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# DECEMBER QUARTER AND 2013 YEAR END REPORT

Toronto, Canada: February 20, 2014

***For a full explanation of Financial, Operating, Exploration and Development results please see the Audited Consolidated Financial Statements and Management's Discussion & Analysis for 2013 at www.terangagold.com.***

- Loss attributable to shareholders of $4.2 million ($0.01 loss per share) in fourth quarter 2013 compared to a profit of $54.2 million ($0.22 per share) resulting from transaction costs related to the acquisition of the Oromin Joint Venture Group Ltd. (OJVG) and lower gross profit
- Profit attributable to shareholders of $47.5 million ($0.18 per share) in 2013 compared to a profit of $92.6 million ($0.38 per share) in 2012
- Subsequent to year end, completed acquisition of remainder of interest in neighbouring property - OJVG - by way of stream transaction with Franco-Nevada to fund the completion of the acquisition and to retire $30 million of $60 million bank debt facility
- Proven and Probable open pit Reserves on a combined basis with OJVG increased by 120 percent to 2.8 million ounces, Measured and Indicated Resources increased by 123 percent to 6.2 million ounces, and Inferred Resources increased by 42 percent to 2.6 million ounces[1]
- Significant potential exists to add to gold inventory on both the Mine Licenses, as well as, large Regional Land Package - Company has ~70Km of strike length on an emerging gold belt
- Combined mine plan expected to balance gold production and cash flow generation with a base case average annual gold production of about 250,000 ounces at all-in sustaining costs of about $900 per ounce between 2014 and 2019, based on existing proven and probable reserves only
- Combined mine plan is "base case" and does not include potential from heap leaching; potential from infill drilling to bring back some reserve ounces that were excluded from the recently acquired OJVG; or the potential for additional Measured and Indicated resource conversion to Proven and Probable mineral reserves. This work will be a priority for 2014.
- Gold production for 2014 is expected in the range of 220,000 to 240,000 ounces[2] at total cash costs of $650 to $700 per ounce and all-in sustaining costs of $800 to $875 per ounce[3]

*"We emerged from 2013 stronger than ever, executing operationally and announcing a transformational acquisition of our neighbor. The life of mine plan we have prepared is a base case that we are well positioned to build on, and I have no doubt that our best years lay ahead," said Alan Hill, Executive Chairman.*

[1] See table 1 and 2 on page 8 of this Report for detailed breakdown of this resource and reserve estimates.
[2] This production guidance is based on existing proven and probable reserves only from both the Sabodala mining licence and OJVG mining license as disclosed in Table 2 on page 8 of this Report. The estimated ore reserves underpinning this production guidance have been prepared by a competent person in accordance with the requirements of the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). This production guidance also assumes an amendment to OJVG mining license to reflect processing of OJVG ore through the Sabodala mill.
[3] Total cash costs per ounce and all-in sustaining costs per ounce of gold sold are non-IFRS measures which do not have standard meanings under IRFS. Please refer to Non-IFRS Performance Measures at the end of this Report.

**DECEMBER QUARTER FINANCIAL HIGHLIGHTS** (details on page 12)

- Gold revenue for the three months ended December 31, 2013 was $58.3 million compared to gold revenue of $123.0 million for the same prior year period. The decrease in gold revenue for the fourth quarter 2013 was driven by lower gold sales from lower production and lower spot gold prices.
- Consolidated loss for the three months ended December 31, 2013 was $4.2 million ($0.01 loss per share), compared to profit of $54.2 million ($0.22 per share) in the same prior year period. The decrease in profit and earnings per share over the prior year quarter were primarily due to higher transaction costs related to the acquisitions of Oromin and the remainder of the OJVG during the fourth quarter of 2013 and lower gross profit.
- Operating cash flow for the three months ended December 31, 2013 provided cash of $13.1 million compared to $59.7 million cash provided in the prior year. The decrease in operating cash flow compared to the prior year quarter was mainly due to a lower gross profit and a decrease in net working capital inflows during the fourth quarter of 2013.
- Capital expenditures were $3.7 million for the three months ended December 31, 2013, compared to $28.5 million in the same prior year period. The decrease in capital expenditures over the prior year quarter was mainly due to lower sustaining and development expenditures and lower capitalized reserve development expenditures in the fourth quarter of 2013.
- During the fourth quarter of 2013, 46,561 ounces were sold at an average gold price of $1,249 per ounce compared to 71,604 ounces sold at an average price of $1,296 per ounce in the same prior year period, including 33,606 ounces being delivered into gold hedge contracts at an average price of $833 per ounce.

**DECEMBER QUARTER OPERATIONAL HIGHLIGHTS** (details on page 12)

- Gold production for the three months ended December 31, 2013 was on plan at 52,368 ounces of gold and 27 percent lower than the same prior year period. Lower production was due to lower processed grades, partly offset by higher mill throughput.
- Total cash costs for the three months ended December 31, 2013 totalled $711 per ounce sold, 34 percent higher than the same prior year period. Higher total cash costs per ounce were due to an increase in material mined and milled during the quarter compared to the year earlier period. Total cash costs have been adjusted for the adoption of IFRIC 20 for capitalization of a portion of production phase stripping costs.
- All-in sustaining costs for the three months ended December 31, 2013 were $850 per ounce sold compared to $1,004 per ounce sold in the same prior year period. The decrease compared to the prior year was due to lower capital expenditures and administration expenses in the current year period, partly offset by higher total cash costs.
- Total tonnes mined for the three months ended December 31, 2013 were 24 percent higher compared to the same prior year period. The increase in total tonnes mined was mainly due to improved productivities and shorter ore and waste haul distances.
- During the quarter, mining activities were focused on the upper benches of phase 3 of the Sabodala pit, while in the same prior year period mining took place in a high grade ore zone on lower benches of phase 2.
- Ore tonnes mined for the three months ended December 31, 2013 were 2 percent lower compared to the same prior year period and ore grades mined were lower than the same prior year period, in line with plan. This resulted in 23 percent fewer ounces mined for the three months ended December 31, 2013 as mining activities were concentrated on waste stripping activities in phase 3 of the mine plan. Conversely, mining activities during the prior year period took place in lower benches of phase 2 and included a substantial amount of high-grade ore.
- Unit mining costs for the fourth quarter of 2013 were $2.65 per tonne, a decrease of 15 percent compared to the same prior year period. Total mining costs were 5 percent higher than the same prior year period due to higher material movement.
- Ore tonnes milled for the three months ended December 31, 2013 were 19 percent higher than the same prior year period due to improvements made to reduce the frequency and duration of unplanned downtime and an increase in throughput in the crushing circuit to match mill capacity.
- Processed grade for the three months ended December 31, 2013 was 38 percent lower than the same prior year period, as planned. Mill feed during the fourth quarter 2013 was sourced from phase 3 of the Sabodala pit at grades closer to reserve grade. While in the year earlier period, mill feed was sourced from a high grade zone on the lower benches of phase 2 of the Sabodala pit.
- Unit processing costs for the three month period ended December 31, 2013 were 10 percent lower than the same prior year period at $17.96 per tonne, mainly due to an increase in throughput. Total processing costs for the three months ended December 31, 2013 were 7 percent higher than the same prior year period mainly due to an increase in material processed.

**FULL YEAR FINANCIAL HIGHLIGHTS** (details on Page 12)

- Gold revenue for the twelve months ended December 31, 2013 was $297.9 million compared to gold revenue of $350.5 million for the same prior year period. The decrease in gold revenue was due to lower spot gold prices in the current year.
- Consolidated profit for the twelve months ended December 31, 2013 was $47.5 million ($0.18 per share), compared to profit of $92.6 million ($0.38 per share) in the same prior year period. The decrease in profit and earnings per share were primarily due to lower gross profit and higher other expenses related to transaction costs associated with the acquisitions of Oromin and the remainder of the OJVG.
- Operating cash flow for the year ended December 31, 2013 provided cash of $74.3 million compared to $105.0 million cash provided in the prior year. The decrease in operating cash flow was mainly due lower revenue and gross profit in the current year. In the prior year period, the settlement of a large gold shipment made at the end of 2011 was received at the beginning of 2012.
- Capital expenditures were $69.1 million for the twelve months ended December 31, 2013, compared to $115.8 million in the same prior year period. The decrease was due to lower development capital as the mill expansion was completed in 2012 and lower capitalized reserve development expenditures in the current year, partially offset by higher capitalized deferred stripping costs.
- Net cash used by financing activities for the year ended December 31, 2013 was $10.5 million compared to net cash provided by financing activities was $39.7 million for the prior year. 2013 includes proceeds of $12.8 million received from the finance lease facility, repayment of borrowings of $12.3 million and interest paid on borrowings of $7.1 million. 2012 includes proceeds from the loan facility of $58.0 million, net of deferred financing costs, and proceeds from the finance lease facility of $2.9 million, partially offset by repayments of the finance lease facility of $16.8 million and interest paid on borrowings of $4.1 million.
- Gold sold for the year was 208,406 ounces at an average gold price of $1,246 per ounce, including 45,289 ounces being delivered into gold hedge contracts at an average price of $806 per ounce. This compares to 207,814 ounces sold at an average price of $1,422 per ounce in the same prior year period, including 62,606 ounces being delivered into gold hedge contracts at an average price of $832 per ounce.

