 million will be drawn down in the second quarter when final delivery of Sabodala equipment is received. The balance of

\$23 million will be reserved for future drawn downs for purchases of mining equipment, as required.

With the increased cash balance at the end of the first quarter, and even at a gold price of \$1,400 per ounce, we are positioned to maintain our current cash balance in 2013 through the elimination of our hedge book and a reduction in discretionary spending. Management believes that the combination of a higher cash balance, selling 100 percent of production at spot gold prices, the development of Gora and a production level of ~200,000 ounces per year at Sabodala are expected to be sufficient to support the Company's operating requirements in 2013 and beyond without the need for additional equity financing.

Off-Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Working capital requirements

The Company's working capital requirements primarily relate to the mining costs of extracting ore from the Sabodala gold mine and then the costs involved in processing the ore to remove the gold, before the gold itself is sold.

As at March 31, 2013, the Company had the following payments due on contractual obligations and commitments:

Payments Due By Period (US\$millions)					
	Total	< 1 year	1-3 years	4-5 years	>5 years
Mining Fleet Lease Facility ¹	22.7	11.4	11.4	-	-
2 -Year Loan Facility ²	60.0	-	60.0	-	-
Exploration commitments ³	27.5	2.1	25.3	-	-
Government of Senegal payments ⁴	7.5	4.7	1.9	0.9	-
Mining equipment supply contract ⁵	4.3	4.3	-	-	-
Total	122.0	22.6	98.5	0.9	-

¹ During the first quarter of 2013, the Company entered into a \$50 million finance lease facility with Macquarie Bank Limited ("Macquarie"). The facility bears interest of LIBOR plus 7.5 percent and is repayable quarterly over the next two years.

² Reflects a 2-Year Loan Facility concluded with Macquarie in June 2012. The Loan Facility bears interest of LIBOR plus a margin of 10 percent and shall be repaid on or before June 30, 2014.

³ Reflects the exploration permits, licenses and drilling contracts committed to by the Company. The "exploration commitments" only represent the amounts the Company is required to spend to remain eligible for the renewal of permits beyond the current validity period. The Company may elect to allow certain permits to expire and are not required to spend the "committed" amount per respective permit. The Company will not incur any penalties for not meeting the financial requirement for additional validity period tenure.

⁴ Includes a payment of \$3.7 million calculated on the basis of \$6.50 for each ounce of new reserves until December 31, 2012 and an expected payment of \$3.8 million for the settlement of tax adjustments related to three outstanding tax assessments.

⁵ During the third quarter of 2012, the Company finalized a contract to purchase additional mining equipment. The equipment will be financed by the new equipment lease facility with Macquarie which was finalized during the first quarter of 2013. Ninety percent of the total cost of the additional mining equipment will be funded by the Mining Fleet Lease Facility.

Sabodala Operating Commitments

The Company faces the following operating commitments in respect of the Sabodala gold operation:

Pursuant to the Company's Mining Concession, a royalty of 5 percent is payable to the Republic of Senegal based on

the value of gold shipments, evaluated at the spot price on the shipment date.

\$425,000 per annum is payable for social development of local authorities in the surrounding Tambacounda region during the term of the Mining Concession.

\$30,000 per year is payable for logistical support of the territorial administration of the region from date of notification of the Mining Concession.

\$200,000 per year of production is payable for training of Directorate of Mines and Geology officers and Mines Ministry.

CONTINGENT LIABILITIES

During the three months ended March 31, 2012, the Company signed a long-term comprehensive Agreement in Principle with the Republic of Senegal. A component of the agreement relates to the settlement of outstanding tax assessments and special contribution payment.

Outstanding tax assessments

The Company has accrued \$3.8 million at March 31, 2013, representing our best estimate of the amount required to settle the three outstanding tax assessments.

The outstanding tax assessments, which total \$36 million, are summarized as follows:

- Sabodala Mining Company SARL ("SMC") – January 2013 tax assessment. This tax assessment was received from the Senegalese tax authorities claiming withholding tax of approximately \$6 million on payments made to foreign providers.
- Sabodala Gold Operations SA ("SGO") – December 2012 tax assessment. This tax assessment was received from the Senegalese tax authorities claiming withholding taxes of approximately \$6 million on amounts considered as distributions, contribution of land built properties, withholding tax on salaries and withholding tax on payments made to foreign providers
- SGO – 2011 tax assessment. This tax assessment was received from the Senegalese tax authorities claiming withholding taxes of approximately \$24 million relating to interest paid to SGML Capital under the Mining Fleet Lease facility, director's fees and services rendered by offshore companies.

Government Payments

The Company intends to make a payment of \$5.4 million related to accrued dividends to the Republic of Senegal in respect of its existing 10% minority interest. The payment is to be made upon the completion of embedding the Agreement into the Company's mining and exploration concessions.

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

ADOPTION OF NEW ACCOUNTING STANDARDS

Stripping Costs in the Production Phase of a Surface Mine

In October 2011, the IASB issued IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Company adopted IFRIC 20 on January 1, 2013 and restated the 2012 comparative amounts. The impact of adopting IFRIC 20 to the March 31, 2012 balances included an increase to mine development expenditures of \$7.0 million, a decrease to inventory of \$6.2 million and a decrease to cost of sales of \$0.8 million.

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. "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 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.

"Total depreciation and amortization per ounce sold" is a common financial performance measure in the gold mining industry but has no standard meaning under IFRS. It is

intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Total cash costs per ounce sold, total depreciation per ounce sold and total production costs per ounces sold are calculated as follows:

(US\$000's, except where indicated)	Three months ended March 31	
	2013	2012
Cash cost per ounce sold		
Gold produced ¹	68,301	41,904
Gold sold	69,667	35,268
Cost of sales	55,971	31,117
Less: depreciation and amortization	(20,319)	(9,002)
Less: realized oil hedge gain	(487)	(661)
Add: non-cash inventory movement	1,636	1,510
Less: other adjustments	490	(24)
Total cash costs	37,291	22,940
Total cash costs per ounce sold	535	650
Depreciation and amortization	20,319	9,002
Non - cash inventory movement	(1,636)	(1,510)
Total depreciation and amortization	18,683	7,492
Total depreciation and amortization per ounce sold	268	212
Total production costs per ounce sold	803	863

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

OUTSTANDING SHARE DATA

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

Outstanding	March 31, 2103
Ordinary shares	245,618,000
Stock options granted at an exercise price of \$3.00 per option	17,168,611
Fully diluted share capital	262,786,611

TRANSACTIONS WITH RELATED PARTIES

Equity interests in related parties

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 33 of the audited annual consolidated financial statements of the Company for the period ended December 31, 2012.

Transactions with key management personnel

Details of key management personnel compensation are disclosed in the Note 26 and Note 38 of the audited annual consolidated financial statements of the Company for the period ended December 31, 2012.

