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SEPTEMBER QUARTER REPORT

Toronto, Canada: November 8, 2012

For a full explanation of Financial, Operating and Exploration results please see the Interim Condensed Consolidated Financial Statements as at and for the period ended September 30, 2012 and the associated Management's Discussion & Analysis at www.terangagold.com.

Highlights

- **Record third quarter profit of $21.3 million ($0.09 per share), compared to a loss of $24.8 million ($0.10 loss per share) in the same prior year period, an increase of $46.1 million.**
- **Third quarter 2012 production totalled 55,107 ounces of gold, also a Company record, and a 103 percent increase over the same quarter in 2011.**
- **Third quarter 2012 total cash costs of $594 per ounce were 36 percent lower than the same quarter in 2011.[1]**
- **The Company remains on track to meet its full year production guidance of 210,000 to 225,000 ounces at total cash costs of $600 to $650 per ounce.**
- **During the third quarter 2012, the Company delivered 29,000 ounces of production into forward sales contracts, reducing the balance outstanding to 93,395 ounces. The balance is expected to decline to 66,000 ounces at year end and be fully extinguished by August 2013.**
- **Exploration at the Sabodala deposit Increases Measured and Indicated Resources to 2.0 million ounces, an increase of approximately 670,000 ounces or 43 percent, before production (approximately 500,000 ounces net of production).**
- **Measured and Indicated Resources at Gora also increased to 374,000 ounces, an increase of approximately 160,000 ounces or 74 percent.**
- **Initial Inferred Resources at Masato declared at approximately 700,000 ounces.**
- **The Company's liquidity continues to improve, even as it extinguishes its hedge book and lowers its payables balance, with $30.6 million in cash, cash equivalents, and bullion receivable together with 4,150 ounces in bullion inventory at September 30, 2012 rising to $39.5 million, including $31.2 in cash and cash equivalents, at November 1, 2012.**

"During the third quarter we continued to build out our corporate and site management teams adding depth which I believe will serve us well as we execute on our growth plans. One of the keys to our success is the creation of a Technical Services Group in our Corporate Office lead by Paul Chawrun. I am also very pleased for Richard Young who has stepped into the CEO role, we have worked together for over 20 years, and I am very much looking forward to continuing to grow this Company with him over the coming years", said Alan R. Hill, Executive Chairman.

Operating Highlights

- Gold production for the third quarter of 2012 was 55,107 ounces, 103 percent higher than the same prior year period due to higher grade ore processed combined with higher mill throughput as a result of the completion of the mill expansion.

- Gold sold for the three months ended September 30, 2012 totalled 62,439 ounces compared to 27,574 ounces sold in the same prior year period, an increase of 126 percent. Ounces sold during the third quarter of 2012 were higher than produced due to the drawdown of gold in circuit from the previous quarter when the mill had reduced ability to pour gold during the tie-ins for the mill expansion. As a result, at September 30, 2012, gold in circuit and gold bullion inventory decreased by 7,337 ounces to 13,046 ounces.

- Total cash costs for the three months ended September 30, 2012 were $594 per ounce sold compared to $928 per ounce in the same prior year period, a reduction of 36 percent. Total cash costs and depreciation per ounce

[1] Total cash costs per ounce sold is a common financial performance measure in the gold mining industry but has no standard meaning under IFRS. For a definition of this metric, please see page 8 of this press release.

sold were $810 per ounce for the three months ended September 30, 2012 compared to $1,168 per ounce in the same prior year period.[2]

- Total tonnes mined for the three months ended September 30, 2012 were more than 10 percent higher compared to the same prior year period due to increased fleet capacity and improved productivity in the mining operation.

- Ore tonnes milled for the three months ended September 30, 2012 were 12 percent higher than the same prior year period mainly due to an increase in mill capacity as a result of the completion of the mill expansion. Throughput for the fourth quarter is expected to increase with commissioning now complete and the end of the wet season which will allow for better flow rates in the crushing circuit.

- The Company remains on track to produce between 210,000 – 225,000 ounces in 2012, an increase of approximately 65 percent over 2011, while total cash costs are expected to decline approximately 20 percent to between $600 to $650 per ounce, in line with guidance for the year. As a result of the delay in completion and commissioning of the mill expansion production is expected to be at the lower end of the range of our production guidance for the year. Production for October was 22,735 ounces, during a month in which we transitioned from the wet to dry season, keeping us on track to meet our production guidance for the full year.

"Gross profit increased 298 percent for the third quarter and 130 percent year to date due to the improved operating performance at Sabodala; resulting in a swing from a loss position a year ago to profitability" said Richard Young, President and CEO.

Exploration Highlights

Exploration at the Sabodala deposit increases Measured and Indicated Resources to 2.0 million ounces, an increase of approximately 670,000 ounces or 43 percent, before production (approximately 500,000 ounces net of production)

- The 2012 drill program is designed to deepen the ultimate pit and, if successful, to add upwards of 500,000 to 1 million ounces by mid-2013, based on drilling intercepts to date, at grades between 1.5 gpt and 2 gpt.[3] Recent results in the third quarter of 2012 advanced the mineralized extents at Sabodala to the NE, SE, SW and to depth in the north, with the key in-pit drilling to extend the high grade intercepts of a year ago still to come.

- Measured Resources at the Sabodala pit total 27.1 million tonnes grading 1.25 gpt and Indicated Resources total 31.5 million tonnes grading 0.96 gpt. Inferred Resources total 12.4 million tonnes grading 0.87 gpt.

- As a result of the mine planning work completed in the first quarter of 2012, we have focused the majority of the drilling effort this year into expanding the Sabodala open pit reserves. During the third quarter of 2012, Reverse Circulation ("RC") and Diamond Drilling ("DD") on the Mine License ("ML") totalled 22,000 metres at a cost of $7.0 million. Year to date, a total of $20 million has been spent on just over 85,000 metres of drilling. Based on the results to date, the budget for the ML has been increased from $20 million to $25 million to continue with the resource expansion and conversion program at the Sabodala pit.

Measured and Indicated Resources at Gora also increased to 374,000 ounces, an increase of approximately 160,000 ounces or 74 percent.

- The feasibility study is scheduled to be completed in the fourth quarter 2012 for submission before year end as part of the Environmental and Social Impact Assessment.

- Optimization work during the third quarter increased Measured and Indicated Resources to 373,717 ounces of gold, an increase of approximately 160,000 ounces or 74 percent over the previous estimate.

- Measured Resources at the Gora deposit total 0.487 million tonnes grading 5.27 gpt and Indicated Resources total 1.84 million tonnes grading 4.93 gpt. Inferred Resources total 0.21 million tonnes grading 3.38 gpt. The increase in resources reflects the inclusion of all outstanding assays and continued refinement of the resource model.

[2] Total cash costs per ounce sold and total cash costs and depreciation per ounce sold are common financial performance measures in the gold mining industry but have no standard meaning under IFRS. For a definition of these metrics, please see page 8 of this press release.
[3] This exploration target is not a Mineral Resource. The potential quality and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

Operational and Financial Highlights

		Three months ended September 30,		Nine months ended September 30,	
		2012	2011	2012	2011
			restated		restated
Operating results					
Ore mined	('000t)	655	1,008	3,877	2,258
Waste mined	('000t)	6,242	5,085	17,688	17,082
Total mined	('000t)	6,897	6,093	21,565	19,340
Strip ratio	w aste/ore	9.5	5.0	4.6	7.6
Ore milled	('000t)	650	582	1,713	1,840
Head grade	(g/t)	3.11	1.64	2.94	1.79
Recovery rate	%	84.6	88.3	87.7	89.4
Gold produced (1)	(oz)	55,107	27,082	142,506	94,766
Gold sold	(oz)	62,439	27,574	136,210	102,471
Average realized price received	$/oz	1,290	1,174	1,489	1,152
Total cash cost (incl. royalties) (2)	$/oz sold	594	928	629	773
Total depreciation per ounce	$/oz sold	216	241	210	253
Total production cost per ounce	$/oz sold	810	1,169	839	1,026
Mining (cost/t mined)		2.7	2.6	2.6	2.2
Milling (cost/t milled)		21.9	18.0	20.6	16.6
G&A (cost/t milled)		5.8	6.6	6.0	5.6
Financial results (US$000)					
Revenue		105,014	46,678	227,550	155,811
Cost of sales		(51,033)	(33,133)	(116,021)	(107,288)
Gross profit		53,981	13,545	111,529	48,523
Exploration and evaluation expenditures		(2,041)	(8,845)	(13,958)	(20,199)
Losses on gold hedge contracts		(18,981)	(25,756)	(24,299)	(44,663)
Profit/(Loss) attributable to shareholders		21,336	(24,808)	31,143	(32,764)

	As at September 30,	
Financial position (US$000)	2012	2011
Cash and cash equivalents (3)	14,767	25,788
Net assets	315,250	299,272
Borow ings	75,038	17,306

Note (1): Gold produced includes change in gold in circuit inventory plus gold recovered during the period.
Note (2): Total cash costs per ounce sold for three and nine months ended September 30, 2011 were restated to comply with the Company's new accounting policies for measuring and recording ore stockpile costs, and reporting total cash costs after inventory movement, in line with the Company's accounting policies and industry standards.
Note (3) Cash and cash equivalents include short term investments over 90 days and restricted cash

Review of Operating Results

Mining

Total tonnes mined for the three and nine months ended September 30, 2012 were more than 10 percent higher compared to the same prior year periods due to increased fleet capacity and improved productivity in the mining operation. Drilling and loading availabilities benefited from the addition of three new blast hole drill rigs and four new haul trucks and implementation of better maintenance practices. During the last few weeks of the third quarter 2012, mining activities were negatively impacted by lower haul truck availability due to delays in delivery of tires. This issue was remediated subsequent to the period end with the delivery of tires by the Mine's existing supplier and the sourcing of additional tires via a new supplier. This may be an ongoing issue for the Company and the industry over the next several quarters. Year to date, fewer ore tonnes have been mined than planned but at better grades (average grade mined was just under 2 gpt, approximately 30 percent higher than the reserve model) resulting in an increase in ounces mined compared to plan. In calculating 2011 year end reserves, Management lowered the capping level on high grade intersections, resulting in an underestimation of grade in this area of the ore body.

During the third quarter, the Company finalized the purchase of five additional haul trucks and one shovel to accelerate the mining rate of the Sabodala deposit which we expect will increase the production rate in 2013 and beyond. Two of the new haul trucks are expected before year end while the balance of three trucks and the shovel are expected to be delivered and commissioned in the second quarter of 2013.

Unit mining costs for the three and nine months ended September 30, 2012 were on plan but higher compared to the prior year periods mainly due to higher fuel consumption due to longer haul distances and higher costs for blasting consumables.

Milling

Ore tonnes milled for the three months ended September 30, 2012 were 12 percent higher than the same prior year period mainly due to an increase in the mill capacity as a result of the completion of the mill expansion. Mill throughput for the third quarter was about 20 percent lower than plan mainly due to the delay in completion and commissioning of the crushing circuit as part of the mill expansion. Throughput for the fourth quarter is expected to increase with commissioning now complete and the end of the wet season which will allow for better flow rates in the crushing circuit.

Ore tonnes milled for the nine months ended September 30, 2012 were 7 percent lower than the same prior year period mainly due to harder ore in 2012 compared to the softer material that was available in 2011 as well as due to the shutdowns relating to tie-ins for the mill expansion during the second quarter, partially offset by the increase in the milling capacity during the third quarter.

Year to date, the average grade processed is higher than plan, mainly due to better than planned mined grades and lower throughput as a result of the delay in completion and commissioning of the crushing circuit (highest grade material processed first).

Unit processing costs for the three months ended September 30, 2012 were 21 percent higher than the same prior year period primarily due to higher consumption of Heavy Fuel Oil (“HFO”) used for power generation, higher costs and consumption of grinding media, due to harder ore processed, and higher costs for reagents, partly offset by lower HFO prices.

Unit processing costs for the nine months ended September 30, 2012 were 24 percent higher than the same prior year period primarily due to lower throughput rates, higher consumption of grinding media, due to harder ore processed, and higher reagent costs, partly offset by lower HFO prices.

General and Administration

General and administration costs for the three and nine months ended September 30, 2012 totaled $3.8 million and $10.4 million, respectively, compared to $3.9 million and $10.3 million in the same prior year periods.

Average Realized Gold Price[4]

During the third quarter 2012, 62,439 gold ounces were sold at an average realized price of $1,290 per ounce with 29,000 ounces delivered into gold hedge contracts at an average price of $831 per ounce and 33,439 ounces sold at an average spot price of $1,688 per ounce. During the same prior year period, 27,574 ounces were sold at an average realized price of $1,174 per ounce with 16,615 ounces delivered into gold hedge contracts at $846 per ounce and 10,959 ounces sold into the spot market at an average spot price of $1,673 per ounce. During the nine months ended September 30, 2012, 136,210 ounces were sold at an average realized price of $1,489 per ounce with 29,000 ounces delivered into gold hedge contracts at $831 per ounce and 107,210 ounces sold at an average spot price of $1,667 per ounce. During the same prior year period, 102,471 ounces were sold at an average realized price of $1,152 per ounce with 53,615 ounces delivered into gold hedge contracts at $846 per ounce and 48,856 ounces sold at an average spot price of $1,489 per ounce.

[4] “Average realized price” is a financial measure with no standard meaning under IFRS. For a definition of this metric, please see page 8 of this press release.

Total Cash Costs[5]

Total cash costs for the third quarter 2012 were $37.1 million compared to $25.6 million in the same prior year period. Total cash costs for the three months ended September 30, 2012 were $594 per ounce sold compared to $928 per ounce in the same prior year period, a reduction of 36 percent. Total cash costs for the nine months ended September 30, 2012 were $85.7 million or $629 per ounce sold compared to $79.2 million or $773 per ounce sold in the same prior year period. The decrease in cash costs per ounce sold is due to higher ounces sold, partially offset by higher mining and processing costs.

Review of Financial Results

Profit for the Period

Profit for the three and nine months ended September 30, 2012 was $21.3 million and $31.1 million, respectively, compared to losses of $24.8 million and $32.8 million in the same prior year periods. Earnings per share for the three and nine months ended September 30, 2012 were $0.09 and $0.13, compared to losses of $0.10 and $0.13 per share in the same prior year periods. The increase in profit and earnings per share was primarily due to an increase in gross profit from higher revenues, lower regional exploration expenditures and lower unrealized gold hedge losses.

Revenue

Gold revenue for the three and nine months ended September 30, 2012 was $105.0 million and $227.6 million, respectively, compared to gold revenue of $46.7 million and $155.8 million for the same prior year periods. The increase in gold revenue was driven by both higher gold sales and higher spot gold prices.

Revenues exclude the impact of gold hedges, as realized losses on ounces delivered into gold hedge contracts are classified within realized and unrealized gains/losses on gold hedge contracts.

Cost of Sales

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	Current	Restated (i)	Current	Restated (i)
Mine production costs	36,830	30,423	102,985	85,628
Depreciation and amortization	14,940	7,101	34,707	26,359
Royalties	3,121	1,334	6,802	4,483
Rehabilitation	9	92	13	351
Inventory movements	(3,867)	(5,817)	(28,486)	(9,533)
Total cost of sales	**51,033**	**33,133**	**116,021**	**107,288**

(i) The Company adopted changes to certain accounting policies effective January 1, 2012 that have been retrospectively applied to the three and nine months ended September 30, 2011. See "Interim Condensed Consolidated Financial Statements – Change in Accounting Policies

Mine production costs totaled $36.8 million and $103.0 million for the three and nine months ended September 30, 2012, respectively, compared to $30.4 million and $85.6 million for the same prior year periods. Mine production costs increased mainly due to higher tonnes mined and milled.

Depreciation and amortization for the three and nine months ended September 30, 2012 totaled $14.9 million or $216 per ounce sold and $34.7 million or $210 per ounce sold, respectively, in comparison with $7.1 million or $241 per ounce sold and $26.4 million or $253 per ounce sold for the same prior year periods. Higher total depreciation expense is due to an increase in ounces sold compared to the prior year periods as well as the impact of new mobile equipment purchased at the end of 2011 and the completion of the mill expansion in the second quarter of this year. Depreciation and amortization expense for the fourth quarter 2012 is expected to increase as gold production and sales increase and will be similar on per ounce basis to the current quarter.

Royalties for the three and nine months ended September 30, 2012 increased to $3.1 million and $6.8 million, respectively, compared to $1.3 million and $4.5 million in the same prior year periods due to more ounces sold at higher spot gold prices. Royalties are calculated at 3 percent of the average spot price of gold during the periods.

[5] Total cash costs per ounce sold is a common financial performance measure in the gold mining industry but has no standard meaning under IFRS. For a definition of this metric, please see page 8 of this press release.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures totaled $2.0 million and $14.0 million for the three and nine months ended September 30, 2012 compared to $8.8 million and $20.2 million in the same prior year periods reflecting regional exploration costs incurred during the period related to drill programs as well as target identification work underway. Exploration and evaluation expenditures for 2012 are expected to total approximately $15 million, approximately $5 million less than was budgeted as Management focuses its efforts on the conversion of resources to reserves on the Mine License.

Gains/Losses on Gold Hedge Contracts

The loss on gold hedge contracts totaled $19.0 million for the third quarter of 2012 compared to a loss of $25.8 million for the third quarter of 2011. For the nine months ended September 30, 2012 and 2011 the loss on gold hedge contracts totaled $24.3 million and $44.7 million, respectively. The decrease in losses for the three months and nine months ended September 30, 2012 compared to the same prior year periods is mainly due to deliveries into the gold hedge book reducing the outstanding hedge position to 93,395 ounces of gold as at September 30, 2012. The total mark-to-market loss on the remaining 93,395 ounces of gold under gold hedge contracts recorded as a financial derivative liability decreased to $90.6 million at September 30, 2012 as the average forward price of the remaining contracts at $815 per ounce is marked to the quarter end spot price of $1,782 per ounce.