*"Our recent acquisition more than doubles our reserve and resource base and mine life. While we are already one of the lowest all-in cost producers, this coupled with the operational flexibility to mine from several pits allows us to focus on maximizing free cash flow. We have a tremendous land package on an emerging gold belt and we are now well positioned to add profitable ounces in the short, medium and long term, all in Senegal", said Richard Young, President and CEO*

**FULL YEAR OPERATING HIGHLIGHTS** (details on Page 12)

- Gold production for the year was at the higher end of guidance of 190,000 – 210,000 ounces, at 207,204 ounces, 3 percent lower than the same prior year period, mainly due to lower processed grades, partly offset by higher mill throughput.
- Total cash costs for the year were below guidance of $650 - $700 per ounce, at $641 per ounce, compared to $556 per ounce in the same prior year period. The increase in total cash costs was mainly due to an increase in material processed and higher royalty costs in 2013 compared to 2012. Total cash costs have been adjusted for the adoption of IFRIC 20 for capitalization of a portion of production phase stripping costs.
- All-in sustaining costs for 2013 were at the low end of guidance, of $1,000 - $1,100 per ounce, at $1,033 per ounce, 14 percent lower than the same prior year period. Lower all-in sustaining costs were mainly due to lower capital expenditures, as result of the completion of the mill expansion in 2012, and a reduction in reserve development expenditures in 2013, partly offset by higher total cash costs and capitalized deferred stripping.
- Total tonnes mined for the twelve months ended December 31, 2013 were 20 percent higher compared to the same prior year period. The increase in total tonnes mined was mainly due to improved haul truck productivities as a result of shorter ore and waste haul distances, as well as, improved loading efficiencies.
- Unit mining costs for the twelve months ended December 31, 2013 were 4 percent lower than the same prior year period mainly due to improved truck and loading productivities.
- Total mining costs were 15 percent higher than the same prior year period due to increased material movement.
- Ore tonnes milled for the year ended December 31, 2013 were 29 percent higher than the same prior year period due to improvements made to reduce the frequency and duration of unplanned downtime and an increase in throughput in the crushing circuit to match mill capacity. These improvements were primarily accomplished during two planned major shutdowns in January and May with a third taking place in October. As a result of the work completed,

mill throughput achieved annualized design capacity of 3.5 million tonnes of primarily hard ore in the second half of 2013.

- Processed grade for the year ended December 31, 2013 was 27 percent lower than the same prior year period, as planned. Mill feed during the second quarter of 2013 onwards was sourced from a combination of lower grade stockpile material and ore from phase 3 of the Sabodala pit at grades closer to reserve grade. In the year earlier period, leading into the first quarter 2013, mill feed was sourced from a high grade zone on the lower benches of phase 2 of the Sabodala pit.
- Unit processing costs for the year ended December 31, 2013 were in line with the prior year period at $20.15 per tonne, due to an increase in throughput partly offset by higher processing costs.
- Total processing costs for the year ended December 31, 2013 were 28 percent higher than the same prior year period, mainly due to higher overall throughput in the crushing circuit from mid-June onwards which resulted in an increase in consumption of heavy fuel oil (HFO) and cyanide as a result of higher tonnes milled and higher maintenance costs associated with the planned January, May and October shutdowns. These increases were partly offset by lower consumption of grinding media due to better management of recycled product.

**OUTLOOK 2014**

| | | Year ended December 31 | |
|---|---|---|---|
| | | 2013 Actuals | 2014 Guidance Range |
| **Operating Results** | | | |
| Ore mined | ('000t) | 4,540 | 5,300 - 6,000 |
| Waste mined - operating | ('000t) | 15,172 | 18,200 - 19,000 |
| Waste mined - capitalized | ('000t) | 15,066 | 500 - 1,000 |
| Total mined | ('000t) | 34,778 | 24,000 - 26,000 |
| Grade mined | (g/t) | 1.62 | 1.60 - 1.70 |
| Strip ratio | (waste/ore) | 6.7 | 3.25 - 3.50 |
| Ore milled | ('000t) | 3,152 | 3,400 - 3,600 |
| Head grade | (g/t) | 2.24 | 2.20 - 2.40 |
| Recovery rate | % | 91.4 | 90.0 - 91.0 |
| Gold produced[1] | (oz) | 207,204 | 220,000 - 240,000 |
| Total cash cost (incl. royalties)[2,3] | $/oz sold | 641 | 650 - 700 |
| All-in sustaining costs[2,3] | $/oz sold | 1,033 | 800 - 875 |
| Mining | ($/t mined) | 2.59 | 2.75 - 2.95 |
| Milling | ($/t milled) | 20.15 | 18.00 - 19.00 |
| G&A | ($/t milled) | 5.38 | 4.75 - 5.25 |
| Gold sold to Franco-Nevada[1] | (oz) | - | 22,500 |
| **Exploration and evaluation expense** (Regional Land Package) | ($ millions) | 5.4 | 4.0 - 6.0 |
| **Administration expenses and Social community costs (excluding depreciation)** | ($ millions) | 13.6 | 15.0 - 16.0 |
| **Mine production costs** | ($ millions) | 170.8 | 155.0 - 165.0 |
| **Capital expenditures** | | | |
| Mine site sustaining | ($ millions) | 9.9 | 7.0 - 8.0 |
| Capitalized reserve development (Mine License) | ($ millions) | 3.5 | 4.0 - 6.0 |
| Project development costs | | | |
| Government payments | ($ millions) | 3.5 | 12.0 - 14.0 |
| Development | ($ millions) | 0.5 | 3.0 - 5.0 |
| Mobile equipment and other | ($ millions) | 8.4 | - |
| Total project development costs | ($ millions) | 12.4 | 15.0 - 19.0 |
| Capitalized deferred stripping[2] | ($ millions) | 43.3 | 2.0 - 3.0 |
| **Total capital expenditures** | ($ millions) | 69.1 | 28.0 - 33.0 |

[1] 22,500 ounces of production are to be sold to Franco Nevada at 20% of the spot gold price.

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

[3] Total cash costs per ounce sold for 2012 were restated to comply with the Company's adoption of IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine, in line with the Company's accounting policies and industry standards.

[4] All-in sustaining costs per ounce sold include total cash costs per ounce, administration expenses (excluding Corporate depreciation expense and social community costs not related to current operations), capitalized deferred stripping, capitalized reserve development and mine site sustaining capital expenditures (including project development costs) as defined by the World Gold Council.

Key assumptions: Gold spot price/ounce - US$1,250, Light fuel oil - US$1.15/litre, Heavy fuel oil - US$0.98/litre, US/Euro exchange rate - $1.325

Other important assumptions include: any political events are not expected to impact operations, including movement of people, supplies and gold shipments; grades and recoveries will remain consistent with the life-of-mine plan to achieve the forecast gold production; and no unplanned delays in or interruption of scheduled production.

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- The Company's 2014 operating budget has been designed to maximize free cash flow. Mining activity in 2014 is expected to focus on completing phase 3 of the Sabodala pit, as phase 4 of the Sabodala mine plan has been deferred to minimize material moved. Mining equipment freed up from the deferral of Sabodala phase 4 is anticipated to be used to begin mining activities at the Masato deposit in the fourth quarter of the year.

- The higher processing rate in 2014 is a result of improvements made in the first half of 2013 to the crushing circuit and in line with throughput rates in the second half of 2013.

- Total cash costs per ounce for 2014 are expected to be similar to 2013 while all-in sustaining costs per ounce are expected to be lower than 2013, mainly due to lower capital expenditures and deferred stripping costs.

- Exploration and evaluation expenditures for 2014 are expected to total approximately $10 million for both the Mine License and Regional Land Package combined. The exploration program in 2014 will focus on the conversion of resources to reserves and extensions of existing deposits along strike on the Sabodala and OJVG mine licenses, as well as, the continuation of a systematic regional exploration program designed to identify satellite and standalone deposits.

- Administrative and Corporate Social Responsibility expenses are expected to total $15 - $16 million, similar to 2013. Lower administrative costs at the corporate office are expected to be offset by higher social commitments related to the acquisition of the OJVG and additional staffing in the Dakar office. The 2014 plan has been designed to provide the necessary support for operations and development and includes corporate office costs, Dakar office costs and corporate responsibility costs, but excludes corporate depreciation, transaction costs and other non-recurring costs.

- Capitalized expenditures, including sustaining mine site expenditures, project development expenditures, capitalized deferred stripping, reserve development expenditures and payments to the Government of Senegal are expected to total $28 - $33 million.

**LIQUIDITY AND CAPITAL RESOURCES**

- During the first quarter of 2013, the Company entered into a new $50.0 million finance lease facility with Macquarie ("Equipment Facility"). The proceeds were put towards additional equipment for the Sabodala pit. During the fourth quarter of 2013, the Company cancelled the undrawn commitment from the Equipment Facility.

- During the third quarter of 2013, the Company amended its existing $60.0 million loan facility agreement with Macquarie ("Loan Facility"). The amended agreement had extended the final repayment date of its existing loan facility agreement by one year to June 30, 2015.

- Subsequent to year end, on January 15, 2014, the Company amended the Macquarie Loan Facility ("Loan Facility") and retired half of the balance of $30.0 million. The remaining balance of $30.0 million is scheduled to be repaid in three quarterly instalments of $5.0 million beginning on March 31, 2014. The final $15.0 million will be repaid on December 31, 2014. The amended Loan Facility agreement replaced the restricted cash requirement with a minimum liquidity threshold of $15.0 million and removes the Project Life Ratio financial covenant.

- The Company's cash position at December 31, 2013 was $42.3 million, including bullion receivable and restricted cash of $20 million. At $1,250 per ounce gold, the Company expects to generate sufficient cash flow to retire the balance of the Loan Facility and the majority of the mobile equipment loan. However, the Company's cash position is highly dependent on the gold price. The Company is continually reviewing operating, development and exploration expenditures in order to ensure adequate liquidity and flexibility exists to support debt repayments. While our objective is to repay the outstanding balance of the Loan Facility in 2014, the Company may look to extend the repayment terms beyond 2014, should lower gold prices materialize or review other alternatives to ensure sufficient liquidity is maintained by the Company.

