Interim Condensed Consolidated Financial Statements of

TERANGA GOLD CORPORATION

For the three and nine months ended September 30, 2013

(unaudited)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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

Approved by the Board of Directors

Alan Hill
Director

Alan Thomas
Director

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Nine months ended September 30, 2013	Nine months ended September 30, 2012 (Restated)
Issued capital			
Beginning of period		305,412	305,412
Shares issued from public and private offerings	4	23,487	-
Less: Share issue costs	4	(180)	-
End of period		328,719	305,412
Foreign currency translation reserve			
Beginning of period		(998)	(935)
Exchange difference arising on translation of Teranga corporate entity	22	-	(63)
End of period		(998)	(998)
Equity-settled share based compensation reserve			
Beginning of period		16,358	12,599
Equity-settled share based compensation reserve		1,417	2,995
Payments to Oromin Exploration Ltd. employees on change of control	4	585	-
End of period		18,360	15,594
Investment revaluation reserve			
Beginning of period		5,456	(1,319)
Change in fair value of available for sale financial asset, net of tax	21	(5,456)	-
Impairment		-	4,726
End of period		-	3,407
Accumulated income/(loss)			
Beginning of period	3	49,225	(43,375)
Profit attributable to shareholders		51,737	38,372
End of period		100,962	(5,003)
Non-controlling interest			
Beginning of period		11,857	(3,713)
Non-controlling interest - portion of profit for the period	30	8,466	8,584
Non-controlling interest - acquisition of Oromin	30	11,005	
Dividends paid and accrued	26/30	(7,672)	-
End of period		23,656	4,871
Total shareholders' equity at September 30		**470,699**	**323,283**

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries and were approved by the Board of Directors on November 6, 2013.

b. Basis of presentation

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

c. Functional and presentation currency

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

3. CHANGE IN ACCOUNTING POLICIES

Adoption of new accounting standards

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

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

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

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

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

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

The impact of the change in accounting policy on the statement of financial position as at December 31, 2012 and the statement of comprehensive income and statement of cash flows for the three months ended and nine months ended September 30, 2012 are set out below:

Impact on Statement of Financial Position

	December 31, 2012 As previously reported	Impact of change in accounting policy	December 31, 2012 Restated
Current assets			
Inventories	82,474	(7,505)	74,969
Total current assets	**157,040**	**(7,505)**	**149,535**
Non-current assets			
Inventories	40,659	(7,959)	32,700
Mine development expenditures	109,060	29,549	138,609
Total non-current assets	**393,416**	**21,590**	**415,006**
Total assets	**550,456**	**14,085**	**564,541**
Equity			
Accumulated income	36,549	12,676	49,225
Equity attributable to shareholders	**362,777**	**12,676**	**375,453**
Non-controlling interests	10,448	1,409	11,857
Total equity	**373,225**	**14,085**	**387,310**
Total equity and liabilities	**550,456**	**14,085**	**564,541**

Impact on Statement of Comprehensive Income

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

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

Impact on Statement of Cash Flows

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

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

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

b. IFRS 10 – Consolidated financial statements

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

c. IFRS 11 – Joint arrangements

IFRS 11, "Joint arrangements" (IFRS 11) was issued by the IASB in May 2011 and superseded IAS 31, "Interest in joint ventures" and SIC 13, "Jointly controlled entities – Non-monetary contributions by venturers" by removing the option to account for joint ventures using proportionate consolidation and requiring equity accounting. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

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

d. IFRS 12 – Disclosure of interests in other entities

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

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

e. IFRS 13 – Fair value measurement

IFRS 13, "Fair value measurement" (IFRS 13) was issued by the IASB in May 2011. This standard clarifies the definition of fair value, required disclosures for fair value measurement, and sets out a single framework for measuring fair value. IFRS 13 provides guidance on fair value in a single standard, replacing the existing guidance on measuring and disclosing fair value which is dispersed among several standards. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and the Company has adopted this standard. The Company has evaluated the impact of IFRS 13 and applied the new disclosure requirements.

New standards and interpretations not yet adopted

a. IFRIC 21 - Levies

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

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

4. ACQUISITION

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

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

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

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

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

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

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

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

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

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

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

5. REVENUE

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

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

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

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

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

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

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

6. COST OF SALES

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

7. ADMINISTRATION EXPENSES

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

8. FINANCE COSTS

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

9. OTHER EXPENSE

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

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

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

10. TRADE AND OTHER RECEIVABLES

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

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

11. INVENTORIES

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

12. OTHER ASSETS

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

(i) As at September 30, 2013, prepayments include $3.3 million of advances to vendors and contractors and $2.0 million for insurance. As at December 2012, prepayments include $4.3 million of advances to other vendors and contractors and $1.0 million for insurance.
(ii) The security deposit represents a security for payment under the mining fleet and maintenance contract.

