**TERANGA GOLD CORPORATION**
2600 – 121 King Street West
Toronto ~ Ontario ~ M5H 3T9 ~ Canada
T: 416-594-0000 F: 416-594-0088
E: investor@terangagold.com
***www.terangagold.com***

**PRESS RELEASE**
For Immediate Release

TSX Trading Symbol: TGZ
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# SEPTEMBER QUARTER REPORT

Toronto, Canada: November 6, 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 September 30, 2013 and the associated Management's Discussion & Analysis at www.terangagold.com.***

**Third quarter in line with plan and 2013 guidance reiterated.**

- The Company is on track to meet full year production guidance at the higher end of the 190,000 to 210,000 ounce[1] range at total cash costs at the lower end of the $650 to $700 per ounce[2] range and all-in sustaining costs of $1,000 to $1,100 per ounce[2]
- Consolidated loss for the third quarter of 2013 was $0.4 million ($0.00 loss per share) compared to a profit of $26.0 million ($0.11 per share) in the same prior year period
- Gold production was 36,874 ounces for the quarter and 154,836 ounces year to date
- Total cash costs were $748 per ounce sold for the quarter and $621 per ounce year to date[2]
- All-in sustaining costs were $1,289 per ounce for the quarter and $1,086 per ounce year to date[2]
- Completed acquisition of Oromin
- Cash and bullion receivable of $36.2 million after $9.6 million paid in Oromin acquisition costs
- Filed a new Sabodala technical report with a revised mine plan expected to generate significant free cash flow

*"We remain on track to meet our production and cash costs guidance for 2013. Our third quarter mining activities were consistent with our annual mine plan which is expected to deliver higher grade ore to our mill in fourth quarter 2013. We are pleased with the performance of the Sabodala mill, which has been operating at design capacity since mid-June 2013. With the acquisition of Oromin now behind us, our focus shifts to completion of an integrated mine plan including production from the OJVG satellite deposits and negotiation of a toll milling agreement or an agreement to purchase the remaining interest in the OJVG with our joint venture partners" said Alan R. Hill, Executive Chairman.*

[1] This production target is based on existing proven and probable reserves only.
[2] Total cash costs per ounce sold and all-in sustaining costs per ounce sold are non-IFRS financial performance measures with no standard definitions under IFRS. See page 7 of this release.

**FINANCIAL HIGHLIGHTS** (details on Page 6)

- Gold revenue for the three months ended September 30, 2013 was $50.6 million, compared to gold revenue of $105.0 million for the same prior year period. The decrease in gold revenue was driven by a lower gold sales and lower spot gold prices.
- Consolidated loss for the three months ended September 30, 2013 was $0.4 million ($0.00 loss per share), compared to a profit of $26.0 million ($0.11 per share) in the same prior year period. The decrease in profit and earnings per share were primarily due to lower gross profit and higher other expenses related to the acquisition of Oromin during the third quarter 2013.
- Operating cash flow for the three months ended September 30, 2013 provided cash of $16.7 million compared to cash provided of $14.0 million in the prior year. The increase in operating cash flow was mainly due to favorable working capital changes during the third quarter 2013.
- Capital expenditures were $17.2 million for the three months ended September 30, 2013, compared to $28.0 million in the same prior year period. The decrease in capital expenditures was mainly due to lower capitalized reserve development and lower development expenditures in the third quarter of 2013.
- Financing cash flow for the three months ended September 30, 2013 used cash of $11.8 million, compared to net cash used by financing activities of $6.3 million in the prior year. Financing activities in the current year include repayments of the finance lease facility and Oromin loan payments of $9.1 million and interest paid on borrowings of $1.5 million.
- During the third quarter of 2013, 37,665 ounces were sold at an average realized gold price of $1,339 per ounce. During the prior year period, 62,439 ounces were sold at an average realized gold price of $1,290 per ounce. The higher realized gold price was due to the fact that in the third quarter of 2012, 29,000 ounces were delivered into gold hedge contracts at an average price of $830 per ounce, more than offsetting the higher spot prices in the year earlier third quarter.

*"In this volatile gold price environment, we have taken further steps to strengthen our balance sheet and improve our financial flexibility. We have prepared a revised mine plan which, on a standalone basis, maximizes gold production while minimizing operating, sustaining and new project development costs. As well, we've removed the lump sum loan payment that was previously due in June 2014 which allows the Company to better match cash flows in a lower gold price environment. We will now focus on working with the OJVG partners to integrate their deposits into our mine plans in order to increase production from the Sabodala mill," said Richard Young, President and CEO.*

**OPERATING HIGHLIGHTS** (details on Page 6)

- Gold production for the three months ended September 30, 2013 was on plan at 36,874 ounces of gold putting the Company on track to meet the higher end of the Company's production guidance for the year. Production was 33 percent lower compared to the same prior year period due to lower processed grades, partly offset by higher mill throughput due to improvements made in the crushing circuit.
- Total cash costs for the three months ended September 30, 2013 totalled $748 per ounce sold putting the Company on track to meet the lower end of its total cash cost guidance for 2013. Total cash costs increased from $509 per ounce in the year earlier period due to a 55 percent decrease in the grade processed during the quarter. The majority of mill feed during the quarter was from stockpiles since mining activity focused on waste stripping in phase 3 of the mine plan. Total cash costs have been adjusted for the adoption of IFRIC 20 for capitalization of a portion of production phase stripping costs.
- All-in sustaining costs for the three months ended September 30, 2013 were $1,289 per ounce sold compared to $1,025 per ounce sold in the prior year period. The Company is on track to meet its all-in sustaining cost guidance of $1,000 to $1,100 per ounce for 2013. The increase compared to the prior year is primarily due to lower grades processed during the current quarter, partially offset by lower capitalized reserve development and administration expenses in the current year period.
- Total tonnes mined for the three months ended September 30, 2013 was 26 percent higher compared to the same prior year period. The increase in total tonnes mined was mainly due to improved haul truck productivities as a result of shorter haul distances to the mill and waste dumps, as well as, improved loading efficiencies.
- Ore tonnes mined for the three months ended September 30, 2013 was 18 percent lower compared to the same prior year period, and ore grades mined were lower than the same prior year period, in line with plan. This resulted in 54 percent fewer ounces mined for the three months ended September 30, 2013, as mining activities during the third quarter was concentrated on waste stripping activities in phase 3 of the mine plan. Conversely, mining activities during 2012 took place in lower benches of phase 2 and included a substantial amount of high-grade ore. In the fourth quarter 2013, ore tonnes mined are expected to increase with improved grades with access to higher grade areas of phase 3.
- Unit mining costs for the third quarter of 2013 were $2.48 per tonne, a decrease of 7 percent compared to the same prior year period. The lower unit costs were due to improved haul truck and loading efficiencies as noted above.

- Ore tonnes milled for the three months ended September 30, 2013 were 36 percent higher than the same prior year period due to improvements made to reduce the frequency and duration of unplanned downtime and an increase in throughput in the crushing circuit to match mill capacity. These improvements were primarily accomplished during two planned major shutdowns in January and May 2013. A third and final planned shutdown for the mill has taken place in early October 2013.

- Processed grade for the three months ended September 30, 2013 was 55 percent lower than the same prior year period. Mill feed in the third quarter 2013 was a blend of fresh ore and slightly softer stockpile material, as well as, some transitional ore mined from the upper benches of phase 3.

- As a result of the work completed this year, mill throughput reached annualized design capacity of 3.5 million tonnes of primarily hard ore during the third quarter. Higher grades mined and processed are expected to lead to higher gold production in the fourth quarter 2013 compared to the third quarter 2013, and full year production at the higher end of our guidance range of 190,000 to 210,000 ounces.

- Unit processing costs for the three month period ended September 30, 2013 were 20 percent lower than the same prior year period at $17.56 per tonne, mainly due to an increase in throughput in the crushing circuit to match mill capacity. Total processing costs for the three months ended September 30, 2013 were 9 percent higher than the same prior year period mainly due to an increase in consumption of heavy fuel oil (HFO) and cyanide as a result higher tonnes milled. This was partly offset by lower consumption of grinding media due to better management of recycled product and slightly lower cyanide consumption per tonne to optimize cost and recovery with the lower grade feed.

**OUTLOOK 2013**

- Gold production for 2013 is expected to be at the higher end of the guidance range of 190,000 to 210,000 ounces, while total cash costs are expected to be at the lower end of our $650 to $700 per ounce guidance. All-in sustaining costs (as defined by the World Gold Council) are expected to be in the range of $1,000 to $1,100 per ounce. Gold sales are expected to exceed production for the year as gold in circuit inventory is reduced. As per the mine plan, gold production in the fourth quarter is expected to be higher than the third quarter as mining activity reaches the high grade benches in phase 3 of the Sabodala pit.

- In the first quarter of 2013, the Company reduced discretionary expenditures in a number of key areas including operations, exploration and administration, as well as sustaining and development capital and as such provided new guidance for the year for these items with the Company's first quarter results. The Company is on track to meet the revised guidance, with the exception of administrative expenditures as noted below.

- In total, between capitalized reserve development and regional exploration expenditures, the Company expects to spend approximately $8 million in 2013 on exploration, in line with revised guidance for the year.

- Administrative expenditures including corporate office costs, Dakar office costs and corporate social responsibility costs, but excluding corporate depreciation, transaction and other non-recurring costs, are now expected to be $14 million, $1 million higher than our revised guidance, which was mainly due to higher corporate social responsibility costs and higher expenses out of our Dakar office.

- Capitalized expenditures, including sustaining mine site expenditures, project development expenditures and capitalized deferred stripping are expected to total $65 million, in line with revised guidance for the year.

- Expenditures related to the acquisition and funding of Oromin, including legal and advisory costs, loan repayment, severance and termination benefits and ongoing provision of Oromin's share of funding of the OJVG are expected to total approximately $15 million in 2013. As at September 30, 2013, $9.6 million had been paid towards these costs.

**LIQUIDITY AND CAPITAL RESOURCES**

- The Company's cash balance at September 30, 2013 was $36.2 million, including $4.0 million in bullion receivables and 3,943 ounces in bullion inventory at September 30, 2013. The Company's cash balance is net of payments of $9.6 million for expenses related to the acquisition of Oromin, funding Oromin operations since acquisition and the repayment of Oromin's outstanding loan balance.

- During the third quarter, the Company amended its existing $60 million loan facility agreement with Macquarie Bank. The amended agreement extends the final repayment date of its existing loan facility agreement by one year to June 30, 2015. In a lower gold price environment, the Company will be required to maintain a restricted cash balance of up to $20 million. No amount was required to be restricted at the end of the quarter. The Loan Facility will be repaid in 5 equal quarterly installments of $8 million beginning on June 30, 2014. The final $20 million will be repaid with the final installment on June 30, 2015.

- Through the elimination of the hedge book, reductions in discretionary spending, optimization of the mine plan and production at the higher end of the guidance range, the Company expects to be able to support its operating requirements in 2013 and 2014. The Company's current cash balance of $36.2 million, combined with the equipment facility and extension to the loan facility will enable it to move ahead with development of the OJVG satellite deposits. Consideration is being made to refinance the loan facility to enable further financial flexibility and expedite the development of these and other potential deposits. Such incurrence of debt may be in the form of one or more borrowings or bank or other similar loans. There can, however, be no assurance that the Company will find the terms on such debt reasonable and therefore may not increase the current debt facilities or may not put a new facility in place.

**STRATEGY AND MINE PLAN**

- In the first quarter of 2013, gold equities came under pressure. Significant downward movements in gold prices followed, and in light of this we took steps in the first quarter to reduce 2013 discretionary spending in all areas without impacting our production guidance, including lowering waste stripping to lower mining costs, reduce exploration and reserve development expenditures, sustaining and new project development expenditures as well as corporate overheads. This was all done before the most recent decline in the gold price in late June 2013.

- During the second quarter the exploration team was consolidated into one exploration facility, a revised organizational design was applied and the necessary staff personnel were reduced to gain in efficiencies. As well, technical work continued to support Sabodala operations including optimization of the resource through modelling and grade control, evaluating geotechnical opportunities for waste reduction in the pit wall design and waste dump designs for improved mine operating costs.

- During the third quarter, as part of the Company's ongoing effort to maximize free cash flows during this period of lower and more volatile gold prices, management designed a new mine plan on a standalone basis maximizing gold production while minimizing operating, sustaining, new project development, corporate and other costs. In early October, this new mine plan was filed as part of a National Instrument 43-101 compliant Sabodala Technical Report on Sedar (www.sedar.com) and on the ASX (www.asx.com.au).

- The new optimized mine plan has been designed to provide earlier access to higher grade material within the Sabodala pit and reduce overall waste material moved, freeing up mobile equipment for the development of satellite deposits, including those within the OJVG and Gora. The new mine plan is expected to deliver between 210,000 and 240,000 ounces of annual gold production over the period 2014 to 2016 at all-in sustaining cash costs estimated at between $800 and $1,000 per ounce. As a result, at $1,350 per ounce gold, the Company expects to generate between $150 and $200 million in free cash flow after $80 million in capital expenditures and $85 million in debt repayments over the period.

- Another key element of this new mine plan is sequencing the commencement of Gora development to late 2014. This allows us to utilize mobile equipment from Sabodala, which is expected to result in $20 to $25 million in reduced capital costs for mobile equipment compared to our previous mine plan. Under this revised mine plan, Gora production start-up is now anticipated in early 2015.

- The optimized mine plan results in a reduction of reserves of approximately 214,000 ounces of marginal gold or 13 percent of reserves as of March 31, 2013. The reduction in reserves at Sabodala maximizes near term cash flows over the period 2014 to 2016 by removing high cost ounces that have a higher strip ratio of approximately 15:1 (waste to ore).

**GORA DEVELOPMENT**

- Gora is planned to be operated as a satellite to the Sabodala mine requiring limited local infrastructure and development. Ore will be hauled to the Sabodala processing plant by a dedicated fleet of trucks and processed on a priority basis, displacing Sabodala feed as required.

- A technical report and an environmental and social impact assessment (ESIA) have been provided to the Senegalese government, and the permit approval process is ongoing.

- Management expects the permit process to conclude and construction to be initiated in late 2014 based on a standalone mine plan. This is subject to spot gold prices and the outcome of the integrated mine plan with the OJVG.

**ACQUISITION OF OROMIN**

- On August 6, 2013, the Company acquired 78,985,388 common shares of Oromin Explorations Ltd. ("Oromin"), representing approximately 57.7 percent of the Oromin shares that the Company did not already own. Together with the 18,669,500 Oromin shares owned by the Company, this represented a total of 97,684,888 Oromin shares or approximately 71.1 percent of the outstanding Oromin shares. A further 2,091,013 shares were obtained as part of this acquisition process, bringing the total to 99,775,901 Oromin shares of approximately 72.6% of the outstanding Oromin shares as at September 30, 2013. Subsequent to the quarter end on October 4, 2013, the Company acquired 37,562,017 Oromin shares and completed the acquisition of all of the issued and outstanding common shares of Oromin.

- The Company issued 71,183,091 Teranga shares to acquire all of the Oromin shares for net consideration of $37.9 million, including the fair value of Oromin stock options replaced by 7,911,600 Teranga stock options. As a result, Teranga's total number of issued and outstanding shares increased to 316,801,091 as of October 4, 2013.

- Acquisition related costs of approximately $7.3 million have been expensed during the nine months ended September 30, 2013.

**OROMIN TECHNICAL INTEGRATION**

The acquisition of Oromin in August 2013 provided access to the OJVG technical data. Since then, management has been evaluating the geological and technical databases to be able to develop an integrated mine plan that will support a NI 43-101 compliant resources and reserves technical report, targeted for Q1 2014.

The ongoing technical work for the OJVG integrated mine plan includes:

- A comprehensive due diligence review of the Golouma and Masato resource models. This includes re-logging and re-assay of key drill intercepts, QA/QC reviews and detailed interpretation for the updated resource models;
- Economic Lerchs-Grossman (LG) pit optimization and detailed pit designs;
- Preliminary Life of Mine (LOM) mine planning schedules for optimized cash flow analysis, dilution analysis, pit designs, mine operating and capital estimates;
- An updated tailings deposition and water balance model;
- Analysis of the metallurgical test results for ore characterization studies that will increase understanding from Feasibility Study level and optimize feed and gold recovery to the Sabodala mill; and
- Environmental and social impact reviews for a reduced footprint using the Sabodala operations.

In addition to development of an integrated LOM, the Oromin technical team has been engaged with the Teranga technical teams both at site in Senegal and the corporate offices.

Next steps are anticipated to be:

- Negotiating a toll milling agreement or come to terms on sale of their interest in the Joint Venture with the Joint Venture Partners (Bendon and Badr);
- Integrating and developing the OJVG deposits into Teranga's operations; and
- Increasing production and generating greater free cash flow.

**MINE LICENSE (ML) RESERVE DEVELOPMENT**

- There were no drill programs conducted on the ML during the third quarter. The drill program at Sabodala was completed in the first quarter of 2013, with results returned by mid-April 2013.
- The timing of a planned drill program at the Niakafiri deposit along strike to the North is under review in light of both the decrease in gold prices and the acquisition of Oromin, which may lead to a re-evaluation of priorities.
- Additional surface mapping was carried out at Niakafiri in conjunction with the re-logging of several diamond drill holes with a view to updating the geological model for the Niakafiri deposit.

**REGIONAL EXPLORATION**

- Due to the annual rainy season during the third quarter, the exploration team did a minimal amount of field work and was primarily focused on site mapping, trenching, interpretation and site investigation for several high potential targets on our regional land package.
- Additionally, since the acquisition of Oromin, the two geological teams have been working as one unit for the detailed due diligence review and remodeling of the Golouma and Masato deposits. In addition, detailed reviews are ongoing for the other OJVG resources and reserves, with the intention to integrate these into the scope for the 2014 exploration program.

**RESERVES AND RESOURCES**

- Total proven and probable mineral reserves as of June 30, 2013 were 29.21 million tonnes at 1.48 grams per tonne (gpt) totalling 1.40 million ounces, a decrease of approximately 214,000 ounces, before production, over proven and probable mineral reserves at March 31, 2013.
- Total inferred resources as at June 30, 2013 were 57.84 million tonnes at 1.01 gpt totalling 1.87 million ounces, in line with inferred resources at March 31, 2013.
- Total measured and indicated resources at June 30, 2013 were 62.38 million tonnes at 1.44 gpt totalling 2.89 million ounces, compared to 63.23 million tonnes at 1.45 gpt totalling 2.94 million ounces at March 31, 2013. The reported measured and indicated resources are inclusive of the mineral reserves.