**STRATEGY**

*Company performance in 2013*

- During 2013, the price of gold decreased 28 percent, its first annual decrease in 13 years. In light of this gold price weakness, Teranga quickly took steps in early 2013 to reduce discretionary spending while maintaining its production guidance. The Company's exploration team was consolidated into one exploration facility and the organizational design was revised for increased efficiencies. Additionally, the Company's technical team designed a new mine plan on a standalone basis, resulting in less material movement, lower reserves and production but higher free cash flows at current gold prices.

- Despite the challenges faced, the Company was able to deliver on its plans and this included the following:

    - Met or exceeded production and cost guidance for the year;

    - Resolved the outstanding items to bring the expanded mill to design capacity;

    - Eliminated the inherited out of the money hedge contracts;

    - Established a long-term fiscal and investment agreement with the Senegalese government, which

        - Reinforced Teranga's long-term commitment to the country; and

- Demonstrated Senegal's willingness to work with foreign investors in a fair and transparent manner; and

- Completed the acquisition of the OJVG and prepared an initial integrated life of mine ("LOM") plan.

*Strategy for 2014 and Beyond*

- The 2014 budget and integrated LOM plan for the combined operations have been designed to maximize free cash in the current gold price environment. The sequence of the pits can be optimized, as well as, the sequencing of phases within the pits, based not only on grade, but also on strip ratio, ore hardness, and the capital required to maximize free cash flows in different gold price environments. As a result, this LOM annual production profile represents an optimized cash flow for 2014 and a balance of gold production and cash flow generated in the subsequent five years. There are opportunities to increase gold production in years 2015-2018 based on current reserves. With expectations for additional reserves, including infill drilling of the high grade zone at Masato, further mine plan optimization work is required. As a result, this LOM production schedule represents a "base case" scenario with flexibility to improve gold production and/or cash flows in subsequent years.
- With the OJVG acquisition now complete, the Company can clearly outline its short, medium and long-term objectives:
- In the Short-term (2014-2015):

  i. Integrate OJVG and Sabodala operations;

  ii. Increase free cash flow through higher production and lower material movement, in part to retire the balance of the debt facility outstanding; and

  iii. Increase reserves through the conversion of Measured, Indicated and Inferred Resources.

- In the Medium-term (2014-2016):

  i. Evaluate the heap leach processing option (permit and build if the returns meet Teranga's hurdle rate);

  ii. Continue to look for ways to improve mill throughput; and

  iii. Optimize mine planning and grade.

- In the Long-term (2015 onward):

  i. Remain disciplined about investments in exploration with a commitment to a modest, multi-year exploration program; and

  ii. Look to make exploration discoveries on the regional exploration land package by continuing to systematically work through the many targets and prospects.

- The Company expects to create value for shareholders by maximizing free cash flows in the short-term by integrating the OJVG allowing for annual production of approximately 250,000 ounces at lower quartile all-in sustaining costs of about $900 per ounce and a high conversion of EBITDA into free cash flow.
- In the longer term, the Company expects to create shareholder value by leveraging the existing processing infrastructure, while adding profitable reserves and potentially expanding its processing capacity. All capital projects will be evaluated based on a disciplined capital allocation strategy based on robust hurdle rates and quick payback periods. The Company is focused only on gold and only in Senegal.
- Once the Loan Facility has been extinguished and there is sufficient cash to execute on the business plan, the Company will look to returning capital to shareholders when appropriate.

**ACQUISITION OF OROMIN**

- On August 6, 2013, the Company acquired 78,985,388 common shares of Oromin Explorations Limited ("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 and a further 2,091,013 shares obtained, this represented a total of 99,775,901 Oromin shares or approximately 72.6 percent of the outstanding Oromin shares.
- 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 consisted 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.
- On October 4, 2013, the Company completed the acquisition of all of the issued and outstanding common shares of Oromin that it did not already own (Oromin being one of the three joint venture partners holding 43.5 percent of the OJVG), issuing 22,537,251 additional Teranga common shares 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 Oromin shares for net consideration of $37.8 million, including the fair value of Oromin stock options replaced by 7,911,600 Teranga stock options. As a result, Teranga's total number of issued and outstanding shares increased to 316,801,091.

**FRANCO-NEVADA GOLD STREAM AND ACQUISITION OF THE OJVG**

- On January 15, 2014, the Company completed a $135.0 million stream transaction with Franco-Nevada Corporation ("Franco-Nevada") to fund the acquisition of Bendon's interest in the OJVG for $105.0 million and retire half of the project finance facility with Macquarie of $30.0 million. As a result of the two transactions, Teranga is required to deliver to Franco-Nevada 22,500 ounces annually over the first six years followed by 6 percent of production from the Company's existing properties, including those of the OJVG, thereafter. Franco-Nevada's purchase price per ounce is set at 20 percent of the spot price of gold.

- The Company also acquired Badr's 13 percent carried interest for $7.5 million and further contingent consideration based on higher realized gold prices and increases to OJVG reserves through 2020.
- The acquisition of Bendon and Badr's interests in the OJVG increased Teranga's ownership to 100 percent and consolidates the Sabodala region, increasing the size of Teranga's interests in mine license from 33km$^2$ to 246km$^2$ and more than doubling the Company's reserve base.
- Acquisition related costs of approximately $11.0 million for Oromin and the OJVG have been paid during the year ended December 31, 2013.
- Following the acquisition of Bendon's interests in the OJVG subsequent to year-end, the legal claim filed by Bendon was dismissed.

**RESERVES AND RESOURCES**

- Mineral Resources at December 31, 2013 are presented in Table 1. Total open pit Proven and Probable Mineral Reserves at December 31, 2013 are set forth in Table 2. The reported Mineral Resources are inclusive of the Mineral Reserves.
- The Proven and Probable Mineral Reserves were based on the Measured and Indicated Resources that fall within the designed open pits. The basis for the resources and reserves is consistent with the Canadian Securities Administrators National Instrument 43-101 Standards for Disclosure for Mineral Projects ("NI 43-101") regulations. The design for the open pit limits, related phasing and long term planning for the Sabodala open pit was carried out to maximize the economics under current market conditions by removing high cost (high strip) gold ounces in the Sabodala pit.
- The Sabodala pit design is consistent with the Mineral Reserves reported for the third quarter 2013 results which are based on a $1,000 per ounce gold price pit shell for Phase 4. The cut off grades were established using an estimated gold price of $1,250 per ounce. Mining phases in the Sabodala pit have been determined similarly to the previous designs, where the mine sequencing is based on accessing the high grade Main Flat Extension ("MFE") through successive phases to balance waste stripping and optimize cash flows.
- Dilution and ore recovery estimates for the Sabodala Mineral Reserves were based on a comparison of the resource model with actual production performance over a 24 month span using a 5 metre minimum mining width and 10 metre bench height.
- The Niakafiri pit design remains unchanged from December 2012. The Gora pit design has been adjusted to reflect a pit shell at $1,200 per ounce and an updated dilution analysis.
- The Masato, Golouma and Kerekounda pit designs have been based on a $1,250 per ounce pit shell. Geotechnical studies conducted previously by the OJVG were reviewed by independent consultants and were determined to be acceptable. Detailed dilution analyses were conducted on each of these deposits, ore cut-off grades were established using an estimated gold price of $1,250 per ounce.
- As a result of the work we have conducted, overall reported open pit Mineral Reserves for the OJVG deposits have increased by approximately 90,000 ounces as compared to the last technical report issued by the OJVG in January 2013. An increase in open pit Mineral Reserves was identified at the Golouma's and Kerekounda deposits, which was partially offset by a decrease at Masato. Analyses of high grade zones within the Masato ore body continue to be evaluated. Due to the manner of the interpretation of structural controls defining these high grade zones, management has determined that further work and infill drilling is necessary to accurately define these trends within the mineralized envelopes. For purposes of this updated reserve estimate, the Company has applied a conservative interpretation method resulting in approximately 300,000 ounces of high grade mineralization being excluded from Masato Mineral Reserves.
- The following Mineral Reserves and Mineral Resources tables at December 31, 2013 are inclusive of 100 percent of the OJVG Mineral Reserves and Mineral Resources. On January 15, 2014, the Company acquired the balance of the OJVG that it did not already own.