Outlook

The Company remains on track to produce between 210,000 – 225,000 ounces in 2012, an increase of approximately 65 percent over 2011, while total cash costs for the year are expected to decline approximately 20 percent to between $600 to $650 per ounce, in line with guidance for the year. As a result of the delay in completion and commissioning of the mill expansion, production is expected to be at the lower end of the range of our production guidance for the year. Production for October was 22,735 ounces, during a month in which we transitioned from the wet to dry season, keeping us on track to meet our production guidance for the full year.

The gold forward sales contracts declined during the third quarter 2012 by 29,000 ounces to 93,395 ounces as at September 30, 2012. Forward sales contracts are expected to decline to 66,000 ounces at December 31, 2012 and are scheduled to be fully extinguished by August 2013.

In total, between capitalized mine site exploration and regional exploration expenditures, the Company expects to spend approximately $40 million in calendar 2012, in line with guidance for the year, however more is expected to be spent on conversion of resources to reserves on the Mine License and less on the systematic Regional Land Package exploration program.

Capital expenditures, excluding capitalized exploration costs, for 2012 are expected to total $50 million, an increase of $10 million from our previous guidance in our second quarter 2012 report to shareholders and a $20 million increase over our original guidance for the year. During the third quarter of 2012 the Company finalized a contract to purchase additional mining equipment to increase the mining rate in the Sabodala pit in the amount of $13.4 million, of which approximately $9 million is expected to be spent this year. The equipment is intended to be financed by a new equipment lease facility with Macquarie Bank Limited (“Macquarie”) which is expected to be finalized before year end. The new facility will provide $50 million of equipment financing and will be used to refinance the existing Société Générale lease facility.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2012 the Company had cash and cash equivalents of $14.8 million, bullion receivable of $15.8 million and 4,150 ounces in gold bullion inventory (as at November 1, 2012: the Company had $31.2 million in cash and cash equivalents and approximately $8 million in bullion receivable). Cash balances decreased from the June quarter end primarily due to a reduction in the accounts payable balance and an increase in accounts receivable due to the timing of gold shipments. Management believes that cash and cash equivalents at September 30, 2012, together with expected future cash flows from operations will improve the Company’s liquidity, and is expected to be sufficient to support the Company’s minimum operating requirements without the need for additional equity financing. The gold forward sales contracts declined during the third quarter 2012 by 29,000 ounces to 93,395 ounces as at September 30, 2012. Forward sales contracts are expected to decline to 66,000 ounces at December 31, 2012 and are scheduled to be fully extinguished by August 2013.

About half of the remaining 2012 capital expenditures, excluding capitalized exploration costs, of $16 million are expected to be financed by a new equipment lease facility with Macquarie which is expected to be finalized before year end. The new facility will provide $50 million of equipment financing and will be used to refinance the existing Société Générale lease facility.

In addition, the Company continues to review the merits of various debt facilities to provide additional flexibility to execute its growth strategy. Such incurrence of debt may be in the form of one or more borrowings of 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 put a new facility in place.

PLANT EXPANSION

The new mill and downstream processing plant were commissioned in the second quarter. The secondary crusher and new stockpile/reclaim facilities were completed at the end of the second quarter and commissioned in the third quarter this year. Some redesign of chutes and screens is required before next years' rainy season to improve ore flow rates in the crushing circuit during rainy season.

MINE LICENSE EXPLORATION ("ML")

The primary objective of the 2012 drill program on the Sabodala Mine License is to expand the Sabodala Mine open pit reserves. Pit optimization work completed earlier this year defined a larger pit shell that serves as a guide to our current drill program.

The 2012 drill program is designed to deepen the ultimate pit and, if successful, to add upwards of 500,000 to 1 million ounces by mid-2013, based on drilling intercepts to date, at grades between 1.5 gpt and 2 gpt.[6] Recent results in the third quarter of 2012 advanced the mineralized extents at Sabodala to the NE, SE, SW and to depth in the north, with the key in pit drilling to extend the high grade intercepts of a year ago still to come.

As at September 1, 2012, Measured and Indicated Resources at the Sabodala pit have increased by approximately 0.7 million ounces to 2.0 million ounces, a 43 percent increase over Measured and Indicated Resources reported as at December 31, 2011, before production (approximately 500,000 ounces net of production). Measured Resources at the Sabodala pit total 27.1 million tonnes grading 1.25 gpt and Indicated Resources total 31.5 million tonnes grading 0.96 gpt. Inferred Resources total 12.4 million tonnes grading 0.87 gpt.

As a result of the mine planning work completed in the first quarter of 2012, we have focused the majority of the drilling effort this year into expanding the Sabodala open pit reserves. During the third quarter of 2012, Reverse Circulation ("RC") and Diamond drilling ("DD") on the ML totaled 22,000 meters at cost of $7.0 million. Year to date, a total of $20 million has been spent on just over 85,000 meters of drilling. Based on the results to date, the budget for the ML has been increased from $20 million to $25 million to continue with the resource expansion and conversion program at the Sabodala pit.

Masato

Drilling in 2011 delineated mineralization with an approximate strike length of 500 metres and a down dip extent of 200 metres on the Mine Lease property.

The objectives for Masato in 2012 include further definition drilling by in-filling and extending the mineralized zones identified in 2011. During the third quarter of 2012, five vein models were generated based on geologic interpretations and assay results, extending between 120 metres and 1,100 metres along strike, and between 70 metres and 400 metres down dip. An initial Inferred Resource is estimated at 19.2 million tonnes averaging 1.15 gpt gold, totaling approximately 700,000 ounces gold, above a 0.35 gpt Au cut-off.

REGIONAL EXPLORATION ("RLP")

There are currently 40 drill targets that have been identified on the Company's approximately 1,330 km² RLP, subject to the ultimate renewal of Sabodala North West permit, all within trucking distance of the mill. All 40 targets are expected to be drill tested in 2012-2013. A further 20 targets have been evaluated with surface sampling or trenching.

Due to the heavy wet season no drilling took place during the third quarter of 2012. The drill rigs were shut down for servicing or deployed to the ML program and this allowed the large backlog of gold assays to be reduced.

For full drill results from our regional exploration program please see the Company's website.

Gora

The feasibility study is expected to be completed in the fourth quarter 2012 for submission before year end as part of the Environmental and Social Impact Assessment. Optimization work during the third quarter increased Measured and Indicated Resources to 373,717 ounces of gold, an increase of approximately 160,000 ounces or 74 percent over the previous estimate. Measured Resources at the Gora deposit total 0.487 million tonnes grading 5.27 gpt and Indicated Resources total 1.84 million tonnes grading 4.93 gpt. Inferred Resources total 0.21 million tonnes grading 3.38 gpt. The increase in resources reflects the inclusion of all outstanding assays and continued refinement of the resource model.

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[6] This exploration target is not a Mineral Resource. The potential quality and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

Saiensoutou

During third quarter 2012, results were received for the infill Rotary Air Blast ("RAB") drilling program completed at Saiensoutou during the second quarter. This program returned a number of mineralized intercepts (>0.2 gpt cut-off, Aqua Regia Assays), which includes:

Saiensoutou		
HOLE ID(1)	FROM (m)	INTERSECTION(2)
SARB0117	26	18m @ 0.6 g/t
SARB0120	2	20m @ 1 g/t
SARB0134	18	18m @ 1.5 g.t
SARB0145	10	6m @ 3 g/t
SARB0164	30	20m @ 2.3 g/t
SARB0163	32	10m @ 0.6 g/t
SARB0245	24	18m @ 0.9 g/t
SARB0248	8	14m @ 0.8 g/t

(1) Drill hole results are disclosed as they are received and due to location and depth of holes, not all results are available at the same time nor are they processed sequentially.
(2) True widths to be determined.

These gold intersections broadly cluster into three sub-parallel NS trends, which extend for at least 1.2 km in strike length

A program of 6,000 meters of RC drilling is scheduled for later this year or early next year to allow first pass testing of these gold bearing trends.

Toumboumba (Sabodala NW)

Toumboumba is a shear vein system hosted in the Falombou granite and has the potential for a small, shallow, oxide deposit, located 10 km from the Sabodala mill. This prospect consists of 18 north-south to north-east trending gold anomalous zones identified from RAB drilling during 2011.

During the third quarter 2012, this exploration permit reached its natural expiration, and as of the date hereof has not yet been renewed by the Senegalese Ministry of Mines. During the third quarter Sabodala Mining Company, along with its joint venture partner, applied for an extraordinary extension, pursuant to its rights under the Senegalese Mining Code, for an additional renewal based on discoveries made to date (most notably Toumboumba) and in order to complete drilling on targets within the perimeter to determine whether an economically feasible deposit exists within its boundaries. A renewal of a reduced foot print of 90 km^2 remains under consideration by the Ministry of Mines.

NON-IFRS FINANCIAL MEASURES

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

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

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

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

"Total depreciation 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 and total depreciation per ounce sold are calculated as follows:

		Three months ended September 30,		Nine months ended September 30,	
		2012	2011	2012	2011
			restated		restated
Gold produced	oz	55,107	27,082	142,506	94,766
Gold sold	oz	62,439	27,574	136,210	102,471
Cost of sales [(1)]	($'000)	51,033	33,133	116,021	107,288
Less: depreciation and amortization	($'000)	(14,940)	(7,101)	(34,707)	(26,359)
Less: realized oil hedge gain	($'000)	(444)	(391)	(1,572)	(1,528)
Add: non-cash inventory movement	($'000)	1,476	464	6,053	386
Less: other adjustments	($'000)	(10)	(528)	(127)	(593)
Total cash costs	($'000)	**37,115**	**25,577**	**85,668**	**79,194**
Total cash costs per ounce sold	**$/oz**	**594**	**928**	**629**	**773**
Depreciation and amortization	($'000)	14,940	7,101	34,707	26,359
Non - cash inventory movement	($'000)	(1,476)	(464)	(6,053)	(386)
Total depreciation and amortization	($'000)	**13,464**	**6,637**	**28,654**	**25,973**
Total depreciation per ounce sold	**$/oz**	**216**	**241**	**210**	**253**
Total cash costs and depreciation per ounce sold	**$/oz**	**810**	**1,169**	**839**	**1,026**

Note (1): Cost of sales include 3 percent royalty payable to the Government of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

TERANGA GOLD CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME / LOSS

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
Revenue	105,014	46,678	227,550	155,811
Cost of sales	(51,033)	(33,133)	(116,021)	(107,288)
Gross profit	**53,981**	**13,545**	**111,529**	**48,523**
Exploration and evaluation expenditures	(2,041)	(8,845)	(13,958)	(20,199)
Administration expenses	(3,079)	(3,312)	(12,376)	(9,062)
Share based compensation	(1,295)	(2,271)	(3,676)	(8,959)
Finance costs	(3,031)	(555)	(4,978)	(2,043)
Losses on gold hedge contracts	(18,981)	(25,756)	(24,299)	(44,663)
Gains/(losses) on oil hedge contracts	361	(2,373)	(308)	(1,374)
Net foreign exchange (losses)/ gains	(1,630)	2,983	(1,124)	4,273
Impairment of available for sale financial asset	-	-	(11,917)	-
Other income	8	173	30	790
	(29,688)	**(39,956)**	**(72,606)**	**(81,237)**
Profit/(loss) before income tax	**24,293**	**(26,411)**	**38,923**	**(32,714)**
Income tax expense	-	-	-	(139)
Profit/(loss) for the period	**24,293**	**(26,411)**	**38,923**	**(32,853)**
Profit/(loss) attributable to:				
Shareholders	21,336	(24,808)	31,143	(32,764)
Non-controlling interests	2,957	(1,603)	7,780	(89)
Profit/(loss) for the period	**24,293**	**(26,411)**	**38,923**	**(32,853)**
Other comprehensive income/(loss):				
Exchange differences arising on translation of Teranga corporate entity	-	(4,805)	(63)	(2,807)
Change in fair value of available for sale financial asset, net of tax	3,407	(412)	4,726	(4,414)
Other comprehensive income/(loss) for the period	**3,407**	**(5,217)**	**4,663**	**(7,221)**
Total comprehensive income/(loss) for the period	**27,700**	**(31,628)**	**43,586**	**(40,074)**
Total comprehensive income/(loss) attributable to:				
Shareholders	24,743	(30,025)	35,806	(39,985)
Non-controlling interests	2,957	(1,603)	7,780	(89)
Total comprehensive income/(loss) for the period	**27,700**	**(31,628)**	**43,586**	**(40,074)**
Earnings/(losses) per share from operations attributable to the shareholders of the Company during the period				
- basic earnings/(losses) per share	0.09	(0.10)	0.13	(0.13)
- diluted earnings/(losses) per share	0.09	(0.10)	0.13	(0.13)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

TERANGA GOLD CORPORATION

STATEMENTS OF FINANCIAL POSITION

(Unaudited and in US$'000)

	As at September 30, 2012	As at December 31, 2011
Current assets		
Cash and cash equivalents	14,767	7,470
Short-term investments	-	593
Restricted cash	-	3,004
Trade and other receivables	18,900	20,447
Inventories	71,363	48,365
Financial derivative assets	940	2,288
Other assets	6,490	12,751
Available for sale financial assets	13,115	19,800
Total current assets	**125,575**	**114,718**
Non-current assets		
Inventories	43,640	31,942
Financial derivative assets	-	532
Property, plant and equipment	251,825	238,510
Mine development expenditure	106,608	89,825
Intangible assets	1,501	1,085
Total non-current assets	**403,574**	**361,894**
Total assets	**529,149**	**476,612**
Current liabilities		
Trade and other payables	38,202	43,238
Borrowings	14,878	16,468
Financial derivative liabilities	90,556	79,241
Provisions	1,960	1,954
Total current liabilities	**145,596**	**140,901**
Non-current liabilities		
Financial derivative liabilities	-	50,318
Provisions	10,073	9,215
Borrowings	58,230	7,509
Total non-current liabilities	**68,303**	**67,042**
Total liabilities	**213,899**	**207,943**
Equity		
Issued capital	305,412	305,412
Foreign currency translation reserve	(998)	(935)
Equity-settled share based compensation reserve	15,594	12,599
Investment revaluation reserve	3,407	(1,319)
Accumulated losses	(12,232)	(43,375)
Equity attributable to shareholders	**311,183**	**272,382**
Non-controlling interests	4,067	(3,713)
Total equity	**315,250**	**268,669**
Total equity and liabilities	**529,149**	**476,612**

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

TERANGA GOLD CORPORATION

STATEMENTS OF CHANGES IN EQUITY

(Unaudited and in US$'000)

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Issued capital		
At January 1	305,412	305,502
Share issue cost	-	(90)
At September 30	305,412	305,412
Foreign currency translation reserve		
At January 1	(935)	1,011
Exchange difference arising on translation of Teranga corporate entity	(63)	(2,807)
At September 30	(998)	(1,796)
Equity-settled share based compensation reserve		
At January 1	12,599	1,733
Equity-settled share based compensation reserve	2,995	9,106
At September 30	15,594	10,839
Investment revaluation reserve		
At January 1	(1,319)	(940)
Change in fair value of available for sale financial asset	4,726	(4,414)
Impairment	-	-
At September 30	3,407	(5,354)
Accumulated losses		
At January 1	(43,375)	(34,332)
Profit/(loss) attributable to shareholders	31,143	(32,764)
At September 30	(12,232)	(67,096)
Non-controlling interests		
At January 1	(3,713)	(7,637)
Non-controlling interest - portion of profit for the period	7,780	(89)
At September 30	4,067	(7,726)
Total equity at September 30	**315,250**	**234,279**

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

TERANGA GOLD CORPORATION

STATEMENTS OF CASH FLOW

(Unaudited and in US$'000)

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
Cash flows related to operating activities				
Profit/(loss) for the period	24,293	(26,411)	38,923	(32,853)
Depreciation of property, plant and equipment	12,049	5,111	27,539	19,457
Depreciation of capitalized mine development costs	3,046	2,023	7,456	7,200
Amortization of intangibles	153	104	451	341
Amortization of borrowing costs	342	68	561	221
Unwinding of discount	23	-	68	-
Share based compensation	1,295	2,271	3,676	8,959
Net change in (gains)/losses on gold hedge	(5,320)	11,540	(2)	7,335
Net change in losses on oil hedge	82	2,763	1,880	2,903
Buyback of gold hedge sales contracts	-	-	(39,000)	-
Income tax paid	-	-	-	139
Impairment of available for sale financial asset	-	-	11,917	-
Changes in working capital	(35,813)	(9,494)	(37,423)	(15,535)
Net cash provided by/(used in) operating activities	**150**	**(12,025)**	**16,046**	**(1,833)**
Cash flows related to investing activities				
Decrease in restricted cash	-	-	3,004	-
Redemption of short-term investments	-	2,437	592	85
Expenditures for property, plant and equipment	(6,318)	(19,059)	(32,892)	(37,988)
Expenditures for mine development	(7,432)	(4,590)	(24,239)	(9,707)
Acquisition of intangibles	(464)	(393)	(867)	(1,005)
Net cash used in investing activities	**(14,214)**	**(21,605)**	**(54,402)**	**(48,615)**
Cash flows related to financing activities				
Proceeds from issuance of capital stock, net of issue costs	-	-	-	(491)
Loan facility, net of borrowing cost paid	-	-	57,977	-
Repayment of borrowings	(4,532)	(2,799)	(12,265)	(6,299)
Drawdown from finance lease facility, net of financing cost paid	-	-	2,862	-
Interest paid on borrowings	(1,791)	(229)	(2,343)	(676)
Net cash (used in)/provided by financing activities	**(6,323)**	**(3,028)**	**46,231**	**(7,466)**
Effect of exchange rates on cash holdings in foreign currencies	(405)	(934)	(578)	188
Net increase / (decrease) in cash and cash equivalents held	**(20,792)**	**(37,592)**	**7,297**	**(57,726)**
Cash and cash equivalents at the beginning of financial period	**35,559**	**55,699**	**7,470**	**75,833**
Cash and cash equivalents at the end of financial period	**14,767**	**18,107**	**14,767**	**18,107**

CORPORATE DIRECTORY

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

Senior Management
Alan Hill, Executive Chairman
Richard Young, President and CEO
Mark English, Vice President, Sabodala Gold 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
Martin Pawlitschek, Regional Exploration Manager, SMC
Bruce Van Brunt, Business Development Manager, SGO

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Auditor
Deloitte & Touche LLP

Share Registries
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T: +1 800 564 6253
Australia: Computershare Investor Services Pty Ltd
T: 1 300 850 505

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

FORWARD LOOKING STATEMENTS

Certain information included in this quarterly report, including any information as to the Company's strategy, projects, exploration programs, joint venture ownership positions, plans, future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute "forward-looking statements". The words "believe", "expect", "will", "intend", "anticipate", "project", "plan", "estimate", "on track" and similar expressions identify forward looking statements. Such forward-looking statements are necessarily based upon a number of estimates, assumptions, opinions and analysis made by management in light of its experience that, while considered reasonable, may turn out to be incorrect and involve known and unknown risks, uncertainties and other factors, in each case that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements. Such forward-looking statements are not guarantees of future performance. These assumptions, risks, uncertainties and other factors include, but are not limited to: assumptions regarding general business and economic conditions; conditions in financial markets and the future financial performance of the company; the impact of global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future cash flows; the supply and demand for, deliveries of, and the level and volatility of the worldwide price of gold or certain other commodities (such as silver, fuel and electricity); fluctuations in currency markets, including changes in U.S. dollar and CFA Franc interest rates; risks arising from holding derivative instruments; adverse changes in our credit rating; level of indebtedness and liquidity; ability to successfully complete announced transactions and integrate acquired assets; legislative, political or economic developments in the jurisdictions in which the Company carries on business; operating or technical difficulties in connection with mining or development activities; employee relations; availability and costs associated with mining inputs and labor; the speculative nature of exploration and development, including the risks of obtaining necessary licenses and permits and diminishing quantities or grades of reserves; changes in costs and estimates associated with our projects; the accuracy of our reserve estimates (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based; contests over title to properties, particularly title to undeveloped properties; the risks involved in the exploration, development and mining business, as well as other risks and uncertainties which are more fully described in the Company's A.I.F. and in other Company filings with securities and regulatory authorities which are available at www.sedar.com. Accordingly, readers should not place undue reliance on such forward looking statements. Teranga expressly disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

COMPETENT PERSONS STATEMENT

The technical information in this quarterly report that relates to exploration results and mineral resource estimates within the Mining License is based on information compiled by Mr. Bruce Van Brunt, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr. Van Brunt is a full time employee of Teranga and not independent. Mr. Van Brunt has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code of Reporting of exploration Results, Mineral Resources and Ore Reserves". Mr. Van Brunt is a "Qualified Person" in accordance with National Instrument 43-101 and he consents to the inclusion of this information in the form and context in which it appears in this report.