## Review of Third Quarter Financial Results

| (US$000's, except where indicated) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **Financial Results** | 2013 | 2012 | 2013 | 2012 |
| Revenue | 50,564 | 105,014 | 239,625 | 227,550 |
| Cost of sales | (37,371) | (45,814) | (145,978) | (107,988) |
| **Gross Profit** | **13,193** | **59,200** | **93,647** | **119,562** |
| Exploration and evaluation expenditures | (849) | (2,041) | (4,362) | (13,958) |
| Administration expenses | (3,839) | (3,558) | (11,526) | (10,565) |
| Share based compensation | (394) | (1,295) | (677) | (3,676) |
| Finance costs | (3,441) | (2,750) | (8,998) | (4,697) |
| Gains (losses) on gold hedge contracts | - | (18,981) | 5,308 | (24,299) |
| Gains (losses) on oil hedge contracts | - | 361 | 31 | (308) |
| Net foreign exchange losses | (300) | (1,630) | (784) | (1,124) |
| Gain (loss) on available for sale financial asset | 452 | - | (4,003) | (11,917) |
| Gain on equity investment | 41 | - | 41 | - |
| Other expense | (4,792) | 206 | (8,474) | (2,062) |
| **Profit for the period** | **71** | **29,512** | **60,203** | **46,956** |
| Profit attributable to non-controlling interest | 513 | 3,479 | 8,466 | 8,584 |
| **Profit (loss) attributable to shareholders of Teranga** | **(442)** | **26,033** | **51,737** | **38,372** |
| Basic earnings (loss) per share | (0.00) | 0.11 | 0.20 | 0.16 |

Note: Results include the consolidation of Oromin's operating results, cash flows and net assets from August 6, 2013.

## Review of Third Quarter Operating Results

| | | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| **Operating Results** | | 2013 | 2012 | 2013 | 2012 |
| Ore mined | ('000t) | 537 | 655 | 2,548 | 3,877 |
| Waste mined - operating | ('000t) | 3,321 | 1,786 | 8,518 | 7,903 |
| Waste mined - capitalized | ('000t) | 4,853 | 4,456 | 14,645 | 9,784 |
| Total mined | ('000t) | 8,711 | 6,897 | 25,711 | 21,564 |
| Grade mined | (g/t) | 1.08 | 1.92 | 1.63 | 1.95 |
| Ounces mined | (oz) | 18,721 | 40,516 | 133,378 | 242,635 |
| Strip ratio | waste/ore | 15.2 | 9.5 | 9.1 | 4.6 |
| Ore milled | ('000t) | 887 | 650 | 2,292 | 1,714 |
| Head grade | (g/t) | 1.41 | 3.11 | 2.28 | 2.95 |
| Recovery rate | % | 91.6 | 84.6 | 92.0 | 87.7 |
| Gold produced[1] | (oz) | 36,874 | 55,107 | 154,836 | 142,506 |
| Gold sold | (oz) | 37,665 | 62,439 | 161,845 | 136,210 |
| Average price received | $/oz | 1,339 | 1,290 | 1,245 | 1,489 |
| Total cash cost (incl. royalties)[2] | $/oz sold | 748 | 509 | 621 | 569 |
| All-in sustaining costs[2] | $/oz sold | 1,289 | 1,025 | 1,086 | 1,303 |
| Mining | ($/t mined) | 2.48 | 2.67 | 2.57 | 2.58 |
| Milling | ($/t milled) | 17.56 | 21.89 | 20.97 | 20.61 |
| G&A | ($/t milled) | 4.60 | 5.69 | 5.59 | 6.02 |

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

[2] Total cash costs per ounce and all-in sustaining costs are non-IFRS financial measures and do not have a standard meaning. For definitions of these metrics, please see page 6 of this press release.

## Third Quarter Cost of Sales

| (US$000's) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **Cost of Sales** | 2013 | 2012 | 2013 | 2012 |
| Mine production costs | 25,938 | 23,006 | 85,377 | 73,719 |
| Depreciation and amortization | 13,562 | 15,225 | 51,200 | 35,111 |
| Royalties | 2,507 | 3,121 | 11,865 | 6,802 |
| Rehabilitation | 4 | 9 | 6 | 13 |
| Inventory movements | (4,640) | 4,453 | (2,470) | (7,657) |
| **Total cost of sales** | **37,371** | **45,814** | **145,978** | **107,988** |

## 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. Refer to page 15 of the Company's Management's Discussion and Analysis for further details.

| (US$000's, except where indicated) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **Cash costs per ounce sold** | 2013 | 2012 | 2013 | 2012 |
| Gold produced[1] | 36,874 | 55,107 | 154,836 | 142,506 |
| Gold sold | 37,665 | 62,439 | 161,845 | 136,210 |
| **Cash costs per ounce sold** | | | | |
| Cost of sales | 37,371 | 45,814 | 145,978 | 107,988 |
| Less: depreciation and amortization | (13,562) | (15,225) | (51,200) | (35,111) |
| Less: realized oil hedge gain | - | (444) | (487) | (1,572) |
| Add: non-cash inventory movement | 2,393 | 1,698 | 5,863 | 6,374 |
| Less: other adjustments | 1,962 | (55) | 317 | (155) |
| **Total cash costs** | **28,164** | **31,787** | **100,471** | **77,524** |
| **Total cash costs per ounce sold** | **748** | **509** | **621** | **569** |
| **All-in sustaining costs** | | | | |
| Total cash costs | 28,164 | 31,787 | 100,471 | 77,523 |
| Administration expenses[2] | 3,207 | 4,182 | 9,897 | 12,664 |
| Capitalized deferred stripping | 13,327 | 13,825 | 41,820 | 29,266 |
| Capitalized reserve development | 158 | 6,245 | 2,995 | 20,415 |
| Mine site capital | 3,680 | 7,970 | 20,516 | 37,584 |
| **All-in sustaining costs** | **48,536** | **64,008** | **175,699** | **177,452** |
| **All-in sustaining costs per ounce sold** | **1,289** | **1,025** | **1,086** | **1,303** |
| **All-in costs** | | | | |
| All-in sustaining costs | 48,536 | 64,008 | 175,699 | 177,452 |
| Social community costs not related to current operations | 745 | 500 | 1,453 | 1,087 |
| Exploration and evaluation expenditures | 849 | 2,041 | 4,362 | 13,958 |
| **All-in costs** | **50,130** | **66,550** | **181,513** | **192,497** |
| **All-in costs per ounce sold** | **1,331** | **1,066** | **1,122** | **1,413** |
| Depreciation and amortization | 13,562 | 15,225 | 51,200 | 35,111 |
| Non - cash inventory movement | (2,393) | (1,698) | (5,863) | (6,374) |
| **Total depreciation and amortization** | **11,169** | **13,527** | **45,337** | **28,737** |
| **Total depreciation and amortization per ounce sold** | **297** | **217** | **280** | **211** |

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

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

## CORPORATE DIRECTORY

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

**Registered Office**
121 King Street West, Suite 2600
Toronto, Ontario, M5H 3T9, Canada

T: +1 416-594-0000
F: +1 416-594-0088
E: investor@terangagold.com
W: www.terangagold.com

**Senegal Office**
2K Plaza
Suite B4, 1er Etage
sis la Route due Meridien President
Dakar Almadies

T: +221 338 693 181
F: +221 338 603 683

**Auditor**
Ernst & Young LLP

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

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

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

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

The technical information contained in this document relating to the Mineral Reserve estimates for Sabodala and the stockpiles is based on information compiled by Paul Chawrun, P. Eng., who is a member of the Professional Engineers of Ontario. Mr. Chawrun is a full time employee of Teranga and is not “independent” within the meaning of National Instrument 43-101. Mr. Chawrun has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr. Chawrun is a “Qualified Person” under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Mr. Chawrun has reviewed and accepts responsibility for the Mineral Reserve estimate for Sabodala disclosed in this document and has consented to the inclusion of the matters based on his information in the form and context in which it appears in this document.

**ABOUT TERANGA**

Teranga is a Canadian-based gold company listed on the Toronto Stock Exchange (TSX: TGZ) and Australian Securities 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.

Teranga’s mission is to create value for all of its stakeholders through responsible mining. Its vision is to explore, discover and develop gold mines in West Africa, in accordance with the highest international standards, and to be a catalyst for sustainable economic, environmental and community development. All of its actions from exploration, through development, operations and closure will be based on the best available techniques.

For further information please contact:
**Kathy Sipos**, Vice-President, Investor & Stakeholder Relations
T: +1 416-594-0000 | E: ksipos@terangagold.com

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

# TERANGA GOLD CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME / LOSS

(Unaudited and in US$000's except per share amounts)

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2013 | 2012 (Restated) | 2013 | 2012 (Restated) |
| Revenue | 50,564 | 105,014 | 239,625 | 227,550 |
| Cost of sales | (37,371) | (45,814) | (145,978) | (107,988) |
| **Gross profit** | **13,193** | **59,200** | **93,647** | **119,562** |
| | | | | |
| Exploration and evaluation expenditures | (849) | (2,041) | (4,362) | (13,958) |
| Administration expenses | (3,839) | (3,558) | (11,526) | (10,565) |
| Share based compensation | (394) | (1,295) | (677) | (3,676) |
| Finance costs | (3,441) | (2,750) | (8,998) | (4,697) |
| Gains/(losses) on gold hedge contracts | - | (18,981) | 5,308 | (24,299) |
| Gains/(losses) on oil hedge contracts | - | 361 | 31 | (308) |
| Net foreign exchange losses | (300) | (1,630) | (784) | (1,124) |
| Gain/(loss) on available for sale financial asset | 452 | - | (4,003) | (11,917) |
| Share of income from equity investment in OJVG | 41 | - | 41 | - |
| Other income/(expenses) | (4,792) | 206 | (8,474) | (2,062) |
| | **(13,122)** | **(29,688)** | **(33,444)** | **(72,606)** |
| | | | | |
| **Profit before income tax** | **71** | **29,512** | **60,203** | **46,956** |
| Income tax benefit | - | - | - | - |
| **Profit before income tax** | **71** | **29,512** | **60,203** | **46,956** |
| | | | | |
| Profit/(loss) attributable to: | | | | |
| Shareholders | (442) | 26,033 | 51,737 | 38,372 |
| Non-controlling interests | 513 | 3,479 | 8,466 | 8,584 |
| **Profit for the period** | **71** | **29,512** | **60,203** | **46,956** |
| | | | | |
| Other comprehensive income/(loss): | | | | |
| Exchange differences arising on translation of Teranga corporate entity | - | - | - | (63) |
| Change in fair value of available for sale financial asset, reclassification to income, net of tax | - | 3,407 | (5,456) | 4,726 |
| **Other comprehensive income/(loss) for the period** | **-** | **3,407** | **(5,456)** | **4,663** |
| **Total comprehensive income for the period** | **71** | **32,919** | **54,747** | **51,619** |
| | | | | |
| Total comprehensive income / (loss) attributable to: | | | | |
| Shareholders | (442) | 29,440 | 46,281 | 43,035 |
| Non-controlling interests | 513 | 3,479 | 8,466 | 8,584 |
| **Total comprehensive income for the period** | **71** | **32,919** | **54,747** | **51,619** |
| | | | | |
| **Earnings per share from operations attributable to the shareholders of the Company during the period** | | | | |
| - basic earnings (loss) per share | (0.00) | 0.11 | 0.20 | 0.16 |
| - diluted earnings (loss) per share | (0.00) | 0.11 | 0.20 | 0.16 |

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

# TERANGA GOLD CORPORATION

STATEMENTS OF FINANCIAL POSITION

(Unaudited and in US$000's)

| | As at September 30, 2013 | As at December 31, 2012 (Restated) |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 32,195 | 39,722 |
| Trade and other receivables | 5,240 | 6,482 |
| Inventories | 55,565 | 74,969 |
| Financial derivative assets | - | 456 |
| Other assets | 6,832 | 6,836 |
| Available for sale financial assets | 6 | 15,010 |
| **Total current assets** | **99,838** | **143,475** |
| **Non-current assets** | | |
| Inventories | 54,275 | 32,700 |
| Equity investment | 47,626 | - |
| Property, plant and equipment | 228,859 | 247,898 |
| Mine development expenditures | 185,699 | 138,609 |
| Intangible assets | 1,198 | 1,859 |
| **Total non-current assets** | **517,657** | **421,066** |
| **Total assets** | **617,495** | **564,541** |
| **Current liabilities** | | |
| Trade and other payables | 47,931 | 44,823 |
| Borrowings | 27,664 | 10,415 |
| Financial derivative liabilities | - | 51,548 |
| Provisions | 1,868 | 1,940 |
| **Total current liabilities** | **77,463** | **108,726** |
| **Non-current liabilities** | | |
| Borrowings | 48,775 | 58,193 |
| Provisions | 9,612 | 10,312 |
| Other non-current liabilities | 10,946 | - |
| **Total non-current liabilities** | **69,333** | **68,505** |
| **Total liabilities** | **146,796** | **177,231** |
| **Equity** | | |
| Issued capital | 328,719 | 305,412 |
| Foreign currency translation reserve | (998) | (998) |
| Equity-settled share based compensation reserve | 18,360 | 16,358 |
| Investment revaluation reserve | - | 5,456 |
| Accumulated income | 100,962 | 49,225 |
| **Equity attributable to shareholders** | **447,043** | **375,453** |
| Non-controlling interests | 23,656 | 11,857 |
| **Total equity** | **470,699** | **387,310** |
| **Total equity and liabilities** | **617,495** | **564,541** |

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

# TERANGA GOLD CORPORATION

STATEMENTS OF CHANGES IN EQUITY

(Unaudited and in US$000's)

| | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 (Restated) |
|---|---|---|
| **Issued capital** | | |
| Beginning of period | 305,412 | 305,412 |
| Shares issued from public and private offerings | 23,487 | - |
| Less: Share issue costs | (180) | - |
| End of period | 328,719 | 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 | 1,417 | 2,995 |
| Payments to Oromin Exploration Ltd. employees on change of control | 585 | - |
| End of period | 18,360 | 15,594 |
| **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) | - |
| Impairment | - | 4,726 |
| End of period | - | 3,407 |
| **Accumulated income/(loss)** | | |
| Beginning of period | 49,225 | (43,375) |
| Profit attributable to shareholders | 51,737 | 38,372 |
| End of period | 100,962 | (5,003) |
| **Non-controlling interest** | | |
| Beginning of period | 11,857 | (3,713) |
| Non-controlling interest - portion of profit for the period | 8,466 | 8,584 |
| Non-controlling interest - acquisition of Oromin | 11,005 | |
| Dividends paid and accrued | (7,672) | - |
| End of period | 23,656 | 4,871 |
| **Total shareholders' equity at September 30** | **470,699** | **323,283** |

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

## TERANGA GOLD CORPORATION

STATEMENTS OF CASH FLOW

(Unaudited and in US$000's)

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | | **(Restated)** | | **(Restated)** |
| **Cash flows related to operating activities** | | | | |
| Profit for the period | 71 | 29,512 | 60,203 | 46,956 |
| Depreciation of property, plant and equipment | 9,635 | 12,049 | 35,869 | 27,539 |
| Depreciation of capitalized mine development costs | 4,024 | 3,332 | 15,548 | 7,860 |
| Amortization of intangibles | 249 | 153 | 770 | 451 |
| Amortization of borrowing costs | 902 | 342 | 1,770 | 561 |
| Unwinding of discount | 25 | 23 | 74 | 68 |
| Share based compensation | 394 | 1,295 | 677 | 3,676 |
| Net change in gains on gold hedge | - | (5,320) | (42,955) | (2) |
| Net change in losses on oil hedge | - | 82 | 456 | 1,880 |
| Buyback of gold hedge sales contracts | - | - | (8,593) | (39,000) |
| (Gain)/loss on available for sale financial asset | (452) | - | 4,003 | 11,917 |
| Loss on disposal of property, plant and equipment | - | - | 99 | - |
| Changes in working capital | 1,844 | (27,492) | (6,751) | (16,594) |
| **Net cash provided by operating activities** | **16,692** | **13,976** | **61,170** | **45,312** |
| | | | | |
| **Cash flows related to investing activities** | | | | |
| Increase in restricted cash | - | - | - | 3,004 |
| Redemption of short-term investments | - | - | - | 592 |
| Expenditures for property, plant and equipment | (3,431) | (6,318) | (15,788) | (32,892) |
| Expenditures for mine development | (13,698) | (21,258) | (49,434) | (53,505) |
| Acquisition of intangibles | (36) | (464) | (109) | (867) |
| Proceeds on disposal of property, plant and equipment | - | - | 35 | - |
| **Net cash used in investing activities** | **(17,165)** | **(28,040)** | **(65,296)** | **(83,668)** |
| | | | | |
| **Cash flows related to financing activities** | | | | |
| Loan facility, net of borrowing cost paid | (1,200) | - | (1,200) | 57,977 |
| Repayment of borrowings | (9,088) | (4,532) | (9,088) | (12,265) |
| Drawdown from finance lease facility, net of financing cost paid | - | - | 13,843 | 2,862 |
| Interest paid on borrowings | (1,474) | (1,791) | (4,687) | (2,343) |
| Dividend payment to government | - | - | (2,700) | - |
| **Net cash provided by (used in) financing activities** | **(11,762)** | **(6,323)** | **(3,832)** | **46,231** |
| | | | | |
| Effect of exchange rates on cash holdings in foreign currencies | (44) | (405) | 431 | (578) |
| | | | | |
| **Net (decrease) increase in cash and cash equivalents held** | **(12,279)** | **(20,792)** | **(7,527)** | **7,297** |
| **Cash and cash equivalents at the beginning of period** | **44,474** | **35,559** | **39,722** | **7,470** |
| **Cash and cash equivalents at the end of period** | **32,195** | **14,767** | **32,195** | **14,767** |

# MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

## For the three and nine months ended September 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 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 and nine months ended September 30, 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 and nine months ended September 30, 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 November 6, 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 1,055km$^2$ in Senegal, comprising the regional land package, surrounding the Sabodala gold mine.