**Table 1 Mineral Resources Summary as at December 31, 2013**

| | Measured | | | Indicated | | | Measured and Indicated | | |
|---|---|---|---|---|---|---|---|---|---|
| | Tonnes | Grade | Au | Tonnes | Grade | Au | Tonnes | Grade | Au |
| | (Mt) | (g/t) | (Moz) | (Mt) | (g/t) | (Moz) | (Mt) | (g/t) | (Moz) |
| Sabodala | 24.28 | 1.32 | 1.03 | 22.95 | 1.29 | 0.95 | 47.23 | 1.31 | 1.98 |
| Gora | 0.49 | 5.27 | 0.08 | 1.84 | 4.93 | 0.29 | 2.32 | 5.00 | 0.37 |
| Niakafiri | 0.30 | 1.74 | 0.02 | 10.50 | 1.10 | 0.37 | 10.70 | 1.12 | 0.39 |
| ML Other | | | | | | | | | |
| **Subtotal ML** | **25.07** | **1.40** | **1.13** | **35.29** | **1.42** | **1.61** | **60.25** | **1.42** | **2.74** |
| Masato | | | | 43.93 | 1.11 | 1.57 | 43.93 | 1.11 | 1.57 |
| Goluma | | | | 12.04 | 2.69 | 1.04 | 12.04 | 2.69 | 1.04 |
| Kerekounda | | | | 2.20 | 3.77 | 0.27 | 2.20 | 3.77 | 0.27 |
| Somigol Other | | | | 18.72 | 0.93 | 0.56 | 18.72 | 0.93 | 0.56 |
| **Subtotal Somigol** | **0.00** | **0.00** | **0.00** | **76.89** | **1.39** | **3.44** | **76.89** | **1.39** | **3.44** |
| **Total** | **25.07** | **1.40** | **1.13** | **112.18** | **1.40** | **5.05** | **137.14** | **1.40** | **6.18** |

**Inferred Resources**

| Area | Tonnes (Mt) | Au g/t | Au Moz |
|---|---|---|---|
| Sabodala | 17.88 | 0.94 | 0.54 |
| Gora | 0.21 | 3.38 | 0.02 |
| Niakafiri | 7.20 | 0.88 | 0.21 |
| ML Other | 10.60 | 0.97 | 0.33 |
| **Subtotal ML** | **35.89** | **0.95** | **1.11** |
| Masato | 25.59 | 1.13 | 0.93 |
| Goluma | 2.46 | 2.01 | 0.16 |
| Kerekounda | 0.34 | 4.21 | 0.05 |
| Somigol Other | 12.87 | 0.84 | 0.35 |
| **Subtotal Somigol** | **41.26** | **1.12** | **1.49** |
| **Total** | **77.16** | **1.04** | **2.59** |

Notes for Mineral Resources Estimate:

1) CIM definitions were followed for Mineral Resources.
2) Mineral Resources for Sabodala include Sutuba.
3) Mineral Resource cut-off grades for Sabodala, Masato, Golouma, Kerekounda and Somigol Other are 0.2 g/t Au for oxide and 0.35 g/t Au for fresh.
4) Mineral Resource cut-off grades for Niakafiri are 0.3 g/t Au for oxide and 0.5 g/t Au for fresh.
5) Mineral Resource cut-off grade for Gora is 0.5 g/t Au for oxide and fresh.
6) Mineral Resource cut-off grade for Niakafiri West and Soukhoto is 0.3 g/t Au for oxide and fresh.
7) Mineral Resource cut-off grade for Diadiako is 0.2 g/t Au for oxide and fresh.
8) Measured Resources include stockpiles which total 8.60 Mt at 0.86 g/t Au for 0.24 Mozs.
9) High grade assays were capped at grades ranging from 10 g/t to 30 g/t Au at Sabodala, 20 g/t to 70 g/t Au at Gora, from 2 g/t to 30 g/t Au at Masato, from 5 g/t to 70 g/t for Golouma, from 11 g/t to 50 g/t at Kerekounda, and from 0.8 g/t to 110 g/t at Somigol Other.
10) Inferred resources at Majiva have been removed, as the Makana permit has been allowed to lapse.
11) The figures above are "Total" Mineral Resources and include Mineral Reserves.
12) Sum of individual amounts may not equal due to rounding.

For clarity, the Resource estimates disclosed above with respect to Niakafiri, Gora and ML Other (which includes Niakafiri, Niakafiri West, Soukhoto and Diadiako) were prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported. See Competent Person Statements on pages 18 and 19 for further details.

**Table 2 Mineral Reserves Summary as at December 31, 2013**

| | Proven | | | Probable | | | Proven and Probable | | |
|---|---|---|---|---|---|---|---|---|---|
| | Tonnes | Grade | Au | Tonnes | Grade | Au | Tonnes | Grade | Au |
| | (Mt) | (g/t) | (Moz) | (Mt) | (g/t) | (Moz) | (Mt) | (g/t) | (Moz) |
| Sabodala | 3.45 | 1.64 | 0.18 | 5.53 | 1.58 | 0.28 | 8.98 | 1.60 | 0.46 |
| Gora | 0.50 | 4.58 | 0.07 | 1.39 | 4.80 | 0.21 | 1.89 | 4.74 | 0.29 |
| Niakafiri | 0.23 | 1.69 | 0.01 | 7.58 | 1.12 | 0.27 | 7.81 | 1.14 | 0.29 |
| Stockpiles | 8.60 | 0.86 | 0.24 | | | | 8.60 | 0.86 | 0.24 |
| Subtotal ML | **12.78** | **1.23** | **0.51** | **14.50** | **1.65** | **0.77** | **27.28** | **1.45** | **1.27** |
| Masato | | | | 25.24 | 1.21 | 0.98 | 25.24 | 1.21 | 0.98 |
| Golouma | | | | 6.47 | 2.24 | 0.46 | 6.47 | 2.24 | 0.46 |
| Kerekounda | | | | 0.88 | 3.26 | 0.09 | 0.88 | 3.26 | 0.09 |
| Subtotal Somigol | **0.00** | **0.00** | **0.00** | **32.59** | **1.47** | **1.54** | **32.59** | **1.47** | **1.54** |
| **Total** | **12.78** | **1.23** | **0.51** | **47.09** | **1.52** | **2.31** | **59.87** | **1.46** | **2.81** |

Notes for Reserves Estimate:

1. CIM definitions were followed for Mineral Reserves.
2. Mineral Reserve cut off grades for Sabodala are 0.40 g/t Au for oxide and 0.5 g/t Au for fresh based on a $1,250/oz gold price and metallurgical recoveries between 90 percent and 93 percent.
3. Mineral Reserve cut off grades for Niakafiri are 0.35 g/t Au for oxide and 0.5 g/t Au for fresh based on a $1,350/oz gold price and metallurgical recoveries between 90 percent and 92 percent.
4. Mineral Reserve cut off grade for Gora is 0.76 g/t Au for oxide and fresh based on $1,200/oz gold price and metallurgical recovery of 95 percent.
5. Mineral Reserve cut off grade for Masato, Golouma, Kerekounda are 0.4 g/t Au for oxide and 0.5 g/t for fresh based on $1,250/oz gold price and metallurgical between 90 percent and 93 percent.
6. Sum of individual amounts may not equal due to rounding.
7. The Niakafiri deposit is adjacent to the Sabodala village and relocation of at least some portion of the village will be required which will necessitate a negotiated resettlement program with the affected community members.
8. The Gora deposit is intended to be merged into the Sabodala mining license which the State of Senegal has agreed to in principal subject to completion and receipt of an approved environmental and social impact assessment which is ongoing.

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9. The SOMIGOL deposits lie adjacent to the Sabodala mining license and it is intended that these licenses be merged which the State of Senegal has agreed to in principal under the terms of its previously announced global investment agreement in May of 2013. Any additional specific permits are anticipated to be minor given both licenses are already fully approved including environmental and social impact assessments.
10. There are no other known political, legal or environmental risks that could materially affect the potential development of the identified mineral resources or mineral reserves other than as already set out in the Company's Annual Information Form dated March 28, 2013 – see RISK FACTORS beginning on page 62.

For clarity, the Reserve estimates disclosed above with respect to Niakafiri and Gora was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported. See Competent Person Statements on pages 18 and 19 for further details.

**OROMIN TECHNICAL INTEGRATION**

- The acquisition of Oromin in August 2013 provided access to the OJVG technical data. Since then, management has been evaluating and integrating the geological and technical databases to develop updated resources and reserves to establish a combined LOM plan that will be supported by a NI 43-101 compliant technical report, targeted for March 2014.
- The ongoing technical work for the OJVG integrated mine plan has included:
- A comprehensive review of the Golouma, Masato and Kerekounda ore bodies including re-logging and re-assay of key drill intercepts, QA/QC checks and detailed interpretation to update these resource models;
- Economic Lerchs-Grossman (LG) pit optimization and detailed pit designs to reflect the current gold price;
- Preliminary Life of Mine (LOM) mine planning schedules for optimized cash flow analysis, detailed dilution analysis, pit designs, mine operating and capital estimates;
- An updated tailings deposition and water balance model;
- Ongoing analysis of the metallurgical test results for ore characterization studies of select areas within the Masato and Golouma ore bodies to increase understanding from Feasibility Study level and optimize feed and gold recovery to the Sabodala mill; and
- Environmental and social impact reviews for a reduced footprint using the Sabodala operations.
- In addition to development of an integrated LOM, the OJVG technical team was engaged with the Teranga technical teams both at site in Senegal and the corporate offices.

**INTEGRATED LIFE OF MINE SCHEDULE**

- Table 3 represents a life of mine schedule developed from the proven and probable reserves listed in Table 2. The pit sequencing schedule is based on blending the material movement capability with the mine mobile fleet and the availability of high grade ore within the various ore bodies. This schedule represents one of a number of possibilities that can be adjusted as economic conditions change. Open pit mining methods similar to current operations at the Sabodala deposit were applied by providing the highest grade available for plant feed and stockpiling lower grade ore for processing at the end of mine life. A detailed mine dilution and ore recovery analysis was applied for the Masato, Golouma and Kerekounda deposits to determine mine operating parameters.
- Capital and operating cost estimates for the LOM are provided in Table 4 and Table 5 respectively. Sustaining capital estimates for mining were based on the major component and replacement schedule for the existing mobile equipment fleet, while the capital development costs for Gora and the OJVG deposit were based on additional mine mobile equipment and infrastructure for new pit development. Sustaining capital estimates are based on the existing schedules for the plant operations, including an additional tailings lift forecasted in approximately three years. Operating costs for the mine were calibrated to 2013 costs at Sabodala and then adjusted for percentage of oxide ore and average weighted haul distance to the various ore body locations.