The technical information in this quarterly report that relates to the exploration results and targets within the regional exploration program are based on information compiled by Mr. Martin Pawlitschek, who is a member of the Australian Institute of Geoscientists. Mr. Pawlitschek is our full time employee and is not "independent" within the meaning of National Instrument 43-101. Mr. Pawlitschek has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Pawlitschek is a "Qualified Person" in accordance with NI 43-101 and he consents to the inclusion of this information in the form and context in which it appears in this report.

For further information please contact: Kathy Sipos, Vice President of Investor & Stakeholder Relations:

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E: ksipos@terangagold.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2012

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TERANGA
GOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial condition 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, 2012, in comparison to the corresponding prior-year periods. The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements ("Statements") of Teranga Gold Corporation ("Teranga" or the "Company") as at and for the three and nine months ended September 30, 2012 as well as with the audited consolidated financial statements of Teranga as at and for the fifteen months ended December 31, 2011. The Company's Statements 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, 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 7, 2012. All references to the Company include its subsidiaries unless the context requires otherwise.

This 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 was created to acquire the Sabodala gold mine and a large regional exploration land package, located in Senegal, West Africa, along with shares held in Oromin Explorations Ltd. ("Oromin") from Mineral Deposits Limited ("MDL"), collectively referred to as the Sabodala Gold Assets.

The Sabodala gold mine, which came into operation in 2009, is located 650 km east of the capital of Senegal, Dakar, within the West African Birimian geological belt in Senegal, and about 90 km from major gold mines in Mali. As of December 31, 2011, the Sabodala gold mine had proven and probable reserves of approximately 1.70 million ounces of gold included in measured and indicated resources of 2.14 million ounces of gold and inferred mineral resources of 1.51 million ounces of gold. In addition to the Sabodala Mine License, the Company holds one of the largest exploration land positions in south-eastern Senegal with a direct or majority controlling joint venture interest in eleven exploration permits currently permitting exploration activity on approximately 1,330 km^2. Management believes that the combination of its operations and prospective land position provides the basis for growth in reserves, production, earnings and cash flow as new discoveries are made and processed through the Company's existing mill.

Our Mission

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

Our Vision

To become a preeminent gold producer in West Africa while setting the benchmark for responsible mining.

Phase 1: Become a mid-tier gold producer in Senegal with 250,000 to 350,000 ounces of annual gold production with existing infrastructure

Phase 2: Increase annual gold production to 400,000 to 500,000 ounces

GROWTH STRATEGY

The Company's objective is to increase reserves and production, which in turn should increase earnings and cash flow, through both internal exploration discoveries and strategic acquisitions. The Company is devoting significant resources to exploring its land package with a view of leveraging the existing infrastructure and processing plant which was recently expanded from a nominal capacity of 2 million tonnes per annum ("Mtpa") to approximately 4 Mtpa. The Company remains on track to produce between 210,000 – 225,000 ounces in 2012, an increase of approximately 65 percent over 2011, while total cash costs[1] for the year are expected to decline approximately 20 percent to between $600 to $650 per ounce, in line with guidance for the year. As a result of the delay in completion and commissioning of the mill expansion production is expected to be at the lower end of the range of our production guidance for the year.

During the third quarter the Company added depth to its management team to focus on growth. Alan Hill was appointed Executive Chairman, formerly Chairman and Chief Executive Officer and Richard Young was appointed President and Chief Executive Officer, formerly President and Chief Financial Officer. Mark English was also promoted to Vice President, Sabodala Operations, formerly Manager, Sabodala Gold Operations. In addition, Navin Dyal and Paul Chawrun were appointed Vice President and Chief Financial Officer and Vice President, Technical Services, respectively. Mr. Chawrun is heading a new Technical Service Group being set up at the Company's corporate office in Toronto to provide additional technical services to the Sabodala operations.

Exploration results in 2011 and 2012 support management's belief of the potential to expand upon existing gold mineralization by an additional 20 to 30 million tonnes at grades between 1.5 and 2.0 grams per tonne ("gpt") for a total inventory of 2.5 to 3.5 million ounces from the Company's 33km^2 Mining License ("ML") by mid-year 2013[2]. This would increase the mine life to approximately 15 years at a production rate of about 200,000 ounces of gold produced annually and provide a solid production base to build on through the ML and Regional Exploration Program.

The larger gold inventory base is expected to result from the success of deepening the Sabodala pit to the north along the Main Flat Extension ("MFE") and now to the south-west, extension of the Masato pit onto the ML, and conversion of Niakafiri resources to reserves. As at September 1, 2012, Measured and Indicated Resources at the Sabodala pit have increased by approximately 0.7 million ounces to 2.0 million ounces, a 43 percent increase over Measured and Indicated Resources reported as at December 31, 2011, before production (approximately 500,000 ounces net of production). Based on the results to date, the 2012 budget for the ML has been increased from $20 million to $25 million to continue with the resource expansion and conversion program at the Sabodala pit.

In addition to the exploration program on the ML, the Company has interests in 11[3] exploration permits, collectively referred to as the Regional Land Package ("RLP"), in which active drill programs are underway or planned on targets located on these exploration permits that management believes have strong potential for at least smaller high-grade or oxide deposits as well as the potential for world-class (+ 5 million ounce) discoveries similar to those found on the same gold belt in Mali approximately 90 km from the Sabodala mine. Therefore, management is pursuing an extensive multi-year exploration program designed to test over 60 anomalies, targets and prospects that have already been identified as requiring additional analysis, as well as identify new targets for testing. The Regional Exploration Program budget for 2012 is now expected to total approximately $15 million for the year to continue the systematic drilling and evaluation program. The first of the regional exploration targets, referred to as Gora, has advanced, subject to receipt of all permits, from an exploration project to a development project, as exploration drilling has confirmed a small high-grade deposit. The feasibility study is scheduled to be completed in the fourth quarter 2012 for submission before year end as part of the Environmental and Social Impact Assessment. Optimization work during the third quarter increased Measured and Indicated Resources to 374,000 ounces of gold, an increase of approximately 160,000 ounces or 74 percent over the previous estimate. Management is targeting permitting of Gora to be completed in 2013. The Company expects the free cash flow from operations to self-fund the extensive exploration program and development of new satellite deposits.

There are currently 40 drill targets that have been identified on the Company's approximately 1,330km² RLP, subject to the ultimate renewal of Sabodala North West permit, all within trucking distance of the mill. All 40 targets are expected to be drill tested in 2012-2013. A further 20 targets have been evaluated with surface sampling or trenching. Due to the heavy wet season no drilling took place during the third quarter of 2012. The drill rigs were shut down for servicing or deployed to the ML program and this allowed the large backlog of gold assays to be reduced. The Company's RLP will be reduced to approximately 1,200 km² once all anticipated exploration permit renewals are confirmed later this year.

Beyond the current RLP, the Company is focused on acquiring additional exploration licenses in Senegal. The Company also expects to augment its internal growth by strategic acquisitions of companies or assets including operating assets that have growth potential or attractive exploration packages initially in Senegal but ultimately elsewhere in West Africa.

[1] Total cash costs per ounce sold is a common financial performance measure in the gold mining industry but has not standard meaning under IFRS. For a definition of this metric, please see page 10 of this Management's Discussion and Analysis.
[2] This exploration target is not a Mineral Resource. The potential quality and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.
[3] The Company's joint venture interest in the Sabodala North West is subject to an extraordinary renewal application given the expiration of its normal 10 year validation period earlier in 2012. A renewal of a reduced foot print of 90 km^2 remains under consideration by the Ministry of Mines.

CONSOLIDATED RESULTS

(US$000's)	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	Current	Restated (i)	Current	Restated (i)
Revenue	105,014	46,678	227,550	155,811
Cost of sales	(51,033)	(33,133)	(116,021)	(107,288)
	53,981	**13,545**	**111,529**	**48,523**
Exploration and evaluation expenditures	(2,041)	(8,845)	(13,958)	(20,199)
Administration expenses	(3,079)	(3,312)	(12,376)	(9,062)
Share based compensation	(1,295)	(2,271)	(3,676)	(8,959)
Finance costs	(3,031)	(555)	(4,978)	(2,043)
Losses on gold hedge contracts	(18,981)	(25,756)	(24,299)	(44,663)
Gains/(losses) on oil hedge contracts	361	(2,373)	(308)	(1,374)
Net foreign exchange (losses)/gains	(1,630)	2,983	(1,124)	4,273
Impairment of available for sale financial asset	-	-	(11,917)	-
Other income	8	173	30	790
Profit/(loss) before income tax	**24,293**	**(26,411)**	**38,923**	**(32,714)**
Income tax expense	-	-	-	(139)
Profit/(loss) for the period	**24,293**	**(26,411)**	**38,923**	**(32,853)**
Profit/(loss)attributable to non-controlling interest	2,957	(1,603)	7,780	(89)
Profit/(loss) attributable to shareholders of Teranga	**21,336**	**(24,808)**	**31,143**	**(32,764)**
Basic earnings/(losses) per share	0.09	(0.10)	0.13	(0.13)

(i) The Company adopted changes to certain accounting policies effective January 1, 2012 that have been retrospectively applied to the three and nine months ended September 30, 2011. See "Interim Condensed Consolidated Financial Statements – Change in Accounting Policies"

Review of Financial Results

Profit for the Period

Profit for the three and nine months ended September 30, 2012 was $21.3 million and $31.1 million, respectively, compared to losses of $24.8 million and $32.8 million in the same prior year periods. Earnings per share for the three and nine months ended September 30, 2012 were $0.09 and $0.13, compared to losses of $0.10 and $0.13 per share in the same prior year periods. The increase in profit and earnings per share was primarily due to an increase in gross profit from higher revenues, lower regional exploration expenditures and lower unrealized gold hedge losses.

Revenue

Gold revenue for the three and nine months ended September 30, 2012 was $105.0 million and $227.6 million, respectively, compared to gold revenue of $46.7 million and $155.8 million for the same prior year periods. The increase in gold revenue was driven by both higher gold sales and higher spot gold prices.

Revenues exclude the impact of gold hedges, as realized losses on ounces delivered into gold hedge contracts are classified within gains/losses on gold hedge contracts.

Cost of Sales

	Three months ended September 30,		Nine months ended September 30,	
	2012 Current	2011 Restated (i)	2012 Current	2011 Restated (i)
Mine production costs	36,830	30,423	102,985	85,628
Depreciation and amortization	14,940	7,101	34,707	26,359
Royalties	3,121	1,334	6,802	4,483
Rehabilitation	9	92	13	351
Inventory movements	(3,867)	(5,817)	(28,486)	(9,533)
Total cost of sales	**51,033**	**33,133**	**116,021**	**107,288**

(i) The Company adopted changes to certain accounting policies effective January 1, 2012 that have been retrospectively applied to the three and nine months ended September 30, 2011. See "Interim Condensed Consolidated Financial Statements – Change in Accounting Policies"

Mine production costs totaled $36.8 million and $103.0 million for the three and nine months ended September 30, 2012, respectively, compared to $30.4 million and $85.6 million for the same prior year periods. Mine production costs increased mainly due to higher tonnes mined and milled.

Depreciation and amortization for the three and nine months ended September 30, 2012 totaled $14.9 million or $216 per ounce sold and $34.7 million or $210 per ounce sold, respectively, in comparison with $7.1 million or $241 per ounce sold and $26.4 million or $253 per ounce sold for the same prior year periods. Higher total depreciation expense is due to an increase in ounces sold compared to the prior year periods as well as the impact of new mobile equipment purchased at the end of 2011 and the completion of the mill expansion in the second quarter of this year. Depreciation and amortization expense for the fourth quarter 2012 is expected to increase as gold production and sales increase and will be similar on per ounce basis to the current quarter.

Royalties for the three and nine months ended September 30, 2012 increased to $3.1 million and $6.8 million, respectively, compared to $1.3 million and $4.5 million in the same prior year periods due to more ounces sold at higher spot gold prices. Royalties are calculated at 3 percent of the average spot price of gold during the periods.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures totaled $2.0 million and $14.0 million for the three and nine months ended September 30, 2012 compared to $8.8 million and $20.2 million in the same prior year periods reflecting regional exploration costs incurred during the period related to drill programs as well as target identification work underway. Exploration and evaluation expenditures for 2012 are expected to total approximately $15 million, approximately $5 million less than was budgeted as Management focuses its efforts on the conversion of resources to reserves on the Mine License.

Administrative Expenses

Administrative expenses for the three and nine months ended September 30, 2012 totaled $3.1 million and $12.4 million, respectively, compared to $3.3 million and $9.1 million in the same prior year periods. Administrative expenses were higher for the nine months period due to higher employee costs, higher legal fees and corporate social responsibility costs. Administration expense, which includes costs of the corporate and Dakar offices as well as community and social responsibility expenses are expected to total approximately $16 million for 2012.

Share Based Compensation

During the three and nine months ended September 30, 2012 a total of 600,000 and 2,520,000 common share options, respectively, were granted to directors and employees while 748,890 and 3,590,556 stock options were forfeited during the same periods. During the three and nine months ended September 30, 2011 a total of 370,000 and 1,855,000 common share options, respectively, were granted to directors and employees while 30,000 and 254,444 stock options were forfeited during the same periods. No share options were exercised during the three and nine months ended September 30, 2012 and 2011. Forfeited stock options were result of employee departures as well as replacement of certain stock options with Fixed Bonus Plan Units.

Management continuously refines employee compensation packages to ensure that the Company is able to hire and retain the best employees available. In the third quarter 2012, the Company introduced a new Incentive Fixed Bonus Plan to further augment the Company's compensation package to provide improved compensation flexibility to be able to hire and retain the best employees. The Fixed Bonus Plan units issued under this plan are not convertible into Company stock and are simply redeemed by way of cash payment by the Company.

During the three months ended September 30, 2012 a total of 1,440,000 Fixed Bonus Plan Units, at an exercise price of $3.00 per unit, were granted to employees. No fixed bonus units were forfeited or exercised during the period.

Under IFRS the accelerated method of amortization is applied to share based compensation which results in about 70 percent of the cost of share options being expensed in the first year of grant. For those options which vest on single or multiple dates, either on issuance or upon meeting certain milestones (the "measurement date"), the entire fair value of the vesting options is recognized immediately on the measurement date.

Fixed Bonus Plan Units granted are fair valued at the end of each reporting period using the Black-Scholes option pricing model.

As at September 30, 2012, 16,546,666 common share options were issued and outstanding, of which 16,371,666 vest over a three-year period and 175,000 vest based on the achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized as milestones are achieved and the value can be reasonably measured.

Finance Costs

Finance costs reflect interest costs related to the mobile equipment loan outstanding, amortization of capitalized borrowing costs, consulting fees for financial advisory services, political risk insurance relating to the project finance facility, bank charges and interest related to amounts payable to the government of Senegal in connection with our mining license.

Finance costs for the three and nine months ended September 30, 2012 totaled $3.0 million and $5.0 million, respectively, compared to $0.6 million and $2.0 million in the same prior year periods. The increase in finance costs was mainly due to higher interest costs on borrowings.