On October 4, 2013, Teranga completed the acquisition of Oromin Exploration Ltd ("Oromin"). Oromin holds a 43.5 percent participating interest in 90 percent of the Oromin Joint Venture Group ("OJVG"). The OJVG holds a 15 year renewable mining lease in respect of the Golouma Gold Concession, which is located contiguous to the Sabodala mine license. This transaction provides for capital and operating cost synergies as the OJVG satellite deposits are integrated into Sabodala's mine plan.

Management believes that the combination of the Sabodala gold mine and mill and its regional land package, combined with Oromin's interest in the OJVG, 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 the OJVG satellite deposits and new discoveries are processed through the Sabodala mill.

# FINANCIAL AND OPERATING HIGHLIGHTS

## 2013 Third Quarter Results

| (US$000's, except where indicated) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **Financial Data** | 2013 | 2012 | 2013 | 2012 |
| Revenue | 50,564 | 105,014 | 239,625 | 227,550 |
| Profit (loss) attributable to shareholders of Teranga | (442) | 26,033 | 51,737 | 38,372 |
| Per share | (0.00) | 0.11 | 0.20 | 0.16 |
| Operating cash flow | 16,692 | 13,976 | 61,170 | 45,313 |
| Capital expenditures | 17,165 | 28,040 | 65,331 | 87,265 |
| Free cash flow [1] | (473) | (14,064) | (4,161) | (41,952) |
| Cash and cash equivalents (including bullion receivables) | 36,156 | 30,535 | 36,156 | 30,535 |
| Net debt[2] | 44,244 | 148,897 | 44,244 | 148,897 |

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **Operating Data** | 2013 | 2012 | 2013 | 2012 |
| Gold Produced (ounces) | 36,874 | 55,107 | 154,836 | 142,506 |
| Gold Sold (ounces) | 37,665 | 62,439 | 161,845 | 136,210 |
| Average realized price ($ per ounce) | 1,339 | 1,290 | 1,245 | 1,489 |
| Total cash costs ($ per ounce sold)[3] | 748 | 509 | 621 | 569 |
| All-in sustaining costs ($ per ounce sold)[3] | 1,289 | 1,025 | 1,086 | 1,303 |
| Total depreciation and amortization ($ per ounce sold)[3] | 297 | 217 | 280 | 211 |

Note: September 30, 2012 values were restated due to the adoption of IFRIC 20. Refer to Adoption of New Accounting Standards.

Note: Results include the consolidation of Oromin's operating results, cash flows and net assets from August 6, 2013.

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

[2] Net debt is defined as total borrowings and financial derivative liabilities less cash and cash equivalents.

[3] Total cash costs per ounce, all-in sustaining costs and total depreciation and amortization per ounce are non-IFRS financial measures and do not have a standard meaning. For definitions of these metrics, please see page 15 of this report.

### Third Quarter Financial and Operating Highlights

- Gold revenue for the third quarter of 2013 was $50.6 million. The decrease in gold revenue compared to prior year was due to lower gold sales and lower spot gold prices during the third quarter 2013.
- The decrease in profit and earnings per share over the prior year quarter were primarily due to lower gross profit and higher other expenses related to the acquisition of Oromin during the third quarter 2013.
- The increase in operating cash flow compared to prior year was mainly due to favorable working capital changes during the third quarter 2013.
- The decrease in capital expenditures over the prior year quarter was mainly due to lower capitalized reserve development and lower development expenditures in the third quarter of 2013.
- Lower production in the current year quarter was mainly due to lower gold grades processed, partly offset by higher mill throughput due to improvements made in the crushing circuit to match mill capacity.
- The higher realized gold price in the current year quarter was due to the fact that in the third quarter of 2012, 29,000 ounces were delivered into gold hedge contracts at an average price of $830 per ounce, more than offsetting the higher spot prices in the year earlier third quarter.
- The increase in total cash costs per ounce over the prior year was mainly due to lower gold grades processed.
- The increase in all-in sustaining costs in the current year is primarily due to lower gold grades processed, partially offset by lower capitalized reserve development and administration expenses, before depreciation and corporate social responsibility costs, in the current year period.
- The Company's cash balance at September 30, 2013 was $36.2 million, including $4.0 million in bullion receivables. The Company's cash balance is net of payments of $9.6 million for expenses related to the acquisition of Oromin, funding Oromin operations since acquisition and the repayment of Oromin's outstanding loan balance.
- The increase in depreciation expense per ounce compared to the prior year quarter was mainly due to lower gold production in the current year period and a higher depreciation basis in the current year period.

**Outlook 2013**

Gold production for 2013 is expected to be at the higher end of the guidance range of 190,000 to 210,000 ounces, while total cash costs are expected to be at the lower end of our $650 to $700 per ounce guidance. All-in sustaining costs (as defined by the World Gold Council) are expected in the range of $1,000 to $1,100 per ounce. Gold sales are expected to exceed production for the year as gold in circuit inventory is reduced. As per the mine plan, gold production in the fourth quarter is expected to be higher than the third quarter as mining activity reaches the high grade benches in phase 3 of the Sabodala pit.

In the first quarter of 2013, the Company reduced discretionary expenditures in a number of key areas including operations, exploration and administration, as well as sustaining and development capital and as such provided new guidance for the year for these items with the Company's first quarter results. The Company is on track to meet the revised guidance, with the exception of administrative expenditures as noted below.

In total, between capitalized reserve development and regional exploration expenditures, the Company expects to spend approximately $8 million in 2013 on exploration, in line with revised guidance for the year.

Administrative expenditures including corporate office costs, Dakar office costs and corporate social responsibility costs, but excluding corporate depreciation, transaction and other non-recurring costs, are now expected to be $14 million, $1 million higher than our revised guidance, which was mainly due to higher corporate social responsibility costs and higher expenses out of our Dakar office.

Capitalized expenditures, including sustaining mine site expenditures, project development expenditures and capitalized deferred stripping are expected to total $65 million, in line with revised guidance for the year.

Expenditures related to the acquisition and funding of Oromin, including legal and advisory costs, loan repayments, severance and termination benefits and ongoing funding of Oromin's share of funding of the OJVG are expected to total approximately $15 million in 2013. As at September 30, 2013, $9.6 million had been paid towards these costs.

## REVIEW OF FINANCIAL RESULTS

| (US$000's, except where indicated) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **Financial Results** | 2013 | 2012 | 2013 | 2012 |
| Revenue | 50,564 | 105,014 | 239,625 | 227,550 |
| Cost of sales | (37,371) | (45,814) | (145,978) | (107,988) |
| **Gross Profit** | **13,193** | **59,200** | **93,647** | **119,562** |
| Exploration and evaluation expenditures | (849) | (2,041) | (4,362) | (13,958) |
| Administration expenses | (3,839) | (3,558) | (11,526) | (10,565) |
| Share based compensation | (394) | (1,295) | (677) | (3,676) |
| Finance costs | (3,441) | (2,750) | (8,998) | (4,697) |
| Gains (losses) on gold hedge contracts | - | (18,981) | 5,308 | (24,299) |
| Gains (losses) on oil hedge contracts | - | 361 | 31 | (308) |
| Net foreign exchange losses | (300) | (1,630) | (784) | (1,124) |
| Gain (loss) on available for sale financial asset | 452 | - | (4,003) | (11,917) |
| Gain on equity investment | 41 | - | 41 | - |
| Other expense | (4,792) | 206 | (8,474) | (2,062) |
| **Profit for the period** | **71** | **29,512** | **60,203** | **46,956** |
| Profit attributable to non-controlling interest | 513 | 3,479 | 8,466 | 8,584 |
| **Profit (loss) attributable to shareholders of Teranga** | **(442)** | **26,033** | **51,737** | **38,372** |
| Basic earnings (loss) per share | (0.00) | 0.11 | 0.20 | 0.16 |

Note: Results include the consolidation of Oromin's operating results, cash flows and net assets from August 6, 2013.

*Revenue*

Gold revenue for the three and nine months ended September 30, 2013 was $50.6 million and $239.6 million, respectively, compared to gold revenue of $105.0 million and $227.6 million for the same prior year periods. The decrease in gold revenue for the third quarter 2013 was driven by lower gold sales and lower spot gold prices. For the nine month period, higher gold revenue was due to higher gold sales more than offsetting lower spot gold prices. Revenues exclude the impact of realized losses on ounces delivered into forward sales contracts which are classified within gains and losses on gold hedge contracts.

During the third quarter of 2013, the average spot price of gold was $1,329 per ounce, with gold trading between a range of $1,223 and $1,418 per ounce based on the London PM Fix gold price. For the nine months ended September 30, 2013, the average spot price of gold was $1,457 per ounce, trading between $1,200 and $1,692 per ounce. This compares to an average of $1,653 per ounce during the prior year quarter, with a low of $1,565 and a high of $1,777 per ounce and an average of $1,651 per ounce for the nine months ended September 30, 2012, with a low of $1,538 and a high of $1,785 per ounce.

*Cost of Sales*

| **(US$000's)** | **Three months ended September 30** | | **Nine months ended September 30** | |
|---|---|---|---|---|
| **Cost of Sales** | 2013 | 2012 | 2013 | 2012 |
| Mine production costs | 25,938 | 23,006 | 85,377 | 73,719 |
| Depreciation and amortization | 13,562 | 15,225 | 51,200 | 35,111 |
| Royalties | 2,507 | 3,121 | 11,865 | 6,802 |
| Rehabilitation | 4 | 9 | 6 | 13 |
| Inventory movements | (4,640) | 4,453 | (2,470) | (7,657) |
| **Total cost of sales** | **37,371** | **45,814** | **145,978** | **107,988** |

Cost of sales for the three and nine months ended September 30, 2013 totaled $37.4 million and $146.0 million, respectively, and consists of mine production costs, depreciation and amortization, royalties, rehabilitation costs and inventory movement costs. This compares with cost of sales of $45.8 million and $108.0 million for the three and nine months ended September 30, 2012, respectively.

For the three and nine months ended September 30, 2013, mine production costs were $25.9 million and $85.4 million, respectively, compared with $23.0 million and $73.7 million in the prior year. Higher mine production costs in 2013 were mainly due to higher costs related to material movement in mining combined with higher processing activity (see Review of Operating Results section).

Depreciation and amortization for the three and nine months ended September 30, 2013 totaled $13.6 million and $51.2 million, respectively, compared with $15.2 million and $35.1 million for the three and nine months, respectively, in the prior year periods. On a gross cost basis, depreciation was lower in the third quarter of 2013 due to lower gold sales as many of the Company's fixed assets are depreciated using the units of production method of depreciation. Depreciation was higher for the nine months ended September 30, 2013 due to higher gold sales and an increase in the depreciation basis with the commissioning of the mill expansion during the third quarter of 2012.

For the three months ended September 30, 2013, royalties were $2.5 million, $0.6 million lower than the prior year period due to lower gold sales and spot gold prices in the current year period, partially offset by an increase in the royalty rate on sales from 3 percent to 5 percent, effective January 1, 2013. For the nine months ended September 30, 2013, royalties of $11.9 million were $5.1 million higher than the prior year period due to higher gold sales and an increase in the royalty rate on sales.

Inventory movements for the three and nine months ended September 30, 2013 resulted in a decrease to cost of sales of $4.6 million and $2.5 million, respectively, compared to an increase to cost of sales of $4.5 million and a decrease to cost of sales of $7.7 million for the three and nine months in the prior year periods. For the three and nine months ended September 30, 2013, favorable inventory movements resulted from processing of lower cost stockpiles.

*Exploration and Evaluation*

Exploration and evaluation expenditures for the three and nine months ended September 30, 2013 totaled $0.8 million and $4.4 million, respectively, $1.2 million and $9.6 million lower than the prior year three and nine month periods, reflecting the Company's decision to minimize drilling on the regional land package in the current gold price environment to maximize cash flow.

*Administration*

Administration expenses for the three and nine months ended September 30, 2013, which include costs of the corporate and Dakar office, were $3.8 million and $11.5 million, respectively, or $0.3 and $1.0 million higher than the prior year periods. The higher costs in 2013 reflect higher social community costs, higher expenditures for professional and consulting and depreciation expense for IT infrastructure, partially offset by lower legal costs.

*Share based compensation*

During the three months ended September 30, 2013, there were no common share stock options granted. During the nine months ended September 30, 2013, a total of 820,000 common share stock options were granted to directors, officers, and employees, all at an exercise price of C$3.00 per share, and 802,500 and 1,953,334 common share stock options were cancelled during the three and nine months ended September 30, 2013, respectively. No stock options were exercised during the quarter.

In connection with the acquisition of Oromin during the third quarter, Teranga issued 7,911,600 replacement stock options. See Outstanding Share Data for further details.

Of the 23,917,433 common share stock options issued and outstanding as at September 30, 2013, 15,830,833 vest over a three-year period, 7,911,600 are already vested 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 and nine months ended September 30, 2013 of $3.4 million and $9.0 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 same prior year periods due to higher debt balances and interest costs on borrowings.

*Gold Hedge Contracts*

Earlier in the year, the Company bought back the remaining "out of the money" gold forward sales contracts at a cost of $8.6 million and became 100 percent hedge free as of April 15, 2013.

The gain on gold hedge contracts totaled $5.3 million for the nine months ended September 30, 2013, resulting from a decrease in the spot price of gold from December 31, 2012.

*Oil Hedge Contracts*

The oil hedge contracts were completed at March 31, 2013. The gain on settlement of oil hedge contracts totaled $0.5 million for the quarter ended March 31, 2013 and resulted from an increase in spot oil over December 31, 2012.

*Net Foreign Exchange Gains and Losses*

The Company generated foreign exchange losses of $0.3 million for the three months ended September 30, 2013 and $0.8 million for the nine months ended September 30, 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 assets*

For the three months ended September 30, 2013, the Company recognized a non-cash gain of $0.5 million and for the nine months ended September 30, 2013, a non-cash impairment loss of $4.0 million was recognized on the Oromin shares. The gain was recognized at the date of the acquisition of Oromin based on the fair value of Oromin's shares on that date. The impairment losses for the nine months ended September 30, 2013 were based on further declines in Oromin's share price. This compares to $nil losses recorded during the three months ended September 30, 2012 and to a non-cash impairment loss of $11.9 million for the nine months ended September 30, 2012.

*Other expense*

| Other Expense | Three months ended September 30, 2013 | Nine months ended September 30, 2013 |
|---|---|---|
| Acquisition costs | | |
| Legal & advisory services | 943 | 2,528 |
| Financial advisory services | 3,410 | 4,623 |
| Other | 116 | 170 |
| | 4,468 | 7,321 |
| Non-recurring legal and other costs | 63 | 927 |
| Oromin corporate office | 271 | 271 |
| Interest income | (10) | (45) |
| **Total** | **4,792** | **8,474** |

Other expenses were $4.8 million and $8.5 million for the three and nine months ended September 30, 2013, respectively. This compares to other income of $0.2 million and other expenses of $2.1 million for the three and nine months in the prior year periods, respectively. The increase in the current year is primarily related to costs associated with the acquisition of Oromin.

## 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.

## ALL-IN SUSTAINING COSTS PER OUNCE

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

## REVIEW OF OPERATING RESULTS

| | | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| **Operating Results** | | 2013 | 2012 | 2013 | 2012 |
| Ore mined | ('000t) | 537 | 655 | 2,548 | 3,877 |
| Waste mined - operating | ('000t) | 3,321 | 1,786 | 8,518 | 7,903 |
| Waste mined - capitalized | ('000t) | 4,853 | 4,456 | 14,645 | 9,784 |
| Total mined | ('000t) | 8,711 | 6,897 | 25,711 | 21,564 |
| Grade mined | (g/t) | 1.08 | 1.92 | 1.63 | 1.95 |
| Ounces mined | (oz) | 18,721 | 40,516 | 133,378 | 242,635 |
| Strip ratio | waste/ore | 15.2 | 9.5 | 9.1 | 4.6 |
| Ore milled | ('000t) | 887 | 650 | 2,292 | 1,714 |
| Head grade | (g/t) | 1.41 | 3.11 | 2.28 | 2.95 |
| Recovery rate | % | 91.6 | 84.6 | 92.0 | 87.7 |
| Gold produced[1] | (oz) | 36,874 | 55,107 | 154,836 | 142,506 |
| Gold sold | (oz) | 37,665 | 62,439 | 161,845 | 136,210 |
| Average price received | $/oz | 1,339 | 1,290 | 1,245 | 1,489 |
| Total cash cost (incl. royalties)[2] | $/oz sold | 748 | 509 | 621 | 569 |
| All-in sustaining costs[2] | $/oz sold | 1,289 | 1,025 | 1,086 | 1,303 |
| Mining | ($/t mined) | 2.48 | 2.67 | 2.57 | 2.58 |
| Milling | ($/t milled) | 17.56 | 21.89 | 20.97 | 20.61 |
| G&A | ($/t milled) | 4.60 | 5.69 | 5.59 | 6.02 |

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

[2] Total cash costs per ounce and all-in sustaining costs are non-IFRS financial measures and do not have a standard meaning. For definitions of these metrics, please see page 15 of this report.

*Mining*

Total tonnes mined for the three and nine months ended September 30, 2013 were 26 percent and 19 percent higher, respectively compared to the same prior year periods. The increase in total tonnes mined was mainly due to improved haul truck productivities as a result of shorter haul distances to the mill and waste dumps, as well as, improved loading efficiencies.

During the current quarter, mining activities were focused on waste stripping on higher elevations of phase 3 of the pit, while in the same prior year period mining took place in a high grade ore zone on lower benches of phase 2. The improved loading efficiencies were the result of the new PC3000 shovel purchased in the second quarter 2013, which replaces the less efficient wheel loaders and the smaller PC2000 shovel. Increased blasting fragmentation from a change in drill patterns earlier in 2013 also contributed to the increase in total tonnes mined.