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

Transactions with other related parties

The Company has no payable to or receivable from other related parties as at March 31, 2013.

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 March 31, 2013, 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"). There is no material weakness relating to the design of ICFR. There is no limitation on scope of design as described in paragraph 3.3 of NI 52-109. There has been no change in the Company's design of the ICFR that occurred during the three months ended March 31, 2013 which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

RISKS AND UNCERTAINTIES

The Company is subject to various financial and operational risks and uncertainties that 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.

AMENDMENTS TO CORPORATE GOVERNANCE PRACTICES

Adoption of Advance Notice Bylaw

The Company also announces that its Board of Directors has approved an amendment to its by-laws to add an advance notice requirement (the "Advance Notice By-Law"), which requires advance notice to be given to the Company in circumstances where nominations of persons for election as a director of the Company are made by shareholders other than pursuant to: (i) a requisition of a meeting made pursuant to the provisions of the Canada Business Corporations Act (the "CBCA"); or (ii) a shareholder proposal made pursuant to the provisions of the CBCA. Among other things, the Advance Notice By-law fixes a deadline by which shareholders must submit a notice of director nominations to the Company prior to any annual or special meeting of shareholders where directors are to be elected and sets forth the information that a shareholder must include in the notice for it to be valid.

In the case of an annual meeting of shareholders, notice to the Company must be given not less than 30 nor more than 65 days prior to the date of the annual meeting, however, in the event the meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of

business on the 10th day following such public announcement.

The Advance Notice By-Law is effective immediately and will be submitted to shareholders for confirmation and ratification at the Company's upcoming annual and special meeting of shareholders to be held on June 26th, 2013 (the "Meeting").

Majority Voting Policy

The Company also announces that the Board has adopted a majority voting policy (the "Majority Voting Policy") with respect to the election of directors in uncontested elections. In the event that a nominee receives more "withheld" than "for" votes in an uncontested election, he or she will be expected to submit to the Board his or her resignation, to take effect upon acceptance by the Board. The Board, on the recommendation of the corporate governance and nominating committee, will consider the resignation and make its decision to accept or reject such resignation and announce its decision in a news release within 90 days after the shareholder meeting at which the candidacy of the director was considered.

The full text of the Advance Notice By-Law and the Majority Voting Policy are available on SEDAR at www.sedar.com. Further details regarding the Meeting will be contained in a Management Information Circular that will be mailed to shareholders of the Company and filed on SEDAR in due course.

CORPORATE DIRECTORY

Directors

Alan Hill, Executive Chairman
Richard Young, President and CEO
Christopher Lattanzi, Non-Executive Director
Oliver Lennox-King, Non-Executive Director
Alan Thomas, Non-Executive Director
Frank Wheatley, Non-Executive Director
Jeff Williams, Non-Executive Director

Senior Management

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

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F: +221 338 603 683

Auditor

Ernst & Young LLP

Share Registries

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

Stock Exchange Listings

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

FORWARD LOOKING STATEMENTS

Certain information included in this management discussion and analysis, including any information as to the Company's strategy, projects, exploration programs, joint venture ownership positions, plans, future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute "forward-looking statements". The words "believe", "expect", "will", "intend", "anticipate", "project", "plan", "estimate", "on track" and similar expressions identify forward looking statements. Such forward-looking statements are necessarily based upon a number of estimates, assumptions, opinions and analysis made by management in light of its experience that, while considered reasonable, may turn out to be incorrect and involve known and unknown risks, uncertainties and other factors, in each case that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements. Such forward-looking statements are not guarantees of future performance. These assumptions, risks, uncertainties and other factors

include, but are not limited to: assumptions regarding general business and economic conditions; conditions in financial markets and the future financial performance of the company; the impact of global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future cash flows; the supply and demand for, deliveries of, and the level and volatility of the worldwide price of gold or certain other commodities (such as silver, fuel and electricity); fluctuations in currency markets, including changes in U.S. dollar and CFA Franc interest rates; risks arising from holding derivative instruments; adverse changes in our credit rating; level of indebtedness and liquidity; ability to successfully complete announced transactions and integrate acquired assets; legislative, political or economic developments in the jurisdictions in which the Company carries on business; operating or technical difficulties in connection with mining or development activities; employee relations; availability and costs associated with mining inputs and labour; the speculative nature of exploration and development, including the risks of obtaining necessary licenses and permits and diminishing quantities or grades of reserves; changes in costs and estimates associated with our projects; the accuracy of our reserve estimates (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based; contests over title to properties, particularly title to undeveloped properties; the risks involved in the exploration, development and mining business, as well as other risks and uncertainties which are more fully described in the Company's Annual Information Form dated March 27, 2013 and in other Company filings with securities and regulatory authorities which are available at www.sedar.com. Accordingly, readers should not place undue reliance on such forward looking statements. Teranga expressly disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

COMPETENT PERSONS STATEMENT

The technical information contained in this Report relating to the mineral reserve estimates within the Sabodala, Sutuba, Niakafiri and Gora deposits and the Stockpiles, is based on information compiled by Julia Martin, P.Eng., MAusIMM (CP), a full time employee with AMC Mining Consultants (Canada) Ltd., is independent of Teranga, is a "qualified person" as defined in NI 43-101 and a "competent person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Martin has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms Martin has reviewed and accepts responsibility for the reserve estimates disclosed above. Ms Martin has consented to the inclusion in the report of the matters based on her information in the form and context in which it appears in this Report.

The technical information contained in this Report relating to the mineral resources is based on information compiled by Ms. Patti Nakai-Lajoie, who is a Member of the Association of Professional Geoscientists of Ontario. Ms. Patti Nakai-Lajoie is full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101. Ms. Patti Nakai-Lajoie has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Patti Nakai-Lajoie is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects, and she consents to the inclusion in the report of the matters based on her information in the form and context in which it appears in this Report.

The technical information contained in this Report relating to exploration results is based on information compiled by Mr. Martin Pawlitschek, who is a Member of the Australian Institute of Geoscientists. Mr. Pawlitschek is a consultant of Teranga and is not "independent" within the meaning of National Instrument 43-101. Mr. Pawlitschek has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Pawlitschek is a "Qualified Person" in accordance with NI 43-101 and he consents to the inclusion in the report of the matters based on his information in the form and context in which it appears in this Report.