Gains/Losses on Gold Hedge Contracts

The loss on gold hedge contracts totaled $19.0 million for the third quarter of 2012 compared to a loss of $25.8 million for the third quarter of 2011. For the nine months ended September 30, 2012 and 2011 the loss on gold hedge contracts totaled $24.3 million and $44.7 million, respectively. The decrease in losses for the three months and nine months ended September 30, 2012 compared to the same prior year periods is mainly due to deliveries into the gold hedge book reducing the outstanding hedge position to 93,395 ounces of gold as at September 30, 2012. The total mark-to-market loss on the remaining 93,395 ounces of gold under gold hedge contracts recorded as a financial derivative liability decreased to $90.6 million at September 30, 2012 as the average forward price of the remaining contracts at $815 per ounce is marked to the quarter end spot price of $1,782 per ounce.

Gains/Losses on Oil Hedge Contracts

Gains on oil hedge contracts for the three months ended September 30, 2012 totaled $0.4 million compared to a loss of $2.4 million in the same prior year period. Losses on oil hedge contracts for the nine months ended September 30, 2012 totaled $0.3 million compared to a $1.4 million in the same prior year period. The decrease in loss on oil hedge contracts is due to an increase in fuel prices partially offset by fewer contracts outstanding.

The Company's oil hedge contracts are based on West Texas Intermediate spot oil prices; however site fuel costs are based on Brent crude spot oil prices. During 2011 and continuing into the third quarter of 2012, a historic gap in spot prices developed between the two exchanges, resulting in our oil hedges being less effective. The difference in the average spot prices of $17 per barrel in the third quarter of 2012 and $16 per barrel in the nine months ended September 30, 2012 negatively impacted our total cash costs per ounce.

Net Foreign Exchange Losses/Gains

The Company generated foreign exchange losses of $1.6 million and $1.1 million for the three and nine months ended September 30, 2012 compared to foreign exchange gains of $3.0 million and $4.3 million in the same prior year periods, primarily related to realized losses or gains from the Sabodala gold mine operating costs recorded in the local currency and translated into the US dollar functional currency.

Impairment of available for sale financial asset

As a result of a continuous decline in the share price of Oromin during the first half of 2012, the Company recognized a non cash impairment loss of $11.9 million at June 30, 2012. The subsequent increase in fair value of the Oromin shares, included in available for sale financial assets, during the third quarter 2012 was recognized in other comprehensive income.

Outlook

The Company remains on track to produce between 210,000 – 225,000 ounces in 2012, an increase of approximately 65 percent over 2011, while total cash costs are expected to decline approximately 20 percent to between $600 to $650 per ounce, in line with guidance for the year. As a result of the delay in completion and commissioning of the mill expansion, production is expected to be at the lower end of the range of our production guidance for the year. Production for October was 22,735 ounces, during a month in which we transitioned from the wet to dry season, keeping us on track to meet our production guidance for the full year.

The gold forward sales contracts declined during the third quarter 2012 by 29,000 ounces to 93,395 ounces as at September 30, 2012. Forward sales contracts are expected to decline to 66,000 ounces at December 31, 2012 and are scheduled to be fully extinguished by August 2013.

In total, between capitalized mine site exploration and regional exploration expenditures, the Company expects to spend approximately $40 million in calendar 2012, in line with guidance for the year, however more is expected to be spent on conversion of resources to reserves on the Mine License and less on the systematic Regional Land Package exploration program.

Capital expenditures, excluding capitalized exploration costs, for 2012 are expected to total $50 million, an increase of $10 million from our previous guidance in our second quarter 2012 report to shareholders and a $20 million increase over our original guidance for the year. During the third quarter of 2012 the Company finalized a contract to purchase additional mining equipment to increase the mining rate in the Sabodala pit in the amount of $13.4 million, of which approximately $9 million is expected to be spent this year. The equipment is intended to be financed by a new equipment lease facility with Macquarie Bank Limited ("Macquarie") which is expected to be finalized before year end. The new facility will provide $50 million of equipment financing and will be used to refinance the existing Société Générale lease facility.

Review of Operations

Gold sold for the three months ended September 30, 2012 totaled 62,439 ounces, 34,865 ounces of 126 percent higher than 2011, at lower total cash of $594 per ounce compared to $928 per ounce in the same prior year period. Ounces sold during the third quarter of 2012 were higher than produced due to the drawdown of gold in circuit from the previous quarter when the mill had reduced ability to pour gold during the tie-ins for the mill expansion. As a result, at September 30, 2012, gold in circuit and gold bullion inventory decreased by 7,337 ounces to 13,046 ounces. Total cash costs for the three months ended September 30, 2012 were $594 per ounce sold compared to $928 per ounce in the same prior year period, a reduction of 36 percent. Gold sold for the nine months ended September 30, 2012 totaled 136,210 ounces, 33,739 ounces or 33 percent higher than 2011, at lower total cash cost of $629 per ounce compared to $773 per ounce in the same prior year period .

Production Statistics

		Three months ended September 30,		Nine months ended September 30,	
		2012	2011	2012	2011
			restated		restated
Operating results					
Ore mined	('000t)	655	1,008	3,877	2,258
Waste mined	('000t)	6,242	5,085	17,688	17,082
Total mined	('000t)	6,897	6,093	21,565	19,340
Strip ratio	waste/ore	9.5	5.0	4.6	7.6
Ore milled	('000t)	650	582	1,713	1,840
Head grade	(g/t)	3.11	1.64	2.94	1.79
Recovery rate	%	84.6	88.3	87.7	89.4
Gold produced (1)	(oz)	55,107	27,082	142,506	94,766
Gold sold	(oz)	62,439	27,574	136,210	102,471
Average price received	$/oz	1,290	1,174	1,489	1,152
Total cash cost (incl. royalties)(2)	$/oz sold	594	928	629	773
Mining (cost/t mined)		2.7	2.6	2.6	2.2
Milling (cost/t milled)		21.9	18.0	20.6	16.6
G&A (cost/t milled)		5.8	6.6	6.0	5.6

Note (1): Gold produced includes change in gold in circuit inventory plus gold recovered during the period.
Note (2): Total cash costs per ounce sold for three and nine months ended September 30, 2011 were restated to comply with the Company's new accounting policies for measuring and recording ore stockpile costs, and reporting total cash costs after inventory movement, in line with the Company's accounting policies and industry standards.

Mining

Total tonnes mined for the three and nine months ended September 30, 2012 were more than 10 percent higher compared to the same prior year periods due to increased fleet capacity and improved productivity in the mining operation. Drilling and loading availabilities benefited from the addition of three new blast hole drill rigs and four new haul trucks and implementation of better maintenance practices. During the last few weeks of the third quarter 2012, mining activities were negatively impacted by lower haul truck availability due to delays in delivery of tires. This issue was remediated subsequent to the period end with the delivery of tires by the Mine's existing supplier and the sourcing of additional tires via a new supplier. This may be an ongoing issue for the Company and the industry over the next several quarters. Year to date, fewer ore tonnes have been mined than planned but at better grades (average grade mined was just under 2 gpt, approximately 30 percent higher than the reserve model) resulting in an increase in ounces mined compared to plan. In calculating 2011 year end reserves, Management lowered the capping level on high grade intersections, resulting in an underestimation of grade in this area of the ore body.

During the third quarter, the Company finalized the purchase of five additional haul trucks and one shovel to accelerate the mining rate of the Sabodala deposit which we expect will increase the production rate in 2013 and beyond. Two of the new haul trucks are expected before year end while the balance of three trucks and the shovel are expected to be delivered and commissioned in the second quarter of 2013.

Unit mining costs for the three and nine months ended September 30, 2012 were on plan but higher compared to the prior year periods mainly due to higher fuel consumption due to longer haul distances and higher costs for blasting consumables.

Milling

Ore tonnes milled for the three months ended September 30, 2012 were 12 percent higher than the same prior year period mainly due to an increase in the mill capacity as a result of the completion of the mill expansion. Mill throughput for the third quarter was about 20 percent lower than plan mainly due to the delay in completion and commissioning of the crushing circuit as part of the mill expansion. Throughput for the fourth quarter is expected to increase with commissioning now complete and the end of the wet season which will allow for better flow rates in the crushing circuit.

Ore tonnes milled for the nine months ended September 30, 2012 were 7 percent lower than the same prior year period mainly due to harder ore in 2012 compared to the softer material that was available in 2011 as well as due to the shutdowns relating to tie-ins for the mill expansion during the second quarter, partially offset by the increase in the milling capacity during the third quarter.

Year to date, the average grade processed is higher than plan, mainly due to better than planned mined grades and lower throughput as a result of the delay in completion and commissioning of the crushing circuit (highest grade material processed first).

Unit processing costs for the three months ended September 30, 2012 were 21 percent higher than the same prior year period primarily due to higher consumption of Heavy Fuel Oil ("HFO") used for power generation, higher costs and consumption of grinding media, due to harder ore processed, and higher costs for reagents, partly offset by lower HFO prices.

Unit processing costs for the nine months ended September 30, 2012 were 24 percent higher than the same prior year period primarily due to lower throughput rates, higher consumption of grinding media, due to harder ore processed, and higher reagent costs, partly offset by lower HFO prices.

General and Administration

General and administration costs for the three and nine months ended September 30, 2012 totaled $3.8 million and $10.4 million, respectively, compared to $3.9 million and $10.3 million in the same prior year periods.

Gold Production

Gold production for the third quarter 2012 was 55,107 ounces, 103 percent higher than the same prior year period due to higher grade ore processed combined with higher mill throughput as a result of the completion of the mill expansion. Gold production for the nine months ended September 30, 2012 was 142,506 ounces, 50 percent higher than the same period last year, due to higher grade ore processed.

Average Realized Gold Price

During the third quarter 2012, 62,439 gold ounces were sold at an average realized price of $1,290 per ounce with 29,000 ounces delivered into gold hedge contracts at an average price[4] of $831 per ounce and 33,439 ounces sold at an average spot price of $1,688 per ounce. During the same prior year period, 27,574 ounces were sold at an average realized price of $1,174 per ounce with 16,615 ounces delivered into gold hedge contracts at $846 per ounce and 10,959 ounces sold into the spot market at an average spot price of $1,673 per ounce. During the nine months ended September 30, 2012, 136,210 ounces were sold at an average realized price of $1,489 per ounce with 29,000 ounces delivered into gold hedge contracts at $831 per ounce and 107,210 ounces sold at an average spot price of $1,667 per ounce. During the same prior year period, 102,471 ounces were sold at an average realized price of $1,152 per ounce with 53,615 ounces delivered into gold hedge contracts at $846 per ounce and 48,856 ounces sold at an average spot price of $1,489 per ounce.

NON-IFRS FINANCIAL MEASURES

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

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

"Total cash costs 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

[4] "Average realized price" is a financial measure with no standard meaning under IFRS. For a definition of this metric, please see page 10 of this Management's Discussion and Analysis.

considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure, along with sales, is considered to be a key indicator of a Company's ability to generate operating earnings and cash flow from its mining operations.

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

"Total depreciation 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 and total depreciation per ounce sold are calculated as follows:

		Three months ended September 30,		Nine months ended September 30,	
		2012	2011	2012	2011
			restated		restated
Gold produced	oz	55,107	27,082	142,506	94,766
Gold sold	oz	62,439	27,574	136,210	102,471
Cost of sales (1)	($'000)	51,033	33,133	116,021	107,288
Less: depreciation and amortization	($'000)	(14,940)	(7,101)	(34,707)	(26,359)
Less: realized oil hedge gain	($'000)	(444)	(391)	(1,572)	(1,528)
Add: non-cash inventory movement	($'000)	1,476	464	6,053	386
Less: other adjustments	($'000)	(10)	(528)	(127)	(593)
Total cash costs	($'000)	**37,115**	**25,577**	**85,668**	**79,194**
Total cash costs per ounce sold	**$/oz**	**594**	**928**	**629**	**773**
Depreciation and amortization	($'000)	14,940	7,101	34,707	26,359
Non - cash inventory movement	($'000)	(1,476)	(464)	(6,053)	(386)
Total depreciation and amortization	($'000)	**13,464**	**6,637**	**28,654**	**25,973**
Total depreciation per ounce sold	**$/oz**	**216**	**241**	**210**	**253**
Total cash costs and depreciation per ounce sold	**$/oz**	**810**	**1,169**	**839**	**1,026**

Note (1): Cost of sales include 3 percent royalty payable to the Government of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date.

Total Cash Costs

Total cash costs for the third quarter 2012 were $37.1 million compared to $25.6 million in the same prior year period. Total cash costs for the three months ended September 30, 2012 were $594 per ounce sold compared to $928 per ounce in the same prior year period, a reduction of 36 percent. Total cash costs and depreciation per ounce sold were $810 per ounce for the three months ended September 30, 2012 compared to $1,168 per ounce in the same prior year period. Total cash costs for the nine months ended September 30, 2012 were $85.7 million or $629 per ounce sold compared to $79.2 million or $773 per ounce sold in the same prior year period. The decrease in cash costs per ounce sold is due to higher ounces sold, partially offset by higher mining and processing costs. Total cash costs and depreciation per ounce sold were $1,168 per ounce for the nine months ended September 30, 2012 compared to $1,026 per ounce in the same prior year period.

PLANT EXPANSION

The new mill and downstream processing plant were commissioned in the second quarter. The secondary crusher and new stockpile/reclaim facilities were completed at the end of the second quarter and commissioned in the third quarter this year. Some redesign of chutes and screens is required before next years' rainy season to improve ore flow rates in the crushing circuit during rainy season.

MINE LICENSE EXPLORATION ("ML")

The primary objective of the 2012 drill program on the Sabodala Mine License is to expand the Sabodala Mine open pit reserves

The 2012 drill program is designed to deepen the ultimate pit and, if successful, to add upwards of 500,000 to 1 million ounces by mid-2013, based on drilling intercepts to date, at grades between 1.5 gpt and 2 gpt[5]. Recent results in the third quarter of 2012 advanced the mineralized extents at Sabodala to the NE, SE, SW and to depth in the north, with the key in-pit drilling to extend the high grade intercepts of a year ago still to come.

As at September 1, 2012, Measured and Indicated Resources at the Sabodala pit have increased by approximately 0.7 million ounces to 2.0 million ounces, a 43 percent increase over Measured and Indicated Resources reported as at December 31, 2011, before production (approximately 500,000 ounces net of production). Measured Resources at the Sabodala pit total 27.1 million tonnes grading 1.25 gpt and Indicated Resources total 31.5 million tonnes grading 0.96 gpt. Inferred Resources total 12.4 million tonnes grading 0.87 gpt.

As a result of the mine planning work completed in the first quarter of 2012, we have focused the majority of the drilling effort this year into expanding the Sabodala open pit reserves. During the third quarter of 2012, Reverse Circulation ("RC") and Diamond drilling ("DD") on the ML totaled 22,000 meters at cost of $7.0 million. Year to date, a total of $20 million has been spent on just over 85,000 meters of drilling. Based on the results to date, the budget for the ML has been increased from $20 million to $25 million to continue with the resource expansion and conversion program at the Sabodala pit.

Main Flat Extension ("MFE")

The MFE is one of the principal gold hosts in the Sabodala deposit.

Drilling targeted in the MFE immediately adjacent to the current ultimate pit, as well as the Lower Flat Zone ("LFZ") located below and to the north of the MFE, confirmed the continuation of the mineralized zone with further drilling planned in the fourth quarter of 2012. The MFE and LFZ remain open down plunge and to the northwest.

The drill program for the MFE for 2012 is designed to convert inferred resources north of the current ultimate pit to reserves; extend the MFE zone measured and indicated resource down dip to the west; additional deep drilling to develop the LFZ minable resource to depth; test for extensions of the LFZ to the east; and test for parallel zones beneath the Sabodala pit.

During the third quarter, 22,000 meters of drilling were completed at Sabodala primarily on the MFE but also testing the down dip potential of the Main Flat to the northeast, southeast and southwest of the current ultimate pit limit; all areas have returned good results.

NE of the Sabodala pit, holes SBDH278D, SBDH284D, SBDH286D, SBDH298D and SBDH308D all intercepted the Main Flat Zone between 209 meters and 345 meters depth down the hole. Intercept lengths vary from 6 meters to 18 meters with grades ranging from 1.6 gpt to 9.8 gpt. These holes have helped to fill in a gap in the drilling between the main ore body and what is interpreted to be the eastern extension of the MFZ.

SE of the Sabodala pit, holes SBDH280DD, SBDH301DD and SBDH306DD all intercepted the MFZ between 58m and 78m down the hole. Intercept lengths vary from 4 meters to 8 meters with grades ranging from 0.8 gpt to 4.3 gpt. These holes are predominately in-filling mineralization.

SW and West of the Sabodala pit, holes SBDH297D, SBDH324D, SBDH325D, SBDH332D and SBDH334D have intercepted mineralization related to the MFZ and Ayoub's structures between 186 meters and 496 meters down the hole. Intercept lengths vary from 1 metre to 27 meters with grades ranging from 1.6 gpt to 6.5 gpt.

North and NW of the Sabodala pit, holes SBDH261D, SBDH265D, SBDH268D, SBDH275D, SBDH276D, SBDH290D, SBDH303D, SBDH307D, SBDH317DD, SBDH318DD, SBDH331D, SBDH349D have intercepted multiple mineralized zones including the MFZ and the Lower Flat Zone. These holes confirm and expand the mineralization that drove the target pit identified in February to depth. North of the existing Sabodala pit the MFZ is being intersected at vertical depths of 250 meters to 350 meters. The continuity of mineralization remains strong and with in-fill drilling the higher grade zones such as those intercepted in holes SBDH290D (33 meters at 5.2 gpt from 300 meters) and SBDH349D (17 meters at 5.7 gpt from 259 meters) are defined.