Ore tonnes mined for the three and nine months ended September 30, 2013 were 18 percent and 34 percent lower compared to the same prior year periods, respectively and ore grades mined were lower than the same prior year periods, in line with plan. This resulted in 54 percent and 45 percent fewer ounces mined for the three and nine months ended September 30, 2013, respectively as mining activities during the second and third quarters were concentrated on waste stripping activities in phase 3 of the mine plan. Conversely, mining activities during 2012 took place in lower benches of phase 2 and included a substantial amount of high-grade ore. In the fourth quarter 2013, ore tonnes mined are expected to increase with improved grades with access to higher grade areas of phase 3.

In the current gold price environment, the Company continues to focus on optimizing waste stripping to match ore delivery to the mill.

Unit mining costs for the third quarter of 2013 were $2.48 per tonne, a decrease of 7 percent compared to the same prior year period. The lower unit costs were due to improved haul truck and loading efficiencies as noted above.

Unit mining costs for the nine months ended September 30, 2013 were in line with the same prior year period as improved truck productivities were offset by higher total mining costs. Total mining costs were 19 percent higher than the same prior year period due to increased material movement, as well as higher mobile maintenance costs and higher consumption of explosives from the increased powder factor in the drill and blast program.

*Processing*

Ore tonnes milled for the three and nine months ended September 30, 2013 were 36 percent and 34 percent higher than the same prior year periods, respectively due to improvements made to reduce the frequency and duration of unplanned downtime and an increase in throughput in the crushing circuit to match mill capacity. These improvements were primarily accomplished during two planned major shutdowns in January and May 2013. A third and final planned shutdown for the mill has taken place in early October 2013.

Processed grade for the three months ended September 30, 2013 was 55 percent lower than the same prior year period. Mill feed in the third quarter 2013 was a blend of fresh ore and slightly softer stockpile material, as well as, some transitional ore mined from the upper benches of phase 3.

As a result of the work completed this year, mill throughput reached annualized design capacity of 3.5 million tonnes of primarily hard ore during the third quarter. Higher grades mined and processed are expected to lead to higher gold production in the fourth quarter 2013 compared to the third quarter 2013, and full year production at the higher end of our guidance range of 190,000 to 210,000 ounces.

Unit processing costs for the three month period ended September 30, 2013 were 20 percent lower than the same prior year period at $17.56 per tonne, mainly due to an increase in throughput in the crushing circuit to match mill capacity. Total processing costs for the three months ended September 30, 2013 were 9 percent higher than the same prior year period mainly due to an increase in consumption of heavy fuel oil (HFO) and cyanide as a result of higher tonnes milled. This was partly offset by lower consumption of grinding media due to better management of recycled product and slightly lower cyanide consumption per tonne to optimize cost and recovery with the lower grade feed.

Unit processing costs for the nine months ended September 30, 2013 were 2 percent higher than the prior year period. Total processing costs for the nine months ended September 30, 2013 were 36 percent higher than the same prior year period. The increase in processing costs was mainly due to higher overall throughput in the crushing circuit from mid-June onwards which resulted in higher power consumption and higher maintenance costs associated with the planned January and May shutdowns, and an increase in consumables required for the processing of a lower ratio of soft to hard ore blend.

Unit general and administration costs for the three and nine months ended September 30, 2013 were 19 percent and 7 percent lower, respectively, than the same prior year periods mainly due to the increase in tonnes milled. Total general and administrative costs for the three months ended September 30, 2013 were similar to the prior year while total general and administrative costs for the nine months ended September 30, 2013 were 11 percent higher than the prior year, mainly due to higher spending on communications, training and development costs.

Total cash costs for the three months ended September 30, 2013 increased 47 percent to $748 per ounce sold compared to the same prior year period. Total cash costs increased from $509 per ounce in the year earlier period due to a 55 percent decrease in the grade processed during the quarter. The majority of mill feed during the quarter was from stockpiles since mining activity focused on waste stripping in phase 3 of the mine plan. Total cash costs per ounce for the nine months ended September 30, 2013 increased 9 percent to $621 per ounce sold due to a 23 percent reduction in the average grade processed, partially offset by higher capitalization of production phase stripping costs.

All-in sustaining costs for the three months ended September 30, 2013 were $1,289 per ounce sold compared to $1,025 per ounce sold in the prior year period. The Company is on track to meet its all-in sustaining cost guidance of $1,000 to $1,100 per ounce for 2013. The increase compared to the prior year is primarily due to lower grades processed during the current quarter, partially offset by lower capitalized reserve development and administration expenses, before depreciation and corporate social responsibility costs, in the current year period. Total all-in sustaining costs were $1,086 per ounce sold for the nine months ended September 30, 2013 compared to $1,303 per ounce sold for the prior year period, a reduction of 17 percent. All-in sustaining costs are lower in the nine months ended September 30, 2013 compared to same prior year period mainly due to lower capitalized reserve development costs and mine site capital costs.

## SUMMARY OF QUARTERLY RESULTS

| (US$000's, except where indicated) | 2013 | | | 2012 | | | | 2011 |
|---|---|---|---|---|---|---|---|---|
| | Q3 2013 | Q2 2013 | Q1 2013 | Q4 2012 | Q3 2012 | Q2 2012 | Q1 2012 | Q4 2011 |
| Revenue | 50,564 | 75,246 | 113,815 | 122,970 | 105,014 | 62,010 | 60,526 | 58,026 |
| Average realized gold price ($/oz) | 1,339 | 1,379 | 1,090 | 1,296 | 1,290 | 1,608 | 1,712 | 1,482 |
| Cost of sales | 37,371 | 52,636 | 55,971 | 57,250 | 45,814 | 31,057 | 31,117 | 25,755 |
| Net earnings (loss) | (442) | 7,196 | 44,983 | 54,228 | 26,033 | 14,413 | (2,074) | 27,733 |
| Net earnings (loss) per share ($) | (0.00) | 0.03 | 0.18 | 0.22 | 0.11 | 0.06 | (0.01) | 0.11 |
| Operating cash flow | 16,692 | 20,838 | 23,640 | 59,669 | 13,976 | (4,590) | 35,927 | 7,500 |

## STRATEGY AND DEVELOPMENT

### Strategy and Mine Plan

In the first quarter of 2013, gold equities came under pressure. Significant downward movements in gold prices followed, and in light of this we took steps in the first quarter to reduce 2013 discretionary spending in all areas without impacting our production guidance, including lowering waste stripping to lower mining costs, reduce exploration and reserve development expenditures, sustaining and new project development expenditures as well as corporate overheads. This was all done before the most recent decline in the gold price in late June 2013.

During the second quarter the exploration team was consolidated into one exploration facility, a revised organizational design was applied and the necessary staff personnel were reduced to gain in efficiencies. As well, technical work continued to support Sabodala operations including optimization of the resource through modelling and grade control, evaluating geotechnical opportunities for waste reduction in the pit wall design and waste dump designs for improved mine operating costs.

During the third quarter, as part of the Company's ongoing effort to maximize free cash flows during this period of lower and more volatile gold prices, management designed a new mine plan on a standalone basis maximizing gold production while minimizing operating, sustaining, new project development, corporate and other costs. In early October, this new mine plan was filed as part of a National Instrument 43-101 compliant Sabodala Technical Report on Sedar (www.sedar.com) and on the ASX (www.asx.com.au).

The new optimized mine plan has been designed to provide earlier access to higher grade material within the Sabodala pit and reduce overall waste material moved, freeing up mobile equipment for the development of satellite deposits, including those within the OJVG and Gora. The new mine plan is expected to deliver between 210,000 and 240,000 ounces[1] of annual gold production over the period 2014 to 2016 at all-in sustaining cash costs estimated at between $800 and $1,000 per ounce. As a result, at $1,350 per ounce gold, the Company expects to generate between $150 and $200 million in free cash flow after $80 million in capital expenditures and $85 million in debt repayments over the period.

Another key element of this new mine plan is sequencing the commencement of Gora development to late 2014. This allows us to utilize mobile equipment from Sabodala, which is expected to result in $20 to $25 million in reduced capital costs for mobile equipment compared to our previous mine plan. Under this revised mine plan, Gora production start-up is now anticipated in early 2015.

The optimized mine plan results in a reduction of reserves of approximately 214,000 ounces of marginal gold or 13 percent of reserves as of March 31, 2013. The reduction in reserves at Sabodala maximizes near term cash flows over the period 2014 to 2016 by removing high cost ounces that have a higher strip ratio of approximately 15:1 (waste to ore).

**Gora Development**

Gora is planned to be operated as a satellite to the Sabodala mine requiring limited local infrastructure and development. Ore will be hauled to the Sabodala processing plant by a dedicated fleet of trucks and processed on a priority basis, displacing Sabodala feed as required.

A technical report and an environmental and social impact assessment (ESIA) have been provided to the Senegalese government and the permit approval process is ongoing.

Management expects the permit process to conclude and construction to be initiated in late 2014 based on a standalone mine plan. This is subject to spot gold prices and the outcome of the integrated mine plan with the OJVG.

**Acquisition of Oromin**

On August 6, 2013, the Company acquired 78,985,388 common shares of Oromin, representing approximately 57.5 percent of the Oromin shares that the Company did not already own. Together with the 18,699,500 Oromin shares owned by the Company, this represented a total of 97,684,888 Oromin shares or approximately 71.1 percent of the outstanding Oromin shares. A further 2,091,013 shares were obtained as part of this acquisition process, bringing the total to 99,775,901 Oromin shares of approximately 72.6 percent of the outstanding Oromin shares as at September 30, 2013. Subsequent to the quarter end on October 4, 2013, the Company acquired 37,562,017 Oromin shares and completed the acquisition of all of the issued and outstanding common shares of Oromin.

Former shareholders of Oromin were entitled to receive 0.6 of a common share of Teranga for each Oromin share. Total consideration paid of $24.1 million consist of the issuance of 48,645,840 Teranga common shares at a price of $0.48 per share for consideration of $23.5 million and the fair value of Oromin stock options replaced by 7,911,600 Teranga stock options for consideration of $0.6 million. Share issue costs totaled $0.2 million. Subsequent to the quarter end on October 4, 2013, 22,537,251 additional Teranga common shares were issued at a price of $0.61 per share for consideration of $13.8 million. In total, the Company issued 71,183,091 Teranga shares to acquire all of the issued and outstanding shares of Oromin, increasing Teranga's total number of issued and outstanding shares to 316,801,091 as of October 4, 2013.

Acquisition related costs of approximately $7.3 million have been expensed during the nine months ended September 30, 2013.

**Oromin Technical Integration**

The acquisition of Oromin in August 2013 provided access to the OJVG technical data. Since then, management has been evaluating the geological and technical databases to be able to develop an integrated mine plan that will support a 43-101 compliant resources and reserves technical report, targeted for Q1 2014.

The ongoing technical work for the OJVG integrated mine plan includes:

- A comprehensive due diligence review of the Golouma and Masato resource models. This includes re-logging and re-assay of key drill intercepts, QA/QC reviews and detailed interpretation for the updated resource models.

[1] This production target is based on existing proven and probable reserves only.

- Economic Lerchs-Grossman (LG) pit optimization and detailed pit designs.
- Preliminary Life of Mine (LOM) mine planning schedules for optimized cash flow analysis, dilution analysis, pit designs, mine operating and capital estimates.
- An updated tailings deposition and water balance model.
- Analysis of the metallurgical test results for ore characterization studies that will increase understanding from Feasibility Study level and optimize feed and gold recovery to the Sabodala mill.
- Environmental and social impact reviews for a reduced footprint using the Sabodala operations.

In addition to development of an integrated LOM, the Oromin technical team has been engaged with the Teranga technical teams both at site in Senegal and the corporate offices.

Next steps are anticipated to be:

- Negotiating a toll milling agreement or come to terms on sale of their interest in the Joint Venture with the Joint Venture Partners (Bendon and Badr);
- Integrating and developing the OJVG deposits into Teranga's operations; and
- Increasing production and generating greater free cash flow.

**Mine License (ML) Reserve Development**

There were no drill programs conducted on the ML during the third quarter. The drill program at Sabodala was completed in the first quarter of 2013, with results returned by mid-April 2013.

The timing of a planned drill program at the Niakafiri deposit along strike to the North is under review in light of both the decrease in gold prices and the acquisition of Oromin, which may lead to a re-evaluation of priorities.

Additional surface mapping was carried out at Niakafiri in conjunction with the re-logging of several diamond drill holes with a view to updating the geological model for the Niakafiri deposit.

**Regional Exploration**

Due to the annual rainy season during the third quarter, the exploration team did a limited amount of field work and was primarily focused on site mapping, trenching, interpretation and site investigation for several high potential targets on our regional land package.

Additionally, since the acquisition of Oromin, the two geological teams have been working as one unit for the detailed due diligence review and remodeling of the Golouma and Masato deposits. In addition, detailed reviews are ongoing for the other OJVG resources and reserves, with the intention to integrate these into the scope for the 2014 exploration program.

## RESERVES AND RESOURCES

Mineral resources at June 30, 2013 are presented in Table 1 below. Total proven and probable mineral reserves at June 30, 2013 are set forth in Table 2 below. The reported Mineral Resources are inclusive of the Mineral Reserves.

The proven and probable mineral reserves for the Sabodala, Niakafiri and Gora deposits were based on the Measured and Indicated resources that fall within the designed pits. The basis for the resources and reserves is consistent with the Canadian Securities Administrators National Instrument 43-101 ("NI 43-101") regulations. The design for the open pit limits, related phasing and long term planning for the Sabodala open pit was carried out to maximize the economics under current market conditions by removing high cost gold ounces in the Sabodala pit.

The revised Sabodala pit design uses similar geotechnical parameters as in past designs and is based on a $1,000 per ounce gold price for the LG pit optimization routine. For the final design the pit limits were marginally adjusted from the LG shell to maximize recovery in phase 3 and phase 4 based on access constraints and mine operating geometry. The cut off grades were established with an estimated gold price of $1,350 per ounce. Additional design optimization work is ongoing to potentially increase wall angles to take advantage of geotechnical opportunities that have recently been revealed as part of an ongoing technical analysis. Mining phases have been determined similarly to the previous designs, where the mine sequencing is based on accessing the high grade Main Flat Extension (MFE) through successive phases to balance waste stripping and optimize cash flows.

Dilution and ore recovery estimates for the Sabodala reserves were based on a comparison of the resource model with actual production performance over a 14 month span using a 5 metre minimum mining width and 10 metre bench height.

The Niakafiri pit design remains unchanged from December, 2012. The Gora pit design has been adjusted to reflect an LG pit shell at $1,200 per ounce and an updated dilution analysis.

**Table 1: Resources Estimate**

| | Measured | | | Indicated | | | Measured and Indicated | | |
|---|---|---|---|---|---|---|---|---|---|
| | Tonnes (Mt) | Grade (g/t) | Au (Moz) | Tonnes (Mt) | Grade (g/t) | Au (Moz) | Tonnes (Mt) | Grade (g/t) | Au (Moz) |
| Sabodala | 24.36 | 1.36 | 1.06 | 24.90 | 1.33 | 1.06 | 49.26 | 1.34 | 2.12 |
| Niakafiri | 0.30 | 1.74 | 0.02 | 10.50 | 1.10 | 0.37 | 10.70 | 1.12 | 0.39 |
| Gora | 0.49 | 5.27 | 0.08 | 1.84 | 4.93 | 0.29 | 2.32 | 5.00 | 0.37 |
| **Total** | **25.15** | **1.44** | **1.16** | **37.23** | **1.44** | **1.72** | **62.38** | **1.44** | **2.89** |

| Area | Inferred | | |
|---|---|---|---|
| | Tonnes (Mt) | Au (g/t) | Au (Moz) |
| Sabodala | 18.05 | 0.95 | 0.55 |
| Niakafiri | 7.20 | 0.88 | 0.21 |
| Niakafiri West | 7.10 | 0.82 | 0.19 |
| Soukhoto | 0.60 | 1.32 | 0.02 |
| Gora | 0.21 | 3.38 | 0.02 |
| Diadiako | 2.90 | 1.27 | 0.12 |
| Majiva | 2.60 | 0.64 | 0.05 |
| Masato | 19.18 | 1.15 | 0.71 |
| **Total** | **57.84** | **1.01** | **1.87** |

Notes for Resources Estimate:
1) CIM definitions were followed for Mineral Resources.
2) Mineral Resources for Sabodala include Sutuba.
3) Mineral Resource cut-off grades for Sabodala are 0.2 g/t Au for oxide and 0.35 g/t Au for fresh.
4) Mineral Resource cut-off grades for Niakafiri are 0.3 g/t Au for oxide and 0.5 g/t Au for fresh.
5) Mineral Resource cut-off grade for Gora is 0.5 g/t Au for oxide and fresh.
6) Mineral Resource cut-off grade for Niakafiri West and Soukhoto is 0.3 g/t Au for oxide and fresh.
7) Mineral Resource cut-off grade for Diadiako and Majiva is 0.2 g/t Au for oxide and fresh.
8) Mineral Resource cut-off grade for Masato is 0.35 g/t for fresh.
9) Measured Resources include stockpiles which total 7.88 Mt at 0.90 g/t Au for 0.23 Mozs.
10) High grade assays were capped at grades ranging from 10 g/t to 30 g/t Au at Sabodala, 20 g/t to 70 g/t Au at Gora, 10 g/t Au at Soukhoto and 20 g/t Au at Masato.
11) The figures above are "Total" Mineral Resources and include Mineral Reserves.
12) Sum of individual amounts may not equal due to rounding.

**Table 2: Reserves Estimate**

| Area | Proven | | | Probable | | | Proven and Probable | | |
|---|---|---|---|---|---|---|---|---|---|
| | Tonnes (Mt) | Grade (g/t) | Au (Moz) | Tonnes (Mt) | Grade (g/t) | Au (Moz) | Tonnes (Mt) | Grade (g/t) | Au (Moz) |
| Sabodala | 4.26 | 1.57 | 0.21 | 7.37 | 1.59 | 0.38 | 11.63 | 1.58 | 0.59 |
| Niakafiri | 0.23 | 1.69 | 0.01 | 7.58 | 1.12 | 0.27 | 7.81 | 1.14 | 0.29 |
| Gora | 0.50 | 4.58 | 0.07 | 1.39 | 4.80 | 0.21 | 1.89 | 4.74 | 0.29 |
| Stockpiles | 7.88 | 0.90 | 0.23 | - | - | - | 7.88 | 0.90 | 0.23 |
| **Total** | **12.87** | **1.28** | **0.53** | **16.34** | **1.64** | **0.86** | **29.21** | **1.48** | **1.40** |

1. CIM definitions were followed for Mineral Reserves.
2. Mineral Reserve cut off grades for Sabodala are 0.30 g/t Au for oxide and 0.5 g/t Au for fresh based on a $1,350/oz gold price and metallurgical recoveries between 90% and 93%.
3. Mineral Reserve cut off grades for Niakafiri are 0.35 g/t Au for oxide and 0.5 g/t Au for fresh based on a $1,350/oz gold price and metallurgical recoveries between 90% and 92%.
4. Mineral Reserve cut off grade for Gora is 0.76 g/t Au for oxide and fresh based on $1,200/oz gold price and metallurgical recovery of 95%.
5. Sum of individual amounts may not equal due to rounding.