## Table 3: Life of Mine

| | | | LOM | 2014-2019 AVG | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sabodala Phase 3 | Ore Mined | *Mt* | 4.8 | | 4.8 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Ore Grade | *g/t* | 1.68 | | 1.68 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Waste | *Mt* | 16.5 | | 16.5 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Contained Oz | *Moz* | 0.26 | | 0.26 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sabodala Phase 4 | Ore Mined | *Mt* | 4.1 | | - | - | 0.5 | 1.7 | 1.9 | - | - | - | - | - | - | - | - | - | - | - |
| | Ore Grade | *g/t* | 1.51 | | - | - | 1.01 | 1.53 | 1.61 | - | - | - | - | - | - | - | - | - | - | - |
| | Waste | *Mt* | 29.6 | | - | - | 13.1 | 11.9 | 4.6 | - | - | - | - | - | - | - | - | - | - | - |
| | Contained Oz | *Moz* | 0.20 | | - | - | 0.02 | 0.09 | 0.10 | - | - | - | - | - | - | - | - | - | - | - |
| Masato Phase 1 | Ore Mined | *Mt* | 13.5 | | 0.9 | 12.6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Ore Grade | *g/t* | 1.09 | | 0.91 | 1.10 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Waste | *Mt* | 32.3 | | 3.4 | 28.9 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Contained Oz | *Moz* | 0.47 | | 0.03 | 0.44 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Masato Phase 2 | Ore Mined | *Mt* | 11.8 | | - | - | - | - | - | - | 0.3 | 2.5 | 9.0 | - | - | - | - | - | - | - |
| | Ore Grade | *g/t* | 1.37 | | - | - | - | - | - | - | 0.60 | 0.98 | 1.50 | - | - | - | - | - | - | - |
| | Waste | *Mt* | 101.3 | | - | - | - | - | - | - | 29.9 | 38.6 | 32.7 | - | - | - | - | - | - | - |
| | Contained Oz | *Moz* | 0.52 | | - | - | - | - | - | - | 0.01 | 0.08 | 0.43 | - | - | - | - | - | - | - |
| Gora | Ore Mined | *Mt* | 1.9 | | - | 0.2 | 0.7 | 0.3 | 0.4 | 0.2 | - | - | - | - | - | - | - | - | - | - |
| | Ore Grade | *g/t* | 4.74 | | - | 3.80 | 4.15 | 6.55 | 3.75 | 6.99 | - | - | - | - | - | - | - | - | - | - |
| | Waste | *Mt* | 38.1 | | - | 5.1 | 12.0 | 9.7 | 9.6 | 1.7 | - | - | - | - | - | - | - | - | - | - |
| | Contained Oz | *Moz* | 0.29 | | - | 0.03 | 0.10 | 0.06 | 0.05 | 0.05 | - | - | - | - | - | - | - | - | - | - |
| Golouma | Ore Mined | *Mt* | 6.5 | | - | - | 1.0 | 0.5 | 0.8 | 2.5 | 1.7 | - | - | - | - | - | - | - | - | - |
| | Ore Grade | *g/t* | 2.24 | | - | - | 2.89 | 2.61 | 2.26 | 2.01 | 2.07 | - | - | - | - | - | - | - | - | - |
| | Waste | *Mt* | 89.8 | | - | - | 16.1 | 15.7 | 17.0 | 35.0 | 6.0 | - | - | - | - | - | - | - | - | - |
| | Contained Oz | *Moz* | 0.46 | | - | - | 0.09 | 0.04 | 0.06 | 0.16 | 0.11 | - | - | - | - | - | - | - | - | - |
| Kerekounda | Ore Mined | *Mt* | 0.9 | | - | - | 0.1 | 0.8 | - | - | - | - | - | - | - | - | - | - | - | - |
| | Ore Grade | *g/t* | 3.26 | | - | - | 1.50 | 3.53 | - | - | - | - | - | - | - | - | - | - | - | - |
| | Waste | *Mt* | 18.0 | | - | - | 7.4 | 10.6 | - | - | - | - | - | - | - | - | - | - | - | - |
| | Contained Oz | *Moz* | 0.09 | | - | - | 0.01 | 0.09 | - | - | - | - | - | - | - | - | - | - | - | - |
| Niakafiri | Ore Mined | *Mt* | 7.8 | | - | - | - | - | 4.6 | 3.2 | - | - | - | - | - | - | - | - | - | - |
| | Ore Grade | *g/t* | 1.14 | | - | - | - | - | 1.14 | 1.14 | - | - | - | - | - | - | - | - | - | - |
| | Waste | *Mt* | 22.6 | | - | - | - | - | 12.9 | 9.7 | - | - | - | - | - | - | - | - | - | - |
| | Contained Oz | *Moz* | 0.29 | | - | - | - | - | 0.17 | 0.12 | - | - | - | - | - | - | - | - | - | - |
| Total | Ore Mined | *Mt* | 51.3 | 6.3 | 5.7 | 12.8 | 2.3 | 3.3 | 7.7 | 5.9 | 2.1 | 2.5 | 9.0 | - | - | - | - | - | - | - |
| | Ore Grade | *g/t* | 1.57 | 1.61 | 1.56 | 1.15 | 2.84 | 2.60 | 1.51 | 1.74 | 1.82 | 0.98 | 1.50 | - | - | - | - | - | - | - |
| | Waste | *Mt* | 348.0 | 40.1 | 19.9 | 33.9 | 48.6 | 47.8 | 44.1 | 46.4 | 35.9 | 38.6 | 32.7 | - | - | - | - | - | - | - |
| | Contained Oz | *Moz* | 2.58 | 0.33 | 0.29 | 0.47 | 0.21 | 0.27 | 0.37 | 0.33 | 0.12 | 0.08 | 0.43 | - | - | - | - | - | - | - |
| | Stockpile Ore Balance | *Mt* | | | 10.9 | 19.7 | 18.0 | 17.4 | 21.2 | 23.1 | 21.4 | 20.0 | 25.2 | 21.4 | 17.6 | 13.8 | 10.0 | 6.2 | 2.2 | 0.0 |
| | Stockpile Grade | *g/t* | | | 0.79 | 0.77 | 0.71 | 0.71 | 0.70 | 0.69 | 0.69 | 0.69 | 0.73 | 0.70 | 0.70 | 0.69 | 0.67 | 0.65 | 0.66 | - |
| | Contained Oz | *Moz* | | | 0.27 | 0.48 | 0.41 | 0.40 | 0.47 | 0.51 | 0.47 | 0.44 | 0.60 | 0.48 | 0.39 | 0.31 | 0.22 | 0.13 | 0.05 | 0.00 |
| | Ore Milled | *Mt* | 59.9 | 3.9 | 3.4 | 4.0 | 4.0 | 3.8 | 4.0 | 4.0 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 4.0 | 2.2 |
| | Head Grade | *g/t* | 1.46 | 2.24 | 2.25 | 2.05 | 2.21 | 2.35 | 2.31 | 2.27 | 1.32 | 0.89 | 2.29 | 0.93 | 0.71 | 0.71 | 0.74 | 0.71 | 0.64 | 0.62 |
| | Oxide | *%* | 13% | 23% | 6% | 50% | 34% | 6% | 26% | 15% | 0% | 1% | 0% | 0% | 0% | 0% | 0% | 0% | 36% | 50% |
| | **Rec. oz** | ***Moz*** | **2.553** | **0.254** | **0.227** | **0.242** | **0.260** | **0.261** | **0.271** | **0.265** | **0.145** | **0.097** | **0.254** | **0.102** | **0.078** | **0.078** | **0.081** | **0.078** | **0.075** | **0.040** |

The estimated ore reserves underpinning the production targets (as defined in the ASX Listing Rules), set out in table 3 above, have been prepared by Mr Paul Chawrun, who is a Competent Person, in accordance with the requirements of the JORC Code 2012 with respect to the Sabodala, Stockpiles, Masato, Golouma and Kerekounda ore reserve estimates and the JORC Code 2004 with respect to the Gora and Niakafiri ore reserve estimates.

This production guidance is based on existing proven and probable ore reserves from both the Sabodala mining licence and Somigol (90% owned by the OJVG) mining license as disclosed in table 2 above. This production guidance also assumes an amendment to the Somigol mining license to reflect processing of Somigol ore through the Sabodala mill.

Key assumptions: Gold spot price/ounce - US$1,250, Light fuel oil - US$1.00/litre, Heavy fuel oil - US$0.98/litre, US/Euro exchange rate - $1.325

## Table 4: Capital Expenditures

| Sustaining Capex | Unit | LOM | 2014-2019 AVG | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mining | USDM | 25.5 | 3.6 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 4.0 | 3.5 | 0.5 | - | - | - | - | - | - | - | - |
| Processing | USDM | 29.5 | 2.2 | 3.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 0.5 | - |
| Admin & Other Sustaining | USDM | 11.3 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0.8 | 0.5 | 0.5 | 0.5 | 0.5 | 0.3 | 0.3 | - |
| Community Relations | USDM | 25.0 | 4.2 | - | - | 8.3 | 8.3 | 8.3 | - | - | - | - | - | - | - | - | - | - | - |
| **Total Sustaining Capex** | **USDM** | **91.3** | **10.9** | **7.5** | **6.5** | **14.8** | **14.8** | **14.8** | **7.0** | **6.5** | **3.5** | **2.8** | **2.5** | **2.5** | **2.5** | **2.5** | **2.3** | **0.8** | **-** |
| **Capital Projects & Development** | **USDM** | | | | | | | | | | | | | | | | | | |
| OJVG & Gora Development | USDM | 62.1 | 10.3 | 7.0 | 42.0 | 12.2 | - | 0.9 | - | - | - | - | - | - | - | - | - | - | - |
| Government Waiver Payments | USDM | 16.9 | 2.8 | 10.0 | 4.2 | - | - | 2.7 | - | - | - | - | - | - | - | - | - | - | - |
| Other Projects & Development | USDM | 3.0 | 0.5 | - | - | 3.0 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total Projects and Development** | **USDM** | **82.0** | **13.7** | **17.0** | **46.2** | **15.2** | **-** | **3.6** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Combined Total (USDM)** | **USDM** | **173.2** | **24.6** | **24.5** | **52.7** | **30.0** | **14.8** | **18.4** | **7.0** | **6.5** | **3.5** | **2.8** | **2.5** | **2.5** | **2.5** | **2.5** | **2.3** | **0.8** | **-** |