13. INVESTMENT IN OROMIN JOINT VENTURE GROUP LTD.

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

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

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

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

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

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

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

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

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings & property improvement	Plant and equipment	Office furniture and equipment	Motor vehicles	Equipment under finance lease	Capital work in progress	Total (Restated)
Cost							
Balance at January 1, 2012	**32,216**	**190,397**	**1,279**	**2,481**	**42,095**	**56,558**	**325,026**
Additions	-	-	-	-	-	51,342	**51,342**
Capitalized mine rehabilitation	-	109	-	-	-	-	**109**
Disposals	-	(748)	-	(227)	-	-	**(975)**
Transfer	12,237	85,922	525	832	322	(99,838)	**-**
Balance at December 31, 2012	**44,453**	**275,680**	**1,804**	**3,086**	**42,417**	**8,062**	**375,502**
Additions	-	-	-	-	-	16,917	**16,917**
Disposals	-	(15)	(2)	(73)	(501)	-	**(591)**
Transfer	254	17,115	347	127	-	(17,796)	**47**
Balance at September 30, 2013	**44,707**	**292,780**	**2,149**	**3,140**	**41,916**	**7,183**	**391,875**
Accumulated depreciation							
Balance at January 1, 2012	**9,769**	**56,889**	**671**	**1,379**	**17,808**	**-**	**86,516**
Disposals	**-**	(719)	**-**	(192)	**-**	**-**	**(911)**
Depreciation expense	4,635	27,843	340	648	8,533	-	**41,999**
Balance at December 31, 2012	**14,404**	**84,013**	**1,011**	**1,835**	**26,341**	**-**	**127,604**
Disposals	-	(3)	(2)	(50)	(402)	-	**(457)**
Depreciation expense	3,562	25,486	319	233	6,269	-	**35,869**
Balance at September 30, 2013	**17,966**	**109,496**	**1,328**	**2,018**	**32,208**	**-**	**163,016**
Net book value							
Balance at December 31, 2012	**30,049**	**191,667**	**793**	**1,251**	**16,076**	**8,062**	**247,898**
Balance at September 30, 2013	**26,741**	**183,284**	**821**	**1,122**	**9,708**	**7,183**	**228,859**

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

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

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

15. MINE DEVELOPMENT EXPENDITURE

	Amount (Restated)
Cost	
Balance at January 1, 2012	**124,418**
Expenditures incurred during the period	62,911
Balance at December 31, 2012	**187,329**
Expenditures incurred during the period	62,638
Balance at September 30, 2013	**249,967**
Accumulated depreciation	
Balance at January 1, 2012	**34,593**
Depreciation expense	14,127
Balance at December 31, 2012	**48,720**
Depreciation expense	15,548
Balance at September 30, 2013	**64,268**
Carrying amount	
Balance at December 31, 2012	**138,609**
Balance at September 30, 2013	**185,699**

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

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

There were minimal capitalized mine development expenditures during the three months ended September 30, 2013. For the nine months ended September 30, 2013, capitalized mine development expenditures of $0.3 million were incurred, relating to the Gora project that was advanced from the exploration stage to the development stage effective January 1, 2012 after technical feasibility and commercial viability studies had been completed. Capitalized mine development expenditures also include $13.2 million relating to payments to be made to the Republic of Senegal. Refer to notes 16 and 26.

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

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

16. TRADE AND OTHER PAYABLES

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

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

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

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

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

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

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

17. BORROWINGS

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

Macquarie Finance Lease Facility

During the first quarter of 2013, the Company entered into a new $50 million finance lease facility with Macquarie ("Equipment Facility"). The lease facility replaces the finance lease facility previously in place with Sociéte Generalé, which was assigned and novated to Macquarie. The proceeds will be put towards additional equipment for the Sabodala pit as well as the new equipment required for the Gora deposit that is currently being permitted. The Equipment Facility requires compliance with financial covenants, all of which were fulfilled at September 30, 2013.

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

The lease facility bears interest of LIBOR plus a margin of 7.5 percent and is re-payable in equal quarterly installments over twenty-four months from the time of drawdown. At September 30, 2013, $20.2 was outstanding. The balance of $24.5 million will be reserved for future drawn downs for purchases of mining equipment, as required.