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

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

The technical information contained in this document relating to the Mineral Reserve estimates for Sabodala and the stockpiles is based on information compiled by Paul Chawrun, P. Eng., who is a member of the Professional Engineers of Ontario. Mr. Chawrun is a full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101. Mr. Chawrun has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Chawrun is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Mr. Chawrun has reviewed and accepts responsibility for the Mineral Reserve estimate for Sabodala disclosed in this document and has consented to the inclusion of the matters based on his information in the form and context in which it appears in this document.

## CASH FLOW

| (US$000's) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **Cash Flow** | 2013 | 2012 | 2013 | 2012 |
| Operating | 16,692 | 13,976 | 61,170 | 45,313 |
| Investing | (17,165) | (28,040) | (65,296) | (83,669) |
| Financing | (11,762) | (6,323) | (3,832) | 46,231 |
| Effect on exchange rates on holdings in foreign currencies | (44) | (405) | 431 | (578) |
| Change in cash and cash equivalents during period | (12,279) | (20,792) | (7,527) | 7,297 |
| **Cash and cash equivalents - beginning of period** | 44,474 | 35,559 | 39,722 | 7,470 |
| **Cash and cash equivalents - end of period** | 32,195 | 14,767 | 32,195 | 14,767 |

*Operating Cash Flow*

| (US$000's) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **Changes in working capital** | 2013 | 2012 | 2013 | 2012 |
| Decrease/(increase) in trade and other receivables | 4,511 | (16,063) | 1,146 | (1,214) |
| Decrease/(increase) in other assets | (1,769) | 1,295 | 33 | (1,593) |
| Decrease/(increase) in inventories | (3,227) | 2,066 | (2,171) | (13,867) |
| Increase/(decrease) in trade and other payables | 2,350 | (14,778) | (5,653) | 74 |
| Increase/(decrease) in provisions | (21) | (12) | (106) | 6 |
| **Net change in working capital** | 1,844 | (27,492) | (6,751) | (16,594) |

Operating cash flow for the three months ended September 30, 2013 provided cash of $16.7 million compared to cash provided of $14.0 million in the prior year. The increase in operating cash flow was mainly due to favorable working capital changes. In the prior year period, significant payments were made to suppliers just prior to the end of the quarter and the settlement of a large gold shipment was only received subsequent to the quarter end.

For the nine months ended September 30, 2013, operating cash flow provided $61.2 million compared to $45.3 million in the prior year period. The increase was primarily due to higher profit in the current year and lower buy-back of out of the money forward sales contracts during the current year.

*Investing Cash Flow*

| (US$000's) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **Capital Expenditures** | 2013 | 2012 | 2013 | 2012 |
| Mine site & development capital | 3,680 | 7,970 | 20,516 | 37,584 |
| Capitalized reserve development | 158 | 6,245 | 2,995 | 20,415 |
| Capitalized deferred stripping | 13,327 | 13,825 | 41,820 | 29,266 |
| **Total Capital Expenditures** | 17,165 | 28,040 | 65,331 | 87,265 |

Net cash used in investing activities for the three months ended September 30, 2013 was $17.2 million compared to $28.0 million in the prior year period. The decrease was due to lower capitalized reserve development expenditures in the current year.

For the nine months ended September 30, 2013, net cash used in investing activities was $65.3 million compared to $83.7 million in the prior year. The decrease over prior year was due to lower capitalized reserve development and lower mine site and development capital, partially offset by higher capitalized deferred stripping costs in 2013.

*Financing Cash Flow*

Net cash used by financing activities for the three months ended September 30, 2013 was $11.8 million and net cash provided by financing activities was $3.8 million for the nine months ended September 30, 2013, compared to net cash used by financing activities of $6.3 million and provided by financing activities of $46.2 million in the prior year periods, respectively. Net cash provided by financing activities for the nine months ended September 30, 2013 include proceeds of $13.8 million received from Macquarie Bank Limited ("Macquarie"), repayments of the finance lease facility and Oromin loan payments of $9.1 million and interest paid on borrowings of $4.7 million. Financing cash flows in 2012 include proceeds from the loan facility of $58.0 million and proceeds from the finance lease facility of $2.9 million, partially offset by repayments of the finance lease facility of $12.3 million.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity remains strong despite the decline in spot gold prices, with $36.2 million including $4.0 million in bullion receivables, as well as 3,943 ounces in bullion inventory at September 30, 2013.

During the third quarter, the Company repaid Oromin's outstanding loan balance of $3.7 million and payments of $2.0 million were made for funding Oromin's transaction related expense and operating commitments from acquisition. During the second and third quarters, the Company made payments of $3.9 million for transaction costs related to the acquisition of Oromin.

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

During the second quarter of 2013, the Company made payments totaling $16.2 million to the Republic of Senegal. The payments included $10.0 million in 2012 royalty payments, which are paid in arrears, $2.6 million for the settlement of two outstanding tax assessments, $2.7 million of accrued dividends and a $0.9 million reserve payment.

During the first quarter of 2013, the Company entered into a new $50 million finance lease facility with Macquarie ("Equipment Facility"). The lease facility replaces the finance lease facility previously in place with Sociéte 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 Equipment Facility requires compliance with financial covenants, all of which were fulfilled at September 30, 2013.

During the third quarter of 2013, the Company amended its existing $60 million loan facility agreement with Macquarie ("Loan Facility"). The amended agreement extended the final repayment date of its existing loan facility agreement by one year to June 30, 2015. The Company is required to maintain a restricted cash balance of up to $20 million, at lower gold prices, and $40 million of the loan facility will be repaid in five equal quarterly installments beginning on June 30, 2014. The final $20 million will be repaid with the final installment on June 30, 2015.

The Company is permitted to withdraw a portion of the $20 million restricted cash balance, such that the Project Life Ratio is no less than 2.2:1. As at September 30, 2013, the Project Life Ratio was greater than 2.2:1.

Through the elimination of the hedge book, reductions in discretionary spending, optimization of the mine plan and production at the higher end of the guidance range, the Company expects to be able to support its operating requirements in 2013 and 2014. The Company's current cash balance of $36.2 million, combined with the Equipment Facility and extension to the Loan Facility will enable it to move ahead with development of the OJVG satellite deposits. Consideration is being made to refinance the Loan Facility to enable further financial flexibility and expedite the development of these and other potential deposits. Such incurrence of debt may be in the form of one or more borrowings or bank or other similar loans. There can, however, be no assurance that the Company will find the terms on such debt reasonable and therefore may not increase the current debt facilities or may not put a new facility in place.

### 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 September 30, 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] | 20.2 | 12.8 | 7.4 | - | - |
| 2 -Year Loan Facility[2] | 60.0 | 16.0 | 44.0 | - | - |
| Exploration commitments[3] | 11.2 | - | 11.2 | - | - |
| Government of Senegal payments[4] | 27.0 | 6.1 | 5.9 | - | 15.0 |
| Mining equipment supply contract[5] | 0.1 | 0.1 | - | - | - |
| Oromin office premises lease agreement[6] | 1.1 | 0.2 | 0.7 | 0.2 | - |
| **Total** | **119.5** | **35.2** | **69.1** | **0.2** | **15.0** |

[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. During the third quarter, the loan facility was amended and extended the final repayment date by one year to June 30, 2015. $40 million of the outstanding balance will be repaid in five equal quarterly installments beginning on June 30, 2014 and the remaining $20 million will be repaid on June 30, 2015.

[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 $2.8 million calculated on the basis of $6.50 for each ounce of new reserves until December 31, 2012 and an expected payment of $1.2 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 financed by the new equipment lease facility with Macquarie was finalized during the first quarter of 2013. Ninety percent of the total cost of the additional mining equipment was funded by the Mining Fleet Lease Facility.

[6] Pursuant to Oromin's lease agreement which was extended in July 2012, the Company holds a lease on its office premises in Vancouver, Canada, which terminates May 31, 2018. The Company is in the process of pursing a tenant to sub-lease the property for the duration of the lease.

### 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 year 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.

Pursuant to Oromin's lease agreement which was extended in July 2012, the Company holds a lease on its office premises in Vancouver, Canada, which terminates May 31, 2018. The Company is committed to lease payments with annual amounts payable of approximately $235,000.

## CONTINGENT LIABILITIES

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

### Settled and outstanding tax assessments

During the second quarter of 2013, the Company made a payment of $1.4 million in full settlement of the Sabodala Mining Company SARL ("SMC") tax assessment received in January 2013. The Company also made a payment of $1.2 million in partial settlement of the Sabodala Gold Operations SA ("SGO") tax assessment received in December 2012. The final payment for the tax settlement of $1.2 million has been accrued and is expected to be paid in early 2014.

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

### Government Payments

During the second quarter of 2013, the Company made a payment of $2.7 million related to accrued dividends to the Republic of Senegal in respect of its existing 10 percent minority interest. A payment of $2.7 million will be required once drilling activities recommence at Niakafiri. The Company has also agreed to advance an estimated $8.0 million of accrued dividends to be paid in 2014 and 2015 which was estimated based on a gold price of $1,600 per ounce. For the three months ended September 30, 2013, approximately $1.0 million has been accrued based on net sales revenue ($3.0 million for the nine months ended September 30, 2013).

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

The Company has agreed to establish a social development fund targeted at $15.0 million, payable to the Republic of Senegal at the end of the operational life. The payment, after applying a discount rate, has been accrued for the quarter ended June 30, 2013.

**Investment in Oromin Joint Venture Group Ltd. ("OJVG") tax assessment**

In 2012, the OJVG received a tax assessment from the Senegalese tax authorities claiming withholding tax on payments made to third parties during 2009 to 2012 and $1.3 million was accrued during this period. During the third quarter of 2013, OJVG received a revised tax assessment for approximately $0.7 million, including penalties and accordingly reversed $0.6 million of the original accrual. The Company believes that the remaining amount in dispute is largely without merit and that these issues will be resolved with lower amount of tax due.

## 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 September 30, 2012 balances included an increase to mine development expenditures of $28.8 million, a decrease to inventory of $20.8 million and a decrease to cost of sales of $8.0 million.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Certain accounting estimates have been identified as being "critical" to the presentation of our financial condition and results of operations because they require us to make subjective and/or complex judgments about matters that are inherently uncertain; or there is a reasonable likelihood that materially different amounts could be reported under different conditions or using different assumptions and estimates. The following is a summary of significant updates to these estimates, since the discussion of these estimates in our 2012 annual MD&A.

**Investment in Oromin Joint Venture Group Ltd. ("OJVG")**

Included in the acquisition of the issued and outstanding common shares of Oromin, the Company obtained a 43.5 percent participating interest in the Oromin Joint Venture Group ("OJVG"). An additional 43.5 percent participating interest in the OJVG is held by Bendon International Ltd. ("Bendon"), an arm's length private company incorporated in the British Virgin Islands and the remaining 13.0 percent non-participating interest in the OJVG is held by Badr Investment Ltd. ("Badr"), an arm's length private company based in Saudi Arabia.

The Company has determined that its investment in OJVG qualifies as an interest in a joint arrangement as a contractual arrangement exists between the owners of OJVG resulting in joint control. The joint arrangement qualifies as a joint venture and the Company has applied the equity method of accounting for its interest. For accounting purposes, the Company will account for a 50 percent ownership interest in the OJVG as no recognition of Badr's interest in the equity of OJVG will be made until the commencement of commercial production and the repayment of capital and accrued interest to the Company and Bendon.

## NON-IFRS FINANCIAL MEASURES

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

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

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

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

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

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

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

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

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

| (US$000's, except where indicated) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **Cash costs per ounce sold** | 2013 | 2012 | 2013 | 2012 |
| Gold produced[1] | 36,874 | 55,107 | 154,836 | 142,506 |
| Gold sold | 37,665 | 62,439 | 161,845 | 136,210 |
| **Cash costs per ounce sold** | | | | |
| Cost of sales | 37,371 | 45,814 | 145,978 | 107,988 |
| Less: depreciation and amortization | (13,562) | (15,225) | (51,200) | (35,111) |
| Less: realized oil hedge gain | - | (444) | (487) | (1,572) |
| Add: non-cash inventory movement | 2,393 | 1,698 | 5,863 | 6,374 |
| Less: other adjustments | 1,962 | (55) | 317 | (155) |
| **Total cash costs** | **28,164** | **31,787** | **100,471** | **77,524** |
| **Total cash costs per ounce sold** | **748** | **509** | **621** | **569** |
| **All-in sustaining costs** | | | | |
| Total cash costs | 28,164 | 31,787 | 100,471 | 77,523 |
| Administration expenses[2] | 3,207 | 4,182 | 9,897 | 12,664 |
| Capitalized deferred stripping | 13,327 | 13,825 | 41,820 | 29,266 |
| Capitalized reserve development | 158 | 6,245 | 2,995 | 20,415 |
| Mine site capital | 3,680 | 7,970 | 20,516 | 37,584 |
| **All-in sustaining costs** | **48,536** | **64,008** | **175,699** | **177,452** |
| **All-in sustaining costs per ounce sold** | **1,289** | **1,025** | **1,086** | **1,303** |
| **All-in costs** | | | | |
| All-in sustaining costs | 48,536 | 64,008 | 175,699 | 177,452 |
| Social community costs not related to current operations | 745 | 500 | 1,453 | 1,087 |
| Exploration and evaluation expenditures | 849 | 2,041 | 4,362 | 13,958 |
| **All-in costs** | **50,130** | **66,550** | **181,513** | **192,497** |
| **All-in costs per ounce sold** | **1,331** | **1,066** | **1,122** | **1,413** |
| Depreciation and amortization | 13,562 | 15,225 | 51,200 | 35,111 |
| Non - cash inventory movement | (2,393) | (1,698) | (5,863) | (6,374) |
| **Total depreciation and amortization** | **11,169** | **13,527** | **45,337** | **28,737** |
| **Total depreciation and amortization per ounce sold** | **297** | **217** | **280** | **211** |

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

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

## OUTSTANDING SHARE DATA

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

| **Outstanding** | November 6, 2013 |
|---|---|
| Ordinary shares | 245,618,000 |
| Issued to Oromin shareholders | 71,183,091 |
| | 316,801,091 |
| Stock options granted at an exercise price of $3.00 per option | 16,005,833 |
| Replacement stock options issued to Oromin employees on change of control | 7,911,600 |
| **Fully diluted share capital** | **340,718,524** |

As at September 30, 2013, the Company issued 48,645,840 common shares as share consideration for the acquisition of Oromin common shares.

After quarter end, the Company issued a further 22,537,251 common shares as share consideration for the acquisition of the remaining Oromin common shares not already owned. As a result, the Company now has 316,801,091 common shares outstanding.

The Company issued 7,911,600 replacement stock options as consideration for the acquisition of Oromin common shares. All options expire 18 months from the grant date of August 6, 2013. The fair value of the replacement options at the grant date was calculated using Black-Scholes option pricing model with the following assumptions:

| | August 6, 2013 |
|---|---|
| Grant date share price | C$0.28 |
| Exercise price | C$0.65-C$1.30 |
| Risk-free interest rate | 0.78%-1.53% |
| Volatility of expected market price of shares | 72.62%-94.09% |
| Expected life of options | 0.92-4.04 |
| Dividend yield | 0% |
| Forfeiture rate | 0% |

## 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.

Included in the acquisition of the issued and outstanding common shares of Oromin, the Company obtained a 43.5 percent participating interest in the Oromin Joint Venture Group ("OJVG"). The Company has applied the equity method of accounting for its interest.

**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.

**Transactions with other related parties**

At September 30, 2013, the Company has a receivable of $0.2 million due from the OJVG for project management fees.

**Shareholdings**

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

The Company bought 100 percent of Oromin subsequent to the quarter end, which holds a 43.5 percent participating interest in OJVG.

## CEO/CFO CERTIFICATION

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

The Company's CEO and CFO certify that, as September 30, 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 has been no change in the Company's design of the ICFR that occurred during the three and nine months ended September 30, 2013 which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

The Company has limited the scope of the design of ICFR and DC&P to exclude the controls, policies and procedures of (i) Oromin, the balance sheet and operating results of which are included in the interim condensed consolidated financial statements of Teranga for the three and nine months ended September 30, 2013 following its acquisition on August 6, 2013; and (ii) the OJVG, the operating results and equity investment of which are included in the interim condensed consolidated financial statements of Teranga for the three and nine months ended September 30, 2013. The scope limitation is in accordance with Section 3.3 of NI 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings, which allows an issuer to limit its design of ICFR and DC&P to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates.

Summary financial information relating to Oromin and the OJVG can be found in Notes 4 and 11 of the interim condensed financial statements.

## RISKS AND UNCERTAINTIES

The Company identified a number of risk factors to which it is subject to in its Annual Information Form filed for the year ended December 31, 2012. These various financial and operational risks and uncertainties continue to be relevant to an understanding of our business, and could have a significant impact on profitability and levels of operating cash flow. These risks and uncertainties include, but are not limited to: fluctuations in metal prices (principally the price of gold), capital and operating cost estimates, borrowing risks, production estimates, need for additional financing, uncertainty in the estimation of mineral reserves and mineral resources, the inherent danger of mining, infrastructure risk, hedging activities, insured and uninsured risks, environmental risks and regulations, government regulation, ability to obtain and renew licenses and permits, foreign operations risks, title to properties, competition, dependence on key personnel, currency, repatriation of earnings and stock exchange price fluctuations.