Interim Condensed Consolidated Financial Statements of

TERANGA GOLD CORPORATION

For the three months ended March 31, 2013

(unaudited)

TABLE OF CONTENTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION.....	1
2. SIGNIFICANT ACCOUNTING POLICIES	1
3. CHANGE IN ACCOUNTING POLICIES	1
4. REVENUE	4
5. COST OF SALES.....	4
6. ADMINISTRATION EXPENSES	4
7. FINANCE COSTS	5
8. TRADE AND OTHER RECEIVABLES.....	5
9. INVENTORIES.....	5
10. OTHER ASSETS	6
11. PROPERTY, PLANT AND EQUIPMENT	6
12. MINE DEVELOPMENT EXPENDITURE	7
13. TRADE AND OTHER PAYABLES.....	8
14. BORROWINGS.....	8
15. FINANCIAL DERIVATIVE LIABILITIES.....	9
16. PROVISIONS.....	9
17. ISSUED CAPITAL.....	10
18. AVAILABLE FOR SALE FINANCIAL ASSETS	10
19. FOREIGN CURRENCY TRANSLATION.....	10
20. EARNINGS/(LOSS) PER SHARE (EPS/LPS).....	11
21. COMMITMENTS FOR EXPENDITURE	11
22. LEASES	11
23. CONTINGENT LIABILITIES	12
24. CASH FLOW INFORMATION	13
25. FINANCIAL INSTRUMENTS.....	14
26. SHARE BASED COMPENSATION	14
27. RELATED PARTY TRANSACTIONS.....	17

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)

	Note	Three months ended	Three months ended
		March 31, 2013	March 31, 2012 (Restated)
Revenue	4	113,815	60,526
Cost of sales	5	(55,971)	(31,117)
Gross profit		57,844	29,409
Exploration and evaluation expenditures		(2,027)	(7,176)
Administration expenses	6	(3,830)	(3,349)
Share based compensation	26	73	(1,755)
Finance costs	7	(2,696)	(938)
Gain (losses) on gold hedge contracts		2,193	(17,483)
Gains on oil hedge contracts		31	615
Net foreign exchange (losses)/ gains		(61)	(369)
Impairment of available for sale financial asset	18	(962)	-
Other income	4	9	8
		(7,270)	(30,447)
Profit/(loss) before income tax		50,574	(1,038)
Income tax benefit		-	-
Profit/(loss) for the period		50,574	(1,038)
Profit/(loss) attributable to:			
Shareholders		44,983	(2,074)
Non-controlling interests		5,591	1,036
Profit/(loss) for the period		50,574	(1,038)
Other comprehensive loss:			
Exchange differences arising on translation of Teranga corporate entity	19	-	(63)
Change in fair value of available for sale financial asset, net of tax	18	(5,456)	(3,927)
Other comprehensive loss for the period		(5,456)	(3,990)
Total comprehensive income/(loss) for the period		45,118	(5,028)
Total comprehensive income/(loss) attributable to:			
Shareholders		39,527	(6,064)
Non-controlling interests		5,591	1,036
Total comprehensive income/(loss) for the period		45,118	(5,028)
Earnings/(losses) per share from operations attributable to the shareholders of the Company during the period			
- basic earnings/(losses) per share	20	0.18	(0.01)
- diluted earnings/(losses) per share	20	0.18	(0.01)

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at March 31, 2013	As at December 31, 2012 (Restated)
Current assets			
Cash and cash equivalents	24	51,016	39,722
Trade and other receivables	8	7,554	6,482
Inventories	9	73,376	74,969
Financial derivative assets		-	456
Other assets	10	5,080	776
Available for sale financial assets	18	8,273	15,010
Total current assets		145,299	137,415
Non-current assets			
Inventories	9	35,650	32,700
Property, plant and equipment	11	238,129	253,958
Mine development expenditures	12	158,429	138,609
Intangible assets		1,663	1,859
Total non-current assets		433,871	427,126
Total assets		579,170	564,541
Current liabilities			
Trade and other payables	13	40,920	44,823
Borrowings	14	10,307	10,415
Financial derivative liabilities	15	11,709	51,548
Provisions	16	1,920	1,940
Total current liabilities		64,856	108,726
Non-current liabilities			
Borrowings	14	69,037	58,193
Provisions	16	9,750	10,312
Other non-current liabilities	13	2,612	-
Total non-current liabilities		81,399	68,505
Total liabilities		146,255	177,231
Equity			
Issued capital	17	305,412	305,412
Foreign currency translation reserve	19	(998)	(998)
Equity-settled share based compensation reserve		16,845	16,358
Investment revaluation reserve		-	5,456
Accumulated income		94,208	49,225
Equity attributable to shareholders		415,467	375,453
Non-controlling interests		17,448	11,857
Total equity		432,915	387,310
Total equity and liabilities		579,170	564,541

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

Approved by the Board of Directors

Alan Hill
 Director

Alan Thomas
 Director

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		<u>Three months ended</u> March 31, 2013	<u>Three months ended</u> March 31, 2012 (Restated)
	Note		
Issued capital			
End of period		305,412	305,412
Foreign currency translation reserve			
Beginning of period		(998)	(935)
Exchange difference arising on translation of Teranga corporate entity	19	-	(63)
End of period		(998)	(998)
Equity-settled share based compensation reserve			
Beginning of period		16,358	12,599
Equity-settled share based compensation reserve		487	1,755
End of period		16,845	14,354
Investment revaluation reserve			
Beginning of period		5,456	(1,319)
Change in fair value of available for sale financial asset, net of tax	18	(5,456)	(3,927)
End of period		-	(5,246)
Accumulated income/(loss)			
Beginning of period	3	49,225	(43,375)
Profit/(Loss) attributable to shareholders		44,983	(2,074)
End of period		94,208	(45,449)
Non-controlling interest			
Beginning of period		11,857	(3,713)
Non-controlling interest - portion of profit for the period		5,591	957
End of period		17,448	(2,756)
Total shareholders' equity at March 31		432,915	265,317
The accompanying notes are an integral part of these interim condensed consolidated financial statements			

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Three months ended March 31, 2013	Three months ended March 31, 2012 (Restated)
<i>Cash flows related to operating activities</i>			
Profit/(loss) for the period		50,574	(1,038)
Depreciation of property, plant and equipment	11	15,354	6,934
Depreciation of capitalized mine development costs	12	4,996	2,103
Amortization of intangibles		269	147
Amortization of borrowing costs	14	350	107
Unwinding of discount	16	24	23
Share based compensation	26	487	1,755
Net change in losses on gold hedge		(39,839)	17,483
Net change in losses on oil hedge		456	47
Impairment of available for sale financial asset	18	962	-
Profit on disposal of property, plant and equipment		99	-
Changes in working capital	24	(10,092)	8,366
Net cash provided by operating activities		23,640	35,927
<i>Cash flows related to investing activities</i>			
Increase in restricted cash		-	(348)
Redemption of short-term investments		-	592
Expenditures for property, plant and equipment	11	(4,624)	(15,491)
Expenditures for mine development	12	(17,479)	(15,995)
Acquisition of intangibles		(73)	(2)
Proceeds on disposal of property, plant and equipment	11	35	-
Net cash used in investing activities		(22,141)	(31,244)
<i>Cash flows related to financing activities</i>			
Repayment of borrowings		-	(2,800)
Draw down from finance lease facility, net of financing cost paid		11,146	2,862
Interest paid on borrowings		(1,670)	(279)
Net cash provided by (used in) financing activities		9,476	(217)
Effect of exchange rates on cash holdings in foreign currencies		319	(507)
Net increase in cash and cash equivalents held		11,294	3,959
Cash and cash equivalents at the beginning of period		39,722	7,470
Cash and cash equivalents at the end of period		51,016	11,429
The accompanying notes are an integral part of these interim condensed consolidated financial statements			