[5] This exploration target is not a Mineral Resource. The potential quality and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

The latest results from September quarter 2012 include:

MAIN FLAT EXTENSION: DIAMOND DRILLING, AQUA REGIA RESULTS		
Intercept with cut-off 0.2gpt Au and max 2m internal dilution		
HOLE ID[(1)]	FROM (m)	INTERSECTION[(2)]
SBDH261D	456	12m @ 1.8 g/t
SBDH265D	317	8m @ 2.7g/t
	380	1m @ 5.3g/t
	389	5m @ 4.7 g/t
	398	2m @ 3.6 g/t
	436	3m @ 3.5 g/t
	457	5m @ 1.1 g/t
	525	4m @ 1.1 g/t
	546	34m @ 1.4 g/t
SBDH268D	344	10m @ 2.7 g/t
	381	5m @ 1.7 g/t
	396	1m @ 3.0 g/t
	406	5m @ 0.6 g/t
	418	10m @ 0.9 g/t
	462	9m @ 1.1 g/t
	486	14m @ 1.2 g/t
	568	19m @ 1.9 g/t
SBDH273D	75	10m @ 0.5 g/t
	95	10m @ 1.6 g/t
SBDH275D	328	22m @ 1.8 g/t
	444	2m @ 7.6 g/t
	509	10m @ 0.7 g/t
	524	5m @ 0.7 g/t

(1) Drill hole results are disclosed as they are received and due to location and depth of holes, not all results are available at the same time nor are they processed sequentially.
(2) True widths to be determined.

Masato

Drilling in 2011 delineated mineralization with an approximate strike length of 500 metres and a down dip extent of 200 metres on the Mine Lease property.

The objectives for Masato in 2012 include further definition drilling by in-filling and extending the mineralized zones identified in 2011. During the third quarter of 2012, five vein models were generated based on geologic interpretations and assay results, extending between 120 metres and 1,100 metres along strike, and between 70 metres and 400 metres down dip. An initial Inferred Resource is estimated at 19.2 million tonnes averaging 1.15 gpt gold, totalling approximately 700,000 ounces gold, above a 0.35 gpt Au cut-off.

REGIONAL EXPLORATION ("RLP")

There are currently 40 drill targets that have been identified on the Company's approximately 1,330 km² RLP, subject to the ultimate renewal of Sabodala North West permit, all within trucking distance of the mill. All 40 targets are expected to be drill tested in 2012-2013. A further 20 targets have been evaluated with surface sampling or trenching.

Due to the heavy wet season no drilling took place during the third quarter of 2012. The drill rigs were shut down for servicing or deployed to the ML program and this allowed the large backlog of gold assays to be reduced.

For full drill results from our regional exploration program please see the Company's website.

Gora

The feasibility study is expected to be completed in the fourth quarter 2012 for submission before year end as part of the Environmental and Social Impact Assessment. Optimization work during the third quarter increased Measured and Indicated Resources to 373,717 ounces of gold, an increase of approximately 160,000 ounces or 74 percent over the previous estimate. Measured Resources at the Gora deposit total 0.487 million tonnes grading 5.27 gpt and Indicated Resources total 1.84 million tonnes grading 4.93 gpt. Inferred Resources total 0.21 million tonnes grading 3.38 gpt. The increase in resources reflects the inclusion of all outstanding assays and continued refinement of the resource model.

Tourokhoto

A program of approximately 6,000 meters of RC drilling is planned to follow up on the mineralization intersected at Tourokhoto-Marougou and reported in the second quarter. The previous drilling program identified significant mineralization on three RC lines spaced over a total strike length of 1,200 meters. The follow-up program will determine if this mineralization is continuous between these widely spaced lines.

Previous results from Tourokhoto-Marougou include:

Tourokhoto-Marougou include (>0.5 g/t Au cut-off):		
HOLE ID(1)	**FROM (m)**	**INTERSECTION(2)**
DBRC0130	89	3m @ 15.3 g/t
DBRC0094	168	2m @ 3.9 g/t
DBRC0093	39	5m @ 1.1 g/t
DBRC0099	184	4m @ 0.7 g/t
DBRC0101	4	4m @ 0.2 g/t
	164	2m @ 0.8 g/t
	4	4m @ 0.7 g/t
	15	3m @ 0.8 g/t
DBRC0102	133	3m @ 1.8 g/t

(1) Drill hole results are disclosed as they are received and due to location and depth of holes, not all results are available at the same time nor are they processed sequentially.
(2) True widths to be determined.

This prospect lies on the eastern margin of the Main Transcurent Shear Zone (MTZ), which some 25 km to the south is host to the >3 million ounces Massawa deposit. Potential exists to delineate a shallow gold resource at Tourokhoto-Marougou with mineralization still open in both strike directions and at depth.

Saiensoutou

During third quarter 2012, results were received for the infill Rotary Air Blast ("RAB") drilling program completed at Saiensoutou during the second quarter. This program returned a number of mineralized intercepts (>0.2 gpt cut-off, Aqua Regia Assays), which includes:

Saiensoutou		
HOLE ID(1)	**FROM (m)**	**INTERSECTION(2)**
SARB0117	26	18m @ 0.6 g/t
SARB0120	2	20m @ 1 g/t
SARB0134	18	18m @ 1.5 g.t
SARB0145	10	6m @ 3 g/t
SARB0164	30	20m @ 2.3 g/t
SARB0163	32	10m @ 0.6 g/t
SARB0245	24	18m @ 0.9 g/t
SARB0248	8	14m @ 0.8 g/t

(1) Drill hole results are disclosed as they are received and due to location and depth of holes, not all results are available at the same time nor are they processed sequentially.
(2) True widths to be determined.

These gold intersections broadly cluster into three sub-parallel NS trends, which extend for at least 1.2 km in strike length

A program of 6,000 meters of RC drilling is scheduled for later this year or early next year to allow first pass testing of these gold bearing trends.

Toumboumba (Sabodala NW)

Toumboumba is a shear vein system hosted in the Falombou granite and has the potential for a small, shallow, oxide deposit, located 10 km from the Sabodala mill. This prospect consists of 18 north-south to north-east trending gold anomalous zones identified from RAB drilling during 2011.

During the third quarter 2012, this exploration permit reached its natural expiration, and as of the date hereof has not yet been renewed by the Senegalese Ministry of Mines. During the third quarter Sabodala Mining Company, along with its joint venture partner, applied for an extraordinary extension, pursuant to its rights under the Senegalese Mining Code, for an additional renewal based on discoveries made to date (most notably Toumboumba) and in order to complete drilling on targets within the perimeter [to determine whether an economically feasible deposit exists within its boundaries]. A renewal of a reduced foot print of 90 km^2 remains under consideration by the Ministry of Mines.

CASH FLOW

(US$000's)	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Cash flow				
Operating	(1,472)	(12,025)	14,424	(1,833)
Investing	(14,178)	(21,605)	(54,366)	(48,615)
Financing	(4,737)	(3,028)	47,817	(7,466)
Effect on exchange rates on holdings	(405)	(934)	(578)	188
Change in cash and cash equivalents during period	**(20,792)**	**(37,592)**	**7,297**	**(57,726)**
Cash and cash equivalents - beginning of period	35,559	55,699	7,470	75,833
Cash and cash equivalents - end of period	**14,767**	**18,107**	**14,767**	**18,107**

Net cash provided by operating activities during the third of 2012 was $0.2 million compared to net cash used of $12.0 million in the same prior year period. Net cash flow provided by operating activities in the third quarter 2012 was negatively impacted by higher trade receivable balances at the end of September 2012 together with a decrease in trade and other payables from the preceding quarter. The trade receivables relate to our gold sales and were settled in early October 2012. Net cash provided by operating activities during the nine months ended September 30, 2012 was $16.0 million compared to net cash used in the operating activities of $1.8 million for the same prior year period. The decrease in net cash used in operating activities for the three months and the increase in net cash provided for the nine months is due to an increase in gross profit.

Net cash used in investing activities during the third quarter of 2012 totaled $14.2 million compared to $21.6 million in the same prior year period. The decrease reflects lower capital expenditures due to completion of the mill expansion, partially offset by higher mine development and capitalized exploration costs. Net cash used in investing activities during the nine months ended September 30, 2012 was $54.4 million compared to $48.6 million in the same prior year period. The increase is due to higher mine development and capitalized exploration costs.

Net cash used in financing activities for third quarter of 2012 was $6.3 million compared to $3.0 million in the same prior year period. The increase is due to payment of interest on the 2-Year Loan Facility of $60 million received at the end of second quarter 2012. Net cash provided by financing activities for the nine months ended September 30, 2012 was $46.2 million compared to $7.5 million used in financing activities in the same prior year period. Net cash provided by financing activities increased due to the drawdown of the 2-Year Loan Facility of $60 million received at the end of the second quarter 2012, partially offset by repayments of the finance lease facility of $12.3 million.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2012 the Company had cash and cash equivalents of $14.8 million, bullion receivable of $15.8 million and 4,150 ounces in gold bullion inventory (as at November 1, 2012: the Company had $31.2 million in cash and cash equivalents and approximately $8 million in bullion receivable). Cash balances decreased from the June quarter end primarily due to a reduction in the accounts payable balance and an increase in accounts receivable due to the timing of gold shipments. Management believes that the cash and cash equivalents at September 30, 2012, together with expected future cash flows from operations will improve the Company's minimum liquidity, and is expected to be sufficient to support the Company's minimum operating requirements without the need for additional equity financing. The Company's liquidity continues to improve, even as it extinguishes its hedge book and lowers its payables balance, with $30.6 million in cash, cash equivalents, and bullion receivable together with 4,150 ounces in bullion inventory at September 30, 2012 rising to $39.5 million, including $31.2 in cash and cash equivalents, at November 1, 2012. The gold forward sales contracts declined during the third quarter 2012 by 29,000 ounces to 93,395 ounces as at September 30, 2012. Forward sales contracts are expected to decline to 66,000 ounces at December 31, 2012 and are scheduled to be fully extinguished by August 2013.

About half of the remaining 2012 capital expenditures, excluding capitalized exploration costs, of $16 million are expected to be financed by a new equipment lease facility with Macquarie which is expected to be finalized before a year end. The new facility will provide $50 million of equipment financing and will be used to refinance the existing Société Générale lease facility.

In addition, the Company continues to review the merits of various debt facilities to provide additional flexibility to execute its growth strategy. Such incurrence of debt may be in the form of one or more borrowings of 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 put a new facility in place.

The Company has counterparty risk relating to advances provided to suppliers as well as to receivables from the sale of gold bullion. The cash and cash equivalents are invested in short-term Term Deposits issued by Canadian banks. A minimal cash amount is held with the Senegal banks.

Off-Balance Sheet Arrangement

The Company has no off balance sheet arrangements.

FINANCIAL INSTRUMENTS

The Company manages its exposure to financial risks — including liquidity risk, credit risk, currency risk, market risk, interest rate risk and price risk — through a risk mitigation strategy. The Company has entered into financial instruments including gold sales and oil hedge contracts. All of the transactions undertaken are to support the Company's ongoing business. Teranga does not acquire or issue derivative financial instruments for trading or speculation.

A condition of the original Project Finance Facility provided by Macquarie was the establishment of gold forward sales contracts and oil energy swaps to manage exposure to commodity price risk.

Following a restructure late in 2008, a total of 399,000 ounces of gold was committed forward for delivery between May 2009 and August 2013 at an average delivery price of $826 per ounce. Deliveries into the hedge position to date of 305,605 have reduced the hedge balance to 93,395 ounces at September 30, 2012. The mark-to-market at the reporting date spot price of $1,782 was negative $90.6 million.

The Company has a hedge agreement with respect to the oil price in order to manage its exposure to commodity risk. The Company hedged 80,000 barrels per annum for four years commencing April 1, 2009 at a flat forward price of $70 per barrel. At September 30, 2012, the remaining 40,000 barrels were hedged with a mark-to-market gain of $0.9 million at the reporting date spot price of $92 per barrel.

CONTRACTUAL OBLIGATIONS AND COMMITTMENTS

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, 2012, the Company had the following payments due on contractual obligations and commitments:

	Payments Due By Period (US$Millions)				
Contractual Obligation and Commitments	**Total**	**< 1 year**	**1-3 years**	**4-5 years**	**>5 years**
Mining Fleet Lease Facility(1)	15.0	15.0		—	—
2 -Year Loan Facility(2)	60.0	—	60.0	—	—
Exploration commitments(3)	7.4	4.3	3.1	—	—
Government of Senegal payments(4)	4.9	4.9	—	—	—
Plant expansion(5)	6.5	6.5	—	—	—
Mining equipment supply contract(6)	13.4	9.0	4.4		
Total	**107.2**	**39.8**	**67.5**	**—**	**—**

(1) In 2010, an amended facility was concluded with a new limit of $27.8 million to provide for the acquisition of additional mining equipment associated with the Sabodala expansion ($15.1 million) and the re-gearing of existing equipment ($2.2 million). During the year ended December 31, 2011, the Company finalized the expansion of the mobile equipment loan with Société Générale by an additional $12.8 million. The amended facility contains a quarterly repayment schedule concluding with the final payment on September 30, 2013. The facility is currently drawn down to $15.0 million.
(2) Reflects 2-Year Loan Facility concluded with Macquarie during June 2012. The Loan Facility bears interest of LIBOR plus a margin of 10 percent and shall be repaid on or before September 30, 2014.
(3) Reflects the required expenditures under the work plan included in the exploration permits.
(4) Comprises $4.0 million, to which an annual interest rate of 6.0 percent applies, payable to the Government of Senegal relating to the historical cost of acquiring the Mine License.
(5) Represents amounts to be paid for the Sabodala mill expansion over the next 3 months
(6) During the third quarter of 2012 the Company finalized a contract to purchase additional mining equipment in the amount of $13.4 million. The equipment is intended to be financed by a new equipment lease facility with Macquarie k which is expected to be finalized before year end.

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 3 percent is payable to the Government of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date.

$425,000 per annum 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 is payable for training of Directorate of Mines and Geology officers and Mines Ministry.

$4.0 million plus interest is payable to the Government of Senegal pursuant to terms included in the Sabodala Mining License at date of grant.

CONTINGENT LIABILITIES

The Company confirmed directly or via its holding subsidiaries that it will continue to provide financial support to its subsidiaries to enable them to meet their obligations as they fall due for a period of not less than 12 months.

During the year 2011 Sabodala Gold Operations ("SGO"), the company operating the Sabodala gold mine, received a tax assessment from the Senegalese tax authorities claiming withholding taxes of approximately $24 million relating to interest paid to SGML Capital under the Mining Fleet Lease facility, director's fees and services rendered by offshore companies. SGO responded to the tax assessment including evidence supporting treatment of withholding taxes in accordance with the General Tax Code in Senegal. In January 2012 the tax assessment was re-confirmed by the Senegalese tax authorities. We have reviewed the alleged breaches identified by the Senegalese tax authorities with our legal counsel and are confident that they are without merit and that these issues will be resolved with no or an immaterial amount of tax due. As a result, in February 2012 SGO filed a notice to refer the tax assessment to arbitration in accordance with Senegalese laws. The arbitration ruling is appealable to International Chamber of Commerce of Paris. To date, Senegalese authorities have failed to respond to our requests for a resolution on this matter.

In January 2012 the Official Journal of the Republic of Senegal issued notice of a new financial act that would impose a 5 percent "contribution" on the sale of products from mines and quarries. In April SGO received an official request by the tax authorities in Senegal, followed by a follow-up request in May, for payment of 5 percent of gold sales completed in March pursuant to this new financial act. SGO has challenged the assessment under this new 5 percent tax citing the fiscal stability provisions included in its Sabodala Mining Convention, based on the opinions received from both national and international counsel. Subsequent to quarter end, the Government of Senegal issued a second assessment relating to gold sales during the second quarter. Should this issue not be resolved with the Government of Senegal, we can appeal the government's decision to apply the tax to the International Chamber of Commerce of Paris pursuant to our rights under our Sabodala Mining Convention. During the third quarter 2012, the Government of Senegal began enforcement measures against all mining companies impacted by this new tax on mining products. As of the date of this report, the Government of Senegal has collected a total of $850,000 from the Company in partial satisfaction of amounts assessed to June 30, 2012. The potential impact to the Company's earnings and total cash costs per ounce is approximately $6.7 million and $50 per ounce of gold sold, respectively, for the nine months ended September 30, 2012. The Company's Consolidated Statement of Comprehensive Income/(Loss) do not reflect this potential impact as management believes that the special contribution tax should not apply to SGO given the fiscal stability provision in its mining convention. The Company continues to challenge the validity of the application of this tax to Sabodala Gold Operations given fiscal stability protections in its Mining Convention and anticipates that a resolution of the matter will be reached with the Government in due course.

It is management's intention to work with the Senegalese authorities in order to find a mutually agreeable solution that respects our overall fiscal stability rights included in our Mining Convention. Teranga's vision is to grow its business in Senegal with the Government. The Company plans to work with the Government to help address some of Senegal's immediate financial needs.

CRITICAL ACCOUNTING POLICIES

Functional 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 consolidated financial statements are presented in the United States Dollars, which is the Company's presentation currency.

The Company's corporate entity changed its functional currency from the Canadian dollar to the United States dollar as of January 1, 2012. Per IAS 21, an entity's functional currency should reflect the underlying transactions, events, and conditions relevant to the entity. Based on management's evaluation taking into consideration the currency of the main sources of income, intercompany charges, significant capital projects, the currency in which cash and cash deposits are maintained as well as the currency of corporate office expenditures, the functional currency of the corporate entity is determined to be the United States dollar. The change in functional currency has been accounted for prospectively.

CHANGE IN ACCOUNTING POLICIES

Inventory valuation

Effective January 1, 2012 the Company changed its method of measuring and recording the cost of stockpile, gold in circuit and gold bullion inventory. The new policy measures and records the costs associated with stockpile, gold in circuit and gold bullion inventory based on recovered ounces of gold. Under the previous policy, stockpile, gold in circuit and gold bullion costs were measured and recorded based on tonnes. The new policy better matches revenue and expenses as compared to the former policy because it attaches higher costs to the higher grade ore and charges more costs to the income statement during periods that higher grade ore is processed and sold. Management believes that the change in accounting policy for inventory valuation better matches the income statement and provides a more reliable measurement of the stockpile, gold in circuit and gold bullion inventory.

The change in accounting policy has been applied retroactively as it is shown in the Note 3 to the Company's Interim Condensed Consolidated Financial Statements.

Depreciation

In line with the change in the method of measuring and recording inventory, the Company changed its accounting policy regarding units of production depreciation as of January 1, 2012. Under the previous method, units of production fixed assets were amortized over life of mine tonnes processed. The new policy is based on recovered ounces of gold. Management believes that the change in accounting policy for units of production depreciation better matches revenue and costs.