## Table 5: Operating Cost

| Activity | Unit | LOM | 2014-2019 AVG | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mining | USD/t mined | 2.55 | 2.53 | 2.85 | 2.39 | 2.51 | 2.54 | 2.49 | 2.55 | 2.50 | 2.53 | 2.66 | - | - | - | - | - | - | - |
| Processing | USD/t milled | 17.78 | 17.26 | 18.50 | 16.01 | 17.35 | 18.01 | 16.93 | 16.98 | 17.59 | 17.86 | 18.01 | 18.26 | 18.26 | 18.26 | 18.26 | 18.26 | 18.26 | 18.26 |
| General & Admin. | USDM | 165 | 15 | 18 | 16 | 15 | 14 | 14 | 14 | 14 | 14 | 10 | 6 | 6 | 6 | 6 | 6 | 4 | 2 |
| Mining | USDM | 1,014 | 117 | 71 | 112 | 128 | 130 | 129 | 134 | 95 | 104 | 112 | - | - | - | - | - | - | - |
| Processing | USDM | 1,072 | 67 | 65 | 64 | 70 | 68 | 68 | 68 | 67 | 68 | 68 | 69 | 70 | 69 | 69 | 69 | 73 | 46 |
| General & Admin | USDM | 165 | 15 | 18 | 16 | 15 | 14 | 14 | 14 | 14 | 14 | 10 | 6 | 6 | 6 | 6 | 6 | 4 | 2 |
| Refining & Freight | USDM | 13 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Byproduct Credits | USDM | (5) | (0) | (0) | (0) | (0) | (0) | (1) | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (0) |
| **Total Operating Costs** | **USDM** | **2,259** | **200** | **154** | **193** | **213** | **213** | **212** | **216** | **176** | **186** | **191** | **76** | **76** | **76** | **76** | **76** | **77** | **48** |
| Deferred Stripping Adjustment[(2)] | USDM | (3) | (1) | (3) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Inventory Adjustment | USDM | 62 | (26) | (17) | (52) | (30) | (17) | (17) | (22) | (28) | (48) | 16 | 51 | 37 | 39 | 39 | 39 | 37 | 35 |
| Royalty | USDM | 154 | 15 | 12 | 15 | 16 | 16 | 17 | 17 | 9 | 6 | 15 | 6 | 5 | 5 | 5 | 5 | 4 | 3 |
| **Total Cash Costs[(1)]** | **USDM** | **2,472** | **190** | **146** | **156** | **200** | **213** | **212** | **211** | **157** | **144** | **221** | **133** | **118** | **119** | **119** | **119** | **119** | **86** |
| **Total Cash Costs[(1)]** | **USD/oz** | **968** | **745** | **675** | **645** | **768** | **814** | **781** | **796** | **1,085** | **1,479** | **873** | **1,307** | **1,512** | **1,533** | **1,535** | **1,535** | **1,589** | **1,935** |
| Capex | USDM | 173 | 25 | 25 | 53 | 30 | 15 | 18 | 7 | 7 | 4 | 3 | 3 | 3 | 3 | 3 | 2 | 1 | - |
| Capitalized Deferred Stripping | USDM | 3 | 1 | 3 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Capitalized Reserve Development | USDM | 9 | 2 | 5 | 4 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Corporate Admin | USDM | 142 | 14 | 16 | 15 | 14 | 14 | 14 | 14 | 14 | 14 | 8 | 4 | 4 | 3 | 2 | 2 | 2 | 2 |
| **All-In Sustaining Cash Costs[(1)]** | **USDM** | **2,799** | **231** | **194** | **227** | **244** | **242** | **245** | **232** | **178** | **161** | **232** | **140** | **124** | **124** | **123** | **123** | **121** | **88** |
| **All-In Sustaining Cash Costs[(1)]** | **USD/oz** | **1,096** | **906** | **838** | **941** | **937** | **925** | **901** | **875** | **1,226** | **1,659** | **915** | **1,371** | **1,595** | **1,604** | **1,593** | **1,590** | **1,626** | **1,980** |

(1) Total cash costs per ounce and all-in sustaining costs per ounce are non-IFRS financial measures and do not have a standard meaning under IFRS. Please refer to non-IFRS Performance Measures at the end of this report.

(2) Excludes any deferred stripping adjustment beyond 2014 as required by IFRIC20

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## GORA DEVELOPMENT

- Gora, hosting 0.29 million ounces of proven and probable reserves (see Table 2) at 4.74g/t is planned to be operated as a satellite to the Sabodala mine requiring limited local infrastructure and development. Ore will be hauled to the Sabodala processing plant by a dedicated fleet of trucks and processed on a priority basis, displacing lower grade feed as required.
- A technical report and an environmental and social impact assessment (ESIA) have been provided to the Senegalese government, and the permit approval process is ongoing.
- Management expects the permit process to be completed in 2014 and construction to be initiated in 2015 based on the new integrated LOM plan with the OJVG.

## SABODALA MINE LICENSE (ML) RESERVE DEVELOPMENT

- The Sabodala Mine License covers 33km$^2$ and, in addition to the mine related infrastructure, contains the Sabodala, Masato, Niakafiri, Niakafiri West, Soukhoto and Dinkokhono deposits.
- The drill program on the ML was completed during the first quarter 2013 with 11,700 metres drilled. The 2014 drill program will be integrated into the combined Sabodala/OJVG reserve delineation program.

*Sabodala*

- The drill program at Sabodala was completed in the first quarter of 2013, with results returned by mid-April 2013. Drilling targeted the MFE immediately adjacent to the current ultimate pit, as well as additional mineralization located below the MFE, to upgrade and increase mineral resources. Drilling successfully confirmed continuation of these zones, and updated resource and reserve models were generated.
- Waste dump condemnation drilling to the southeast of the Sabodala pit was completed in the first quarter of 2013.

*Niakafiri*

- The timing of a planned drill program at the Niakafiri deposit along strike is under review in light of both the decrease in gold prices and the acquisition of the OJVG, which has led to a re-evaluation of priorities.
- Additional surface mapping was carried out at Niakafiri in conjunction with the re-logging of several diamond drill holes with a view to updating the geological model for the Niakafiri deposit.

*Masato North*

- A preliminary drill program consisting of six holes was completed to test the northern extent of the Niakafiri Shear Zone, adjacent to the ML boundary. Narrow mineralized low grade zones were intersected, with future analysis planned.

## OJVG MINE LICENSE

- The OJVG mine license covers 213km$^2$. As we have integrated the OJVG geological database into a combined LOM plan, a number of areas have been revealed as potential sources for reserves addition within the mining lease. These targets have been selected based on potential for discovery and inclusion into open pit reserves.
- The high grade "cores" in Masato that were not included in the current reserves estimate will be targeted in 2014 so that the mineralization characteristics can be better understood and then modeled.
- Additional areas targeted include additions to the measured resources at the Golouma and Kerekounda deposits for potential to extend the currently designed pit shells, and to explore near surface oxide targets along a 4km long mineralized trend that includes the existing resources of Niakafiri, Niakafiri SE and Maki Medina.

## REGIONAL EXPLORATION

- The Company currently has 9 exploration permits encompassing approximately 1,055km$^2$ of land surrounding the Sabodala and OJVG mine licenses (246km$^2$ exploitation permits). Over the last 3 years, with the initiation of a regional exploration program on this significant land package, a tremendous amount of exploration data has been systematically collected and interpreted to prudently implement follow-up programs. Targets are therefore in various stages of advancement and are then prioritized for follow-up work and drilling. Early geophysical and geochemical analysis of these areas has led to the demarcation of at least 50 anomalies, targets and prospects and the Company expects that several of these areas will ultimately be developed into mineable deposits. The Company has identified some key targets that, though early stage, display significant potential. However, due to the sheer size of the land position, the process of advancing an anomaly through to a mineable deposit takes time with a systematic approach to maximize potential for success.
- The exploration team uses a disciplined screening process to optimize the potential for success in exploring the myriad of high potential anomalies located within the regional land package.
- The Ninienko, Soreto/Diabougou and Garaboureya prospects all demonstrate significant surface mineralization, geochemical and geophysical markers within consistent geological zones for gold mineralization providing potential for significant discoveries. These prospects along with other smaller potentially satellite deposits are planned to undergo various stages of trenching, reverse circulation ("RC") and diamond drilling hole ("DDH") programs.

## Review of Fourth Quarter and Year End Financial Results

| (US$000's, except where indicated) | Three months ended December 31 | | Year ended December 31 | | Fifteen months ended December 31 |
|---|---|---|---|---|---|
| **Financial Data** | 2013 | 2012 | 2013 | 2012 | 2011 |
| Revenue | 58,302 | 122,970 | 297,927 | 350,520 | 236,873 |
| Profit (loss) attributable to shareholders of Teranga | (4,220) | 54,228 | 47,516 | 92,600 | (16,040) |
| Per share | (0.01) | 0.22 | 0.18 | 0.38 | (0.07) |
| Operating cash flow | 13,137 | 59,670 | 74,307 | 104,982 | 5,132 |
| Capital expenditures | 3,725 | 28,521 | 69,056 | 115,785 | 76,392 |
| Free cash flow [1] | 9,412 | 31,149 | 5,251 | (10,803) | (71,260) |
| Cash and cash equivalents (including restricted cash and bullion receivables) | 42,301 | 44,974 | 42,301 | 44,974 | 24,549 |
| Net debt[2] | 32,068 | 75,182 | 32,068 | 75,182 | 95,748 |
| Total assets | | | 624,399 | 564,541 | 476,612 |
| Total non-current financial liabilities | | | 29,241 | 68,505 | 67,042 |

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

Note: Results include the consolidation of 72.6% of Oromin's operating results, cash flows and net assets from August 6, 2013 and 100% from October 4, 2013.