**Bendon International Ltd. ("Bendon")**

Bendon International Ltd. ("Bendon") claims the making and completion of the takeover bid by Teranga Gold Corporation ("TGZ") to acquire Oromin Explorations Ltd. ("OLE") (the "Takeover Bid") constitutes a violation of the terms of the OJVG shareholders agreement, as amended (the "Shareholders Agreement") by Sabodala Holdings Limited ("SHL") and that OLE and TGZ are inducing SHL to commit such a breach of its obligations thereunder. Bendon seeks a declaration of the breach of the Shareholders Agreement against SHL, declarations of inducement to commit such breach against OLE and TGZ, interlocutory and permanent injunctions preventing the Takeover Bid, unspecified damages, pre and post-judgment interest, costs, and such further relief as may be appropriate. Bendon alleges that the Shareholders Agreement precludes any transfer of any party's shares in the OJVG prior to commencement of commercial production and implies that this restriction applies not just to SHL but to its parent OLE.

TGZ Response: The Shareholders Agreement restriction on transfer prior to commencement of commercial production does not extend to the parent company of SHL and if it was intended to cover that scenario specific words would or should have been used. Further all existing OLE public disclosure indicates no such transfer restriction exists as it relates to OLE. Teranga believes the lawsuit is without merit and further that there are no grounds for including Teranga as a party. Teranga intends to vigorously defend its position with the advice of its counsel, Stikeman Elliot LLP.

On June 26, 2013, Teranga served a copy of the Notice of Motion and accompanying affidavit to counsel for Bendon and to Oromin by fax.

## AMENDMENTS TO CORPORATE GOVERNANCE PRACTICES

**Adoption of Advance Notice Bylaw**

On July 18, 2013, at the Company's annual and special meeting, the Company's shareholders confirmed and ratified Board approved 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 and 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.

**Majority Voting Policy**

On July 18, 2013, at the Company's annual and special meeting, the Company's shareholders confirmed and ratified a Board approved 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.

## CORPORATE DIRECTORY

### Directors

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

### Registered Office

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

### Senegal Office

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

### Auditor

Ernst & Young LLP

### Share Registries

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

### Stock Exchange Listings

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

*FORWARD LOOKING STATEMENTS*

*This news release contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Teranga, or developments in Teranga's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include, without limitation, all disclosure regarding possible events, conditions or results of operations 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 document relating to the mineral reserve estimates for Gora and Niakafiri is based on information compiled by Julia Martin, P.Eng., MAusIMM (CP). Ms. Martin is a full time employee with AMC Mining Consultants (Canada) Ltd., is independent of Teranga, is a "qualified person" as defined in NI 43-101 and a "competent person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Martin has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity she is undertaking to* *qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Martin is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Ms. Martin has reviewed and accepts responsibility for the Mineral Reserve estimates for Gora and Niakafiri disclosed in this document and has consented to the inclusion of the matters based on her information in the form and context in which it appears in this document.*

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

The technical information contained in this document relating to the Mineral Reserve estimate for Sabodala is based on information compiled by Paul Chawrun, P. Eng., who is a member of the Professional Engineers of Ontario. Mr. Chawrun is a full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101. Mr. Chawrun has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Chawrun is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Mr. Chawrun has reviewed and accepts responsibility for the Mineral Reserve estimate for Sabodala disclosed in this document and has consented to the inclusion of the matters based on his information in the form and context in which it appears in this document.

Interim Condensed Consolidated Financial Statements of

**TERANGA GOLD CORPORATION**

For the three and nine months ended September 30, 2013

(unaudited)

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | Note | | (Restated) | | (Restated) |
| Revenue | 5 | 50,564 | 105,014 | 239,625 | 227,550 |
| Cost of sales | 6 | (37,371) | (45,814) | (145,978) | (107,988) |
| **Gross profit** | | **13,193** | **59,200** | **93,647** | **119,562** |
| Exploration and evaluation expenditures | | (849) | (2,041) | (4,362) | (13,958) |
| Administration expenses | 7 | (3,839) | (3,558) | (11,526) | (10,565) |
| Share based compensation | 29 | (394) | (1,295) | (677) | (3,676) |
| Finance costs | 8 | (3,441) | (2,750) | (8,998) | (4,697) |
| Gains/(losses) on gold hedge contracts | | - | (18,981) | 5,308 | (24,299) |
| Gains/(losses) on oil hedge contracts | | - | 361 | 31 | (308) |
| Net foreign exchange losses | | (300) | (1,630) | (784) | (1,124) |
| Gain/(loss) on available for sale financial asset | 21 | 452 | - | (4,003) | (11,917) |
| Share of income from equity investment in OJVG | 13 | 41 | - | 41 | - |
| Other expenses | 9 | (4,792) | 206 | (8,474) | (2,062) |
| | | **(13,122)** | **(29,688)** | **(33,444)** | **(72,606)** |
| **Profit before income tax** | | **71** | **29,512** | **60,203** | **46,956** |
| Income tax benefit | | - | - | - | - |
| **Profit before income tax** | | **71** | **29,512** | **60,203** | **46,956** |
| Profit/(loss) attributable to: | | | | | |
| Shareholders | | (442) | 26,033 | 51,737 | 38,372 |
| Non-controlling interests | | 513 | 3,479 | 8,466 | 8,584 |
| **Profit for the period** | | **71** | **29,512** | **60,203** | **46,956** |
| Other comprehensive income/(loss): | | | | | |
| Exchange differences arising on translation of Teranga corporate entity | 22 | - | - | - | (63) |
| Change in fair value of available for sale financial asset, reclassification to income, net of tax | 21 | - | 3,407 | (5,456) | 4,726 |
| **Other comprehensive income/(loss) for the period** | | **-** | **3,407** | **(5,456)** | **4,663** |
| **Total comprehensive income for the period** | | **71** | **32,919** | **54,747** | **51,619** |
| Total comprehensive income / (loss) attributable to: | | | | | |
| Shareholders | | (442) | 29,440 | 46,281 | 43,035 |
| Non-controlling interests | | 513 | 3,479 | 8,466 | 8,584 |
| **Total comprehensive income for the period** | | **71** | **32,919** | **54,747** | **51,619** |
| **Earnings per share from operations attributable to the shareholders of the Company during the period** | | | | | |
| - basic earnings (loss) per share | 23 | (0.00) | 0.11 | 0.20 | 0.16 |
| - diluted earnings (loss) per share | 23 | (0.00) | 0.11 | 0.20 | 0.16 |

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

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Note | As at September 30, 2013 | As at December 31, 2012 (Restated) |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 32,195 | 39,722 |
| Trade and other receivables | 10 | 5,240 | 6,482 |
| Inventories | 11 | 55,565 | 74,969 |
| Financial derivative assets | | - | 456 |
| Other assets | 12 | 6,832 | 6,836 |
| Available for sale financial assets | 21 | 6 | 15,010 |
| **Total current assets** | | **99,838** | **143,475** |
| **Non-current assets** | | | |
| Inventories | 11 | 54,275 | 32,700 |
| Equity investment | 13 | 47,626 | - |
| Property, plant and equipment | 14 | 228,859 | 247,898 |
| Mine development expenditures | 15 | 185,699 | 138,609 |
| Intangible assets | | 1,198 | 1,859 |
| **Total non-current assets** | | **517,657** | **421,066** |
| **Total assets** | | **617,495** | **564,541** |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 47,931 | 44,823 |
| Borrowings | 17 | 27,664 | 10,415 |
| Financial derivative liabilities | 18 | - | 51,548 |
| Provisions | 19 | 1,868 | 1,940 |
| **Total current liabilities** | | **77,463** | **108,726** |
| **Non-current liabilities** | | | |
| Borrowings | 17 | 48,775 | 58,193 |
| Provisions | 19 | 9,612 | 10,312 |
| Other non-current liabilities | 16 | 10,946 | - |
| **Total non-current liabilities** | | **69,333** | **68,505** |
| **Total liabilities** | | **146,796** | **177,231** |
| **Equity** | | | |
| Issued capital | 20 | 328,719 | 305,412 |
| Foreign currency translation reserve | 22 | (998) | (998) |
| Equity-settled share based compensation reserve | | 18,360 | 16,358 |
| Investment revaluation reserve | | - | 5,456 |
| Accumulated income | | 100,962 | 49,225 |
| **Equity attributable to shareholders** | | **447,043** | **375,453** |
| Non-controlling interests | 30 | 23,656 | 11,857 |
| **Total equity** | | **470,699** | **387,310** |
| **Total equity and liabilities** | | **617,495** | **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

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Note | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 (Restated) |
|---|---|---|---|
| **Issued capital** | | | |
| Beginning of period | | 305,412 | 305,412 |
| Shares issued from public and private offerings | 4 | 23,487 | - |
| Less: Share issue costs | 4 | (180) | - |
| End of period | | 328,719 | 305,412 |
| **Foreign currency translation reserve** | | | |
| Beginning of period | | (998) | (935) |
| Exchange difference arising on translation of Teranga corporate entity | 22 | - | (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 | | 1,417 | 2,995 |
| Payments to Oromin Exploration Ltd. employees on change of control | 4 | 585 | - |
| End of period | | 18,360 | 15,594 |
| **Investment revaluation reserve** | | | |
| Beginning of period | | 5,456 | (1,319) |
| Change in fair value of available for sale financial asset, net of tax | 21 | (5,456) | - |
| Impairment | | - | 4,726 |
| End of period | | - | 3,407 |
| **Accumulated income/(loss)** | | | |
| Beginning of period | 3 | 49,225 | (43,375) |
| Profit attributable to shareholders | | 51,737 | 38,372 |
| End of period | | 100,962 | (5,003) |
| **Non-controlling interest** | | | |
| Beginning of period | | 11,857 | (3,713) |
| Non-controlling interest - portion of profit for the period | 30 | 8,466 | 8,584 |
| Non-controlling interest - acquisition of Oromin | 30 | 11,005 | |
| Dividends paid and accrued | 26/30 | (7,672) | - |
| End of period | | 23,656 | 4,871 |
| **Total shareholders' equity at September 30** | | **470,699** | **323,283** |

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

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Note | Three months ended September 30 2013 | Three months ended September 30 2012 (Restated) | Nine months ended September 30 2013 | Nine months ended September 30 2012 (Restated) |
|---|---|---|---|---|---|
| **Cash flows related to operating activities** | | | | | |
| Profit for the period | | 71 | 29,512 | 60,203 | 46,956 |
| Depreciation of property, plant and equipment | 14 | 9,635 | 12,049 | 35,869 | 27,539 |
| Depreciation of capitalized mine development costs | 15 | 4,024 | 3,332 | 15,548 | 7,860 |
| Amortization of intangibles | | 249 | 153 | 770 | 451 |
| Amortization of borrowing costs | | 902 | 342 | 1,770 | 561 |
| Unwinding of discount | 8 | 25 | 23 | 74 | 68 |
| Share based compensation | 29 | 394 | 1,295 | 677 | 3,676 |
| Net change in gains on gold hedge | | - | (5,320) | (42,955) | (2) |
| Net change in losses on oil hedge | | - | 82 | 456 | 1,880 |
| Buyback of gold hedge sales contracts | 18 | - | - | (8,593) | (39,000) |
| (Gain)/loss on available for sale financial asset | 21 | (452) | - | 4,003 | 11,917 |
| Loss on disposal of property, plant and equipment | | - | - | 99 | - |
| Changes in working capital | 27 | 1,844 | (27,492) | (6,751) | (16,594) |
| **Net cash provided by operating activities** | | **16,692** | **13,976** | **61,170** | **45,312** |
| **Cash flows related to investing activities** | | | | | |
| Increase in restricted cash | | - | - | - | 3,004 |
| Redemption of short-term investments | | - | - | - | 592 |
| Expenditures for property, plant and equipment | 14 | (3,431) | (6,318) | (15,788) | (32,892) |
| Expenditures for mine development | 15 | (13,698) | (21,258) | (49,434) | (53,505) |
| Acquisition of intangibles | | (36) | (464) | (109) | (867) |
| Proceeds on disposal of property, plant and equipment | 14 | - | - | 35 | - |
| **Net cash used in investing activities** | | **(17,165)** | **(28,040)** | **(65,296)** | **(83,668)** |
| **Cash flows related to financing activities** | | | | | |
| Loan facility, net of borrowing cost paid | | (1,200) | - | (1,200) | 57,977 |
| Repayment of borrowings | 17 | (9,088) | (4,532) | (9,088) | (12,265) |
| Drawdown from finance lease facility, net of financing cost paid | | - | - | 13,843 | 2,862 |
| Interest paid on borrowings | 17 | (1,474) | (1,791) | (4,687) | (2,343) |
| Dividend payment to government | 26b | - | - | (2,700) | - |
| **Net cash provided by (used in) financing activities** | | **(11,762)** | **(6,323)** | **(3,832)** | **46,231** |
| Effect of exchange rates on cash holdings in foreign currencies | | (44) | (405) | 431 | (578) |
| **Net (decrease) increase in cash and cash equivalents held** | | **(12,279)** | **(20,792)** | **(7,527)** | **7,297** |
| **Cash and cash equivalents at the beginning of period** | | **44,474** | **35,559** | **39,722** | **7,470** |
| **Cash and cash equivalents at the end of period** | | **32,195** | **14,767** | **32,195** | **14,767** |

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

## 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 is a Canadian-based gold company which operates the Sabodala gold mine and is currently exploring 10 exploration licenses covering 1,055km$^2$ in Senegal, comprising the regional land package, surrounding the Sabodala gold mine.

On October 4, 2013, Teranga completed the acquisition of Oromin Exploration Ltd ("Oromin"). Oromin holds a 43.5 percent participating interest of the Oromin Joint Venture Group ("OJVG"). The OJVG holds a 15 year renewable mining lease in respect of the Golouma Gold Concession, which is located contiguous to the Sabodala mine license. This transaction provides for capital and operating cost synergies as the OJVG satellite deposits are integrated into Sabodala's mine plan.

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("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 November 6, 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 year 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.

### 3. CHANGE IN ACCOUNTING POLICIES

#### Adoption of new accounting standards

#### 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. IRFIC 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 on the balances for the three months ended September 30, 2012 was an increase to mine development expenditures of $13.5 million, a decrease to inventory of $8.3 million and a decrease to cost of sales of $5.2 million.

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

The impact on the balances for the nine months ended September 30, 2012 was an increase to mine development expenditures of $28.8 million, a decrease to inventory of $20.8 million and a decrease to cost of sales of $8.0 million.

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 and statement of cash flows for the three months ended and nine months ended September 30, 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** | **157,040** | **(7,505)** | **149,535** |
| **Non-current assets** | | | |
| Inventories | 40,659 | (7,959) | 32,700 |
| Mine development expenditures | 109,060 | 29,549 | 138,609 |
| **Total non-current assets** | **393,416** | **21,590** | **415,006** |
| **Total assets** | **550,456** | **14,085** | **564,541** |
| **Equity** | | | |
| Accumulated income | 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

| | Three months ended September 30 2012 | | | Nine months ended September 30 2012 | | |
|---|---|---|---|---|---|---|
| | As previously reported | Impact of changes in accounting policies | Restated | As previously reported | Impact of changes in accounting policies | Restated |
| Cost of sales | (51,033) | 5,219 | (45,814) | (116,021) | 8,033 | (107,988) |
| **Gross profit** | **53,981** | **5,219** | **59,200** | **111,529** | **8,033** | **119,562** |
| **Profit for the period** | **24,293** | **5,219** | **29,512** | **38,923** | **8,033** | **46,956** |
| Profit attributable to: | | | | | | |
| Shareholders | 21,336 | 4,697 | 26,033 | 31,143 | 7,229 | 38,372 |
| Non-controlling interests | 2,957 | 522 | 3,479 | 7,780 | 804 | 8,584 |
| **Profit for the period** | **24,293** | **5,219** | **29,512** | **38,923** | **8,033** | **46,956** |
| **Total comprehensive income for the period** | **27,700** | **5,219** | **32,919** | **43,586** | **8,033** | **51,619** |
| Total comprehensive income attributable to: | | | | | | |
| Shareholders | 24,743 | 4,697 | 29,440 | 35,806 | 7,229 | 43,035 |
| Non-controlling interests | 2,957 | 522 | 3,479 | 7,780 | 804 | 8,584 |
| **Total comprehensive income for the period** | **27,700** | **5,219** | **32,919** | **43,586** | **8,033** | **51,619** |
| - basic earnings per share | 0.09 | 0.02 | 0.11 | 0.13 | 0.03 | 0.16 |
| - diluted earnings per share | 0.09 | 0.02 | 0.11 | 0.13 | 0.03 | 0.16 |

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

### Impact on Statement of Cash Flows

| | Three months ended September 30 2012 | | | Nine months ended September 30 2012 | | |
|---|---|---|---|---|---|---|
| | As previously reported | Impact of changes in accounting policies | Restated | As previously reported | Impact of changes in accounting policies | Restated |
| **Cash flows related to operating activities** | | | | | | |
| Profit for the period | 24,293 | 5,219 | 29,512 | 38,923 | 8,033 | 46,956 |
| Depreciation of capitalized mine development costs | 3,046 | 286 | 3,332 | 7,456 | 404 | 7,860 |
| Changes in working capital | (35,813) | 8,321 | (27,492) | (37,423) | 20,829 | (16,594) |
| **Net cash provided by (used in) operating activities** | **150** | **13,826** | **13,976** | **16,046** | **29,266** | **45,312** |
| **Cash flows related to investing activities** | | | | | | |
| Expenditures for mine development | (7,432) | (13,826) | (21,258) | (24,239) | (29,266) | (53,505) |
| **Net cash used in investing activities** | **(14,214)** | **(13,826)** | **(28,040)** | **(54,402)** | **(29,266)** | **(83,668)** |
| **Net increase in cash and cash equivalents held** | **(20,792)** | **-** | **(20,792)** | **7,297** | **-** | **7,297** |
| **Cash and cash equivalents at the beginning of period** | **35,559** | **-** | **35,559** | **7,470** | **-** | **7,470** |
| **Cash and cash equivalents at the end of period** | **14,767** | **-** | **14,767** | **14,767** | **-** | **14,767** |

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

| | Three months ended December 31, 2012 |
|---|---|
| **Increase/(decrease)** | |
| Mine development expenditures | 688 |
| Inventories | 5,365 |
| Cost of sales | (6,052) |

### b. IFRS 10 – Consolidated financial statements

IFRS 10, "Consolidated financial statements" (IFRS 10) was issued by the IASB in May 2011 and replaced 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 superseded 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.

