Consolidated Financial Statements of

TERANGA GOLD CORPORATION

For the years ended December 31, 2013 and 2012

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Management’s Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and, where relevant, the choice of accounting principles. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company’s independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company’s independent auditors, Ernst & Young LLP, have conducted an audit in accordance with generally accepted auditing standards, and their report follows.

Alan Hill
Executive Chairman

Richard Young
President and Chief Executive Officer

Navin Dyal
Chief Financial Officer

Ernst & Young LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Teranga Gold Corporation

We have audited the accompanying consolidated financial statements of **Teranga Gold Corporation**, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Teranga Gold Corporation as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Restated comparative information
The consolidated financial statements of Teranga Gold Corporation for the year ended December 31, 2012 (prior to the restatement of the comparative information described in Note 4 – "Change in Accounting Policies" to the consolidated financial statements) were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on February 20, 2013.

As part of our audit of the consolidated financial statements of Teranga Gold Corporation for the year ended December 31, 2013, we also audited the adjustments described in Note 4 that were applied to restate the consolidated financial statements for the year ended December 31, 2012. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of Teranga Gold Corporation for the year ended December 31, 2012 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended December 31, 2012 taken as a whole.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

February 20, 2014
Toronto, Canada

CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
DECEMBER 31, 2013
(in $000's of United States dollars, except per share amounts)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	For the years ended December 31 2013	2012 (Restated) note 4
Revenue	8	297,927	350,520
Cost of sales	9	(196,505)	(165,238)
Gross profit		**101,422**	**185,282**
Exploration and evaluation expenditures		(5,405)	(16,657)
Administration expenses	10	(14,717)	(15,573)
Share based compensation	36	(813)	(4,694)
Finance costs	11	(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	27	(4,003)	(11,917)
Share of income from equity investment in OJVG	18	52	-
Other expenses	12	(11,895)	(2,749)
		(44,823)	**(77,227)**
Profit before income tax		**56,599**	**108,055**
Income tax benefit	13	-	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):			
Items that may be reclassified subsequently to profit/loss for the period			
Exchange differences arising on translation of Teranga corporate entity	28	-	(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	27	(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	29	0.18	0.38
- diluted earnings per share	29	0.18	0.38

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

CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
DECEMBER 31, 2013
(in $000's of United States dollars, except per share amounts)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31, 2013	As at December 31, 2012 (Restated) note 4
Current assets			
Cash and cash equivalents		14,961	39,722
Restricted cash	34b	20,000	-
Trade and other receivables	14	7,999	6,482
Inventories	15	67,432	74,969
Derivative assets	16	-	456
Other assets	17	5,756	6,836
Available for sale financial assets	27	6	15,010
Total current assets		**116,154**	**143,475**
Non-current assets			
Inventories	15	63,740	32,700
Equity investment	18	47,627	-
Property, plant and equipment	19	222,487	247,898
Mine development expenditures	20	173,444	138,609
Intangible assets	21	947	1,859
Total non-current assets		**508,245**	**421,066**
Total assets		**624,399**	**564,541**
Current liabilities			
Trade and other payables	22	56,891	44,823
Borrowings	23	70,423	10,415
Derivative liabilities	24	-	51,548
Provisions	25	1,751	1,940
Total current liabilities		**129,065**	**108,726**
Non-current liabilities			
Borrowings	23	3,946	58,193
Provisions	25	14,336	10,312
Other non-current liabilities	22	10,959	-
Total non-current liabilities		**29,241**	**68,505**
Total liabilities		**158,306**	**177,231**
Equity			
Issued capital	26	342,470	305,412
Foreign currency translation reserve	28	(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**

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

Approved by the Board of Directors

Alan Hill
Director

Alan Thomas
Director

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		For the years ended December 31	
		2013	2012
	Note		(Restated) note 4
Issued capital			
Beginning of year		305,412	305,412
Shares issued from public offerings	7	37,264	-
Less: Share issue costs	7	(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	28	-	(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	7	585	-
Acquisition of non-controlling interest in Oromin	7	(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	27	(5,456)	5,456
Impairment		-	1,319
End of year		-	5,456
Retained earnings			
Beginning of year	4	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**

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	For the years ended December 31 2013	2012 (Restated) note 4
Cash flows related to operating activities			
Profit for the year		56,599	108,170
Depreciation of property, plant and equipment	19	48,185	41,999
Depreciation of capitalized mine development costs	20	30,091	14,127
Amortization of intangibles	21	1,021	650
Amortization of deferred financing costs		3,120	877
Unwinding of discount on mine restoration and rehabilitation provision	11	156	53
Share based compensation	36	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	24	(8,593)	(39,000)
Loss on available for sale financial asset	27	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	34	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	19	(17,344)	(51,451)
Expenditures for mine development	20	(51,603)	(62,910)
Acquisition of intangibles	21	(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 financing costs paid		(1,200)	57,695
Repayment of borrowings	23	(12,282)	(16,799)
Drawdown from finance lease facility, net of financing costs paid		12,755	2,857
Interest paid on borrowings	23	(7,054)	(4,075)
Dividend payment to government of Senegal	31b	(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**

The accompanying notes are an integral part of these 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 operates the Sabodala gold mine and is currently exploring 9 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 Explorations Ltd ("Oromin"). Oromin held a 43.5 percent participating interest in the Oromin Joint Venture Group ("OJVG") which holds 90 percent of Societe des Mines de Golouma S.A. ("Somigol"). Refer to note 18.

On January 15, 2014, the Company acquired the balance of the OJVG that it did not already own. The Company acquired Bendon International Ltd.'s ("Bendon") 43.5 percent participating interest and Badar Investment Ltd.'s ("Badr") 13 percent carried interest.

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 land holding from 33km^2 to 246km^2 by combining the two permitted mine licenses and more than doubling the Company's reserve base.

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.

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

2. BASIS OF PREPARATION

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries and were approved by the Board of Directors on February 20, 2014.

Certain comparatives have been restated to conform to the current year presentation.

b. Basis of presentation

All amounts in the consolidated financial statements and notes thereto are presented in United States dollars unless otherwise stated. The 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.

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, which is the Company's presentation currency.

d. Critical accounting judgments and key sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses and other income during the period. These judgments, estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience. While management believes that these judgments, estimates and assumptions are reasonable, actual results may differ from the amounts included in the consolidated financial statements.

Judgments made by management in the application of IFRS that have significant effects on the consolidated financial statements and estimates with a significant risk of material adjustments, where applicable, are contained in the relevant notes to the financial statements. Refer to Note 6 for critical judgments in applying the entity's accounting policies, and key sources of estimation uncertainty.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Consolidation

The consolidated financial statements are prepared by consolidating the financial statements of Teranga Gold Corporation and its subsidiaries; Teranga Gold (B.V.I.) Corporation, SGML (Capital) Limited, Oromin, and Sabodala Gold (Mauritius) Limited and its subsidiaries as defined in IFRS 10 "Consolidated Financial Statements".

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured based on the fair values at the date of acquisition of assets and liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. The goodwill arising, if any, is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of net identifiable assets acquired and the liabilities assumed. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized in net profit within the statement of comprehensive income.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all inter-company balances and transactions between entities in the Company, including any unrealized profits or losses, have been eliminated.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the fair value of net assets acquired at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

Total comprehensive profit/(loss) is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

b. Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future which form part of the net investment in a foreign operation and which are recognized in a foreign currency translation reserve within equity and recognized in profit or loss on disposal of the net investment.

c. Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of 90 days or less at the date of acquisition.