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

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

## Review of Fourth Quarter and Year End Operating Results

| Operating Results | | Three months ended December 31 2013 | 2012 | Year ended December 31 2013 | 2012 |
|---|---|---|---|---|---|
| Ore mined | ('000t) | 1,993 | 2,038 | 4,540 | 5,916 |
| Waste mined - operating | ('000t) | 6,655 | 4,362 | 15,172 | 12,265 |
| Waste mined - capitalized | ('000t) | 420 | 912 | 15,066 | 10,696 |
| Total mined | ('000t) | 9,068 | 7,312 | 34,778 | 28,877 |
| Grade mined | (g/t) | 1.61 | 2.04 | 1.62 | 1.98 |
| Ounces mined | (oz) | 103,340 | 133,549 | 236,718 | 376,184 |
| Strip ratio | waste/ore | 3.6 | 2.6 | 6.7 | 3.9 |
| Ore milled | ('000t) | 860 | 725 | 3,152 | 2,439 |
| Head grade | (g/t) | 2.11 | 3.40 | 2.24 | 3.08 |
| Recovery rate | % | 89.7 | 90.7 | 91.4 | 88.7 |
| Gold produced[1] | (oz) | 52,368 | 71,804 | 207,204 | 214,310 |
| Gold sold | (oz) | 46,561 | 71,604 | 208,406 | 207,814 |
| Average price received | $/oz | 1,249 | 1,296 | 1,246 | 1,422 |
| Total cash cost (incl. royalties)[2] | $/oz sold | 711 | 532 | 641 | 556 |
| All-in sustaining costs[2] | $/oz sold | 850 | 1,004 | 1,033 | 1,200 |
| Mining | ($/t mined) | 2.65 | 3.11 | 2.59 | 2.71 |
| Milling | ($/t milled) | 17.96 | 19.88 | 20.15 | 20.39 |
| G&A | ($/t milled) | 4.84 | 6.35 | 5.38 | 6.12 |

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

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

## Review of Fourth Quarter and Year End Cost of Sales

| (US$000's) | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| **Cost of Sales** | 2013 | 2012 | 2013 | 2012 |
| Mine production costs - gross | 43,555 | 42,846 | 170,752 | 145,832 |
| Capitalized deferred stripping | (1,444) | (3,268) | (43,264) | (32,535) |
| | 42,111 | 39,578 | 127,488 | 113,297 |
| Depreciation and amortization | 26,702 | 20,534 | 77,902 | 55,645 |
| Royalties | 2,890 | 3,689 | 14,755 | 10,491 |
| Rehabilitation | - | 23 | 6 | 36 |
| Inventory movements - cash | (11,945) | (4,126) | (8,552) | (5,409) |
| Inventory movements - non-cash | (9,231) | (2,448) | (15,094) | (8,822) |
| | (21,176) | (6,574) | (23,646) | (14,231) |
| **Total cost of sales** | **50,527** | **57,250** | **196,505** | **165,238** |

## Non-IFRS Financial Measures

The Company provides some non-IFRS measures as supplementary information that management believes may be useful to investors to explain the Company's financial results. Refer to the Company's Management's Discussion and Analysis for further details.

| (US$000's, except where indicated) | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| **Cash costs per ounce sold** | 2013 | 2012 | 2013 | 2012 |
| Gold produced[1] | 52,368 | 71,804 | 207,204 | 214,310 |
| Gold sold | 46,561 | 71,604 | 208,406 | 207,814 |
| **Cash costs per ounce sold** | | | | |
| Cost of sales | 50,527 | 57,250 | 196,505 | 165,238 |
| Less: depreciation and amortization | (26,702) | (20,534) | (77,902) | (55,645) |
| Less: realized oil hedge gain | - | (365) | (487) | (1,936) |
| Add: non-cash inventory movement | 9,231 | 2,448 | 15,094 | 8,822 |
| Less: other adjustments | 41 | (737) | 358 | (893) |
| **Total cash costs** | **33,097** | **38,062** | **133,568** | **115,586** |
| **Total cash costs per ounce sold** | **711** | **532** | **641** | **556** |
| **All-in sustaining costs** | | | | |
| Total cash costs | 33,097 | 38,062 | 133,568 | 115,585 |
| Administration expenses[2] | 2,753 | 5,332 | 12,650 | 17,996 |
| Capitalized deferred stripping | 1,444 | 3,268 | 43,264 | 32,535 |
| Capitalized reserve development | 529 | 5,671 | 3,524 | 26,086 |
| Mine site capital | 1,752 | 19,582 | 22,267 | 57,166 |
| **All-in sustaining costs** | **39,575** | **71,915** | **215,274** | **249,367** |
| **All-in sustaining costs per ounce sold** | **850** | **1,004** | **1,033** | **1,200** |
| **All-in costs** | | | | |
| All-in sustaining costs | 39,575 | 71,915 | 215,274 | 249,367 |
| Social community costs not related to current operations | 311 | 471 | 1,763 | 1,558 |
| Exploration and evaluation expenditures | 1,043 | 2,699 | 5,405 | 16,657 |
| **All-in costs** | **40,929** | **75,085** | **222,442** | **267,582** |
| **All-in costs per ounce sold** | **879** | **1,049** | **1,067** | **1,288** |
| Depreciation and amortization | 26,702 | 20,534 | 77,902 | 55,645 |
| Non - cash inventory movement | (9,231) | (2,448) | (15,094) | (8,822) |
| **Total depreciation and amortization** | **17,471** | **18,086** | **62,808** | **46,823** |
| **Total depreciation and amortization per ounce sold** | **375** | **253** | **301** | **225** |

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

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

## TERANGA GOLD CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(US$000's except per share amounts)

| | For the years ended December 31 | |
|---|---|---|
| | **2013** | **2012** |
| | | **(Restated)** |
| Revenue | 297,927 | 350,520 |
| Cost of sales | (196,505) | (165,238) |
| **Gross profit** | **101,422** | **185,282** |
| Exploration and evaluation expenditures | (5,405) | (16,657) |
| Administration expenses | (14,717) | (15,573) |
| Share based compensation | (813) | (4,694) |
| Finance costs | (12,148) | (7,362) |
| Gains/(losses) on gold hedge contracts | 5,308 | (15,274) |
| Gains/(losses) on oil hedge contracts | 31 | (427) |
| Net foreign exchange losses | (1,233) | (2,574) |
| Loss on available for sale financial asset | (4,003) | (11,917) |
| Share of income from equity investment in OJVG | 52 | - |
| Other expenses | (11,895) | (2,749) |
| | **(44,823)** | **(77,227)** |
| **Profit before income tax** | **56,599** | **108,055** |
| Income tax benefit | - | 115 |
| **Net profit** | **56,599** | **108,170** |
| Profit attributable to: | | |
| Shareholders | 47,516 | 92,600 |
| Non-controlling interests | 9,083 | 15,570 |
| **Profit for the year** | **56,599** | **108,170** |
| Other comprehensive income/(loss): | | |
| Exchange differences arising on translation of Teranga corporate entity | - | (63) |
| Change in fair value of available for sale financial asset, net of tax | | |
| Gains (losses), net of tax | - | - |
| Reclassification to income, net of tax | (5,456) | 6,775 |
| **Other comprehensive income/(loss) for the year** | **(5,456)** | **6,712** |
| **Total comprehensive income for the year** | **51,143** | **114,882** |
| Total comprehensive income attributable to: | | |
| Shareholders | 42,060 | 99,312 |
| Non-controlling interests | 9,083 | 15,570 |
| **Total comprehensive income for the year** | **51,143** | **114,882** |
| **Earnings per share from operations attributable to the shareholders of the Company during the year** | | |
| - basic earnings per share | 0.18 | 0.38 |
| - diluted earnings per share | 0.18 | 0.38 |

## TERANGA GOLD CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US$000's)

| | As at December 31, 2013 | As at December 31, 2012 (Restated) |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 14,961 | 39,722 |
| Restricted cash | 20,000 | - |
| Trade and other receivables | 7,999 | 6,482 |
| Inventories | 67,432 | 74,969 |
| Financial derivative assets | - | 456 |
| Other assets | 5,756 | 6,836 |
| Available for sale financial assets | 6 | 15,010 |
| **Total current assets** | **116,154** | **143,475** |
| **Non-current assets** | | |
| Inventories | 63,740 | 32,700 |
| Equity investment | 47,627 | - |
| Property, plant and equipment | 222,487 | 247,898 |
| Mine development expenditures | 173,444 | 138,609 |
| Intangible assets | 947 | 1,859 |
| **Total non-current assets** | **508,245** | **421,066** |
| **Total assets** | **624,399** | **564,541** |
| **Current liabilities** | | |
| Trade and other payables | 56,891 | 44,823 |
| Borrowings | 70,423 | 10,415 |
| Financial derivative liabilities | - | 51,548 |
| Provisions | 1,751 | 1,940 |
| **Total current liabilities** | **129,065** | **108,726** |
| **Non-current liabilities** | | |
| Borrowings | 3,946 | 58,193 |
| Provisions | 14,336 | 10,312 |
| Other non-current liabilities | 10,959 | - |
| **Total non-current liabilities** | **29,241** | **68,505** |
| **Total liabilities** | **158,306** | **177,231** |
| **Equity** | | |
| Issued capital | 342,470 | 305,412 |
| Foreign currency translation reserve | (998) | (998) |
| Other components of equity | 15,776 | 16,358 |
| Investment revaluation reserve | - | 5,456 |
| Retained earnings | 96,741 | 49,225 |
| **Equity attributable to shareholders** | **453,989** | **375,453** |
| Non-controlling interests | 12,104 | 11,857 |
| **Total equity** | **466,093** | **387,310** |
| **Total equity and liabilities** | **624,399** | **564,541** |