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
FIRST QUARTER 2013
(unaudited, in \$000's of United States dollars, except share amounts)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

Teranga was created to acquire the Sabodala gold mine and a large regional exploration land package, located in Senegal, West Africa, along with shares held in Oromin Explorations Ltd. ("Oromin") from Mineral Deposits Limited ("MDL"), collectively referred to as the Sabodala Gold Assets. The Sabodala gold mine, which came into commercial production in 2009, is located 650 kilometres southeast of the capital Dakar within the West African Birimian geological belt in Senegal, and about 90 kilometres from major gold mines in Mali.

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

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS34") as issued by the International Accounting Standards Board ("IASB"). Since the interim condensed consolidated financial statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Corporation's consolidated financial statements for the period ended December 31, 2012.

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries and were approved by the Board of Directors on May 14, 2013.

b. Basis of presentation

The interim condensed consolidated financial statements have been presented in United States dollars unless otherwise stated. The interim

condensed consolidated financial statements have been prepared on the basis of historical cost, except for equity settled and cash settled share based payments that are fair valued at the date of grant and certain other financial assets and liabilities that are measured at fair value. The interim condensed consolidated financial statements have been prepared based on the Company's accounting policies set out in Note 4 of the audited annual consolidated financial statements for the period ended December 31, 2012, except for the changes described below in Note 3.

c. Functional and presentation currency

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of all entities within the group is the United States dollar. The interim condensed consolidated financial statements are presented in United States dollars, which is the Company's presentation currency.

3. CHANGE IN ACCOUNTING POLICIES

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

The Company adopted International Financial Reporting Interpretation Committee Interpretation 20 ("IFRIC 20") Stripping Costs in the Production Phase of a Surface Mine effective January 1, 2013. IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods.

The change in accounting policy has been applied retroactively with restatement as of January 1, 2012 and there was no impact on January 1, 2012 balances. The impact on December 31, 2012 balances was an increase to mine development expenditures of \$29.5 million, a decrease to inventory of \$15.4 million and a decrease to cost of sales of \$14.1 million.

The impact to March 31, 2012 balances was an increase to mine development expenditures of \$7.0 million, a decrease to inventory of \$6.2 million and a decrease to cost of sales of \$0.8 million.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

The impact of the change in accounting policy on the statement of financial position as at December 31, 2012 and the statement of comprehensive income/(loss) and statement of cash flows for the three months ended March 31, 2012 are set out below:

Impact on Statement of Financial Position

	December 31, 2012 As previously reported	Impact of change in accounting policy	December 31, 2012 Restated
Current assets			
Inventories	82,474	(7,505)	74,969
Total current assets	150,980	(7,505)	143,475
Non-current assets			
Inventories	40,659	(7,959)	32,700
Mine development expenditures	109,060	29,549	138,609
Total non-current assets	399,476	21,590	421,066
Total assets	550,456	14,085	564,541
Equity			
Accumulated income/(loss)	36,549	12,676	49,225
Equity attributable to shareholders	362,777	12,676	375,453
Non-controlling interests	10,448	1,409	11,857
Total equity	373,225	14,085	387,310
Total equity and liabilities	550,456	14,085	564,541

Impact on Statement of Comprehensive Income/(Loss)

	Three months ended March 31, 2012 as previously reported	Impact of change in accounting policies	Three months ended March 31, 2012 Restated
Cost of sales	(31,905)	788	(31,117)
Gross profit	28,621	788	29,409
Profit/(loss) for the period	(1,826)	788	(1,038)
Profit/(loss) attributable to:			
Shareholders	(2,783)	709	(2,074)
Non-controlling interests	957	79	1,036
Profit/(loss) for the period	(1,826)	788	(1,038)
Total comprehensive income/(loss) for the period	(5,816)	788	(5,028)
Total comprehensive income/(loss) attributable to:			
Shareholders	(6,773)	709	(6,064)
Non-controlling interests	957	79	1,036
Total comprehensive income/(loss) for the period	(5,816)	788	(5,028)
- basic earnings/(losses) per share	(0.01)	0.00	(0.01)
- diluted earnings/(losses) per share	(0.01)	0.00	(0.01)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

Impact on Statement of Cash Flows

	Three months ended March 31, 2012 as previously reported	Impact of change in accounting policies	Three months ended March 31, 2012 Restated
Cash flows related to operating activities			
Profit/(loss) for the period	(1,826)	788	(1,038)
Depreciation of property, plant and equipment	6,878	56	6,934
Changes in working capital	2,168	6,198	8,366
Net cash provided by operating activities	28,885	7,042	35,927
Cash flows related to investing activities			
Expenditures for mine development	(8,953)	(7,042)	(15,995)
Net cash used in investing activities	(24,202)	(7,042)	(31,244)
Net increase in cash and cash equivalents held	3,959	-	3,959
Cash and cash equivalents at the beginning of period	7,470	-	7,470
Cash and cash equivalents at the end of period	11,429	-	11,429

The impact of the change in accounting policy for the three months ended June 30, 2012, September 30, 2012 and December 31, 2012 is set out below:

	Three months ended June 30, 2012	Three months ended September 30, 2012	Three months ended December 31, 2012
Increase/(decrease)			
Mine development expenditures	8,336	13,539	688
Inventories	(6,310)	(8,320)	5,365
Cost of sales	(2,026)	(5,219)	(6,052)

b. IFRS 10 – Consolidated financial statements

IFRS 10, "Consolidated financial statements" (IFRS 10) was issued by the IASB in May 2011 and will replace SIC 12, "Consolidation – Special purpose entities" and parts of IAS 27, "Consolidated and separate financial statements". IFRS 10 is effective for annual periods beginning on or after January 1, 2013 and the Company has adopted this standard. The Company has evaluated the impact of IFRS 10 and has determined there is no impact on its consolidated financial statements.

c. IFRS 11 – Joint arrangements

IFRS 11, "Joint arrangements" (IFRS 11) was issued by the IASB in May 2011 and will supersede IAS 31, "Interest in joint ventures" and SIC 13, "Jointly controlled entities – Non-monetary contributions by venturers" by removing the option to account for joint ventures using proportionate consolidation and requiring equity accounting.