As at January 1, 2013, the Company did not have any joint arrangements. On August 6, 2013, included in the acquisition of Oromin, the Company obtained a 43.5 percent participating interest in the OJVG which was determined to be a joint venture of the Company, refer to note 13.

### 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.

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

### 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, 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.

## New standards and interpretations not yet adopted

### a. IFRIC 21 - Levies

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

The interpretation is applicable for annual periods beginning on or after January 1, 2014. Early application is permitted. The Company is currently in the process of evaluating the impact of this standard on the consolidated financial statements.

## 4. ACQUISITION

On August 6, 2013, the Company acquired 78,985,388 common shares of Oromin, representing approximately 57.5 percent of the Oromin shares that the Company did not already own. Together with the 18,699,500 Oromin shares owned by the Company, this represented a total of 97,684,888 Oromin shares or approximately 71.1 percent of the outstanding Oromin shares. A further 2,091,013 shares were obtained as part of this acquisition process, bringing the total to 99,775,901 Oromin shares of approximately 72.6 percent of the outstanding Oromin shares as at September 30, 2013.

Former shareholders of Oromin were entitled to receive 0.6 of a common share of Teranga for each Oromin share. Total consideration paid of $24.1 million consist of the issuance of 48,645,840 Teranga common shares at a price of $0.48 per share for consideration of $23.5 million and the fair value of Oromin stock options replaced by 7,911,600 Teranga stock options for consideration of $0.6 million. Share issue costs totaled $0.2 million. All options expire 18 months from the grant date of August 6, 2013. The fair value of the Oromin options at the grant date was calculated using Black-Scholes option pricing model with the following assumptions:

| | August 6, 2013 |
|---|---|
| Grant date share price | C$0.28 |
| Exercise price | C$0.65-C$1.30 |
| Risk-free interest rate | 0.78%-1.53% |
| Volatility of expected market price of shares | 72.62%-94.09% |
| Expected life of options | 0.92-4.04 |
| Dividend yield | 0% |
| Forfeiture rate | 0% |

The Company determined that this transaction represented a business combination with Teranga identified as the acquirer. Results of Oromin, based on the percentage the Company owned were consolidated into the Company's operating results, cash flows and net assets from August 6, 2013.

In accordance with the acquisition method of accounting, the acquisition cost has been allocated to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. We used a discounted cash flow model to determine the fair value of the equity interest in the investment in OJVG. Expected future cash flows are based on estimates of projected future revenues, expected future production costs and capital expenditures. The purchase price is preliminary as the fair value of the investment in OJVG is still being evaluated by the Company. The acquisition cost equaled the value of the net identifiable assets acquired, including consideration of non-controlling interest. Non-controlling interest has been measured based on the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The following tables present the purchase price and the preliminary allocation of the purchase price to the assets and liabilities acquired.

| Purchase Cost | US$000's |
|---|---|
| Shares issued to Oromin shareholders | 23,487 |
| Replacement stock options issued to Oromin employees | 585 |
| **Total Acquisition Cost** | **24,072** |
| Fair value of previously held interest | 5,131 |
| | **29,203** |
| Cash acquired with Oromin | (367) |
| **Consideration, net of cash acquired** | **28,836** |

| Summary of Preliminary Purchase Price Allocation | |
|---|---|
| Assets | |
| Current assets | 545 |
| Investment in OJVG | 46,864 |
| Total assets | 47,409 |
| Liabilities | |
| Current liabilities | 3,814 |
| Borrowings | 3,387 |
| Total liabilities | 7,201 |
| Net assets acquired, before non-controlling interest | 40,208 |
| Non-controlling interest | (11,005) |
| **Net assets acquired** | **29,203** |

Acquisition related costs of approximately $7.3 million have been expensed during the nine months ended September 30, 2013 and are presented within Other expenses in the consolidated statements of comprehensive income.

Since the date of acquisition, Oromin has recorded a loss of $0.6 million included in the consolidated statement of comprehensive income as of September 30, 2013. Had the acquisition been at the beginning of the reporting period (January 1, 2013), the amount of loss recorded in the consolidated statement of comprehensive income would be $2.7 million.

Subsequent to the quarter end on October 4, 2013, the Company acquired 37,562,017 Oromin shares and completed the acquisition of all of the issued and outstanding common shares of Oromin. The additional Teranga common shares were issued at a price of $0.61 per share for consideration of $13.8 million. In total, the Company issued 71,183,091 Teranga shares to acquire all of the issued and outstanding shares of Oromin, increasing Teranga's total number of issued and outstanding shares to 316,801,091 as of October 4, 2013.

## 5. REVENUE

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| Gold sales at spot price | 50,419 | 104,844 | 239,178 | 227,124 |
| Silver sales | 145 | 170 | 447 | 426 |
| **Total revenue** | **50,564** | **105,014** | **239,625** | **227,550** |

During the three months ended September 30, 2013, 37,665 ounces of gold were sold at an average price of $1,339 per ounce (2012: 62,439 ounces were sold at an average of $1,679 per ounce). For the nine months ended September 30, 2013, 161,845 ounces of gold were sold at an average price of $1,478 per ounce (2012: 136,210 ounces sold at an average of $1,667 per ounce). Revenue excludes the impact of gold hedges as losses on ounces delivered into gold hedge contracts are classified within gains (losses) on gold hedge contracts, refer to note 18.

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

During the second quarter of 2013, the Company bought back the remaining 14,500 ounces (2012 – 52,105 ounces) "out of the money" gold forward sales contracts at a cost of $8.6 million (2012 - $39 million).

During the third quarter of 2012, 29,000 ounces of gold were delivered into gold hedge contract at $830 per ounce, representing 46 percent of gold sales for the quarter and 21 percent of gold sales for the nine months ended September 30, 2012. For the three and nine months ended September 30, 2012, 33,439 and 107,210 ounces were sold into spot market at an average price of $1,688 and $1,667 per ounce and a total of 62,439 and 136,210 ounces of gold were sold at an average realized price of $1,290 and $1,489 per ounce.

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

Gold sales revenue to one customer for the three months ended September 30, 2013 was $50 million (2012: $105 million) and $239 million for the nine months ended September 30, 2013 (2012: $227 million).

## 6. COST OF SALES

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| Mine production costs | 25,938 | 23,006 | 85,377 | 73,719 |
| Depreciation and amortization | 13,562 | 15,225 | 51,200 | 35,111 |
| Royalties | 2,507 | 3,121 | 11,865 | 6,802 |
| Rehabilitation | 4 | 9 | 6 | 13 |
| Inventory movements | (4,640) | 4,453 | (2,470) | (7,657) |
| **Total cost of sales** | **37,371** | **45,814** | **145,978** | **107,988** |

## 7. ADMINISTRATION EXPENSES

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| Corporate office | 1,840 | 1,912 | 5,982 | 5,457 |
| Dakar office | 340 | 237 | 926 | 491 |
| Social community costs | 745 | 500 | 1,453 | 1,087 |
| Audit fees | 142 | 169 | 385 | 457 |
| Legal & other | 491 | 569 | 1,926 | 2,583 |
| Depreciation | 281 | 171 | 854 | 490 |
| **Total administration expenses** | **3,839** | **3,558** | **11,526** | **10,565** |

## 8. FINANCE COSTS

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| Interest on borrowings | 2,076 | 1,861 | 5,801 | 2,522 |
| Amortization of borrowing costs | 902 | 342 | 1,770 | 561 |
| Unwinding of discount | 25 | 23 | 74 | 68 |
| Political risk insurance | 170 | 253 | 482 | 754 |
| Stocking fee | 204 | 153 | 607 | 431 |
| Bank charges | 64 | 118 | 264 | 361 |
| **Total finance costs** | **3,441** | **2,750** | **8,998** | **4,697** |

## 9. OTHER EXPENSE

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| Acquisition costs (i) | 4,468 | (198) | 7,321 | 2,092 |
| Non-recurring legal and other costs | 63 | - | 927 | - |
| Oromin corporate office | 271 | - | 271 | - |
| Interest income | (10) | (8) | (45) | (30) |
| **Total other income and expense** | **4,792** | **(206)** | **8,474** | **2,062** |

(i) Includes costs for legal, advisory and consulting.

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

## 10. TRADE AND OTHER RECEIVABLES

| | As at September 30, 2013 | As at December 31, 2012 |
|---|---|---|
| **Current** | | |
| Trade receivable (i) | 3,985 | 5,268 |
| Other receivables (ii) | 1,255 | 1,214 |
| **Total trade and other receivables** | **5,240** | **6,482** |

(i) Trade receivable relates to gold and silver shipments made prior to period end that were settled after quarter end.
(ii) Other receivables primarily include receivables from suppliers for services, materials and utilities used at the Sabodala gold mine that the Company provides to them and sales tax refunds.

## 11. INVENTORIES

| | As at September 30, 2013 | As at December 31, 2012 (Restated) |
|---|---|---|
| **Current** | | |
| Gold bullion | 3,774 | 4,094 |
| Gold in circuit | 2,333 | 8,172 |
| Ore stockpile | 11,827 | 24,773 |
| **Total gold inventories** | **17,934** | **37,039** |
| Diesel fuel | 3,275 | 3,242 |
| Materials and supplies | 31,628 | 30,703 |
| Goods in transit | 2,728 | 3,985 |
| **Total other inventories** | **37,631** | **37,930** |
| **Total current inventories** | **55,565** | **74,969** |
| **Non-Current** | | |
| Ore stockpile | 54,275 | 32,700 |
| **Total inventories** | **109,840** | **107,669** |

## 12. OTHER ASSETS

| | As at September 30, 2013 | As at December 31, 2012 |
|---|---|---|
| **Current** | | |
| Prepayments (i) | 5,332 | 5,336 |
| Security deposit (ii) | 1,500 | 1,500 |
| **Total other assets** | **6,832** | **6,836** |

(i) As at September 30, 2013, prepayments include $3.3 million of advances to vendors and contractors and $2.0 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.

## 13. INVESTMENT IN OROMIN JOINT VENTURE GROUP LTD.

Included in the acquisition of the issued and outstanding common shares of Oromin, the Company obtained a 43.5 percent participating interest in the OJVG. An additional 43.5 participating interest in the OJVG is held by Bendon International Ltd. ("Bendon"), an arm's length private company incorporated in the British Virgin Islands and the remaining 13.0 percent non-participating interest in the OJVG is held by Badr Investment Ltd. ("Badr"), an arm's length private company based in Saudi Arabia.

The OJVG has a 90% interest in Societe des Mines de Golouma S.A. ("Somigol"), an operating company under the laws of Senegal, and the remaining 10% interest is held by the Government of Senegal. Somigol has a mining license with an 11-year term remaining, extendable if future conditions are met.

Oromin had provided exploration and management services to OJVG for which Oromin may recover a portion of its administration costs.

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

The Company has determined that its investment in OJVG qualifies as an interest in a joint arrangement as a contractual arrangement exists between the owners of OJVG resulting in joint control. The Company has further determined that the legal form, terms, and other facts and circumstances related to the arrangement do not give the parties to the arrangement the rights to the assets and obligations to the liabilities relating the arrangement. The joint arrangement accordingly qualifies as a joint venture and the Company has applied the equity method of accounting for its interest.

| | As at September 30, 2013 |
|---|---|
| **Investment in OJVG** | |
| **Balance at August 6, 2013** | |
| Acquisition of OJVG arising from acquisition of Oromin | 46,864 |
| Exploration and evaluation costs capitalized | 762 |
| **Balance at September 30, 2013** | **47,626** |

Summary financial information for the equity accounted investment in OJVG. The balances have not been adjusted for the percentage ownership held by the Company.

| | As at September 30, 2013 | As at August 6, 2013 |
|---|---|---|
| **Current assets** | | |
| Cash and term deposits | 1,016 | 327 |
| Prepaids | 5 | 7 |
| Due from related party | 78 | 296 |
| **Total current assets** | **1,099** | **630** |
| **Non-current assets** | | |
| Resource properties | 23,116 | 23,172 |
| **Total assets** | **24,215** | **23,802** |
| **Current liabilities** | | |
| Trade and other payables | 559 | 1,471 |
| **Non-current liabilities** | | |
| Shareholder advances | 157,978 | 156,763 |
| Accrued Interest | 54,465 | 52,442 |
| **Total Non-current liabilities** | **212,443** | **209,205** |
| **Total liabilities** | **213,002** | **210,676** |
| **Equity** | | |
| Deficit | (188,787) | (186,874) |
| **Total liabilities and equity** | **24,215** | **23,802** |

| | Period ended September 30, 2013 |
|---|---|
| Interest expense | 2,166 |
| Net foreign exchange gains | (103) |
| Other Income | (80) |
| **Net loss** | **(1,983)** |
| Less: interest related to shareholder advances | 2,065 |
| **The Company's share of income from equity investment in OJVG** | **41** |

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

The reconciliation of OJVG's equity to the Company's net interest in the joint venture as at August 6, 2013 and September 30, 2013 is as follows:

| | As at September 30, 2013 | As at August 6, 2013 |
|---|---|---|
| OJVG's equity | (188,787) | (186,874) |
| Add: shareholder advances | 157,978 | 156,763 |
| Add: accrued interest on shareholder advances | 54,465 | 52,442 |
| Add: adjustment for difference in shareholder advances | 2,542 | 2,536 |
| Add: other adjustments | 600 | 193 |
| Less: accumulated project administration cost recovery | (5,879) | (5,666) |
| Add: fair value adjustment | 74,333 | 74,333 |
| | 95,252 | 93,727 |
| **The Company's net investment in OJVG** | **47,626** | **46,864** |

## 14. 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 | - | - | - | - | - | 16,917 | **16,917** |
| Disposals | - | (15) | (2) | (73) | (501) | - | **(591)** |
| Transfer | 254 | 17,115 | 347 | 127 | - | (17,796) | **47** |
| **Balance at September 30, 2013** | **44,707** | **292,780** | **2,149** | **3,140** | **41,916** | **7,183** | **391,875** |
| **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) | (50) | (402) | - | **(457)** |
| Depreciation expense | 3,562 | 25,486 | 319 | 233 | 6,269 | - | **35,869** |
| **Balance at September 30, 2013** | **17,966** | **109,496** | **1,328** | **2,018** | **32,208** | **-** | **163,016** |
| **Net book value** | | | | | | | |
| **Balance at December 31, 2012** | **30,049** | **191,667** | **793** | **1,251** | **16,076** | **8,062** | **247,898** |
| **Balance at September 30, 2013** | **26,741** | **183,284** | **821** | **1,122** | **9,708** | **7,183** | **228,859** |

Additions made to property, plant and equipment during the nine months ended September 30, 2013 relate mainly to additional mining equipment acquired.

Depreciation of property, plant and equipment of $9.7 million was expensed as cost of sales for the three months ended September 30, 2013 (2012: $12 million) and $35.9 million was expensed as cost of sales for the nine months ended September 30, 2013 (2012: $27.5 million).

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

## 15. MINE DEVELOPMENT EXPENDITURE

| | Amount (Restated) |
|---|---|
| **Cost** | |
| 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 | 62,638 |
| **Balance at September 30, 2013** | **249,967** |
| | |
| **Accumulated depreciation** | |
| Balance at January 1, 2012 | **34,593** |
| Depreciation expense | 14,127 |
| **Balance at December 31, 2012** | **48,720** |
| Depreciation expense | 15,548 |
| **Balance at September 30, 2013** | **64,268** |
| | |
| **Carrying amount** | |
| **Balance at December 31, 2012** | **138,609** |
| **Balance at September 30, 2013** | **185,699** |

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

| | As at September 30, 2013 | As at December 31, 2012 |
|---|---|---|
| Development and exploration costs | 175,613 | 154,795 |
| Deferred stripping asset | 74,354 | 32,534 |
| **Total mine development expenditures incurred** | **249,967** | **187,329** |

There were minimal capitalized mine development expenditures during the three months ended September 30, 2013. For the nine months ended September 30, 2013, capitalized mine development expenditures of $0.3 million were incurred, 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 $13.2 million relating to payments to be made to the Republic of Senegal. Refer to notes 16 and 26.

Depreciation of capitalized mine development of $4.0 million was expensed as cost of sales for the three months ended September 30, 2013 (2012: $3.4 million) and $15.5 million was expensed for the nine months ended September 30, 2013 (2012: $7.9 million).

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

## 16. TRADE AND OTHER PAYABLES

| | As at September 30, 2013 | As at December 31, 2012 |
|---|---|---|
| **Current** | | |
| Unsecured liabilities: | | |
| Trade payables (i) | 19,198 | 16,446 |
| Sundry creditors and accrued expenses | 9,471 | 12,370 |
| Government royalties (ii) | 13,106 | 10,927 |
| Amounts payable to Republic of Senegal (iii) (iv) (v) | 6,156 | 5,080 |
| **Total current trade and other payables** | **47,931** | **44,823** |
| | | |
| **Non-Current** | | |
| Amounts payable to Republic of Senegal (iii) (vi) | 10,946 | - |
| **Total other non-current liabilities** | **10,946** | **-** |
| **Total payables** | **58,877** | **44,823** |

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

(ii) Government royalties are payable annually based on the mine head value of the gold and related substances produced. During the second quarter of 2013, $9.9 million of 2012 royalties were paid to the Republic of Senegal.

(iii) An intended payment of $3.7 million is payable to the Republic of Senegal in four equal annual instalments is calculated on the basis of $6.50 for each ounce of new reserve until December 31, 2012. One payment was made during the second quarter of 2013 and of the remaining three payments, one has been presented as a current liability and the remaining two payments have been presented as other non-current liabilities and recorded at a discounted value. Refer to notes 15 and 26 for further details.

(iv) An accrual of $1.2 million remains at September 30, 2013 related to the tax settlement of the Sabodala Gold Operations SA ("SGO") 2012 tax assessment. During the second quarter of 2013, $2.6 million was paid in full settlement of the Sabodala Mining Company 2013 tax assessment and in partial settlement of the SGO 2012 tax assessment. The remaining balance has been classified as a current liability. Refer to notes 15 and 26 for further details.