Macquarie Loan Facility

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

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

Sprott Loan Facility

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

18. FINANCIAL DERIVATIVE LIABILITIES

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

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

19. PROVISIONS

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

(i) The provisions for employee benefits include $1.4 million accrued vacation and $0.5 million long service leave entitlements for the period ended September 30, 2013. The provision for December 31, 2012 included $1.4 million accrued vacation and $0.5 million long service leave entitlements.

(ii) Mine restoration and rehabilitation provision represents a constructive obligation to rehabilitate the Sabodala gold mine based on the mining concession. The majority of the reclamation activities will occur at the completion of active mining and processing (expected completion is 2019) but a limited amount of concurrent rehabilitation will occur throughout the mine life.

	Amount
Balance at January 1, 2012	9,215
Capitalized mine rehabilitation	109
Unwinding of discount	53
Balance at December 31, 2012	**9,377**
Unwinding of discount	74
Balance at September 30, 2013	**9,451**

(iii) The provision for cash settled share based compensation represents the amortization of the fair value of the fixed bonus plan units. Details of the fixed bonus plan are disclosed in Note 29(b).

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

20. ISSUED CAPITAL

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

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

21. AVAILABLE FOR SALE FINANCIAL ASSETS

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

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

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

	Amount
Balance at January 1, 2012	19,800
Change in fair value of available for sale financial asset during period	(5,142)
Foreign exchange gain	352
Balance at December 31, 2012	**15,010**
Change in fair value of available for sale financial asset during period	(9,448)
Foreign exchange loss	(431)
Consolidation of Oromin upon acquisition of control	(5,131)
Balance at September 30, 2013	**-**

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

22. FOREIGN CURRENCY TRANSLATION

The foreign currency translation reserve represents historical exchange differences of $0.9 million which arose upon translation from the functional currency of the Company's corporate entity into United States dollars during 2011, which were recorded directly to the foreign currency translation reserve within the consolidated statement of changes in equity. The remaining balance of $0.1 million represents foreign exchange difference resulting from the change of functional currency from Canadian to United States dollars as at January 1, 2012

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

23. EARNINGS PER SHARE (EPS)

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

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

24. COMMITMENTS FOR EXPENDITURE

a. Capital Expenditure Commitments

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

b. Sabodala Operating Commitments

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

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

c. Oromin Commitments

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

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

25. LEASES

	As at September 30, 2013		As at December 31, 2012	
	Minimum future lease payments	Present value of minimum future lease payments	Minimum future lease payments	Present value of minimum future lease payments
No later than one year	12,775	11,664	10,506	10,415
Later than one year and not later than five years	7,386	6,811	-	-
Total finance lease liabilities	**20,161**	**18,475**	**10,506**	**10,415**
Included in the financial statements as:				
Current	12,775	11,664	10,506	10,415
Non-current	7,386	6,811	-	-

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

26. CONTINGENT LIABILITIES

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

a. Settled and outstanding tax assessments

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

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

b. Government Payments

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

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

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

c. OJVG tax assessment

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

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

d. Bendon International Ltd. ("Bendon")

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

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

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

27. CASH FLOW INFORMATION

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

28. FINANCIAL INSTRUMENTS

The Company values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

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

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

	Financial assets			
	Level 1	Level 2	Level 3	Total
September 30, 2013				
Available-for-sale financial assets	6	-	-	**6**
Total	6	-	-	**6**
December 31, 2012				
Available-for-sale financial assets	15,010	-	-	**15,010**
Derivative financial assets	-	456	-	**456**
Total	**15,010**	**456**	**-**	**15,466**

	Financial liabilities			
	Level 1	Level 2	Level 3	Total
September 30, 2013				
Derivative financial liabilities	-	-	-	**-**
Total	-	-	-	**-**
December 31, 2012				
Derivative financial liabilities	-	51,548	-	**51,548**
Total	-	**51,548**	-	**51,548**