When applicable, bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

d. Short-term Investments

Short-term investments represent investments in guaranteed investment certificates with maturity dates of more than 90 days at the date of acquisition. Short-term investments are carried at amortized cost.

e. Inventories

Gold bullion, gold in circuit and ore in stockpiles are physically measured or estimated and valued at the lower of cost and net realizable value. Cost represents the weighted average cost and includes direct costs and an appropriate portion of fixed and variable production overhead costs, including depreciation and amortization on property plant and equipment used in the production process and depreciation and amortization on capitalized stripping costs, incurred in converting materials into finished goods. As ore is removed from processing, costs are relieved based on the average cost per ounce in the stockpile.

By-product metals inventory on hand obtained as a result of the production process to extract gold are valued at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion, if any, and applicable variable selling expenses.

Materials and supplies are valued at the lower of cost and net realizable value. Any provision for obsolescence is determined by reference to specific inventory items identified. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss upon disposal.

f. Property, Plant and Equipment

Property, plant and equipment is measured on the historical cost basis less depreciation and impairment losses.

The cost of property, plant and equipment constructed by the Company includes the cost of materials, direct labour and deferred financing costs where appropriate. Assets under construction and assets purchased that are not ready for use are capitalized under capital work in progress.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to net profit within the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of property, plant and equipment is depreciated over their useful lives of the asset commencing from the time the asset is ready for use. The Company uses the units-of-production ('UOP') method when depreciating mining assets which results in a depreciation charge based on the recovered ounces of gold. Mining assets include buildings and property improvements and plant and equipment.

The Company uses straight line method when depreciating other equipment, office furniture, motor vehicles and finance lease equipment.

Depreciation is calculated using the following method:

Class of Property, Plant and Equipment	Method	Years
Buildings and property improvements	UOP	n/a
Plant and equipment	UOP/Straight line	5.0 - 8.0 years
Office furniture and equipment	Straight line	3.0 - 6.7 years
Motor vehicles	Straight line	5.0 years
Plant equipment under finance lease	Straight line	5.0 - 8.0 years

The assets' residual values, depreciation method and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Capital work in progress is not depreciated.

The gain or loss arising upon disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in net profit within the statement of comprehensive income

Assets under finance lease

Assets held under finance leases are depreciated over their expected useful lives on the same basis as similar owned assets.

g. Leased Assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance lease balance outstanding. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on deferred financing costs. Refer to Note 4(k).

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

h. Mine Development

Mine development expenditures are recognized at cost less accumulated amortization and any impairment losses. Mine development expenditures include capitalized waste stripping costs and evaluation expenditures that meet the criteria for capitalization. Upon reaching commercial production, these capitalized costs will be amortized using the units-of-production method over the estimated proven and probable reserves.

i. Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and any impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method is reviewed at the end of each annual reporting period with any changes in these accounting estimates being accounted for on a prospective basis.

j. Impairment of Long-lived Assets

At each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net profit within the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognized immediately in net profit within the statement of comprehensive income.

k. Deferred Financing Costs

Deferred financing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other deferred financing costs are recognized in net profit within the statement of comprehensive income in the period in which they are incurred.

l. Employee Benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and long-term service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognized in respect of employee benefits expected to be settled within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognized in respect of employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date.

m. Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of past events for which it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying value is the present value of those cash flows.

n. Restoration and Rehabilitation

A provision for restoration and rehabilitation is recognized when there is a present obligation as a result of exploration, development and production activities undertaken, that it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal or constructive obligation. Future restoration costs are reviewed each reporting period and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

o. Income Tax

Current income tax

Current income tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. Current income tax is calculated on the basis of the law enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred income tax

Deferred income tax is recognized, in accordance with the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

p. Financial Instruments

Investments are recognized and de-recognized on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit and loss.

- *Fair value through profit or loss*

Upon disposal of an investment, the difference in the net disposal proceeds and the carrying amount is charged or credited to net profit within the statement of comprehensive income.

- *Loans and receivables*

Trade and other receivables, loans, cash and cash equivalents, short term investments and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method less impairment.

Interest income is recognized by applying the effective interest method.

- *Available-for-sale financial assets*

Certain shares held by the Company are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in the investment revaluation reserve with the exception of:

- significant and prolonged impairment losses;
- interest calculated using the effective interest method; and
- foreign exchange gains and losses on monetary assets;

all of which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investment revaluation reserve is included in profit or loss for the period.

- *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognized directly in Other comprehensive income.

De-recognition of financial assets

The Company de-recognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in net profit within the statement of comprehensive income immediately as the Company does not apply hedge accounting.

The fair value of derivatives is presented as a non-current asset or a non-current liability, if the remaining maturity of the instrument is more than twelve months and it is not expected to be realized or settled within twelve months and as a current asset or liability when the remaining maturity of the instrument is less than twelve months.

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of:

- the amount of the obligation under the contract, as determined under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

- the amount initially recognized less, where appropriate, cumulative amortization in accordance with the revenue recognition policies described in Note 4(s).

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

q. Share-based Payment

The Company operates an equity-settled, share-based compensation plan for remuneration of its management and employees.

The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options are granted. The fair value of the options is adjusted by the estimate of the number of options that are expected to vest as a result of non-market conditions and is expensed over the vesting period using an accelerated method of amortization.

Share-based compensation relating to stock options is charged to net profit within the statement of comprehensive income.

r. Fixed Bonus Plan Units

The Company operates a cash-settled, share-based compensation plan for remuneration of its management, directors, employees and consultants.

The fair value of the Fixed Bonus Plan Units ("Units") granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the Units are granted. The fair value of the Units is adjusted by the estimate of the number of Units that are expected to vest as a result of non-market conditions and is expensed over the vesting period using an accelerated method of amortization.

Share-based compensation relating to the Fixed Bonus Plan is charged to the statement profit and loss and re-valued at the end of each reporting period based on the period end share price. Refer to note 36(b).

s. Revenue Recognition

Gold and silver bullion sales

Revenue is recognized when persuasive evidence exists that all of the following criteria are met:

- The shipment has been made;
- the significant risks and rewards of ownership of the product have been transferred to the buyer;
- neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the gold or silver sold, has been retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefit associated with the sale will flow to the Company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Interest income

Interest income is recognized in other expenses within the statement of comprehensive income.

t. Exploration and Evaluation Expenses

Exploration and evaluation expenditures in relation to each separate area of interest are expensed in net profit within the statement of comprehensive income until the determination of the technical feasibility and the commercial viability of the project.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven and probable reserves are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. Once the proven and probable reserves are determined to exist, including when a technical feasibility study is completed, subsequent exploration and development expenses are capitalized as mine evaluation expenditures.

Exploration and evaluation assets comprise of costs incurred to secure the mining concession, acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortization of assets used in exploration and evaluation activities. General and administrative costs are only included in exploration and evaluation costs where they are related directly to the operational activities in a particular area of interest.

u. Earnings per Share

Basic earnings per share are determined by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary common shares outstanding during the financial period.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

v. Joint Arrangements

A joint arrangement is defined as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. There are two types of joint arrangements, joint operations and joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to the Company's interests in joint operations, the Company recognizes the Company's share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with other venturers) and the Company's share of expenses incurred by or in respect of each joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The Company applies the equity method of accounting for its interest in the joint venture.

w. Government Royalties

Royalties are accrued and charged against earnings when the liability from production of the gold arises. Royalties are separately reported as expenses and not deducted from revenue.

x. Non-controlling Interest

Non-controlling interests represent the fair value of net assets in subsidiaries that are not held by the Company and are presented in the equity section of the consolidated statement of financial position. Profit for the period that is attributable to non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary.