The change in accounting policy has been applied retroactively as it is shown in the note 3 to the Company's Interim Condensed Consolidated Financial Statements.

OUTSTANDING SHARE DATA

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

	Outstanding
Ordinary shares	245,618,000
Stock options granted at an exercise price of $3.00 per option	16,546,666
Fully diluted share capital	262,164,666

Of the 16,546,666 common share stock options outstanding 9,427,632 are exercisable as of September 30, 2012.

TRANSACTION WITH RELATED PARTIES

Equity interests in related parties

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 31 to the Audited Consolidated Financial Statements.

Transactions with key management personnel

Details of key management personnel compensation are disclosed in the Note 29 to the Company's Unaudited Interim Condensed Consolidated Financial Statements.

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

Transactions with other related parties

There was zero balance outstanding to related parties as at September 30, 2012.

Shareholdings

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

CEO/CFO CERTIFICATION

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

The Company's CEO and CFO certify that, as at September 30, 2012, 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 COSO. There are no material weaknesses relating to the design of the Company's ICFR. There is no limitation on scope of design as described in paragraph 3.3 of NI 52-109. There has been no change in the Company's design of the ICFR that occurred during the quarter ended September 30, 2012 which has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

RISKS AND UNCERTAINTIES

The Company is subject to various financial and operational risks and uncertainties that could have a significant impact on profitability and levels of operating cash flow. These risks and uncertainties include, but are not limited to: fluctuations in metal prices (principally the price of gold), capital and operating cost estimates, borrowing risks, production estimates, need for additional financing, uncertainty in the estimation of mineral reserves and mineral resources, the inherent danger of mining, infrastructure risk, hedging activities, insured and uninsured risks, environmental risks and regulations, government regulation, ability to obtain and renew licenses and permits, foreign operations risks, title to properties, competition, dependence on key personnel, currency, repatriation of earnings and stock exchange price fluctuations.

CORPORATE DIRECTORY

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

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
Martin Pawlitschek, Regional Exploration Manager, SMC
Bruce Van Brunt, Business Development Manager, SGO

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Auditor
Deloitte & Touche LLP

Share Registries
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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

Certain information included in this management discussion and analysis, including any information as to the Company's strategy, projects, exploration programs, joint venture ownership positions, plans, future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute "forward-looking statements". The words "believe", "expect", "will", "intend", "anticipate", "project", "plan", "estimate", "on track" and similar expressions identify forward looking statements. Such forward-looking statements are necessarily based upon a number of estimates, assumptions, opinions and analysis made by management in light of its experience that, while considered reasonable, may turn out to be incorrect and involve known and unknown risks, uncertainties and other factors, in each case that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements. Such forward-looking statements are not guarantees of future performance. These assumptions, risks, uncertainties and other factors include, but are not limited to: assumptions regarding general business and economic conditions; conditions in financial markets and the future financial performance of the company; the impact of global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future cash flows; the supply and demand for, deliveries of, and the level and volatility of the worldwide price of gold or certain other commodities (such as silver, fuel and electricity); fluctuations in currency markets, including changes in U.S. dollar and CFA Franc interest rates; risks arising from holding derivative instruments; adverse changes in our credit rating; level of indebtedness and liquidity; ability to successfully complete announced transactions and integrate acquired assets; legislative, political or economic developments in the jurisdictions in which the Company carries on business; operating or technical difficulties in connection with mining or development activities; employee relations; availability and costs associated with mining inputs and labour; the speculative nature of exploration and development, including the risks of obtaining necessary licenses and permits and diminishing quantities or grades of reserves; changes in costs and estimates associated with our projects; the accuracy of our reserve estimates (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based; contests over title to properties, particularly title to undeveloped properties; the risks involved in the exploration, development and mining business, as well as other risks and uncertainties which are more fully described in the Company's A.I.F. and in other Company filings with securities and regulatory authorities which are available at www.sedar.com. Accordingly, readers should not place undue reliance on such forward looking statements. Teranga expressly disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

COMPETENT PERSONS STATEMENT

The technical information in this quarterly report that relates to exploration results and mineral resource estimates within the Mining License is based on information compiled by Mr. Bruce Van Brunt, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr. Van Brunt is a full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101. Mr. Van Brunt has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code of Reporting of exploration Results, Mineral Resources and Ore Reserves". Mr. Van Brunt is a "Qualified Person" in accordance with National Instrument 43-101 and he consents to the inclusion of this information in the form and context in which it appears in this report.

The technical information in this quarterly report that relates to the exploration results and targets within the regional exploration program are based on information compiled by Mr. Martin Pawlitschek, who is a member of the Australian Institute of Geoscientists. Mr. Pawlitschek is full time employee and is not "independent" within the meaning of National Instrument 43-101. Mr. Pawlitschek has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Pawlitschek is a "Qualified Person" in accordance with NI 43-101 and he consents to the inclusion of this information in the form and context in which it appears in this report.

For further information please contact: Kathy Sipos, Vice President of Investor & Stakeholder Relations:

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Interim Condensed Consolidated Financial Statements of

TERANGA GOLD CORPORATION

For the three and nine months ended September 30, 2012

(unaudited)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME / (LOSS)

	Note	Three months ended September 30, 2012	Three months ended September 30, 2011 (Note 3)	Nine months ended September 30, 2012	Nine months ended September 30, 2011 (Note 3)
Revenue	5	105,014	46,678	227,550	155,811
Cost of sales	6	(51,033)	(33,133)	(116,021)	(107,288)
Gross profit		**53,981**	**13,545**	**111,529**	**48,523**
Exploration and evaluation expenditures		(2,041)	(8,845)	(13,958)	(20,199)
Administration expenses		(3,079)	(3,312)	(12,376)	(9,062)
Share based compensation	28	(1,295)	(2,271)	(3,676)	(8,959)
Finance costs	7	(3,031)	(555)	(4,978)	(2,043)
Losses on gold hedge contracts		(18,981)	(25,756)	(24,299)	(44,663)
Gains/(losses) on oil hedge contracts		361	(2,373)	(308)	(1,374)
Net foreign exchange (losses)/ gains		(1,630)	2,983	(1,124)	4,273
Impairment of available for sale financial asset		-	-	(11,917)	-
Other income	5	8	173	30	790
		(29,688)	**(39,956)**	**(72,606)**	**(81,237)**
Profit/(loss) before income tax		**24,293**	**(26,411)**	**38,923**	**(32,714)**
Income tax expense		-	-	-	(139)
Profit/(loss) for the period		**24,293**	**(26,411)**	**38,923**	**(32,853)**
Profit/(loss) attributable to:					
Shareholders		21,336	(24,808)	31,143	(32,764)
Non-controlling interests		2,957	(1,603)	7,780	(89)
Profit/(loss) for the period		**24,293**	**(26,411)**	**38,923**	**(32,853)**
Other comprehensive income/(loss):					
Exchange differences arising on translation of Teranga corporate entity	21	-	(4,805)	(63)	(2,807)
Change in fair value of available for sale financial asset, net of tax	20	3,407	(412)	4,726	(4,414)
Other comprehensive income/(loss) for the period		**3,407**	**(5,217)**	**4,663**	**(7,221)**
Total comprehensive income/(loss) for the period		**27,700**	**(31,628)**	**43,586**	**(40,074)**
Total comprehensive income/(loss) attributable to:					
Shareholders		24,743	(30,025)	35,806	(39,985)
Non-controlling interests		2,957	(1,603)	7,780	(89)
Total comprehensive income/(loss) for the period		**27,700**	**(31,628)**	**43,586**	**(40,074)**
Earnings/(losses) per share from operations attributable to the shareholders of the Company during the period					
- basic earnings/(losses) per share	22	0.09	(0.10)	0.13	(0.13)
- diluted earnings/(losses) per share	22	0.09	(0.10)	0.13	(0.13)

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 2012

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at September 30, 2012	As at December 31, 2011 (Note 3)
Current assets			
Cash and cash equivalents	27	14,767	7,470
Short-term investments		-	593
Restricted cash		-	3,004
Trade and other receivables	8	18,900	20,447
Inventories	9	71,363	48,365
Financial derivative assets	10	940	2,288
Other assets	11	6,490	12,751
Available for sale financial assets	20	13,115	19,800
Total current assets		**125,575**	**114,718**
Non-current assets			
Inventories	9	43,640	31,942
Financial derivative assets	10	-	532
Property, plant and equipment	12	251,825	238,510
Mine development expenditure	13	106,608	89,825
Intangible assets	14	1,501	1,085
Total non-current assets		**403,574**	**361,894**
Total assets		**529,149**	**476,612**
Current liabilities			
Trade and other payables	15	38,202	43,238
Borrowings	16	14,878	16,468
Financial derivative liabilities	17	90,556	79,241
Provisions	18	1,960	1,954
Total current liabilities		**145,596**	**140,901**
Non-current liabilities			
Financial derivative liabilities	17	-	50,318
Provisions	18	10,073	9,215
Borrowings	16	58,230	7,509
Total non-current liabilities		**68,303**	**67,042**
Total liabilities		**213,899**	**207,943**
Equity			
Issued capital	19	305,412	305,412
Foreign currency translation reserve	21	(998)	(935)
Equity-settled share based compensation reserve		15,594	12,599
Investment revaluation reserve		3,407	(1,319)
Accumulated losses		(12,232)	(43,375)
Equity attributable to shareholders		**311,183**	**272,382**
Non-controlling interests		4,067	(3,713)
Total equity		**315,250**	**268,669**
Total equity and liabilities		**529,149**	**476,612**

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 STATEMENT OF CHANGES IN EQUITY

	Note	Nine months ended September 30, 2012	Nine months ended September 30, 2011 (Note 3)
Issued capital			
At January 1	19	305,412	305,502
Share issue cost		-	(90)
At September 30		305,412	305,412
Foreign currency translation reserve			
At January 1		(935)	1,011
Exchange difference arising on translation of Teranga corporate entity	21	(63)	(2,807)
At September 30		(998)	(1,796)
Equity-settled share based compensation reserve			
At January 1		12,599	1,733
Equity-settled share based compensation reserve		2,995	9,106
At September 30		15,594	10,839
Investment revaluation reserve			
At January 1		(1,319)	(940)
Change in fair value of available for sale financial asset	20	4,726	(4,414)
Impairment		-	-
At September 30		3,407	(5,354)
Accumulated losses			
At January 1		(43,375)	(34,332)
Profit/(loss) attributable to shareholders		31,143	(32,764)
At September 30		(12,232)	(67,096)
Non-controlling interests			
At January 1		(3,713)	(7,637)
Non-controlling interest - portion of profit for the period		7,780	(89)
At September 30		4,067	(7,726)
Total equity at September 30		**315,250**	**234,279**

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 STATEMENT OF CASH FLOWS

	Note	Three months ended September 30, 2012	Three months ended September 30, 2011 (Note 3)	Nine months ended September 30, 2012	Nine months ended September 30, 2011 (Note 3)
Cash flows related to operating activities					
Profit/(loss) for the period		24,293	(26,411)	38,923	(32,853)
Depreciation of property, plant and equipment	12	12,049	5,111	27,539	19,457
Depreciation of capitalized mine development costs	13	3,046	2,023	7,456	7,200
Amortization of intangibles	14	153	104	451	341
Amortization of borrow ing costs	7	342	68	561	221
Unw inding of discount	18	23	-	68	-
Share based compensation	28	1,295	2,271	3,676	8,959
Net change in (gains)/losses on gold hedge		(5,320)	11,540	(2)	7,335
Net change in losses on oil hedge		82	2,763	1,880	2,903
Buyback of gold hedge sales contracts		-	-	(39,000)	-
Income tax paid		-	-	-	139
Impairment of available for sale financial asset		-	-	11,917	-
Changes in w orking capital	27	(35,813)	(9,494)	(37,423)	(15,535)
Net cash provided by/(used in) operating activities		**150**	**(12,025)**	**16,046**	**(1,833)**
Cash flows related to investing activities					
Decrease in restricted cash		-	-	3,004	-
Redemption of short-term investments		-	2,437	592	85
Expenditures for property, plant and equipment	12	(6,318)	(19,059)	(32,892)	(37,988)
Expenditures for mine development	13	(7,432)	(4,590)	(24,239)	(9,707)
Acquisition of intangibles	14	(464)	(393)	(867)	(1,005)
Net cash used in investing activities		**(14,214)**	**(21,605)**	**(54,402)**	**(48,615)**
Cash flows related to financing activities					
Proceeds from issuance of capital stock, net of issue costs		-	-	-	(491)
Loan facility, net of borrow ing cost paid		-	-	57,977	-
Repayment of borrow ings		(4,532)	(2,799)	(12,265)	(6,299)
Draw dow n from finance lease facility, net of financing cost paid		-	-	2,862	-
Interest paid on borrow ings		(1,791)	(229)	(2,343)	(676)
Net cash (used in)/provided by financing activities		**(6,323)**	**(3,028)**	**46,231**	**(7,466)**
Effect of exchange rates on cash holdings in foreign currencies		(405)	(934)	(578)	188
Net increase / (decrease) in cash and cash equivalents held		**(20,792)**	**(37,592)**	**7,297**	**(57,726)**
Cash and cash equivalents at the beginning of financial period		**35,559**	**55,699**	**7,470**	**75,833**
Cash and cash equivalents at the end of financial period		**14,767**	**18,107**	**14,767**	**18,107**

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS34") as issued by the International Accounting Standards Board ("IASB"). Since the interim condensed consolidated financial statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Corporation's consolidated financial statements for the period ended December 31, 2011.

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

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 3 of the audited annual consolidated financial statements for the period ended December 31, 2011, except for the changes described below in Note 3.

c. Change in presentation of realized gains and losses on hedge contracts

The Company has changed the presentation of realized gains and losses on gold and oil hedge contracts effective January 1, 2012. Instead of revenue, realized gains and losses on gold hedge contracts are now disclosed as realized and unrealized gains and losses on gold hedge contracts below gross profit. Realized gains and losses on oil hedge contracts are now classified as realized and unrealized gains and losses on oil hedge contracts below gross profit, and are not included as a part of cost of sales.

d. Functional and presentation currency

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

The Company's corporate entity changed its functional currency from the Canadian dollar to the United States dollar as of January 1, 2012. Per IAS 21, the effects of changes in foreign exchange rates, an entity's functional currency should reflect the underlying transactions, events, and conditions relevant to the entity. Based on management's evaluation taking into consideration the currency of the main sources of income, intercompany charges, significant capital projects, the currency in which cash and cash deposits are maintained as well as the currency of corporate office expenditures, management has determined the functional currency of the corporate entity to be the United States dollar. The change in functional currency has been accounted for prospectively.

3. CHANGE IN ACCOUNTING POLICIES

a. Inventory valuation

Effective January 1, 2012 the Company changed the method of measuring and recording the cost of stockpile, gold in circuit and gold bullion inventory. The new policy measures and records the costs associated with stockpile, gold in circuit and gold bullion inventory based on recovered ounces of gold. Under the previous policy, stockpile, gold in circuit and gold bullion costs were measured and recorded based on tonnes. The new policy better matches revenue and expenses as compared to the former policy because it attaches higher costs to the higher grade ore and charges more costs to the income statement during periods that higher grade ore is processed and sold. Management believes that the change in accounting policy for inventory valuation better matches the income statement and provides a more reliable measurement of stockpile, gold in circuit and gold bullion inventory.

The change in accounting policy has been applied retroactively with restatement reducing the value of inventory acquired on November 23, 2010 by $22.7 million and increasing the value of inventory as at December 31, 2011 by $5.2 million.

The impact of the change in accounting policy for the three and nine months ended September 30, 2012 was a reduction in the value of inventory of $11.2 million and $23.1 million, respectively.

b. Depreciation based on unit of production

In line with the change in the method of measuring and recording inventory, the Company changed its accounting policy regarding units of production depreciation effective January 1, 2012. Under the previous method, units of production fixed assets were amortized over the life of mine tonnes processed. The new policy is based on recovered ounces of gold. Management believes that the change in accounting policy for units of production depreciation better matches revenue and costs.

The change in accounting policy has been applied retroactively with restatement reducing the value of property, plant and equipment and mine development expenditures acquired on November 23, 2010 by $16.7 million and $9.8 million, respectively. The value of property, plant and equipment and mine development expenditures as at December 31, 2011 were further reduced by $1.3 million and $0.8 million, respectively.

The impact of the change in accounting policy for the three months ended September 30, 2012 was a decrease in the value of property, plant and equipment and mine development expenditures of $2.1 million and $1.0 million, respectively. The impact for the nine months ended September 30, 2012 was a decrease of $6.0 million for the value of property, plant and equipment, and $3.2 million for mine development expenditures.