## TERANGA GOLD CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(US$000's)

| | For the years ended December 31 | |
|---|---|---|
| | **2013** | **2012** |
| | | **(Restated)** |
| **Issued capital** | | |
| Beginning of year | 305,412 | 305,412 |
| Shares issued from public offerings | 37,264 | - |
| Less: Share issue costs | (206) | - |
| End of year | 342,470 | 305,412 |
| **Foreign currency translation reserve** | | |
| Beginning of year | (998) | (935) |
| Exchange difference arising on translation of Teranga corporate entity | - | (63) |
| End of year | (998) | (998) |
| **Other components of equity** | | |
| Beginning of year | 16,358 | 12,599 |
| Equity-settled share based compensation reserve | 1,605 | 3,759 |
| Stock options to Oromin Explorations Ltd. ("Oromin") employees | 585 | - |
| Acquisition of non-controlling interest in Oromin | (2,772) | - |
| End of year | 15,776 | 16,358 |
| **Investment revaluation reserve** | | |
| Beginning of year | 5,456 | (1,319) |
| Change in fair value of available for sale financial asset, net of tax | (5,456) | 5,456 |
| Impairment | - | 1,319 |
| End of year | - | 5,456 |
| **Retained earnings** | | |
| Beginning of year | 49,225 | (43,375) |
| Profit attributable to shareholders | 47,516 | 92,600 |
| End of year | 96,741 | 49,225 |
| **Non-controlling interest** | | |
| Beginning of year | 11,857 | (3,713) |
| Non-controlling interest - portion of profit for the period | 9,083 | 15,570 |
| Dividends paid and accrued | (8,836) | - |
| End of year | 12,104 | 11,857 |
| **Total shareholders' equity at December 31** | **466,093** | **387,310** |

## TERANGA GOLD CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW
(US$000's)

| | For the years ended December 31 | |
|---|---|---|
| | **2013** | **2012** |
| | | **(Restated)** |
| **Cash flows related to operating activities** | | |
| Profit for the year | 56,599 | 108,170 |
| Depreciation of property, plant and equipment | 48,185 | 41,999 |
| Depreciation of capitalized mine development costs | 30,091 | 14,127 |
| Amortization of intangibles | 1,021 | 650 |
| Amortization of borrowing costs | 3,120 | 877 |
| Unwinding of discount on mine restoration and rehabilitation provision | 156 | 53 |
| Share based compensation | 813 | 3,759 |
| Net change in gains on gold forward sales contracts | (42,955) | (39,010) |
| Net change in losses on oil contracts | 456 | 2,364 |
| Buyback of gold forward sales contracts | (8,593) | (39,000) |
| Loss on available for sale financial asset | 4,003 | 11,917 |
| Loss/(gain) on disposal of property, plant and equipment | 102 | (131) |
| Increase in inventories | (23,503) | (27,363) |
| Changes in working capital other than inventory | 4,812 | 26,570 |
| **Net cash provided by operating activities** | **74,307** | **104,982** |
| | | |
| **Cash flows related to investing activities** | | |
| (Increase)/decrease in restricted cash | (20,000) | 3,004 |
| Redemption of short-term investments | - | 593 |
| Expenditures for property, plant and equipment | (17,344) | (51,451) |
| Expenditures for mine development | (51,603) | (62,910) |
| Acquisition of intangibles | (109) | (1,424) |
| Proceeds on disposal of property, plant and equipment | 38 | 195 |
| **Net cash used in investing activities** | **(89,018)** | **(111,993)** |
| | | |
| **Cash flows related to financing activities** | | |
| Loan facility, net of borrowing cost paid | (1,200) | 57,695 |
| Repayment of borrowings | (12,282) | (16,799) |
| Drawdown from finance lease facility, net of financing costs paid | 12,755 | 2,857 |
| Interest paid on borrowings | (7,054) | (4,075) |
| Dividend payment to government of Senegal | (2,700) | - |
| **Net cash provided by (used in) financing activities** | **(10,481)** | **39,678** |
| | | |
| Effect of exchange rates on cash holdings in foreign currencies | 431 | (415) |
| | | |
| **Net (decrease) increase in cash and cash equivalents** | **(24,761)** | **32,252** |
| **Cash and cash equivalents at the beginning of year** | **39,722** | **7,470** |
| **Cash and cash equivalents at the end of year** | **14,961** | **39,722** |

## CORPORATE DIRECTORY

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

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

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T: 1 300 850 505

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

## FORWARD LOOKING STATEMENTS

This news release contains certain statements that constitute forward-looking information within the meaning of applicable securities laws (“forward-looking statements”). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Teranga, or developments in Teranga’s business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include, without limitation, all disclosure regarding possible events, conditions or results of operations, future economic conditions and courses of action, the proposed plans with respect to mine plan and consolidation of the Sabodala Gold Project and OJVG Golouma Gold Project, mineral reserve and mineral resource estimates, anticipated life of mine operating and financial results, targeted date for a NI 43-101 compliant technical report, amendment to the OJVG mining license, the approval of the Gora ESIA and permitting and the completion of construction related thereto. Such statements are based upon assumptions, opinions and analysis made by management in light of its experience, current conditions and its expectations of future developments that management believe to be reasonable and relevant. These assumptions include, among other things, the ability to obtain any requisite Senegalese governmental approvals, the accuracy of mineral reserve and mineral resource estimates, gold price, exchange rates, fuel and energy costs, future economic conditions and courses of action. Teranga cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. The risks and uncertainties that may affect forward-looking statements include, among others: the inherent risks involved in exploration and development of mineral properties, including government approvals and permitting, changes in economic conditions, changes in the worldwide price of gold and other key inputs, changes in mine plans and other factors, such as project execution delays, many of which are beyond the control of Teranga, as well as other risks and uncertainties which are more fully described in the Company’s Annual Information Form dated March 27, 2013, and in other company filings with securities and regulatory authorities which are available at www.sedar.com. Teranga does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Nothing in this report should be construed as either an offer to sell or a solicitation to buy or sell Teranga securities.

## COMPETENT PERSONS STATEMENT

The technical information contained in this document relating to the mineral reserve estimates for Sabodala, the stockpiles, Masato, Golouma and Kerekounda is based on information compiled by Mr. William Paul Chawrun, P. Eng who is a member of the Professional Engineers Ontario, which is currently included as a "Recognized Overseas Professional Organization" in a list promulgated by the ASX from time to time. Mr. Chawrun is a full-time employee of Teranga and is a "qualified person" as defined in NI 43-101 and a "competent person" as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Chawrun has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Chawrun has consented to the inclusion in this Report of the matters based on his compiled information in the form and context in which it appears in this Report.

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

The technical information contained in this Report relating to mineral resource estimates for Niakafiri, Gora, Niakafiri West, Soukhoto, and Diadiako is based on information compiled by Ms. Nakai-Lajoie. Ms. Patti Nakai-Lajoie, P. Geo., is a Member of the Association of Professional Geoscientists of Ontario, which is currently included as a "Recognized Overseas Professional Organization" in a list promulgated by the ASX from time to time. Ms. Nakai-Lajoie is a full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101. Ms. Nakai-Lajoie has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Nakai-Lajoie is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Ms. Nakai-Lajoie has consented to the inclusion in this Report of the matters based on her compiled information in the form and context in which it appears in this Report.

The technical information contained in this Report relating to mineral resource estimates for Sabodala, Masato, Golouma, Kerekounda, and Somgol Other are based on information compiled by Ms. Nakai-Lajoie. Ms. Patti Nakai-Lajoie, P. Geo., is a Member of the Association of Professional Geoscientists of Ontario, which is currently included as a "Recognized Overseas Professional Organization" in a list promulgated by the ASX from time to time. Ms. Nakai-Lajoie is a full time employee of Teranga and is not "independent" within the meaning of National Instrument 43-101. Ms. Nakai-Lajoie has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms. Nakai-Lajoie is a "Qualified Person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Ms. Nakai-Lajoie has consented to the inclusion in this Report of the matters based on her compiled information in the form and context in which it appears in this Report.

Teranga's disclosure of mineral reserve and mineral resource information is governed by NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as may be amended from time to time by the CIM ("CIM Standards"). CIM definitions of the terms "mineral reserve", "proven mineral reserve", "probable mineral reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource", are substantially similar to the JORC Code corresponding definitions of the terms "ore reserve", "proved ore reserve", "probable ore reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource", respectively. Estimates of mineral resources and mineral reserves prepared in accordance with the JORC Code would not be materially different if prepared in accordance with the CIM definitions applicable under NI 43-101. There can be no assurance that those portions of mineral resources that are not mineral reserves will ultimately be converted into mineral reserves.

**ABOUT TERANGA**

Teranga is a Canadian-based gold company listed on the Toronto Stock Exchange (TSX: TGZ) and Australian Securities Exchange (ASX: TGZ). Teranga is principally engaged in the production and sale of gold, as well as related activities such as exploration and mine development.

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

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