IFRS 11 is effective for annual periods beginning on or after January 1, 2013 and the Company has adopted this standard. The Company has evaluated

the impact of IFRS 11 and has determined there is no impact on its consolidated financial statements.

d. IFRS 12 – Disclosure of interests in other entities

IFRS 12, "Disclosure of interests in other entities" (IFRS 12) was issued by the IASB in May 2011. IFRS 12 requires enhanced disclosure of information about involvement with consolidated and unconsolidated entities, including structured entities commonly referred to as special purpose vehicles, or variable interest entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013 and the Company has adopted this standard. The Company has evaluated the impact of IFRS 12 and will apply the new disclosure requirements for its consolidated annual financial statements for the year ended December 31, 2013.

e. IFRS 13 – Fair value measurement

IFRS 13, "Fair value measurement" (IFRS 13) was issued by the IASB in May 2011. This standard clarifies the definition of fair value, required disclosures for fair value measurement, and sets out a single framework for measuring fair value. IFRS 13 provides guidance on fair value in a single standard,

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

replacing the existing guidance on measuring and disclosing fair value which is dispersed among several standards. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and the

Company has adopted this standard. The Company has evaluated the impact of IFRS 13 and applied the new disclosure requirements.

4. REVENUE

	Three months ended March 31, 2013	Three months ended March 31, 2012
Gold sales at spot price	113,611	60,363
Silver sales	204	163
Total revenue	113,815	60,526
Interest income from bank deposits and short-term investments	9	8
Total other income	9	8

During the three months ended March 31, 2013, 69,667 ounces of gold were sold at an average price of \$1,631 per ounce and for the three months ended March 31, 2012, 35,268 ounces of gold were sold at an average price of \$1,712 per ounces. Revenue excludes the impact of gold hedges as losses on ounces delivered into gold hedge contracts are classified within losses on gold hedge contracts, refer to note 15.

delivered into gold hedge contracts at \$806 per ounce, representing 65 percent of gold sales for the quarter and 24,378 ounces were sold into the spot market at an average price of \$1,619 per ounce.

During the three months ended March 31, 2012, 35,268 ounces were sold into the spot market. There were no deliveries made into gold hedge contracts during the first quarter of 2012.

Including the impact of gold hedge losses, for the three months ended March 31, 2013, 69,667 ounces of gold were sold at an average realized price of \$1,090 per ounce, including 45,289 ounces that were

Gold sales revenue from one customer for the three months ended March 31, 2013 and March 31, 2012 were \$114 million and \$60 million, respectively.

5. COST OF SALES

	Three months ended March 31, 2013	Three months ended March 31, 2012 (Restated)
Mine production costs	28,340	25,528
Depreciation and amortization	20,319	9,002
Royalties	5,610	1,822
Rehabilitation	1	4
Inventory movements	1,701	(5,239)
Total cost of sales	55,971	31,117

6. ADMINISTRATION EXPENSES

	Three months ended March 31, 2013	Three months ended March 31, 2012
Corporate office	2,583	2,056
Dakar office	281	78
Social community	339	249
Professional & consulting fees	196	545
Legal & other	431	421
Total administration expenses	3,830	3,349

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

7. FINANCE COSTS

	Three months ended March 31, 2013	Three months ended March 31, 2012
Interest on borrowings	1,670	335
Amortization of capitalized borrowing costs	350	107
Unwinding of discount	24	23
Political risk insurance	319	185
Stocking fee	225	134
Bank charges	108	154
Total finance costs	2,696	938

8. TRADE AND OTHER RECEIVABLES

	March 31, 2013	December 31, 2012
Current		
Trade receivable (i)	6,498	5,268
Other receivables (ii)	1,056	1,214
Total trade and other receivables	7,554	6,482

(i) Trade receivable relates to gold and silver shipments made prior to period end that were settled after year end.

(ii) Other receivables primarily include receivables from suppliers for services, materials and utilities used at the Sabodala gold mine that the Company provides to them. Receivables from the settlement of oil hedge contracts are also included.

9. INVENTORIES

	March 31, 2013	December 31, 2012 (Restated)
Current		
Gold bullion	3,243	4,094
Gold in circuit	8,521	8,172
Ore stockpile	20,624	24,773
Total gold inventories	32,388	37,039
Diesel fuel	3,251	3,242
Materials and supplies	34,516	30,703
Goods in transit	3,221	3,985
Total other inventories	40,988	37,930
Total current inventories	73,376	74,969
Non-Current		
Ore stockpile	35,650	32,700
Total inventories	109,026	107,669

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

10. OTHER ASSETS

	March 31, 2013	December 31, 2012
Current		
Prepayments (i)	3,580	5,336
Security deposit (ii)	1,500	1,500
Total other assets	5,080	6,836

- (i) As at March 31, 2013, prepayments include \$3.1 million of advances to vendors and contractors and \$0.5 million for insurance. As at December 2012, prepayments include \$4.3 million of advances to other vendors and contractors and \$1.0 million for insurance.
- (ii) The security deposit represents a security for payment under the mining fleet and maintenance contract.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings & property improvement	Plant and equipment	Office furniture and equipment	Motor vehicles	Equipment under finance lease	Capital work in progress	Total (Restated)
Cost							
Balance at January 1, 2012	32,216	190,397	1,279	2,481	42,095	56,558	325,026
Additions	-	-	-	-	-	51,342	51,342
Capitalized mine rehabilitation	-	109	-	-	-	-	109
Disposals	-	(748)	-	(227)	-	-	(975)
Transfer	12,237	85,922	525	832	322	(99,838)	-
Balance at December 31, 2012	44,453	275,680	1,804	3,086	42,417	8,062	375,502
Additions	-	-	-	-	-	5,668	5,668
Disposals	-	(15)	(2)	(35)	(501)	-	(553)
Transfer	-	3,459	47	127	-	(3,582)	51
Balance at March 31, 2013	44,453	279,124	1,849	3,178	41,916	10,148	380,668
Accumulated depreciation							
Balance at January 1, 2012	9,769	56,889	671	1,379	17,808	-	86,516
Disposals	-	(719)	-	(192)	-	-	(911)
Depreciation expense	4,635	27,843	340	648	8,533	-	41,999
Balance at December 31, 2012	14,404	84,013	1,011	1,835	26,341	-	127,604
Disposals	-	(3)	(2)	(12)	(402)	-	(419)
Depreciation expense	1,552	11,359	101	51	2,291	-	15,354
Balance at March 31, 2013	15,956	95,369	1,110	1,874	28,230	-	142,539
Net book value							
Balance at December 31, 2012	30,049	191,667	793	1,251	16,076	8,062	247,898
Balance at March 31, 2013	28,497	183,755	739	1,304	13,686	10,148	238,129

Additions made to property, plant and equipment during the period ended March 31, 2013 relate mainly to additional mobile mining equipment acquired.