4. CHANGE IN ACCOUNTING POLICIES

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

The Company adopted International Financial Reporting Interpretation Committee 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 through either: useable ore that can be used to produce inventory or 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 opening balances. The impact on December 31, 2012 balances was an increase to mine development expenditures of $29.6 million, a decrease to inventory of $15.5 million and a decrease to cost of sales of $14.1 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 cash flows for the year ended December 31, 2012 are set out below:

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

Impact on Statement of Financial Position

	As at December 31, 2012		
	As previously reported	Impact of change in accounting policy	Restated
Current assets			
Inventories	82,474	(7,505)	74,969
Total current assets	**150,980**	**(7,505)**	**143,475**
Non-current assets			
Inventories	40,659	(7,959)	32,700
Mine development expenditures	109,060	29,549	138,609
Total non-current assets	**399,476**	**21,590**	**421,066**
Total assets	**550,456**	**14,085**	**564,541**
Equity			
Accumulated income	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

	For the year ended December 31, 2012		
	As previously reported	Impact of changes in accounting policies	Restated
Cost of sales	(179,323)	14,085	(165,238)
Gross profit	**171,197**	**14,085**	**185,282**
Profit/(loss) before income tax	**93,970**	**14,085**	**108,055**
Income tax benefit	115		115
Profit for the period	**94,085**	**14,085**	**108,170**
Profit attributable to:			
Shareholders	79,924	12,676	92,600
Non-controlling interests	14,161	1,409	15,570
Profit for the period	**94,085**	**14,085**	**108,170**
Total comprehensive income for the period	**100,797**	**14,085**	**114,882**
Total comprehensive income attributable to:			
Shareholders	86,636	12,676	99,312
Non-controlling interests	14,161	1,409	15,570
Total comprehensive income for the period	**100,797**	**14,085**	**114,882**
- basic earnings per share	0.33	0.05	0.38
- diluted earnings per share	0.33	0.05	0.38

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

Impact on Statement of Cash Flows

	For the year ended December 31, 2012		
	As previously reported	Impact of changes in accounting policies	Restated
Cash flows related to operating activities			
Profit for the period	94,085	14,085	108,170
Depreciation of capitalized mine development costs	11,142	2,985	14,127
Increase in inventories	(42,826)	15,463	(27,363)
Changes in working capital	26,570	-	26,570
Net cash provided by (used in) operating activities	**72,449**	**32,533**	**104,982**
Cash flows related to investing activities			
Expenditures for mine development	(30,377)	(32,533)	(62,910)
Net cash used in investing activities	**(79,460)**	**(32,533)**	**(111,993)**
Net increase in cash and cash equivalents held	**32,252**	**-**	**32,252**
Cash and cash equivalents at the beginning of period	**7,470**	**-**	**7,470**
Cash and cash equivalents at the end of period	**39,722**	**-**	**39,722**

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 was 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 was 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 was effective for annual periods beginning on or after January 1, 2013.

As at January 1, 2013, the Company did not have any joint arrangements. Through 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 in two transactions on August 6, 2013 and October 4, 2013, refer to note 18.

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 was 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 has applied the new disclosure requirements for its consolidated annual financial statements for the year ended December 31, 2013.

e. IFRS 13 – Fair value measurement

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

Application of IFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual note relating to the assets and liabilities whose fair values were determined. Refer to note 36(h).

5. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. In July 2013, the IASB tentatively decided to defer the Mandatory effective date of IFRS 9. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015 but rather be left open pending the finalization of the impairment and classification and measurement requirements. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

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 evaluating the impact of IFRIC 21 on its consolidated financial statements.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are critical judgments and estimations that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Ore reserves

Management estimates its ore reserves based upon information compiled by qualified persons as defined in accordance with the Canadian Securities Administrators' National Instrument 43-101 Standards for Disclosure for Mineral Projects requirements, which is similar to the Australasian standards. The estimated quantities of economically recoverable reserves are based upon interpretations of geological models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserve estimates can impact the carrying value of property, plant and equipment, mine development expenditures, provision for mine restoration and rehabilitation, the recognition of deferred tax assets, as well as the amount of depreciation and amortization charged to net profit within the statement of comprehensive income.

Functional currency

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of all entities within the group is the United States dollar, which was determined based on the currency that mainly influences sales prices for goods and services, labour, material and other costs and the currency in which funds from financing activities are generated.

Units of production

Management estimates recovered ounces of gold in determining the depreciation and amortization of mining assets, including buildings and property improvement and plant and equipment. This results in a depreciation/amortization charge proportional to the recovery of the anticipated ounces of gold. The life of the asset is assessed annually and considers its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates and assumptions, including the amount of recoverable ounces of gold. The Company's units of production calculations are based on recovered ounces of gold.

Mine restoration and rehabilitation provision

Management assesses its mine restoration and rehabilitation provision each reporting period. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent, the timing and the cost of rehabilitation activities, technological changes, regulatory change, cost increases, and changes in discount rates. Those uncertainties may result in actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability.

Impairment of assets

Management assesses each cash-generating unit each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset. Cash flows are discounted by an appropriate discount rate to determine the net present value. Management has assessed its cash generating units as being all sources of mill feed through a central mill, which is the lowest level for which cash flows are largely independent of other assets.

Production start date

Management assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Company considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to, the following:

- completion of a reasonable period of testing of the mine plant and equipment;
- ability to produce metal in saleable form; and
- ability to sustain ongoing production of metal.

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements or mineable reserve development. It is also at this point that depreciation/amortization commences.

Fair value of derivative financial instruments

Management assesses the fair value of Teranga's derivatives in accordance with the accounting policy stated in Note 4(p) to the consolidated financial statements. Fair values have been determined based on well-established valuation models and market conditions existing at the reporting date. These calculations require the use of estimates and assumptions. Changes in assumptions concerning interest rates, gold prices and volatilities could have a significant impact on the fair valuation attributed to the Company's derivatives. When these assumptions change or become known in the future, such differences will impact asset and liability carrying values in the period in which they change or become known.

Fair value of stock options

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in Note 4(q) to the consolidated financial statements. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options are granted. The calculation requires the use of estimates and assumptions. 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.

Fair value of Fixed Bonus Plan Units

Management assesses the fair value of Units granted in accordance with the accounting policy stated in Note 4(r) to the consolidated financial statements. The fair value of the Units granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the Units are granted. The calculation requires the use of estimates and assumptions. 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.

Stripping costs in the production phase of a surface mine

Management assesses the costs associated with the stripping activity in the production phase of surface mining. The useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods, which are estimated by management.

7. ACQUISITION

a. Acquisition of Oromin

On August 6, 2013, the Company acquired 78,985,388 common shares of Oromin, representing approximately 57.5 percent of the Oromin shares that the Company did not already own. Together with the 18,699,500 Oromin shares owned by the Company 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.

All stock options granted in connection with the acquisition of Oromin 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. The Company consolidated 100 percent of Oromin's operating results, cash flows and net assets from August 6, 2013 with non-controlling interests of 27.4 percent until October 4, 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. A discounted cash flow model was used 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 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 final allocation of the purchase price to the assets and liabilities acquired.