The impact of the change in accounting policies on the value of net assets acquired as at November 23, 2010, the statement of financial position as at December 31, 2011, the statement of comprehensive income for the three and nine months ended September 30, 2011 and the statement of cash flows as at September 30, 2011 is set out below:

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

Impact on Net Assets Acquired on November 23, 2010

	November 23, 2010 As previously reported	Impact of change in accounting policies	November 23, 2010 Restated
Current assets			
Inventories	70,575	(22,652)	47,923
Total current assets	**348,459**	**(22,652)**	**325,807**
Non-current assets			
Property, plant and equipment	217,450	(16,683)	200,767
Mine development expenditure	112,710	(9,767)	102,943
Total non-current assets	**349,033**	**(26,450)**	**322,583**
Total assets	**697,492**	**(49,102)**	**648,390**
Non-controlling interest	(1,947)	(5,089)	(7,036)
Net assets	**279,909**	**(44,013)**	**235,896**

	November 23, 2010 As previously reported	Impact of change in accounting policies	November 23, 2010 Restated
Net assets acquired	279,909	(44,013)	235,896
Less deferred compensation (C$50 million)	(49,231)	-	(49,231)
Value of shares issued on acquisition	**230,678**	**(44,013)**	**186,665**

Impact on Statement of Financial Position

	December 31, 2011 As previously reported	Impact of change in accounting policies	December 31, 2011 Restated
Current assets			
Inventories	46,927	1,438	48,365
Total current assets	**113,280**	**1,438**	**114,718**
Non-current assets			
Inventories	50,786	(18,844)	31,942
Property, plant and equipment	256,539	(18,029)	238,510
Mine development expenditure	100,359	(10,534)	89,825
Total non-current assets	**409,301**	**(47,407)**	**361,894**
Total assets	**522,581**	**(45,969)**	**476,612**
Equity			
Issued capital	349,425	(44,013)	305,412
Accumulated losses	(46,208)	2,833	(43,375)
Equity attributable to shareholders	**313,562**	**(41,180)**	**272,382**
Non-controlling interests	1,076	(4,789)	(3,713)
Total equity	**314,638**	**(45,969)**	**268,669**
Total equity and liabilities	**522,581**	**(45,969)**	**476,612**

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

Impact on Statement of Comprehensive Income

	Three months ended September 30, 2011 as previously reported	Impact of change in accounting policies (Note 3)	Restatement (1)	Reclassifications (Note 2)	Three months ended September 30, 2011 Restated
Revenue	32,462	-	-	14,216	46,678
Cost of sales	(31,788)	(3,163)	1,705	113	(33,133)
Gross profit	**674**	**(3,163)**	**1,705**	**14,329**	**13,545**
Administration expenses	(2,809)	-	-	(503)	(3,312)
Net change in realized and unrealized gains / (losses) on gold hedge contracts	(11,540)	-	-	(14,216)	(25,756)
Net change in realized and unrealized gains on oil hedge contracts	(2,763)	-	-	390	(2,373)
	(25,627)	**-**	**-**	**(14,329)**	**(39,956)**
Profit before income tax	**(24,953)**	**(3,163)**	**1,705**	**-**	**(26,411)**
Profit for the period	**(24,953)**	**(3,163)**	**1,705**	**-**	**(26,411)**
Total comprehensive income for the period	**(30,170)**	**(3,163)**	**1,705**	**-**	**(31,628)**
Profit attributable to:					
Shareholders	(23,522)	(2,847)	1,561	-	(24,808)
Non-controlling interests	(1,431)	(316)	144	-	(1,603)
Profit for the period	**(24,953)**	**(3,163)**	**1,705**	**-**	**(26,411)**

	Nine months ended September 30, 2011 as previously reported	Impact of change in accounting policies (Note 3)	Restatement (1)	Reclassifications (Note 2)	Nine months ended September 30, 2011 Restated
Revenue	118,483	-	-	37,328	155,811
Cost of sales	(97,841)	(14,406)	5,538	(579)	(107,288)
Gross profit	**20,642**	**(14,406)**	**5,538**	**36,749**	**48,523**
Administration expenses	(8,112)	-	-	(950)	(9,062)
Net change in realized and unrealized gains / (losses) on gold hedge contracts	(7,335)	-	-	(37,328)	(44,663)
Net change in realized and unrealized gains on oil hedge contracts	(2,903)	-	-	1,529	(1,374)
	(44,488)	**-**	**-**	**(36,749)**	**(81,237)**
Profit before income tax	**(23,846)**	**(14,406)**	**5,538**	**-**	**(32,714)**
Profit for the period	**(23,985)**	**(14,406)**	**5,538**	**-**	**(32,853)**
Total comprehensive income for the period	**(31,206)**	**(14,406)**	**5,538**	**-**	**(40,074)**
Profit attributable to:					
Shareholders	(24,893)	(12,965)	5,094	-	(32,764)
Non-controlling interests	908	(1,441)	444	-	(89)
Profit for the period	**(23,985)**	**(14,406)**	**5,538**	**-**	**(32,853)**

(1) In addition to the impact of the change in accounting policies and reclassifications, the Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2011 have been adjusted to reflect the impact of an adjustment recorded at the end of 2011 regarding the depreciation of mobile equipment.

Impact on Statement of Cash Flows

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

	Three months ended Sep 30, 2011 As previously reported	Impact of change in accounting policies	Three months ended September 30, 2011 Restated
Cash flows related to operating activities			
Profit/(Loss) for the period	(24,953)	(1,458)	(26,411)
Depreciation	7,568	(2,457)	5,111
Amortization of capitalized mine development costs	2,288	(265)	2,023
Changes in working capital	(13,903)	4,409	(9,494)
Net cash provided by operating activities	**(12,254)**	**229**	**(12,025)**
Cash flows related to investing activities			
Net cash used in investing activities	**(21,605)**	**-**	**(21,605)**
Cash flows related to financing activities			
Interest paid on borrowings	-	(229)	(229)
Net cash used by financing activities	**(2,799)**	**(229)**	**(3,028)**
Effect of exchange rates on cash holdings in foreign currencies	(934)	-	(934)
Net decrease in cash and cash equivalents held	**(37,592)**	**-**	**(37,592)**
Cash and cash equivalents at the beginning of financial period	**55,699**	**-**	**55,699**
Cash and cash equivalents at the end of financial period	**18,107**	**-**	**18,107**

	Nine months ended September 30, 2011 As previously reported	Impact of change in accounting policies	Nine months ended September 30, 2011 Restated
Cash flows related to operating activities			
Profit for the period	(23,985)	(8,868)	(32,853)
Depreciation	24,243	(4,786)	19,457
Amortization of capitalized mine development costs	7,634	(434)	7,200
Changes in working capital	(30,299)	14,764	(15,535)
Net cash provided by operating activities	**(2,509)**	**676**	**(1,833)**
Cash flows related to investing activities			
Net cash used in investing activities	**(48,615)**	**-**	**(48,615)**
Cash flows related to financing activities			
Interest paid on borrowings	-	(676)	(676)
Net cash used by financing activities	**(6,790)**	**(676)**	**(7,466)**
Effect of exchange rates on cash holdings in foreign currencies	188	-	188
Net decrease in cash and cash equivalents held	**(57,726)**	**-**	**(57,726)**
Cash and cash equivalents at the beginning of financial period	**75,833**	**-**	**75,833**
Cash and cash equivalents at the end of financial period	**18,107**	**-**	**18,107**

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

5. FUTURE ACCOUNTING POLICIES

a. IFRIC 20 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. IFRIC 20 must be applied starting January 1, 2013 with early adoption permitted. We are currently assessing the impact of adopting IFRIC 20 on our consolidated financial statements.

6. REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
Gold sales at spot price	104,844	46,592	227,124	155,394
Silver sales	170	86	426	417
Total revenue	**105,014**	**46,678**	**227,550**	**155,811**
Interest income from bank deposits and short-term investments	8	173	30	790
Total other income	**8**	**173**	**30**	**790**

During the three months ended September 30, 2012, 62,439 ounces of gold were sold at an average realized price of $1,290 per ounce, including 29,000 ounces that were delivered into gold hedge contracts at $831 per ounce, representing 46 percent of gold sales for the quarter and 33,439 ounces were sold into the spot market at an average price of $1,688 per ounce. For the nine months ended September 30, 2012, 136,210 ounces were sold at an average realized price of $1,489 per ounce, including 29,000 ounces that were delivered into gold hedge contracts at $831 per ounce, representing 21 percent of gold sales, and 107,210 ounces were sold into the spot market at an average price of $1,667 per ounce.

During the third quarter of 2011, 27,574 ounces of gold were sold at an average realized price of $1,174 per ounce, including 16,615 ounces delivered into gold hedge contracts at $846 per ounce, representing 60 percent of gold sales for the quarter and 10,959 ounces of gold were sold into the spot market at an average price of $1,673 per ounce. During the nine months ended September 30, 2011, 102,471 ounces were sold at an average realized price of $1,152 per ounce including 53,615 ounces delivered into gold hedge contracts at $846 per ounce and 48,856 ounces sold into the spot market at an average price of $1,489 per ounce.

Revenues exclude the impact of gold hedges as losses on ounces delivered into gold hedge contracts are classified within losses on gold hedge contracts.

7. COST OF SALES

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Mine production costs	36,830	30,423	102,985	85,628
Depreciation and amortization	14,940	7,101	34,707	26,359
Royalties	3,121	1,334	6,802	4,483
Rehabilitation	9	92	13	351
Inventory movements	(3,867)	(5,817)	(28,486)	(9,533)
Total cost of sales	**51,033**	**33,133**	**116,021**	**107,288**

8. FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Interest on borrowings	1,861	229	2,522	973
Amortization of capitalized borrowing costs	342	68	561	221
Unwinding of discount	23	12	68	36
Political risk insurance	253	242	754	772
Stocking fee	153	-	431	-
Financial advisory services	281	-	281	-
Bank charges	118	4	361	41
Total finance costs	**3,031**	**555**	**4,978**	**2,043**

9. TRADE AND OTHER RECEIVABLES

	September 30, 2012	December 31, 2011
Current		
Trade receivable (i)	15,823	17,120
Other receivables (ii)	3,077	3,327
Total trade and other receivables	**18,900**	**20,447**

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

(ii) Other receivables primarily include receivables from suppliers for services provided, materials and utilities used at the Sabodala gold mine. It also includes receivables from the settlement of oil hedge contracts.

10. INVENTORIES

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

	September 30, 2012	December 31, 2011
Current		
Gold bullion	3,132	2,509
Gold in circuit	9,988	2,970
Ore stockpile	27,233	18,087
Total gold inventories	**40,353**	**23,566**
Diesel fuel	3,137	1,371
Materials and supplies	23,817	21,687
Goods in transit	4,056	1,741
Total other inventories	**31,010**	**24,799**
Total current inventories	**71,363**	**48,365**
Non-Current		
Ore stockpile	43,640	31,942
Total inventories	**115,003**	**80,307**

11. FINANCIAL DERIVATIVE ASSETS

	September 30, 2012	December 31, 2011
Current		
Oil hedge contracts	940	2,288
Non-Current		
Oil hedge contracts	-	532
Total financial derivative assets	**940**	**2,820**

The Company has a hedge agreement with respect to the oil price in order to manage its exposure to commodity risk. The Company hedged 80,000 barrels per annum for four years commencing April 1, 2009 at a flat forward price of $70 per barrel (West Texas Intermediate price). At September 30, 2012, the remaining 40,000 barrels hedged have a mark-to-market value of $0.9 million at the reporting date spot price of $92 per barrel.

12. OTHER ASSETS

	September 30, 2012	December 31, 2011
Current		
Prepayments (i)	4,990	11,251
Security deposit (ii)	1,500	1,500
Total other assets	**6,490**	**12,751**

(i) As at September 30, 2012, prepayments include $1.3 million of advances to vendors and contractors and $1.5 million for insurance. As at December 2011, prepayments include $7.9 million of advances for the new mining fleet, and $2.0 million to other vendors and contractors.
(ii) The security deposit represents a security for payment under mining fleet and maintenance contract.

13. PROPERTY, PLANT AND EQUIPMENT

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

	Buildings & property improvement	Plant and equipment	Office furniture and equipment	Motor vehicles	Plant and equipment under finance lease	Capital work in progress	Total (Note 3)
Cost							
Balance at October 1, 2010	-	-	-	-	-	-	**-**
Property, plant and equipment arising from demerger - Nov 23, 2010	30,838	172,424	575	1,774	25,787	26,344	**257,742**
Additions	-	-	-	-	-	60,825	**60,825**
Capitalized mine rehabilitation	-	6,459	-	-	-	-	**6,459**
Transfer	1,378	11,514	704	707	16,308	(30,611)	**-**
Balance at December 31, 2011	**32,216**	**190,397**	**1,279**	**2,481**	**42,095**	**56,558**	**325,026**
Additions						40,745	**40,745**
Capitalized mine rehabilitation	-	109	-	-	-	-	**109**
Transfer	11,786	81,557	405	683	322	(94,753)	**-**
Balance at September 30, 2012	**44,002**	**272,063**	**1,684**	**3,164**	**42,417**	**2,550**	**365,880**
Accumulated depreciation							
Balance at 1 October, 2010	-	-	-	-	-	-	-
Accumulated depreciation arising from demerger - Nov 23, 2010	4,102	25,853	399	913	9,025	-	**40,292**
Impact on accumulated depreciation arising from demerger (Note 3)	2,750	13,933	-	-	-	-	**16,683**
Impact on accumulated depreciation regarding fiscal year 2011 (Note 3)	216	1,130	-	-	-	-	**1,346**
Depreciation expense	2,701	15,973	272	466	8,783	-	**28,195**
Balance at December 31, 2011 (Note 3)	**9,769**	**56,889**	**671**	**1,379**	**17,808**	**-**	**86,516**
Depreciation expense	2,992	17,480	243	412	6,412		**27,539**
Balance at September 30, 2012	**12,761**	**74,369**	**914**	**1,791**	**24,220**	**-**	**114,055**
Net book value							
Balance at December 31, 2011	**22,447**	**133,508**	**608**	**1,102**	**24,287**	**56,558**	**238,510**
Balance at September 30, 2012	**31,241**	**197,694**	**770**	**1,373**	**18,197**	**2,550**	**251,825**

Additions made to property, plant and equipment during the nine months ended September 30, 2012 relate mainly to the mill expansion and additional mining equipment acquired.

Effective January 1, 2012, the Company has updated its estimate regarding the expected life of mine based on the proven and probable reserves at December 31, 2011 resulting in $1.5 million and $4.0 million lower depreciation cost for property, plant and equipment depreciated using the unit of production method for the three and nine months ended September 30, 2012, respectively.

Depreciation of property, plant and equipment of $27.5 million and $19.5 million was expensed as cost of sales for the nine months ended September 30, 2012 and 2011, respectively.

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

14. MINE DEVELOPMENT EXPENDITURE

	Amount (Note 3)
Cost	
Balance at October 1, 2010	-
Mine development expenditure arising from demerger - Nov 23, 2010	127,336
Change in accounting policy (i)	(17,277)
Expenditures incurred during the period	14,359
Balance at December 31, 2011	**124,418**
Expenditures incurred during the period	24,239
Balance at September 30, 2012	**148,657**
Accumulated depreciation	
Balance at October 1, 2010	-
Accumulated depreciation arising from demerger - Nov 23, 2010	14,626
Impact on depreciation expense arising from demerger (Note 3)	9,767
Impact on depreciation expense for fiscal year 2011 (Note 3)	767
Depreciation expense	9,433
Balance at December 31, 2011	**34,593**
Depreciation expense	7,456
Balance at September 30, 2012	**42,049**
Carrying amount	
At December 31, 2011	**89,825**
At September 30, 2012	**106,608**

(i) Change in accounting policy effective October 1, 2010

Mine development expenditures represent development costs in relation to the Sabodala gold mine.

The capitalized mine development expenditures incurred during 2012 include $2.9 million relating to the Gora project that was advanced from the exploration stage to the development stage effective January 1, 2012 after technical feasibility and commercial viability studies had been completed.

Effective January 1, 2012, the Company has updated its estimate regarding the expected life of mine based on the proven and probable reserves at December 31, 2011 resulting in $5.0 million lower depreciation cost for mine development expenditure for the nine months ended September 30, 2012.

Depreciation of capitalized mine development of $7.5 million and $7.2 million were expensed as cost of sales for the nine months ended September 30, 2012 and 2011, respectively.

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

15. INTANGIBLE ASSETS

	Amount
Cost	
Balance at October 1, 2010	-
Intangible assets arising from demerger - Nov 23, 2010	707
Additions	1,208
Balance at December 31, 2011	**1,915**
Additions	867
Balance at September 30, 2012	**2,782**
Accumulated amortization	
Balance at October 1, 2010	-
Accumulated amortization arising from demerger - Nov 23, 2010	340
Amortization expense	490
Balance at December 31, 2011	**830**
Amortization expense	451
Balance at September 30, 2012	**1,281**
Carying amount	
At December 31, 2011	**1,085**
At September 30, 2012	**1,501**

Intangible assets represent intangible computer software. Amortization expense is included in the consolidated statement of comprehensive income/(loss) under administration expenses.

16. TRADE AND OTHER PAYABLES

	September 30, 2012	December 31, 2011
Current		
Unsecured liabilities:		
Trade payables (i)	18,955	18,860
Sundry creditors and accrued expenses	7,520	13,733
Government royalties (ii)	6,832	5,887
Amounts payable to Government of Senegal (iii)	4,895	4,758
Total trade and other payables	**38,202**	**43,238**

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

(ii) Government royalties are payable annually based on the mine head value of the gold and related substances produced.

(iii) $4 million to which an annual interest rate of 6% applies is payable to the Government of Senegal relating to the historical cost of acquiring the mine license.

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

17. BORROWINGS

	September 30, 2012	December 31, 2011
Current		
Finance lease liabilities	15,038	16,799
Borrowing costs	(160)	(331)
Total current borrowings	**14,878**	**16,468**
Non-Current		
Loan facility	60,000	-
Finance lease liabilities	-	7,573
Borrowing costs	(1,770)	(64)
Total non-current borrowings	**58,230**	**7,509**
Total borrowings	**73,108**	**23,977**

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

During the year ended December 31, 2011, the Company expanded the mobile equipment finance lease loan with Société Générale by an additional $12.8 million. The amended facility contains a quarterly repayment schedule concluding with the final payment on September 30, 2013. The facility is fully drawn down to $15.0 million and repayable over the next four quarters.

18. FINANCIAL DERIVATIVE LIABILITIES

	September 30, 2012	December 31, 2011
Gold hedge contracts	**90,556**	**129,559**
Disclosed as:		
Current	90,556	79,241
Non-current	-	50,318
Total financial derivative liabilities	**90,556**	**129,559**

At September 30, 2012, the hedge position comprised 93,395 ounces of forward sales at an average price of $815 per ounce. At September 30, 2012, the mark-to-market gold hedge position at period end spot price of $1,782 per ounce was in a liability position of $90.6 million.

During the second quarter of 2012, the Company bought back certain "out of the money" gold forward sales contracts totalling 52,105 ounces.