Depreciation of property, plant and equipment of \$15.4 million and \$6.9 million was expensed as cost of sales for the three months ended March 31, 2013 and March 31, 2012, respectively.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

12. MINE DEVELOPMENT EXPENDITURE

	Amount (Restated)
<u>Cost</u>	
Balance at January 1, 2012	124,418
Expenditures incurred during the period	62,911
Balance at December 31, 2012	187,329
Expenditures incurred during the period	24,816
Balance at March 31, 2013	212,145
<u>Accumulated depreciation</u>	
Balance at January 1, 2012	34,593
Depreciation expense	14,127
Balance at December 31, 2012	48,720
Depreciation expense	4,996
Balance at March 31, 2013	53,716
<u>Carrying amount</u>	
Balance at December 31, 2012	138,609
Balance at March 31, 2013	158,429

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

The capitalized mine development expenditures incurred during the quarter ended March 31, 2013 include \$0.2 million relating to the Gora project that was advanced from the exploration stage to the development stage effective January 1, 2012 after technical feasibility and commercial viability studies

had been completed. Capitalized mine development expenditures also include \$7.5 million relating to payments to be made to the Republic of Senegal. Refer to note 13.

Depreciation of capitalized mine development of \$5.0 million and \$2.1 million were expensed as cost of sales for the three months ended March 31, 2013 and March 31, 2012, respectively.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

13. TRADE AND OTHER PAYABLES

	March 31, 2013	December 31, 2012
Current		
Unsecured liabilities:		
Trade payables (i)	11,214	16,446
Sundry creditors and accrued expenses	9,804	12,370
Government royalties (ii)	15,177	10,927
Amounts payable to Republic of Senegal (iii)	4,725	5,080
Total current trade and other payables	40,920	44,823
Non-Current		
Amounts payable to Republic of Senegal (iii)	2,612	-
Total other non-current liabilities	2,612	-
Total payables	43,532	44,823

- (i) Trade payables comprise obligations by the Company to suppliers of goods and services to the Company. Terms are generally 30 days.
 (ii) Government royalties are payable annually based on the mine head value of the gold and related substances produced.
 (iii) An intended payment of \$3.7 million is payable to the Republic of Senegal calculated on the basis of \$6.50 for each ounce of new reserve until December 31, 2012. The payments are expected to be made in four equal annual instalments. One payment has been presented as a current liability and the remaining three payments have been presented as other non-current liabilities and recorded at a discounted value. A tax settlement of \$3.8 million is related to three outstanding tax assessments. The payments are intended to be made in two equal instalments and have been presented as current liabilities. Refer to notes 12 and 23 for further details.

14. BORROWINGS

	March 31, 2013	December 31, 2012
Current		
Finance lease liabilities	11,368	10,506
Transaction costs	(1,061)	(91)
Total current borrowings	10,307	10,415
Non-Current		
Loan facility	60,000	60,000
Finance lease liabilities	11,368	-
Transaction costs	(2,331)	(1,807)
Total non-current borrowings	69,037	58,193
Total borrowings	79,344	68,608

Macquarie Finance Lease Facility

During the first quarter of 2013, the Company entered into a \$50 million finance lease facility with Macquarie Bank Limited ("Macquarie"). The lease facility replaces the finance lease facility previously in place with Société Generalé, which was assigned and novated to Macquarie. The proceeds will be put towards additional equipment for the Sabodala pit as well as the new equipment required for the Gora deposit that is currently being permitted. The lease

facility bears interest of LIBOR plus a margin of 7.5 percent and is re-payable in equal quarterly installments over twenty-four months from the time of drawdown.

In total, \$22.7 million was outstanding at March 31, 2013, including \$10.5 million novated from SocGen during the quarter.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

Macquarie Loan Facility

During the second quarter of 2012, the Company entered into a \$60 million 2-year loan facility with Macquarie by way of an amendment to its existing Facility Agreement. The loan facility bears interest of LIBOR plus a margin of 10 percent and shall be repaid on or before June 30, 2014.

position at the quarter end spot price of \$1,598 per ounce was in a liability position of \$11.7 million. At December 31, 2012, the hedge position comprised 59,789 ounces of forward sales at an average price of \$803 per ounce. The mark-to-market gold hedge position at the period end spot price of \$1,664 per ounce was in a liability position of \$51.5 million.

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

15. FINANCIAL DERIVATIVE LIABILITIES

At March 31, 2013, the hedge position comprised 14,500 ounces of forward sales at an average price of \$807 per ounce. The mark-to-market gold hedge

16. PROVISIONS

	March 31, 2013	December 31, 2012
Current		
Employee benefits (i)	1,920	1,940
Total current provisions	1,920	1,940
Non-Current		
Mine restoration and rehabilitation (ii)	9,401	9,377
Cash settled share based compensation (iii)	349	935
Total non-current provisions	9,750	10,312
Total provisions	11,670	12,252

- (i) The provisions for employee benefits include \$1.3 million accrued vacation and \$0.6 million long service leave entitlements for quarter ended March 31, 2013. The provision for December 31, 2012 included \$1.4 million accrued vacation and \$0.5 million long service leave entitlements.
- (ii) Mine restoration and rehabilitation provision represents a constructive obligation to rehabilitate the Sabodala gold mine based on the mining concession. The majority of the reclamation activities will occur at the completion of active mining and processing (expected completion is 2019) but a limited amount of concurrent rehabilitation will occur throughout the mine life.

	Amount
Balance at January 1, 2012	9,215
Capitalized mine rehabilitation	109
Unwinding of discount	53
Balance at December 31, 2012	9,377
Unwinding of discount	24
Balance at March 31, 2013	9,401

- (iii) The provision for cash settled share based compensation represents the amortization of the fair value of the fixed bonus plan units. Details of the fixed bonus plan are disclosed in Note 26(b).

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

17. ISSUED CAPITAL

	Number of shares	Amount
Common shares issued and outstanding		
Balance at January 1, 2012	245,618,000	305,412
Balance at December 31, 2012	245,618,000	305,412
Balance at March 31, 2013	245,618,000	305,412

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

MDL, Teranga acquired 18,699,500 common shares of Oromin Exploration Limited ("Oromin"), classified as available for sale in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

For the three months ended March 31, 2013, the Company recognized a non-cash impairment loss of \$1.0 million (2012 – nil) on the Oromin shares in the consolidated statements of comprehensive income/(loss). This impairment loss was based on a further decline in Oromin's share price relative to a previous impairment loss that was recorded in 2012.