Purchase Cost - August 6, 2013	US$000's
Fair value of 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 Final Purchase Price Allocation	
Assets	
Current assets	545
Investment in OJVG	47,059
Total assets	47,604
Liabilities	
Current liabilities	4,009
Borrowings	3,386
Total liabilities	7,396
Net assets acquired, before non-controlling interest	40,208
Non-controlling interest	(11,005)
Net assets acquired	**29,203**

Purchase Cost - October 4, 2013	US$000's
Fair value of shares issued to Oromin shareholders	13,777
Carrying value of additional interest in Oromin	11,005
Difference recognized within shareholders' equity	**2,772**

Acquisition related costs of approximately $8.0 million have been expensed during the year ended December 31, 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 $0.8 million included in net profit within the consolidated statement of comprehensive income as of December 31, 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 $1.9 million.

b. 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 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 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.

Acquisition related costs of approximately $2.6 million incurred in 2013 have been expensed during the year ended December 31, 2013 and are presented within Other expenses in the consolidated statements of comprehensive income.

The Company is in the process of determining the fair values of the acquired assets and liabilities of OJVG and therefore disclosure of the fair values of the net identifiable assets arising from the acquisition cannot be made. The valuation is expected to be completed in 2014.

Following the acquisition of Bendon's interest in the OJVG subsequent to year-end, the legal claim filed by Bendon was dismissed.

8. REVENUE

	For the years ended December 31	
	2013	**2012**
Gold sales at spot price	297,326	349,871
Silver sales	601	649
Total revenue	**297,927**	**350,520**

For the year ended December 31, 2013, 208,406 ounces of gold were sold at an average price of $1,427 per ounce (2012: 207,814 ounces were sold at an average of $1,634 per ounce). Revenue excludes the impact of gold hedges as losses on ounces delivered into gold hedge contracts which are classified within gains (losses) on gold hedge contracts, refer to note 24.

Including the impact of gold hedge losses, for the year ended December 31, 2013, 208,406 ounces of gold were sold at an average realized price of $1,246 per ounce, including 45,289 ounces that were delivered into gold hedge contracts at $806 per ounce, representing 22 percent of gold sales for the year, and 163,117 ounces were sold into the spot market at an average price of $1,368 per ounce.

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

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).

Including the impact of gold hedge losses, for the year ended December 31, 2012, 207,814 ounces of gold were sold at an average realized price of $1,422 per ounce, including 62,606 ounces that were delivered into gold hedge contracts at $832 per ounce, representing 30 percent of gold sales for the year and 145,208 ounces were sold into the spot market at an average price of $1,677 per ounce.

Gold sales revenue to one customer for the year ended December 31, 2013 was $297 million (2012: $350 million).

9. COST OF SALES

	For the years ended December 31	
	2013	**2012**
Mine production costs	170,752	145,832
Capitalized deferred stripping	(43,264)	(32,535)
Depreciation and amortization	77,902	55,645
Royalties	14,755	10,491
Rehabilitation	6	36
Inventory movements - cash	(8,552)	(5,409)
Inventory movements - non-cash	(15,094)	(8,822)
Total cost of sales	**196,505**	**165,238**

10. ADMINISTRATION EXPENSES

	For the years ended December 31	
	2013	**2012**
Corporate office	7,712	8,686
Dakar office	1,189	754
Social community costs	1,763	1,558
Audit fees	451	581
Legal & other	2,466	3,281
Depreciation	1,136	713
Total administration expenses	**14,717**	**15,573**

11. FINANCE COSTS

	For the years ended December 31	
	2013	**2012**
Interest on borrowings	7,331	4,516
Amortization of borrowing costs	3,120	877
Unwinding of discount	156	53
Political risk insurance	570	898
Stocking fee	626	578
Bank charges	345	440
Total finance costs	**12,148**	**7,362**

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

12. OTHER EXPENSE

	For the years ended December 31	
	2013	**2012**
Acquisition costs (i)	11,020	2,785
Non-recurring legal and other costs	927	-
Interest income	(52)	(36)
Total other income and expense	**11,895**	**2,749**

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

13. INCOME TAX

	For the years ended December 31	
	2013	**2012**
Current income tax expense	-	(115)
Deferred income tax benefit on reversal of temporary differences	-	-
Total income tax benefit	**-**	**(115)**

The Company's provision for income taxes differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to income (loss) before income taxes as a result of the following:

	For the years ended December 31	
	2013	**2012**
Statutory tax rates	26.5%	26.5%
Income tax benefit computed at statutory rates	14,999	24,902
Non-deductible items	4,260	1,244
Income not subject to tax	(24,069)	(37,528)
Difference between deferred and current rate	-	-
Unrecognized deferred tax assets	4,810	11,267
Other	-	-
Income tax benefit	**-**	**(115)**

Deferred income tax assets are recognized for tax loss carry-forwards, property, plant and equipment, share issuance costs and transaction costs to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred income tax assets of $12,456 in respect of non-capital losses, property, plant and equipment, share issuance costs and transaction costs amounting to $48,793 that can be carried forward against future taxable income. The non-capital losses, property, plant and equipment, share issuance costs and transaction costs amounting to $48,793 will expire in the years 2015 to 2033.

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled $240,726 at December 31, 2013.

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

14. TRADE AND OTHER RECEIVABLES

	As at December 31, 2013	As at December 31, 2012
Current		
Trade receivable (i)	7,376	5,268
Other receivables (ii)	623	1,214
Total trade and other receivables	**7,999**	**6,482**

(i) Trade receivable relates to gold and silver shipments made prior to period end that were settled after year end.
(ii) Other receivables primarily include receivables from suppliers for services, materials and utilities used at the Sabodala gold mine that the Company provides to them and $0.2 million sales tax refunds as at December 31, 2013 (2012: $0.1 million).

15. INVENTORIES

	As at December 31, 2013	As at December 31, 2012 (Restated)
Current		
Gold bullion	7,192	4,094
Gold in circuit	5,010	8,172
Ore stockpile	17,443	24,773
Total gold inventories	**29,645**	**37,039**
Diesel fuel	3,136	3,242
Materials and supplies	31,737	30,703
Goods in transit	2,914	3,985
Total other inventories	**37,787**	**37,930**
Total current inventories	**67,432**	**74,969**
Non-Current		
Ore stockpile	63,740	32,700
Total inventories	**131,172**	**107,669**

16. DERIVATIVE ASSETS

The Company had a hedge agreement with respect to the oil price in order to manage its exposure to commodity risk. The Company hedged 80,000 barrels per annum for four years commencing April 1, 2009 at a flat forward price of $70 per barrel (West Texas Intermediate price).

The hedge contracts were completed in the first quarter of 2013. The gain on settlement of oil hedge contracts totaled $0.5 million for the year ended December 31, 2013 (2012: $1.9 million). At December 31, 2012, 20,000 barrels were hedged with a market value of $0.5 million at market price of $92 per barrel.

17. OTHER ASSETS

	As at December 31, 2013	As at December 31, 2012
Current		
Prepayments (i)	4,256	5,336
Security deposit (ii)	1,500	1,500
Total other assets	**5,756**	**6,836**

(i) As at December 31, 2013, prepayments include $2.9 million of advances to vendors and contractors and $1.4 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.

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

18. INVESTMENT IN OROMIN JOINT VENTURE GROUP LTD.

As part of 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 was held by Bendon and the remaining 13.0 percent non-participating interest in the OJVG was held by Badr. The Company acquired these additional interests subsequent to year-end. Refer to note 7.

The OJVG has a 90 percent interest in Societe des Mines de Golouma S.A. ("Somigol"), an operating company under the laws of Senegal, and the remaining 10 percent interest is held by the Government of Senegal. Somigol has a 15-year renewable mining license, 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.

During the year ended and as of December 31, 2013, 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.