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

19. PROVISIONS

	September 30, 2012	December 31, 2011
Current		
Employee benefits (i)	1,960	1,954
Total current provisions	**1,960**	**1,954**
Non-Current		
Mine restoration and rehabilitation (ii)	9,392	9,215
Cash settled share based compensation (iii)	681	-
Total non-current provisions	**10,073**	**9,215**
Total provisions	**12,033**	**11,169**

(i) The provisions for employee benefits include $1.6 million accrued vacation and $0.4 million long service leave entitlements, respectively, for both September 30, 2012 and December 31, 2011.

(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 through the mine life.

(iii) The provision for cash settled share based compensation represents the amortization of the fair value of the fixed bonus plan units. Details of the fixed bonus plan are disclosed in Note 28(b).

	Amount
Transfer of provision from demerger - November 23, 2010	2,284
Additional provisions recognized	425
Capitalized mine rehabilitation	6,459
Unwinding of discount	47
Balance at December 31, 2011	**9,215**
Capitalized mine rehabilitation	109
Unwinding of discount	68
Balance at September 30, 2012	**9,392**

20. ISSUED CAPITAL

	Number of shares	Amount (Note 3)
Common shares issued and outstanding		
Balance at October 1, 2010	-	-
Shares issued on incorporation of the Company	100	-
Shares issued from initial public offering	45,617,900	135,005
Less: Share issue costs	-	(16,258)
Shares issued on demerger (Note 3)	200,000,000	186,665
Balance at December 31, 2011	**245,618,000**	**305,412**
Balance at September 30, 2012	**245,618,000**	**305,412**

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On November 23, 2010, Teranga completed the acquisition of the Sabodala gold mine and a regional exploration package by way of Demerger from MDL. As part of the Demerger, all of the issued and outstanding shares of Sabodala Gold (Mauritius) Limited, which holds a 90% interest in the Sabodala Gold Operations SA ("SGO"), which owns the Sabodala gold mine, and a 100% interest in the Sabodala Mining Company SARL, an exploration entity, all of the issued and outstanding shares of SGML (Capital) Limited and 18,699,500 common shares of Oromin, originally held by MDL, were transferred to Teranga in consideration for the issuance of 200,000,000 common shares to MDL and C$50 million in satisfaction of a promissory note owing to MDL.

On December 7, 2010 the Company completed initial public offerings in Canada and Australia. In Canada, after the exercise of the over-allotment option, a total of 36,617,900 common shares were issued for gross proceeds of C$109.9 million. In Australia, 9,000,000 common shares were issued for gross proceeds of A$26.7 million. The share issuance costs related to the public offerings were $16.3 million.

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 Exploration Limited ("OLE"), classified as available for sale in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

At the end of the second quarter, OLE shares traded 56 percent lower than the share price at the date of acquisition and 50 percent lower than at the beginning of the year. As a result of the continuous and extended decline in the share price, the Company recognized a non-cash impairment loss of $11.9 million on the OLE shares.

For the three months ended September 30, 2012 and 2011, a net gain of $3.4 million and a net loss of $0.4 million was recognized in Other Comprehensive Income for the change in fair value of available for sale financial assets, respectively. For the nine months ended September 30, 2012, the net gain of $4.7 million was recognized in Other Comprehensive Income for the change in fair value of available for sale financial assets includes the reclassification of $5.2 million to impairment of available for sale financial assets. For the nine months ended September 30, 2011, a net loss of $4.4 was recognized in Other Comprehensive Income for the change in fair value of available for sale financial assets.

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

	Amount
Balance at October 1, 2010	**-**
Acquisition of Oromin arising from demerger - Nov 23, 2010	21,109
Change in fair value during the period	(1,319)
Foreign exchange gain	10
Balance at December 31, 2011	**19,800**
Impairement of available for sale financial asset	(11,917)
Change in fair value of available for sale financial asset, net of foreign exchange gain	4,726
Foreign exchange gain	506
Balance at September 30, 2012	**13,115**

22. RESERVE

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

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2011, which were recorded directly to the foreign currency translation reserve within the consolidated statement of 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.

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Basic EPS/(LPS) (US$)	0.09	(0.10)	0.13	(0.13)
Diluted EPS/(LPS) (US$)	0.09	(0.10)	0.13	(0.13)
Basic EPS/(LPS):				
Net profit/(loss) used in the calculation of basic EPS/(LPS)	21,336	(24,808)	31,143	(32,764)
Weighted average number of common shares for the purposes of basic EPS/(LPS) ('000)	245,618	245,618	245,618	245,618
Weighted average number of common shares for the purpose of diluted EPS/(LPS) ('000)	245,618	245,618	245,618	245,618

The determination of weighted average number of common shares for the purpose of diluted EPS/(LPS) excludes 16.5 million shares relating to share options that were anti-dilutive for the three and nine months ended September 30, 2012 and 2011.

24. DIVIDENDS

During the period ended September 30, 2012 and 2011, no dividends were paid.

25. COMMITMENTS FOR EXPENDITURE

a. Capital Expenditure Commitments

	September 30, 2012
Sabodala Gold Mine - expansion	6,500
Mining equipment	9,078
Total payments due within one year	**15,578.0**

b. Exploration Commitments

The Company has committed to spend a total of $4.3 million over the next year in respect of the Sabodala regional exploration program.

c. Sabodala Operating Commitments

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

- Pursuant to the Company's Mining Concession, a royalty of 3% is payable to the Government of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date.
- $425,000 per annum on social development of local authorities in the surrounding Tambacounda region during the term of the Mining Concession.

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- $30,000 per year for logistical support of the territorial administration of the region from date of notification of the Mining Concession.
- $200,000 per year on training of Directorate of Mines and Geology officers and Mines Ministry

26. LEASES

a. Operating Lease Commitments

The Company has entered into an agreement to lease premises until February 28, 2019. The annual rent of premises consists of minimum rent plus realty taxes, maintenance and utilities. In accordance with the lease agreement the amount of $311,000 is payable within a year and remaining $1,658,000 is payable from 2013 to 2019.

During the year ended December 31, 2011 the Company entered into an agreement to lease an office space in Dakar, Senegal expiring April 30, 2014 with an option to renew for an additional three years. In accordance with the lease agreement the amount of $109,000 is payable within a year and remaining $64,000 payable in 2013 and 2014.

The Company recognized $0.1 million and $0.3 million as rental expense in the Statement of Comprehensive Income/Loss for the three and nine month ended September 30, 2012.

b. Finance Lease Liabilities

	September 30, 2012		December 31, 2011	
	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	15,038	14,878	16,799	16,468
Later than one year and not later than five years	-	-	7,573	7,509
Total finanace lease liabilities	**15,038**	**14,878**	**24,372**	**23,977**
Included in the financial statements as:				
Current	15,038	14,878	16,799	16,468
Non-current	-	-	7,573	7,509

The finance loan relates to the Mining Fleet Sublease with a remaining lease term of twelve months expiring September, 2013. Minimum future lease payments consist of four 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.

27. CONTINGENT LIABILITIES

The Company confirmed directly or via its holding subsidiaries that it will continue to provide financial support to its subsidiaries to enable them to meet their obligations as they fall due for a period of not less than 12 months.

During the year 2011 Sabodala Gold Operations ("SGO"), the company operating the Sabodala gold mine, received a tax assessment from the Senegalese tax authorities claiming withholding taxes of approximately $24 million relating to interest paid to SGML Capital under the Mining Fleet Lease facility, director's fees and services rendered by offshore companies. SGO responded to the tax assessment including evidence supporting treatment of withholding taxes in accordance with the General Tax Code in Senegal. In January 2012 the tax assessment was re-confirmed by the Senegalese tax authorities. We have reviewed the alleged breaches identified by the Senegalese tax authorities with our legal counsel and are confident that they are without merit and that these issues will be resolved with no or an immaterial amount of tax due. As a result, in February 2012 SGO filed a notice to refer the tax assessment to arbitration in accordance with Senegalese laws. The arbitration ruling is appealable to International Chamber of Commerce of Paris. To date, Senegalese authorities have failed to respond to our requests for a resolution on this matter.

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In January 2012 the Official Journal of the Republic of Senegal issued notice of a new financial act that would impose a 5 percent "contribution" on the sale of products from mines and quarries. In April SGO received an official request by the tax authorities in Senegal, followed by a follow-up request in May, for payment of 5 percent of gold sales completed in March pursuant to this new financial act. SGO has challenged the assessment under this new 5 percent tax citing the fiscal stability provisions included in its Sabodala Mining Convention, based on the opinions received from both national and international counsel. Subsequent to quarter end, the Government of Senegal issued a second assessment relating to gold sales during the second quarter. Should this issue not be resolved with the Government of Senegal, we can appeal the government's decision to apply the tax to the International Chamber of Commerce of Paris pursuant to our rights under our Sabodala Mining Convention. During the third quarter 2012, the Government of Senegal began enforcement measures against all mining companies impacted by this new tax on mining products. As of the date of this report, the Government of Senegal has collected a total of $850,000 from the Company in partial satisfaction of amounts assessed to June 30, 2012. The potential impact to the Company's earnings and total cash costs per ounce is approximately $6.7 million and $50 per ounce of gold sold, respectively, for the nine months ended September 30, 2012. The Company's Consolidated Statement of Comprehensive Income/(Loss) do not reflect this potential impact as management believes that the special contribution tax should not apply to SGO given the fiscal stability provision in its mining convention. The Company continues to challenge the validity of the application of this tax to Sabodala Gold Operations given fiscal stability protections in its Mining Convention and anticipates that a resolution of the matter will be reached with the Government in due course.

28. CASH FLOW INFORMATION

a. Reconciliation of cash and cash equivalents

Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	September 30, 2012	December 31, 2011
Cash at bank	14,767	5,780
Short-term investments with maturity less than 90 days	-	1,690
Total cash and cash equivalents	**14,767**	**7,470**

b. Reconciliation of change in working capital

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Changes in working capital				
Decrease/(increase) in trade and other receivables	(16,063)	(7,625)	(1,214)	(12,923)
Decrease/(increase) in other assets	1,295	(1,825)	(1,593)	(1,639)
Increase in inventories	(6,255)	(8,800)	(34,696)	(14,052)
Increase/(decrease) in trade and other payables	(14,778)	8,476	74	12,223
Increase/(decrease) in provisions	(12)	294	6	977
Decrease in income tax		(14)	-	(121)
Net change in working capital	**(35,813)**	**(9,494)**	**(37,423)**	**(15,535)**

c. Cash balances restricted for use

During the second quarter of 2012, the Company amended its existing Facility Agreement with Macquarie Bank Limited. As part of the amendment, Macquarie Bank Limited has agreed to recognize Project Completion as occurring and to remove the requirement to hold the restricted cash. As at September 30, 2012, the Company had no restrictions on cash balances.

29. SHARE BASED COMPENSATION

During the quarter ended September 30, 2012, the Company introduced a new Fixed Bonus Incentive Plan as an alternative to the Company's existing share based compensation program. Directors, officers, employees and consultants are entitled to receive either stock options under the current Stock Option Plan or Fixed Bonus Plan Units under the new Fixed Bonus Incentive Plan.

The share based compensation expense for the three months ended September 30, 2012 and 2011 totaled $1.3 million and $2.3 million, respectively. For the nine months ended September 30, 2012 and 2011, share based compensation totaled $3.7 million and $9.0 million, respectively.

a. Incentive Stock Option Plan

The Incentive Stock Option Plan (the "Plan") authorizes the Directors to grant options to purchase shares of the Company to directors, officers, employees and consultants of the Company and its subsidiaries. The exercise price of the options is determined by the board of directors at the date of grant but in no event shall be less than the five-day weighted average closing price of the common shares as reported on TSX for the period ended on the business day immediately preceding the day on which the option was granted.

The vesting of options is determined by the board of directors at the date of grant. The term of options granted under the Plan is at the discretion of the board of directors, provided that such term cannot exceed ten years from the date of the option is granted.

Each employee share option is convertible into one ordinary share of Teranga on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry subject to the terms of the plan.

During the three months ended September 30, 2012 and 2011, a total of 600,000 and 370,000 common share options respectively were granted to employees. For the nine months ended September 30, 2012 and 2011 a total of 2,520,000 and 1,855,000, respectively, common share options were granted to directors and employees. During the three months ended September 30, 2012 and 2011, a total of 748,890 and 30,000 options were forfeited. For the nine months ended September 30, 2012 and 2011 a total of 3,590,556 and 254,444 options were forfeited, respectively. No stock options were exercised during the nine months ended September 30, 2012 and 2011. Forfeited stock options were result of employee departures as well as replacement of certain stock options by Fixed Bonus Plan Units.

The following stock options were outstanding as at September 30, 2012:

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

Option series	Number	Grant date	Expiry date	Exercise price (C$)	FV at grant date (C$)
Granted on November 26, 2010	8,783,333	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	166,667	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	1,832,778	20-Dec-11	20-Dec-21	3.00	0.61
Granted on February 24, 2012	1,038,888	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

As at September 30, 2012, approximately 8.0 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 16,546,666 common share options issued 16,371,666 vest evenly over a three-year period and 175,000 vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized as milestones are achieved and the value can be reasonably measured.

As at September 30, 2012 all outstanding share options have a contractual life of ten years.

Fair value of stock options granted

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

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Grant date share price	C$2.11	C$2.47	C$2.10-C$2.58	C$2.40-C$2.69
Exercise price	C$3.00	C$3.00	C$3.00	C$3.00
Range of risk-free interest rate	1.32%	1.26%	0.99%-1.43%	1.90%-2.22%
Volatility of the expected market price of share	61.6%	53%	43.7%-61.62%	53%
Expected life of options	5.00	3.44	1.25-5.00	3.44
Dividend yield	0%	0%	0%	-
Forfeiture rate	6%	6.39%	0%-30%	6.39%

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.

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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 beginning of the period - October 1, 2010	**-**	**-**
Granted during the period	17,980,000	C$3.00
Forfeited during the period	(362,778)	C$3.00
Exercised during the period	-	-
Expired during the period	-	-
Balance at end of the period - December 31, 2011	**17,617,222**	**C$3.00**
Granted during the period	2,520,000	C$3.00
Forfeited during the period	(3,590,556)	C$3.00
Exercised during the period	-	-
Expired during the period	-	-
Balance at end of the period - September 30, 2012	**16,546,666**	**C$3.00**
Number of options exercisable - September 30, 2012	9,427,632	

Stock options exercised during the period

There were no options exercised during the three month period ended September 30, 2012 and 2011.

b. Incentive Fixed Bonus Plan

The Incentive Fixed Bonus Plan (the "Fixed Bonus Plan") authorizes the Directors to grant Fixed Bonus Plan Units ("Units") to officers and employees of the Company and its subsidiaries in lieu of participating in Stock Option Plan. Each Unit entitles the holder upon exercise to receive a cash payment equal to the closing price of a common share of Teranga on the Toronto Stock Exchange ("TSX") on the business day prior to the date of exercise, less the exercise price. Units may be exercised at any time from the date of vesting to the date of their expiry subject to the terms of the plan. Units are not transferable or assignable.

The exercise price of each Unit is determined by the board of directors at the date of grant but in no event shall be less than the five-day weighted average closing price of the common shares as reported on TSX for the period ended on the business day immediately preceding the day on which the option was granted.

The vesting of the Units is determined by the board of directors at the date of grant. The term of Units granted under the Fixed Bonus Plan is at the discretion of the board of directors, provided that such term cannot exceed ten years from the date that the Units are granted.

The Fixed Bonus Plan was introduced during the three months ended September 30, 2012. During the three months ended September 30, 2012 a total of 1,440,000 Units were granted to employees. During the three months ended September 30, 2012, no Units were forfeited or exercised.

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The following Units were outstanding as at September 30, 2012:

Unit series	Number	Grant date	Expiry date	Exercise price (C$)	FV at grant date (C$)
Granted on August 8, 2012	80,000	08-Aug-12	20-Dec-21	3.00	0.20
Granted on August 8, 2012	80,000	08-Aug-12	26-Nov-20	3.00	0.20
Granted on August 8, 2012	1,100,000	08-Aug-12	26-Nov-20	3.00	0.99
Granted on August 8, 2012	180,000	08-Aug-12	24-Feb-22	3.00	0.20

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

Of the 1,440,000 Units issued, 50% vested upon issuance, 25% vest on December 31, 2012 and 25% vest on December 31, 2013.

Fair value of Units granted

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

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Share price at the end of the period	C$2.20	-	C$2.20	-
Exercise price	C$3.00	-	C$3.00	-
Range of risk-free interest rate	1.07-1.30%	-	1.07-1.30%	-
Volatility of the expected market price of share	43.70%-61.62%	-	43.70%-61.62%	-
Expected life of Units	1.25-5.00	-	1.25-5.00	-
Dividend yield	0%	-	0%	-
Forfeiture rate	6%-30%	-	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. KEY MANAGEMENT PERSONNEL COMPENSATION

Key members of management are disclosed in Note 36 to the audited annual consolidated financial statements of the Company.

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

The remuneration of the key members of management during the three and nine months ended September 30, 2012 and 2011 is as follows:

	Short term benefits			Cash settled share based payments - value vested during the period	Equity settled share based payments - value vested during the period	
	Salary and Fees	Non-Cash Benefits	Cash Bonus	Options	Options	Total
For three months ended September 30, 2012						
Compensation	849	37	-	659	651	**2,196**
For three months ended September 30, 2011						
Compensation	777	20	-	-	1,480	**2,277**

	Short term benefits			Cash settled share based payments - value vested during the period	Equity settled share based payments - value vested during the period	
	Salary and Fees	Non-Cash Benefits	Cash Bonus	Options	Options	Total
For nine months ended September 30, 2012						
Compensation	2,496	40	-	659	2,796	**5,991**
For nine months ended September 30, 2011						
Compensation	2,149	28	-	-	6,065	**8,242**

31. RELATED PARTY TRANSACTIONS

a. Equity interests in related parties

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 31 to the audited annual consolidated financial statements of the Company.

b. Transactions with key management personnel

Details of key management personnel compensation are disclosed in Note 28 and Note 36 to the audited annual consolidated financial statements of the Company.

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

c. Transactions with other related parties

The Company has no payable to or receivable from other related parties as at September 30, 2012.

32. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors on November 7, 2012.