18. AVAILABLE FOR SALE FINANCIAL ASSETS

As part of the acquisition of the Sabodala gold mine and regional land package by way of Demerger from

For the three months ended March 31, 2013 and March 31, 2012, a net loss of \$5.5 million and \$3.9 million, both net of tax of \$nil was recognized in Other Comprehensive Income/(loss) for the change in fair value of available for sale financial assets, respectively.

The following table outlines the change in fair value of the investment in Oromin:

	Amount
Balance at January 1, 2012	19,800
Change in fair value of available for sale financial asset during period	(5,142)
Foreign exchange gain	352
Balance at December 31, 2012	15,010
Change in fair value of available for sale financial asset during period	(6,418)
Foreign exchange gain	(319)
Balance at March 31, 2013	8,273

19. FOREIGN CURRENCY TRANSLATION

The foreign currency translation reserve represents historical exchange differences of \$0.9 million which arose upon translation from the functional currency of the Company's corporate entity into United States

dollars during 2011, which were recorded directly to the foreign currency translation reserve within the consolidated statement of changes in equity. The remaining balance of \$0.1 million represents foreign exchange difference resulting from the change of functional currency from Canadian to United States dollars as at January 1, 2012.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

20. EARNINGS/(LOSS) PER SHARE (EPS/LPS)

	Three months ended March 31, 2013	Three months ended March 31, 2012
Basic EPS/(LPS) (US\$)	0.18	(0.01)
Diluted EPS/(LPS) (US\$)	0.18	(0.01)
Basic EPS/(LPS):		
Net profit/(loss) used in the calculation of basic EPS/(LPS)	44,983	(2,074)
Weighted average number of common shares for the purposes of basic EPS/(LPS) ('000)	245,618	245,618
Weighted average number of common shares for the purpose of diluted EPS/(LPS) ('000)	245,618	245,618

The determination of weighted average number of common shares for the purpose of diluted EPS/(LPS) excludes 17 million and 19.2 million shares relating to share options that were anti-dilutive for the quarter ended March 31, 2013 and March 31, 2012, respectively.

21. COMMITMENTS FOR EXPENDITURE

a. Capital Expenditure Commitments

The Company has committed to spend a total of \$4.3 million over the remainder of 2013 in respect of the mining equipment supply contract.

b. Exploration Commitments

The Company has committed to spend a total of \$2.1 million over the remainder of 2013 in respect of the Sabodala regional exploration program.

c. Sabodala Operating Commitments

The Company has the following operating commitments in respect of the Sabodala gold operation:

- Pursuant to the Company's Mining Concession, a royalty of 5% (2012 – 3%) is payable to the Government of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date.
- \$425,000 per annum on social development of local authorities in the surrounding Tambacounda region during the term of the Mining Concession.
- \$30,000 per year for logistical support of the territorial administration of the region from date of notification of the Mining Concession.
- \$200,000 per year on training of Directorate of Mines and Geology officers and Mines Ministry

22. LEASES

a. Operating Lease Commitments

The Company has entered into an agreement to lease an office space in Paris, France expiring February 28, 2014. In accordance with the lease agreement, \$48,000 is payable within one year.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

b. Finance Lease Liabilities

	March 31, 2013		December 31, 2012	
	Minimum future lease payments	Present value of minimum future lease payments	Minimum future lease payments	Present value of minimum future lease payments
No later than one year	11,368	10,307	10,506	10,415
Later than one year and not later than five years	11,368	10,307	-	-
Total finance lease liabilities	22,736	20,614	10,506	10,415
Included in the financial statements as:				
Current	11,368	10,307	10,506	10,415
Non-current	11,368	10,307	-	-

The finance loan relates to the Macquarie Finance Lease Facility, with a remaining lease term of twenty-four months expiring March 2015. Minimum future lease payments consist of eight payments over the term of the loan. Interest is calculated at LIBOR plus a margin paid quarterly in arrears. Due to the variable nature of the interest repayments the table above excludes all future interest amounts.

23. CONTINGENT LIABILITIES

During the three months ended March 31, 2013, the Company signed a long-term comprehensive Agreement in Principle ("Agreement") with the Republic of Senegal. A component of the agreement relates to the settlement of outstanding tax assessments and special contribution payment.

a. Outstanding tax assessments

The Company has accrued \$3.8 million at March 31, 2013, representing our best estimate of the amount required to settle the three outstanding tax assessments.

The outstanding tax assessments, which total \$36 million, are summarized as follows:

Sabodala Mining Company SARL ("SMC") – January 2013 tax assessment. This tax assessment was received from the Senegalese tax authorities claiming withholding tax of approximately \$6 million on payments made to foreign providers.

Sabodala Gold Operations SA ("SGO") – December 2012 tax assessment. This tax assessment was received from the Senegalese tax authorities claiming withholding taxes of approximately \$6 million on amounts considered as distributions, contribution of land built properties, withholding tax on salaries and withholding tax on payments made to foreign providers

SGO – 2011 tax assessment. This tax assessment was received from the Senegalese tax authorities claiming withholding taxes of approximately \$24 million relating to interest paid to SGML Capital under the Mining Fleet Lease facility, director's fees and services rendered by offshore companies.

b. Government payments

The Company intends to make a payment of approximately \$5.4 million related to accrued dividends to the Republic of Senegal in respect of its existing 10% minority interest. The payment is expected to be made upon the completion of embedding the Agreement into the Company's mining and exploration concessions.

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

24. CASH FLOW INFORMATION

a. Reconciliation of change in working capital

	<u>Three months ended</u> March 31, 2013	<u>Three months ended</u> March 31, 2012
Changes in working capital		
Decrease/(increase) in trade and other receivables	(1,072)	9,452
Decrease in other assets	1,757	1,494
Increase in inventories	(1,357)	(7,507)
Increase/(decrease) in trade and other payables	(8,814)	4,885
Increase/(decrease) in provisions	(606)	42
Net decrease/(increase) in working capital	(10,092)	8,366

b. Cash balances restricted for use

During the second quarter of 2012, the Company amended its existing Facility Agreement with Macquarie Bank Limited. As part of the amendment, Macquarie Bank Limited agreed to recognize Project Completion as occurring and to remove the requirement to hold the restricted cash. As at March 31, 2013, the Company had no restrictions on cash balances.

market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

During the first quarter of 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

25. FINANCIAL INSTRUMENTS

a. Fair value hierarchy

The Company values instruments carried at fair value using quoted market prices, where available. Quoted

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

	Financial assets			Total
	Level 1	Level 2	Level 3	
March 31, 2013				
Available-for-sale financial assets	8,273	-	-	8,273
Derivative financial assets	-	-	-	-
Total	8,273	-	-	8,273
December 31, 2012				
Available-for-sale financial assets	15,010	-	-	15,010
Derivative financial assets	-	456	-	456
Total	15,010	456	-	15,466
	Financial liabilities			Total
	Level 1	Level 2	Level 3	
March 31, 2013				
Derivative financial liabilities	-	11,709	-	11,709
Total	-	11,709	-	11,709
December 31, 2012				
Derivative financial liabilities	-	51,548	-	51,548
Total	-	51,548	-	51,548

26. SHARE BASED COMPENSATION

During the third quarter of 2012, the Company introduced a new Fixed Bonus Plan as an alternative to the Company's existing share based compensation program. Directors, officers, employees and consultants are entitled to receive either stock options under the current Stock Option Plan or Fixed Bonus Plan Units under the new Fixed Bonus Plan.