Equity Investment Table	
Balance at August 6, 2013	47,059
Cash contribution	775
Equity pickup	52
Project administration fees recovery	(259)
Balance at December 31, 2013	**47,627**

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 December 31, 2013	As at August 6, 2013
Current assets		
Cash and term deposits	82	327
Prepaids	5	7
Due from related party	-	304
Total current assets	**87**	**638**
Non-current assets		
Resource properties	96,689	95,057
Total assets	**96,776**	**95,695**
Current liabilities		
Trade and other payables	593	1,577
Due to Oromin	411	-
Total current liabilities	**1,004**	**1,577**
Non-current liabilities		
Shareholder advances	158,193	156,643
Accrued Interest	57,765	52,399
Total Non-current liabilities	**215,958**	**209,042**
Total liabilities	**216,962**	**210,619**

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

	Period from August 6, 2013 to December 31, 2013
Interest expense	5,366
Net foreign exchange gains	(80)
Other Income	(24)
Net loss	**(5,262)**
Less: interest related to shareholder advances	5,366
The Company's share of income from equity investment in OJVG	**52**

The reconciliation of OJVG's equity to the Company's net interest in the joint venture as at August 6, 2013 and December 31, 2013 are as follows:

	As at December 31, 2013	As at August 6, 2013
OJVG's equity	(120,186)	(114,924)
Add: shareholder advances	158,193	156,643
Add: accrued interest on shareholder advances	57,765	52,399
Less: accumulated project administration cost recovery	(518)	-
	95,254	94,118
The Company's net investment in OJVG	**47,627**	**47,059**

19. 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	-	-	-	-	-	18,175	**18,175**
Capitalized mine rehabilitation		4,694					**4,694**
Disposals	-	(15)	(4)	(246)	(501)	-	**(766)**
Transfer	581	17,671	398	189	-	(18,795)	**44**
Balance at December 31, 2013	**45,034**	**298,030**	**2,198**	**3,029**	**41,916**	**7,442**	**397,649**
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)	(220)	(402)	-	**(627)**
Depreciation expense	4,812	34,435	435	386	8,117	-	**48,185**
Balance at December 31, 2013	**19,216**	**118,445**	**1,444**	**2,001**	**34,056**	**-**	**175,162**
Net book value							
Balance at December 31, 2012	**30,049**	**191,667**	**793**	**1,251**	**16,076**	**8,062**	**247,898**
Balance at December 31, 2013	**25,818**	**179,585**	**754**	**1,028**	**7,860**	**7,442**	**222,487**

Additions made to property, plant and equipment during the year ended December 31, 2013 relate mainly to additional mining equipment acquired.

Depreciation of property, plant and equipment of $48.2 million was expensed as cost of sales for the year ended December 31, 2013 (2012: $42.0 million).

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

20. MINE DEVELOPMENT EXPENDITURE

	Amount (Restated)
Cost	
Balance at January 1, 2012	**124,418**
Expenditures incurred during the year	62,911
Balance at December 31, 2012	**187,329**
Additions incurred during the year	64,926
Balance at December 31, 2013	**252,255**
Accumulated depreciation	
Balance at January 1, 2012	**34,593**
Depreciation expense	14,127
Balance at December 31, 2012	**48,720**
Depreciation expense	30,091
Balance at December 31, 2013	**78,811**
Carrying amount	
Balance at December 31, 2012	**138,609**
Balance at December 31, 2013	**173,444**

	As at December 31, 2013	As at December 31, 2012
Development and exploration costs	176,456	154,795
Deferred stripping asset	75,799	32,534
Total mine development expenditures incurred	**252,255**	**187,329**

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

For the year ended December 31, 2013, capitalized mine development expenditures include $43.3 million of deferred stripping costs, $16.6 million relating to payments made and to be made to the Republic of Senegal (refer to notes 22 and 31), capitalized reserve development of $3.5 million, $0.5 million related 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, and other items of $1.0 million.

Depreciation of capitalized mine development of $30.1 million was expensed as cost of sales for the year ended December 31, 2013 (2012: $14.1 million) based on $ 181.5 million of assets subject to depreciation and amortization (2012 - $121 million).

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

21. INTANGIBLE ASSETS

	Computer Software(i)
Cost	
Balance at January 1, 2012	**1,915**
Additions	1,424
Balance at December 31, 2012	**3,339**
Additions	109
Balance at December 31, 2013	**3,448**
Accumulated amortization	
Balance at January 1, 2012	**830**
Amortization expense	650
Balance at December 31, 2012	**1,480**
Amortization expense	1,021
Balance at December 31, 2013	**2,501**
Carying amount	
At December 31, 2012	**1,859**
At December 31, 2013	**947**

(i) Computer software costs relate to non-operating activities including software license fees using straight line depreciation method.

22. TRADE AND OTHER PAYABLES

	As at December 31, 2013	As at December 31, 2012
Current		
Unsecured liabilities:		
Trade payables (i)	21,410	16,446
Sundry creditors and accrued expenses	11,865	12,370
Government royalties (ii)	16,296	10,927
Amounts payable to Republic of Senegal (iii) (iv) (v)	7,320	5,080
Total current trade and other payables	**56,891**	**44,823**
Non-Current		
Amounts payable to Republic of Senegal (iii) (vi)	10,959	-
Total other non-current liabilities	**10,959**	**-**
Total payables	**67,850**	**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 at a rate of 5 percent of sales in 2013, compared to a rate of 3 percent of sales in 2012. During the second quarter of 2013, $10.0 million of 2012 royalties were paid to the Republic of Senegal.

(iii) An amount of $3.7 million is payable to the Republic of Senegal in four equal annual instalments based on $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 20 and 31 for further details.

(iv) An accrual of $1.2 million remains at December 31, 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 20 and 31 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 December 31, 2013, approximately $5.2 million has been accrued based on net sales revenue. Refer to note 31 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 December 31, 2013. Refer to notes 20 and 31 for further details.

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

23. BORROWINGS

	As at December 31, 2013	As at December 31, 2012
Current		
Loan facility	60,000	-
Finance lease liabilities	12,775	10,506
Deferred financing costs	(2,352)	(91)
Total current borrowings	**70,423**	**10,415**
Non-Current		
Loan facility	-	60,000
Finance lease liabilities	4,192	-
Deferred financing costs	(246)	(1,807)
Total non-current borrowings	**3,946**	**58,193**
Total borrowings	**74,369**	**68,608**

Macquarie Loan 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. The Company was required to maintain a restricted cash balance of up to $20.0 million and $40.0 million of the loan facility was to have been repaid in five equal quarterly installments beginning on June 30, 2014. The final $20.0 million was scheduled to be repaid with the final installment on June 30, 2015. As at December 31, 2013, the Company was not permitted to withdraw any portion of the $20.0 million restricted cash balance as the Project Life Ratio was less than the required 2.2:1. In addition, the Company was not in compliance with all of its financial covenants, as a result, the entire $60.0 million project facility was classified within current borrowings.

Subsequent to year end on January 15, 2014, the Company amended the Loan Facility and retired half of the balance for $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 reduces the restricted cash requirement by $5.0 million to $15.0 million and removes the Project Life Ratio financial covenant.

Macquarie Finance Lease Facility

During the first quarter of 2013, the Company entered into a new $50.0 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 have been put towards additional equipment for the Sabodala pit. During the fourth quarter of 2013, the Company cancelled the undrawn commitment from the Equipment Facility.

The following table shows the minimum lease repayment schedule.