29. SHARE BASED COMPENSATION

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

a. Incentive Stock Option Plan

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

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

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

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

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

Option series	Number	Grant date	Expiry date	Exercise price (C$)	FV at grant date (C$)
Granted on November 26, 2010	7,113,333	26-Nov-10	26-Nov-20	3.00	1.19
Granted on December 3, 2010	2,225,000	03-Dec-10	03-Dec-20	3.00	1.19
Granted on February 9, 2011	725,000	09-Feb-11	09-Feb-21	3.00	0.99
Granted on April 27, 2011	25,000	27-Apr-11	27-Apr-21	3.00	0.80
Granted on June 14, 2011	455,000	14-Jun-11	14-Jun-21	3.00	0.94
Granted on August 13, 2011	370,000	13-Aug-11	13-Aug-21	3.00	0.82
Granted on December 20, 2011	1,538,611	20-Dec-11	20-Dec-21	3.00	0.61
Granted on February 24, 2012	810,000	24-Feb-12	24-Feb-22	3.00	0.37
Granted on February 24, 2012	300,000	24-Feb-12	24-Feb-22	3.00	1.26
Granted on June 5, 2012	50,000	05-Jun-12	05-Jun-22	3.00	0.17
Granted on September 27, 2012	600,000	27-Sep-12	27-Sep-22	3.00	0.93
Granted on October 9, 2012	600,000	09-Oct-12	06-Oct-22	3.00	1.01
Granted on October 31, 2012	80,000	31-Oct-12	31-Oct-22	3.00	0.52
Granted on October 31, 2012	180,000	31-Oct-12	31-Oct-22	3.00	0.18
Granted on December 3, 2012	200,000	03-Dec-12	03-Dec-22	3.00	0.61
Granted on February 23, 2013	383,889	23-Feb-13	23-Feb-23	3.00	0.42
Granted on February 23, 2013	40,000	23-Feb-13	23-Feb-23	3.00	0.25
Granted on May 14, 2013	190,000	14-May-13	14-May-23	3.00	0.82
Granted on June 3, 2013	120,000	03-Jun-13	03-Jun-23	3.00	0.71
Granted on August 6, 2013	573,600	06-Aug-13	06-Feb-15	1.09	*
Granted on August 6, 2013	45,000	06-Aug-13	06-Feb-15	1.50	*
Granted on August 6, 2013	4,437,600	06-Aug-13	06-Feb-15	1.54	*
Granted on August 6, 2013	120,000	06-Aug-13	06-Feb-15	1.87	*
Granted on August 6, 2013	2,735,400	06-Aug-13	06-Feb-15	2.17	*

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

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

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

Of the 23,917,433 common share stock options issued and outstanding as at September 30, 2013, 15,830,833 vest over a three-year period, 7,911,600 vested immediately and 175,000 vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized based on our best estimate of outcome of achieving our results.

As at September 30, 2013, 16,005,833 share options had a contractual life of ten years at issuance and 7,911,600 share options issued in connection with the acquisition of Oromin have a contractual life of 18 months.

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

Fair value of stock options granted

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

	Three months ended September 30		Nine months ended September 30	
	2013	**2012**	**2013**	**2012**
Grant date share price	C$0.50	C$2.11	C$0.50-C$1.44	C$$2.10-C$2.58
Exercise price	C$1.09-C$2.17	C$3.00	C$1.09-C$3.00	C$3.00
Range of risk-free interest rate	1.15%	1.32%	1.03%-1.21%	0.99%-1.43%
Volatility of the expected market price of share	67.3%	61.6%	67.28%-68.30%	43.7%-61.62%
Expected life of options	1.50	5.00	1.50-3.50	1.25-5.00
Dividend yield	0%	0%	0%	0%
Forfeiture rate	5%	6%	5%-50%	0%-30%

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

Movements in shares options during the period

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

	Number of options	Weighted average exercise price
Balance at end of the period - January 1, 2012	17,617,222	C$3.00
Granted during the period	3,580,000	C$3.00
Forfeited during the period	(4,058,055)	C$3.00
Balance at end of the period - December 31, 2012	**17,139,167**	**C$3.00**
Granted during the period	820,000	C$3.00
Replacement stock options issued to Oromin employees on change of control	7,911,600	C$3.00
Forfeited during the period	(1,953,334)	C$3.00
Balance at end of the period - September 30, 2013	**23,917,433**	**C$3.00**
Number of options exercisable - December 31, 2012	10,736,662	
Number of options exercisable - September 30, 2013	19,738,771	

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

b. Fixed Bonus Plan

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

As at September 30, 2013, there were 1,440,000 Units outstanding that were granted on August 8, 2012 with expiry dates ranging from November 24, 2020 through to February 24, 2022. The Units each have an exercise price of C$3.00 and have fair values at September 30, 2013 in the range of C$0.03 to C$0.16 per Unit. The total fair value of the Units at September 30, 2013 was $0.2 million (December 31, 2012: $0.9 million).

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

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

Fair value of Units granted

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

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

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

30. NON-CONTROLLING INTERESTS

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

(i) Represents dividends received and accrued by SGO.

31. RELATED PARTY TRANSACTIONS

a. Equity interests in related parties

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

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

b. Transactions with key management personnel

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

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

c. Transactions with other related parties

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