(v) The Company has also agreed to advance accrued dividends, calculated based on a gold price of $1,600 per ounce. For the period ended September 30, 2013, approximately $4.0 million has been accrued based on net sales revenue. Refer to note 26 for further details.

(vi) The Company has agreed to make a payment of $15.0 million to the Republic of Senegal at the end of the operational life to establish a social development fund. The payment, after applying a discount rate has been accrued for the quarter ended September 30, 2013. Refer to notes 15 and 26 for further details.

## 17. BORROWINGS

| | As at September 30, 2013 | As at December 31, 2012 |
|---|---|---|
| **Current** | | |
| Loan facility | 16,000 | - |
| Finance lease liabilities | 12,775 | 10,506 |
| Transaction costs | (1,111) | (91) |
| **Total current borrowings** | **27,664** | **10,415** |
| | | |
| **Non-Current** | | |
| Loan facility | 44,000 | 60,000 |
| Finance lease liabilities | 7,386 | - |
| Transaction costs | (2,611) | (1,807) |
| **Total non-current borrowings** | **48,775** | **58,193** |
| **Total borrowings** | **76,439** | **68,608** |

*Macquarie Finance Lease Facility*

During the first quarter of 2013, the Company entered into a new $50 million finance lease facility with Macquarie ("Equipment Facility"). The lease facility replaces the finance lease facility previously in place with Sociéte 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 Equipment Facility requires compliance with financial covenants, all of which were fulfilled at September 30, 2013.

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

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. At September 30, 2013, $20.2 was outstanding. The balance of $24.5 million will be reserved for future drawn downs for purchases of mining equipment, as required.

*Macquarie Loan Facility*

During the third quarter of 2013, the Company amended its existing $60 million loan facility agreement with Macquarie ("Loan Facility"). The amended agreement extended the final repayment date of its existing loan facility agreement by one year to June 30, 2015. $40 million of the loan facility will be repaid in five equal quarterly installments of $8 million beginning on June 30, 2014. The final $20 million will be repaid with the final installment on June 30, 2015.

The Company is required to maintain a restricted cash balance of up to $20 million, at lower gold price and Company is permitted to withdraw a portion of the $20 million restricted cash balance, such that the Project Life Ratio is no less than 2.2:1. As at September 30, 2013, the Project Life Ratio was greater than 2.2:1.

*Sprott Loan Facility*

In the first quarter of 2013, Oromin entered into a $5 million credit agreement with Sprott Resource Lending Partnership ("Facility"). Under the Facility agreement, all amounts outstanding became payable upon a change of control. As at August 6, 2013, Oromin had an outstanding loan payable balance of $3.7 million, which was repaid during the third quarter.

## 18. FINANCIAL DERIVATIVE LIABILITIES

During the second quarter of 2013, the Company bought back the remaining 14,500 ounces "out of the money" gold forward sales contracts at a cost of $8.6 million. At September 30, 2013, there is no remaining financial derivative liability.

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.

## 19. PROVISIONS

| | As at September 30, 2013 | As at December 31, 2012 |
|---|---|---|
| **Current** | | |
| Employee benefits (i) | 1,868 | 1,940 |
| **Total current provisions** | **1,868** | **1,940** |
| | | |
| **Non-Current** | | |
| Mine restoration and rehabilitation (ii) | 9,451 | 9,377 |
| Cash settled share based compensation (iii) | 161 | 935 |
| **Total non-current provisions** | **9,612** | **10,312** |
| **Total provisions** | **11,480** | **12,252** |

(i) The provisions for employee benefits include $1.4 million accrued vacation and $0.5 million long service leave entitlements for the period ended September 30, 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 | 74 |
| **Balance at September 30, 2013** | **9,451** |

(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 29(b).

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

## 20. ISSUED CAPITAL

| | Number of shares | Amount |
|---|---|---|
| **Common shares issued and outstanding** | | |
| Balance at January 1, 2012 and December 31, 2012 | 245,618,000 | 305,412 |
| Issued to Oromin shareholders | 48,645,840 | 23,487 |
| Less: Share issue costs | - | (180) |
| **Balance at September 30, 2013** | 294,263,840 | 328,719 |

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.

## 21. AVAILABLE FOR SALE FINANCIAL ASSETS

As part of the acquisition of the Sabodala gold mine and regional land package by way of Demerger from MDL, Teranga acquired 18,699,500 common shares of Oromin, classified as available for sale in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

For the three months ended September 30, 2013, the Company recognized a non-cash gain of $0.5 million and for the nine months ended September 30, 2013, non-cash impairment losses of $4.0 million were recognized on the Oromin shares. The gain was recognized at the date of the acquisition of Oromin based on the fair value of Oromin's shares on that date. The impairment losses for the nine months ended September 30, 2013 were based on further declines in Oromin's share price. This compares to no non-cash impairment loss for the three months ended September 30, 2012 and to a non-cash impairment loss of $11.9 million for the nine months ended September 30, 2012.

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 | (9,448) |
| Foreign exchange loss | (431) |
| Consolidation of Oromin upon acquisition of control | (5,131) |
| **Balance at September 30, 2013** | **-** |

As part of the acquisition of Oromin, the Company acquired Oromin's investment of 1,197,906 shares of Lund Gold Ltd. ("Lund") of $0.02 million with a market value at August 6, 2013 of $0.015 per share. For the period ended September 30, 2013, the Company recognized a non-cash impairment loss of $0.01 million based on further declines in Lund's share price.

## 22. 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

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

## 23. EARNINGS PER SHARE (EPS)

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| Basic EPS (US$) | (0.00) | 0.11 | 0.20 | 0.16 |
| Diluted EPS (US$) | (0.00) | 0.11 | 0.20 | 0.16 |
| Basic EPS: | | | | |
| Net profit/(loss) used in the calculation of basic EPS | (442) | 26,033 | 51,737 | 38,372 |
| Weighted average number of common shares for the purposes of basic EPS ('000) | 274,700 | 245,618 | 255,418 | 245,618 |
| Weighted average number of common shares for the purpose of diluted EPS ('000) | 274,700 | 245,618 | 255,418 | 245,618 |

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 23.9 million and 16.5 million shares relating to share options that were anti-dilutive for the periods ended September 30, 2013 and September 30, 2012, respectively.

## 24. COMMITMENTS FOR EXPENDITURE

### a. Capital Expenditure Commitments

The Company has committed to spend a total of $0.1 million over the remainder of 2013 in respect of the mining equipment supply contract.

### b. 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 per annum on social development of local authorities in the surrounding Tambacounda region during the term of the Mining Concession.
- $30 per year for logistical support of the territorial administration of the region from date of notification of the Mining Concession.
- $200 per year on training of Directorate of Mines and Geology officers and Mines Ministry

### c. Oromin Commitments

Pursuant to Oromin's lease agreement which was extended in July 2012, the Company holds a lease on its office premises in Vancouver, Canada, which terminates May 31, 2018. The Company is committed to lease payments with annual amounts payable of approximately $235.

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

## 25. LEASES

| | As at September 30, 2013 | | As at 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 | 12,775 | 11,664 | 10,506 | 10,415 |
| Later than one year and not later than five years | 7,386 | 6,811 | - | - |
| **Total finance lease liabilities** | **20,161** | **18,475** | **10,506** | **10,415** |
| Included in the financial statements as: | | | | |
| Current | 12,775 | 11,664 | 10,506 | 10,415 |
| Non-current | 7,386 | 6,811 | - | - |

The finance loan relates to the Macquarie Finance Lease Facility ("Equipment Facility"), with a remaining lease term of eighteen 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.

## 26. CONTINGENT LIABILITIES

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

### a. Settled and outstanding tax assessments

During the second quarter of 2013, the Company made a payment of $1.4 million in full settlement of the Sabodala Mining Company SARL ("SMC") tax assessment received in January 2013. The Company also made a payment of $1.2 million in partial settlement of the Sabodala Gold Operations SA ("SGO") tax assessment received in December 2012. The final payment for the tax settlement of $1.2 million has been accrued and is expected to be paid in early 2014.

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

### b. Government Payments

During the second quarter of 2013, the Company made a payment of $2.7 million related to accrued dividends to the Republic of Senegal in respect of its existing 10% minority interest. A payment of $2.7 million will be required once drilling activities recommence at Niakafiri. The Company has also agreed to advance an estimated $8.0 million of accrued dividends to be paid in 2014 and 2015 which was estimated based on a gold price of $1,600 per ounce. For the three months ended September 30, 2013, approximately $1.0 million has been accrued based on net sales revenue ($3.0 million for the nine months ended September 30, 2013).

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

The Company has agreed to establish a social development fund targeted at $15.0 million, payable to the Republic of Senegal at the end of the operational life. The payment, after applying a discount rate, has been accrued for the quarter ended June 30, 2013.

### c. OJVG tax assessment

In 2012, the OJVG received a tax assessment from the Senegalese tax authorities claiming withholding tax on payments made to third parties during 2009 to 2012 and $1.3 million was accrued during this period. During the third quarter of 2013, OJVG received a revised tax assessment for approximately $0.7

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

million, including penalties and accordingly reversed $0.6 million of the original accrual. The Company believes that the remaining amount in dispute is largely without merit and that these issues will be resolved with lower amount of tax due.

### d. Bendon International Ltd. ("Bendon")

Bendon International Ltd. ("Bendon") claims the making and completion of the takeover bid by Teranga Gold Corporation ("TGZ") to acquire Oromin Explorations Ltd. ("OLE") (the "Takeover Bid") constitutes a violation of the terms of the OJVG shareholders agreement, as amended (the "Shareholders Agreement") by Sabodala Holdings Limited ("SHL") and that OLE and TGZ are inducing SHL to commit such a breach of its obligations thereunder. Bendon seeks a declaration of the breach of the Shareholders Agreement against SHL, declarations of inducement to commit such breach against OLE and TGZ, interlocutory and permanent injunctions preventing the Takeover Bid, unspecified damages, pre and post-judgment interest, costs, and such further relief as may be appropriate. Bendon alleges that the Shareholders Agreement precludes any transfer of any party's shares in the OJVG prior to commencement of commercial production and implies that this restriction applies not just to SHL but to its parent OLE.

TGZ Response: The Shareholders Agreement restriction on transfer prior to commencement of commercial production does not extend to the parent company of SHL and if it was intended to cover that scenario specific words would or should have been used. Further all existing OLE public disclosure indicates no such transfer restriction exists as it relates to OLE. Teranga believes the lawsuit is without merit and further that there are no grounds for including Teranga as a party. Teranga intends to vigorously defend its position with the advice of its counsel, Stikeman Elliot LLP.

On June 26, 2013, Teranga served a copy of the Notice of Motion and accompanying affidavit to counsel for Bendon and to Oromin by fax.

## 27. CASH FLOW INFORMATION

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| **Changes in working capital** | | | | |
| Decrease/(increase) in trade and other receivables | 4,511 | (16,063) | 1,146 | (1,214) |
| Decrease/(increase) in other assets | (1,769) | 1,295 | 33 | (1,593) |
| Decrease/(increase) in inventories | (3,227) | 2,066 | (2,171) | (13,867) |
| Increase/(decrease) in trade and other payables | 2,350 | (14,778) | (5,653) | 74 |
| Increase/(decrease) in provisions | (21) | (12) | (106) | 6 |
| **Net change in working capital** | **1,844** | **(27,492)** | **(6,751)** | **(16,594)** |

## 28. FINANCIAL INSTRUMENTS

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

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

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

| | Financial assets | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **September 30, 2013** | | | | |
| Available-for-sale financial assets | 6 | - | - | **6** |
| **Total** | 6 | - | - | **6** |
| **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 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **September 30, 2013** | | | | |
| Derivative financial liabilities | - | - | - | **-** |
| **Total** | - | - | - | **-** |
| **December 31, 2012** | | | | |
| Derivative financial liabilities | - | 51,548 | - | **51,548** |
| **Total** | - | **51,548** | - | **51,548** |

## 29. SHARE BASED COMPENSATION

The share based compensation expense for the three months and nine months ended September 30, 2013 totaled $0.4 million and $0.7 million, respectively (2012: $1.3 million and $3.7 million).

### a. Incentive Stock Option Plan

No commons share options were granted in the third quarter of 2013 and 820,000 options were granted for the nine months ended September 30, 2013 to directors and employees (2012: 600,000 and 2,520,000 common share options).

During the three and nine months ended September 30, 2013, a total of 802,500 and 1,953,334 options were forfeited, respectively (2012: 748,890 and 3,590,556 options). No stock options were exercised during the nine months ended September 30, 2013 and September 30, 2012.

In connection with the acquisition of Oromin during the third quarter, Teranga issued 7,911,600 replacement stock options.

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The following stock options were outstanding as at September 30, 2013:

| Option series | Number | Grant date | Expiry date | Exercise price (C$) | FV at grant date (C$) |
|---|---|---|---|---|---|
| Granted on November 26, 2010 | 7,113,333 | 26-Nov-10 | 26-Nov-20 | 3.00 | 1.19 |
| Granted on December 3, 2010 | 2,225,000 | 03-Dec-10 | 03-Dec-20 | 3.00 | 1.19 |
| Granted on February 9, 2011 | 725,000 | 09-Feb-11 | 09-Feb-21 | 3.00 | 0.99 |
| Granted on April 27, 2011 | 25,000 | 27-Apr-11 | 27-Apr-21 | 3.00 | 0.80 |
| Granted on June 14, 2011 | 455,000 | 14-Jun-11 | 14-Jun-21 | 3.00 | 0.94 |
| Granted on August 13, 2011 | 370,000 | 13-Aug-11 | 13-Aug-21 | 3.00 | 0.82 |
| Granted on December 20, 2011 | 1,538,611 | 20-Dec-11 | 20-Dec-21 | 3.00 | 0.61 |
| Granted on February 24, 2012 | 810,000 | 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 | 383,889 | 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 |
| Granted on May 14, 2013 | 190,000 | 14-May-13 | 14-May-23 | 3.00 | 0.82 |
| Granted on June 3, 2013 | 120,000 | 03-Jun-13 | 03-Jun-23 | 3.00 | 0.71 |
| Granted on August 6, 2013 | 573,600 | 06-Aug-13 | 06-Feb-15 | 1.09 | * |
| Granted on August 6, 2013 | 45,000 | 06-Aug-13 | 06-Feb-15 | 1.50 | * |
| Granted on August 6, 2013 | 4,437,600 | 06-Aug-13 | 06-Feb-15 | 1.54 | * |
| Granted on August 6, 2013 | 120,000 | 06-Aug-13 | 06-Feb-15 | 1.87 | * |
| Granted on August 6, 2013 | 2,735,400 | 06-Aug-13 | 06-Feb-15 | 2.17 | * |

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

As at September 30, 2013, approximately 8.6 million options were available for issuance under the Plan.

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

Of the 23,917,433 common share stock options issued and outstanding as at September 30, 2013, 15,830,833 vest over a three-year period, 7,911,600 vested immediately 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 September 30, 2013, 16,005,833 share options had a contractual life of ten years at issuance and 7,911,600 share options issued in connection with the acquisition of Oromin have a contractual life of 18 months.

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

*Fair value of stock options granted*

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

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| Grant date share price | C$0.50 | C$2.11 | C$0.50-C$1.44 | C$$2.10-C$2.58 |
| Exercise price | C$1.09-C$2.17 | C$3.00 | C$1.09-C$3.00 | C$3.00 |
| Range of risk-free interest rate | 1.15% | 1.32% | 1.03%-1.21% | 0.99%-1.43% |
| Volatility of the expected market price of share | 67.3% | 61.6% | 67.28%-68.30% | 43.7%-61.62% |
| Expected life of options | 1.50 | 5.00 | 1.50-3.50 | 1.25-5.00 |
| Dividend yield | 0% | 0% | 0% | 0% |
| Forfeiture rate | 5% | 6% | 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.

*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 | 820,000 | C$3.00 |
| Replacement stock options issued to Oromin employees on change of control | 7,911,600 | C$3.00 |
| Forfeited during the period | (1,953,334) | C$3.00 |
| **Balance at end of the period - September 30, 2013** | **23,917,433** | **C$3.00** |
| Number of options exercisable - December 31, 2012 | 10,736,662 | |
| Number of options exercisable - September 30, 2013 | 19,738,771 | |

There were no options exercised during the nine months period ended September 30, 2013 and September 30, 2012.

## b. Fixed Bonus Plan

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

As at September 30, 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 September 30, 2013 in the range of C$0.03 to C$0.16 per Unit. The total fair value of the Units at September 30, 2013 was $0.2 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.

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

*Fair value of Units granted*

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

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| Share price at the end of the period | C$0.67 | C$2.20 | C$0.67 | C$2.20 |
| Exercise price | C$3.00 | C$3.00 | C$3.00 | C$3.00 |
| Range of risk-free interest rate | 1.18%-1.86% | 1.07%-1.30% | 1.18%-1.86% | 1.07%-1.30% |
| Volatility of the expected market price of share | 66.71%-68.3% | 43.70%-61.62% | 66.71%-68.3% | 43.70%-61.62% |
| Expected life of options | 2.00-5.00 | 1.25-5.00 | 2.00-5.00 | 1.25-5.00 |
| Dividend yield | 0% | - | 0% | 0% |
| Forfeiture rate | 5%-50% | 6%-30% | 5%-50% | 6%-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.

## 30. NON-CONTROLLING INTERESTS

| | SGO | Oromin | Total |
|---|---|---|---|
| **Balance at January 1, 2013** | **11,857** | **-** | **11,857** |
| Acquisition of Oromin | - | 11,005 | **11,005** |
| Share of income/(loss) | 8,624 | (157) | **8,467** |
| Decrease in non-controlling interest[(i)] | (7,672) | - | **(7,672)** |
| **Balance at September 30, 2013** | **12,809** | **10,848** | **23,657** |

(i) Represents dividends received and accrued by SGO.

## 31. 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.

Included in the acquisition of the issued and outstanding common shares of Oromin, the Company acquired a 43.5 percent participating interest in the OJVG. The Company has applied the equity method of accounting for its interest.

### 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

At September 30, 2013, the Company has a receivable of $220 due from the OJVG for project management fees.