	As at December 31, 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	12,290	10,506	10,415
Later than one year and not later than five years	4,192	3,946	-	-
Total finance lease liabilities	**16,967**	**16,236**	**10,506**	**10,415**
Included in the financial statements as:				
Current	12,775	12,290	10,506	10,415
Non-current	4,192	3,946	-	-

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

The finance loan relates to the Equipment Facility, with a remaining lease term of fifteen months expiring March 2015. Minimum future lease payments consist of five 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.

Sprott Loan Facility

Prior to its acquisition by Teranga, Oromin entered into a $5 million credit agreement with Sprott Resource Lending Partnership ("Facility"). Under the Facility agreement, the amounts outstanding at August 6, 2013 of $3.7 million became payable upon the acquisition and was repaid during the third quarter of 2013.

24. DERIVATIVE LIABILITIES

During the second quarter of 2013, the Company bought back the remaining 14,500 ounces related to "out of the money" gold forward sales contracts at a cost of $8.6 million. At December 31, 2013, there is no remaining 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.

25. PROVISIONS

	As at December 31, 2013	As at December 31, 2012
Current		
Employee benefits (i)	1,751	1,940
Total current provisions	**1,751**	**1,940**
Non-Current		
Mine restoration and rehabilitation (ii)	14,227	9,377
Cash settled share based compensation (iii)	109	935
Total non-current provisions	**14,336**	**10,312**
Total provisions	**16,087**	**12,252**

(i) The provisions for employee benefits include $1.2 million accrued vacation and $0.6 million long service leave entitlements for the period ended December 31, 2013. The provision for December 31, 2012 included $1.4 million accrued vacation and $0.5 million long service leave entitlements.

(ii) Mine restoration and rehabilitation provision represents a constructive obligation to rehabilitate the Sabodala gold mine based on the mining concession. The majority of the reclamation activities will occur at the completion of active mining and processing (which as of December 31, 2013 was estimated based on a mine closure in 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**
Capitalized mine rehabilitation	4,694
Unwinding of discount	156
Balance at December 31, 2013	**14,227**

Note: The mine restoration and rehabilitation provision has increased by $4.7 million in 2013 primarily due to change in discount rates and increase in cost estimates. The key assumptions applied for the determination of the mine restoration and rehabilitation provision include a discount rate of 1.1% and an inflation rate of 2.0%.

(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 36(b).

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

26. 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	71,183,091	37,264
Less: Share issue costs	-	(206)
Balance at December 31, 2013	316,801,091	342,470

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.

In total, the Company issued 71,183,091 Teranga shares to acquire all of the Oromin for consideration of $37.3 million. The fair value of Oromin stock options replaced by 7,911,600 Teranga stock options totals an additional $0.6 million of consideration. As a result, Teranga's total number of issued and outstanding shares increased to 316,801,091.

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.

27. 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". In the third quarter of 2013, the Company consolidated the Oromin shares upon acquisition of all the issued and outstanding shares of Oromin.

For the year ended December 31, 2013, as a result of change in fair value of available for sale financial assets, a loss of $5.4 million (2012: $6.8 million gain), net of tax of $nil (2012: $nil) was recognized in Other Comprehensive Income / (loss). A further decline in Oromin's share of $4.0 million was recognized as non-cash impairment losses (2012: $11.9 million).

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 December 31, 2013	**-**

As part of the acquisition of Oromin, the Company acquired Oromin's investment of 1,197,906 shares of Lund Enterprise Corp. ("Lund") of $0.02 million with a market value at August 6, 2013 of $0.015 per share. For the period ended December 31, 2013, the Company recognized a non-cash impairment loss of $0.01 million based on further declines in Lund's share price.

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

28. 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 amount 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.

29. EARNINGS PER SHARE (EPS)

	For the years ended December 31	
	2013	**2012**
Basic EPS (US$)	0.18	0.38
Diluted EPS (US$)	0.18	0.38
Basic EPS:		
Net profit used in the calculation of basic EPS	47,516	92,600
Weighted average number of common shares for the purposes of basic EPS ('000)	270,705	245,618
Weighted average number of common shares for the purpose of diluted EPS ('000)	270,705	245,618

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 23.7 million and 17.1 million shares relating to share options that were anti-dilutive for the periods ended December 31, 2013 and December 31, 2012, respectively.

30. COMMITMENTS FOR EXPENDITURE

a. Capital Expenditure Commitments

The Company has committed to spend a total of $100 thousand over the next year 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 percent (2012 – 3 percent) is payable to the Government of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date.
- $425 thousand per annum on social development of local authorities in the surrounding Tambacounda region during the term of the Mining Concession.
- $30 thousand per year for logistical support of the territorial administration of the region from date of notification of the Mining Concession.
- $200 thousand per year on training of Directorate of Mines and Geology officers and Mines Ministry

c. OJVG Operating Commitments

- The Company faces the following operating commitments in respect of the OJVG project:
- $450 thousand per year is payable for social development of local authorities in the surrounding Kedougou region during the term of the Mining Concession.
- $150 thousand per year is payable for logistical support of the territorial administration of the region from date of notification of the Mining Concession.

d. Oromin Operating 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 thousand.

Subsequent to the year end, the Company signed an offer to assign agreement to sub-lease the office premises in Vancouver to a third party. The Company is committed to a total payment of $188 thousand representing the period through to the end of the lease term. This payment is expected to be made in the second quarter of 2014.

31. 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 percent minority interest. A payment of $2.7 million will be required once drilling activities recommence at Niakafiri. The Company has also agreed to advance an estimated $8.0 million of accrued dividends to be paid in 2014 and 2015 which was estimated based on a gold price of $1,600 per ounce. For the year ended December 31, 2013, approximately $5.2 million has been accrued based on net sales revenue.

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, was accrued for the year ended December 31, 2013.

The Company is required to make a payment of $10.0 million related to the waiver of the right for the Republic of Senegal to acquire an additional equity interest in the Satellite Deposits integrated into the SGO Mining Concession. The payment is expected to be made upon receipt of all permits required to integrate the Somigol project into the SGO mining concession.

c. OJVG tax assessment

In 2012, OJVG received a tax assessment from the Senegalese tax authorities claiming withholding tax on payments made to third parties during 2009 to 2012 and $1.3 million was accrued during this period. During the third quarter of 2013, OJVG received a revised tax assessment for approximately $0.7 million, including penalties and accordingly reversed $0.6 million of the original accrual. During the fourth quarter of 2013, the tax dispute was resolved and a payment of $0.2 million was made in full settlement.

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

32. EXPLORATION LICENSES AND JOINTLY CONTROLLED OPERATIONS AND ASSETS

The Company has exploration licenses and is a venturer in the following jointly controlled operations and assets:

Name of venture	Principal activity	Interest 2013 %
Dembala Berola	Gold exploration	100
Massakounda	Gold exploration	100
Senegal Nominees JV – Bransan	Gold exploration	70
AXMIN JV – Sabodala NW (i)	Gold exploration	80
AXMIN JV - Heremakono	Gold exploration	80
AXMIN JV - Sounkounkou	Gold exploration	80
Bransan Sud	Gold exploration	100
Sabodala Ouest	Gold exploration	100
Saiansoutou	Gold exploration	100
Garaboureya North	Gold exploration	75

(i) The permit for AXMIN JV – Sabodala NW expired and the Company has applied for an extension.

Exploration commitments and contingent liabilities

Exploration commitments and contingent liabilities are disclosed in Note 30 and 31.