The share based compensation expense for the three months ended March 31, 2013 and March 31, 2012 totalled \$0.1 million and \$1.8 million, respectively.

a. Incentive Stock Option Plan

During the three months ended March 31, 2013 and March 31, 2012, a total of 510,000 and 1,870,000 common share options respectively were granted to directors and employees. During the three months ended March 31, 2013 and March 31, 2012, a total of 480,556 and 278,888 options were forfeited, respectively. No stock options were exercised during the three months ended March 31, 2013 and March 31, 2012.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

The following stock options were outstanding as at March 31, 2013:

Option series	Number	Grant date	Expiry date	Exercise price (C\$)	FV at grant date (C\$)
Granted on November 26, 2010	8,291,112	26-Nov-10	26-Nov-20	3.00	1.19
Granted on December 3, 2010	2,225,000	03-Dec-10	03-Dec-20	3.00	1.19
Granted on February 9, 2011	725,000	09-Feb-11	09-Feb-21	3.00	0.99
Granted on April 27, 2011	72,222	27-Apr-11	27-Apr-21	3.00	0.80
Granted on June 14, 2011	455,000	14-Jun-11	14-Jun-21	3.00	0.94
Granted on August 13, 2011	370,000	13-Aug-11	13-Aug-21	3.00	0.82
Granted on December 20, 2011	1,651,666	20-Dec-11	20-Dec-21	3.00	0.61
Granted on February 24, 2012	858,611	24-Feb-12	24-Feb-22	3.00	0.37
Granted on February 24, 2012	300,000	24-Feb-12	24-Feb-22	3.00	1.26
Granted on June 5, 2012	50,000	05-Jun-12	05-Jun-22	3.00	0.17
Granted on September 27, 2012	600,000	27-Sep-12	27-Sep-22	3.00	0.93
Granted on October 9, 2012	600,000	09-Oct-12	06-Oct-22	3.00	1.01
Granted on October 31, 2012	80,000	31-Oct-12	31-Oct-22	3.00	0.52
Granted on October 31, 2012	180,000	31-Oct-12	31-Oct-22	3.00	0.18
Granted on December 3, 2012	200,000	03-Dec-12	03-Dec-22	3.00	0.61
Granted on February 23, 2013	470,000	23-Feb-13	23-Feb-23	3.00	0.42
Granted on February 23, 2013	40,000	23-Feb-13	23-Feb-23	3.00	0.25

As at March 31, 2013, approximately 7.4 million options were available for issuance under the Plan.

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

Of the 17,168,611 common share options issued 16,993,611 vest evenly over a three-year period and 175,000 vest based on achievement of certain

milestones. The fair value of options that vest upon achievement of milestones will be recognized based on our best estimate of outcome of achieving our results.

As at March 31, 2013 all outstanding share options have a contractual life of ten years.

Fair value of stock options granted

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

	Three months ended March 31, 2013	Three months ended March 31, 2012
Grant date share price	C\$1.44	C\$2.58
Exercise price	C\$3.00	C\$3.00
Range of risk-free interest rate	1.07%-1.20%	1.07%-1.43%
Volatility of the expected market price of share	67.28%-68.30%	43.7%-61.62%
Expected life of options	2.00-3.50	1.25-5.00
Dividend yield	0%	0%
Forfeiture rate	5%-50%	0%-30%

Due to lack of sufficient historical information for the Company, volatility was determined using the existing historical volatility information of the Company's share

price combined with the industry average for comparable-size mining companies.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
 FIRST QUARTER 2013
 (unaudited, in \$000's of United States dollars, except share amounts)

Movements in shares options during the period

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

	Number of options	Weighted average exercise price
Balance at end of the period - January 1, 2012	17,617,222	C\$3.00
Granted during the period	3,580,000	C\$3.00
Forfeited during the period	(4,058,055)	C\$3.00
Balance at end of the period - December 31, 2012	17,139,167	C\$3.00
Granted during the period	510,000	C\$3.00
Forfeited during the period	(480,556)	C\$3.00
Balance at end of the period - March 31, 2013	17,168,611	C\$3.00
Number of options exercisable - December 31, 2012	10,736,662	
Number of options exercisable - March 31, 2013	11,962,079	

Stock options exercised during the period

There were no options exercised during the three month period ended March 31, 2013 and March 31, 2012.

b. Fixed Bonus Plan

The Fixed Bonus Plan was introduced during the third quarter of 2012. As at March 31, 2013 a total of 1,440,000 Units were granted to employees. During the three ended March 31, 2013, no Units were forfeited or exercised.

As at March 31, 2013, there were 1,440,000 Units outstanding that were granted on August 8, 2012 with expiry dates ranging from November 24, 2020

through to February 24, 2022. The Units each have an exercise price of C\$3.00 and have fair values at March 31, 2013 in the range of C\$0.13 to C\$0.37 per Unit. The total fair value of the Units at March 31, 2013 was \$0.3 million (December 31, 2012: \$0.9 million).

The estimated fair values of the Units are amortized over the period in which the Units vest. Of the 1,440,000 Units issued, 50% vested upon issuance, 25% vested on December 31, 2012 and 25% vest on December 31, 2013.

Fair value of Units granted

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

	Three months ended March 31, 2013	Three months ended March 31, 2012
Share price at the end of the period	\$1.11	-
Exercise price	C\$3.00	-
Range of risk-free interest rate	1.10%-1.30%	-
Volatility of the expected market price of share	43.70%-61.62%	-
Expected life of options	2.00-5.00	-
Dividend yield	0%	-
Forfeiture rate	5%-50%	-

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
FIRST QUARTER 2013
(unaudited, in \$000's of United States dollars, except share amounts)

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

27. RELATED PARTY TRANSACTIONS

a. Equity interests in related parties

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 33 of the audited annual consolidated financial statements of the Company for the period ended December 31, 2012.

b. Transactions with key management personnel

Details of key management personnel compensation are disclosed in Note 26 and Note 38 of the audited annual consolidated financial statements of the Company for the period ended December 31, 2012.

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

c. Transactions with other related parties

The Company has no payable to or receivable from other related parties as at March 31, 2013 and December 31, 2012.