33. CONTROLLED ENTITIES

	Country of Incorporation	Percentage owned 2013
Controlled entities consolidated		
Teranga Gold B.V.I. Corporation (i)	British Virgin Islands	100
Sabodala Gold (Mauritius) Limited (ii)	Mauritius	100
SGML (Capital) Limited	Mauritius	100
Oromin Explorations Limited (iv)	Canada	100
Subsidiaries of Sabodala Gold (Mauritius) Limited:		
Sabodala Mining Company SARL (ii)	Senegal	100
Sabodala Gold Operations SA (iii)	Senegal	90

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

(i) Teranga Gold (B.V.I.) Corporation, a wholly owned subsidiary of Teranga Gold Corporation, was incorporated under the BVI Business Companies Act, 2004 on November 10, 2010. In connection with the Demerger Arrangement and pursuant to a deed of assignment of debt among Teranga Gold Corporation, Teranga Gold (B.V.I) Corporation, MDL Gold Limited, Sabodala Gold (Mauritius) Limited and Sabodala Gold Operations SA dated November 23, 2010, Teranga Gold (B.V.I.) Corporation took assignment of an inter-corporate receivable of $234,300,000 owed by Sabodala Gold Operations SA to Sabodala Gold (Mauritius) Limited as assigned to MDL Gold Limited in consideration for 1,000,000 ordinary shares of Teranga Gold (B.V.I.) Corporation registered in the name of Teranga Gold Corporation.

(ii) Pursuant to the Uniform Act (OHADA) governing the Company's "SA" Senegalese subsidiaries, the board of directors must have at least three and no more than 12 directors (other than in particular circumstances). Members of the board do not have to be shareholders; however, no more than one-third of the members of the board may be non-shareholders. Teranga is the majority (90 percent) shareholder of SGO through its wholly-owned subsidiary Sabodala Gold (Mauritius) Limited. A sufficient number of directors representing SGML (the Mauritius holding company) were elected to the board of directors of SGO, in addition to the two resident directors with executive responsibility, to ensure adequate representation at all board meetings, the minority shareholder (Republic of Senegal) being entitled to two board seats, one representing the State and the other being held by a non-shareholder Senegalese public servant. To meet the requisite shareholder requirement for the board of directors of SGO, five of the current board members (4 of which are also directors of SGML) were issued one share each for a total of 0.5 percent in SGO with the other 89.5 percent issued to and held by the Mauritian parent SGML. On death or resignation, a share individually held would be transferred to another representative of SGML or added to its current 89.5 percent shareholding according to the circumstances at the time.

(iii) Under the terms of the Macquarie loan facility, SGML and SGO have pledged their shares in favour of Macquarie Bank Limited as security.

(iv) 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, issuing 71,183,091 Teranga for net consideration of $37.8 million, including the fair value of Oromin stock options replaced by 7,911,600 Teranga stock options.

34. CASH FLOW INFORMATION

a. Change in working capital

	For the years ended December 31	
	2013	2012
Changes in working capital		
Decrease/(increase) in trade and other receivables	(1,613)	13,965
Decrease/(increase) in other assets	1,108	5,915
Increase/(decrease) in trade and other payables	5,505	5,660
Increase/(decrease) in provisions	(188)	1,030
Net change in working capital	**4,812**	**26,570**

b. Cash balances restricted for use

During the third quarter of 2013, the Company amended its existing $60.0 million Loan Facility. The amended agreement had extended the final repayment date of its existing loan facility agreement by one year to June 30, 2015. The Company was required to maintain a restricted cash balance of up to $20.0 million. The Company is permitted to withdraw a portion of the $20 million restricted cash balance, such that the Project Life Ratio is no less than 2.2:1.

Subsequent to year end on January 15, 2014, the Company amended the Loan Facility and retired half of the balance for $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 reduces the restricted cash requirement by $5.0 million to $15.0 million and removes the Project Life Ratio financial covenant.

35. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a. Capital risk management

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern while maximizing the return to stakeholders through optimization of the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents, debt, and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated income. The Company is not subject to any externally imposed capital requirements. 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. 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.

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

The leverage ratio as at December 31, 2013 was as follows:

	As of December 31, 2013	As of December 31, 2012
Borrowings	(74,369)	(68,608)
Cash and cash equivalents	14,961	39,722
Restricted Cash	20,000	-
Net debt	**(39,408)**	**(28,886)**
Equity attributable to the shareholders	**453,989**	**375,453**
Net debt to equity ratio	**9%**	**8%**

b. Categories of financial instruments

As at December 31, 2013 and 2012, the Company's financial instruments consisted of cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and derivative financial assets and liabilities.

The following table illustrates the classification of the Company's financial instruments as at December 31, 2013 and 2012:

	As of December 31, 2013	As of December 31, 2012
Financial assets:		
Loans and receivables		
Cash and cash equivalents	14,961	39,722
Restricted cash	20,000	-
Trade and other receivable	7,999	6,482
Assets at fair value through profit or loss		
Financial derivative assets	-	456
Available-for-sale		
Available-for-sale financial assets	6	15,010
Financial liabilities:		
Other financial liabilities at amortized cost		
Borrowings	74,369	68,608
Trade and other payables	67,959	45,758
Liabilities at fair value through profit and loss		
Financial derivative liabilities	-	51,548

c. Commodity market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including foreign exchange rates and commodity prices. The Company is exposed to movements in the gold price.

d. Foreign currency risk management

The Company has certain financial instruments denominated in CFA Franc, EUR, CAD, AUD and other currencies. Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to the CFA Franc, EUR, CAD, AUD and other currencies may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which are denominated in the CFA Franc, EUR, CAD, AUD and other currencies.

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities is as follows:

	Financial Assets		Financial Liabilities	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
CFA Franc (XOF)	9,054	2,349	43,366	30,672
EUR	1,209	1,486	2,872	3,714
CAD	704	483	6,138	2,398
Other	224	250	336	118
AUD	199	213	371	898

Foreign currency sensitivity analysis

The Company is mainly exposed to CFA Franc, EUR, CAD and AUD. Ten percent represents management's assessment of the reasonably possible change in foreign exchange rates. Sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at period end for a 10 percent change in the functional currency rates. A negative number indicates a decrease in profit or equity where the functional currency strengthens 10 percent against the relevant currency for monetary assets and where the functional currency weakens against the relevant currency for monetary liabilities. For a 10 percent weakening of USD against the relevant currency for monetary assets and a 10 percent strengthening for monetary liabilities, there would be an equal and opposite impact on net assets and the balances would be positive.

	Financial Assets		Financial Liabilities	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
10% Strengthening				
CFA Franc (XOF) Impact				
Profit or loss	(905)	(235)	4,337	3,067
EUR Impact				
Profit or loss	(121)	(149)	287	371
CAD Impact				
Profit or loss	(70)	(48)	614	240
AUD Impact				
Profit or loss	(20)	(21)	37	90
10% Weakening				
CFA Franc (XOF) Impact				
Profit or loss	905	235	(4,337)	(3,067)
EUR Impact				
Profit or loss	121	149	(287)	(371)
CAD Impact				
Profit or loss	70	48	(614)	(240)
AUD Impact				
Profit or loss	20	21	(37)	(90)

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

Foreign currency exchange contracts

The Company has not entered into forward exchange contracts to buy or sell specified amounts of foreign currencies in the future at stipulated exchange rates.

e. Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in the market interest rates. The Company has exposure to interest rate risk relating to its bank balances and external borrowings.

The following table illustrates the classification of the Company's financial instruments which are exposed to interest rate risk as at December 31, 2013 and 2012

	As of December 31, 2013	As of December 31, 2012
Financial assets		
Cash and cash equivalents	14,961	39,722
Restricted cash	20,000	-
Total	**34,961**	**39,722**
Financial liabilities		
Borrowings	73,469	68,608
Total	**(38,508)**	**(28,886)**

The Company's interest rate on its borrowings is calculated at LIBOR plus 7.5 percent and 10 percent margin on the Equipment Facility and Loan Facility respectively.

Interest rate sensitivity analysis

If interest rates had been higher or lower by 50 basis points and all other variables were held constant, the profit and net assets would increase or decrease by:

	Financial Assets		Financial Liabilities	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Profit or loss	203	131	391	312
Other equity	-	-	-	-

f. Credit risk management

The Company's credit risk is primarily attributable to cash, cash equivalents and derivative financial instruments. The Company does not have any significant credit risk exposure as cash and cash equivalents are held in low risk jurisdictions. The Company has adopted a strategy to minimize its credit risk by substantially investing in *sovereign* debt issued by Canadian government agencies, Canadian Provinces and the Federal Government of Canada.

The Company does not have significant credit risk exposure on accounts receivable as all gold sales are executed through Macquarie Bank, an AAA rated bank. Gold production is sold into the spot market and deposited into the Company's bank account.

The Company is exposed to the credit risk of Senegal and France banks that disburse cash on behalf of its Senegal subsidiaries. The Company manages its Senegal and France bank credit risk by centralizing custody, control and management of its surplus cash resources in Canada at the corporate office and only transferring money to its subsidiary based on immediate cash requirements, thereby mitigating exposure to Senegal banks.

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

g. Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company monitors its risk of a shortage using projected cash flows and by monitoring the maturity of both its financial assets and liabilities.

Cash flow forecasting is performed in the operating entity of the group and combined by the Company's finance group. The Company's finance group monitors the liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom in its proceeds account so that the Company does not breach any of its covenants. Surplus cash held by the Corporate office is invested in short term investments issued by Canadian bank and in sovereign debt issued by Canadian Agencies, Provinces and the Federal Governments of Canada.

Liquidity tables

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Due on demand	Due one to three months	Due between three months to one year	Due one to five years
Financial Liabilities					
December 31, 2013					
Non-interest bearing	-	33,273	1,200	16,296	5,195
Variable interest rate instruments	7.77%	-	3,194	9,581	4,192
Fixed interest rate instruments	3.08%	-	-	925	1,750
Variable interest rate instruments	9.13%	60,000	-	-	-
Total		**93,273**	**4,394**	**26,802**	**11,137**
December 31, 2012					
Non-interest bearing	-	30,121	-	10,927	-
Variable interest rate instruments	3.31%	-	2,400	1,706	-
Variable interest rate instruments	4.46%	-	2,133	4,266	-
Fixed interest rate instruments	6.00%	3,776	-	-	-
Variable interest rate instruments	10.31%	-	-	-	60,000
Derivatives (i)	-	-	15,702	35,846	-
Total		**33,897**	**20,235**	**52,745**	**60,000**

	Weighted average effective interest rate %	Due on demand	Due one to three months	Due between three months to one year	Due one to five years
Financial Assets					
December 31, 2013					
Non-interest bearing	-	7,999	-	-	-
Total		**7,999**	**-**	**-**	**-**
December 31, 2012					
Non-interest bearing	-	6,482	-	-	-
Derivatives (ii)	-	-	456	-	-
Total		**6,482**	**456**	**-**	**-**

(i) Expected to be settled through delivery of gold.
(ii) Expected to be settled in cash on a net basis.

Management considers that the Company has adequate current assets and forecasted cash flow from operations to manage liquidity risks arising from settlement of current and non-current liabilities.

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

h. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

The Company values instruments carried at fair value using quoted market prices, where available. Quoted market prices (unadjusted) in active markets represent a Level 1 valuation. When quoted market prices in markets 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. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

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			
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Aggregate Fair
	Level 1	Level 2	Level 3	Value
December 31, 2013				
Cash and cash equivalents	14,961	-	-	14,961
Restricted cash	20,000	-	-	20,000
Trade and other receivable	7,999	-	-	7,999
Available-for-sale financial assets	6	-	-	6
Total	**42,966**	-	-	**42,966**
December 31, 2012				
Cash and cash equivalents	39,722	-	-	39,722
Restricted cash	-	-	-	-
Trade and other receivable	6,482	-	-	6,482
Available-for-sale financial assets	15,010	-	-	15,010
Derivative financial assets	-	456	-	456
Total	**61,214**	**456**	-	**61,670**

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

	Financial liabilities			
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Aggregate Fair
	Level 1	Level 2	Level 3	Total
December 31, 2013				
Trade and other payables	56,891	11,068	-	67,959
Borrowings	-	74,369	-	74,369
Derivative financial liabilities	-	-	-	-
Total	**56,891**	**85,437**	-	**142,328**
December 31, 2012				
Trade and other payables	44,823	935	-	45,758
Borrowings	-	68,608	-	68,608
Derivative financial liabilities	-	51,548	-	51,548
Total	**44,823**	**121,091**	-	**165,914**

We do not offset financial assets with financial liabilities.

36. SHARE BASED COMPENSATION

The share based compensation expense for the year ended December 31, 2013 totaled $0.8 million (2012: $4.7 million).

a. Incentive Stock Option Plan

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

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

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

During the year ended December 31, 2013 and 2012, a total of 820,000 and 3,580,000 common share options, respectively were granted to directors and employees.

During the year ended December 31, 2013 and 2012, a total of 2,132,917 and 4,058,055 options were forfeited, respectively. No stock options were exercised during the years ended December 31, 2013 and 2012.

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

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

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

Option series	Number	Grant date	Expiry date	Exercise price (C$)	FV at grant date (C$)
Granted on November 26, 2010	7,003,333	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	367,222	13-Aug-11	13-Aug-21	3.00	0.82
Granted on December 20, 2011	1,512,917	20-Dec-11	20-Dec-21	3.00	0.61
Granted on February 24, 2012	768,889	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 December 31, 2013, approximately 15.9 million (2012: 7.4 million) options were available for issuance under the Plan.

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

Of the 23,737,850 common share stock options issued and outstanding as at December 31, 2013, 15,651,250 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 the best estimate of outcome of achieving our results.

As at December 31, 2013, 15,826,250 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 remaining contractual life of 13 months.

(in $000's of United States dollars, except per 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:

	For the years ended December 31	
	2013	**2012**
Grant date share price	C$0.71-C$1.44	C$$2.10-C$2.58
Exercise price	C$3.00	C$3.00
Range of risk-free interest rate	1.04%-1.20%	0.99%-1.43%
Volatility of the expected market price of share	67.28%-68.30%	43.7%-61.62%
Expected life of options	2.00-3.50	1.25-5.00
Dividend yield	0%	0%
Forfeiture rate	5%-50%	0%-30%

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

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 year - January 1, 2012	17,617,222	C$3.00
Granted during the year	3,580,000	C$3.00
Forfeited during the year	(4,058,055)	C$3.00
Balance at end of the year - December 31, 2012	**17,139,167**	**C$3.00**
Granted during the year	820,000	C$3.00
Replacement stock options issued to Oromin employees on change of control	7,911,600	C$0.65-C$1.30
Forfeited during the year	(2,132,917)	C$3.00
Balance at end of the year - December 31, 2013	**23,737,850**	**C$3.00**
Number of options exercisable - December 31, 2012	10,736,662	
Number of options exercisable - December 31, 2013	20,640,532	

There were no options exercised during the years ended December 31, 2013 and December 31, 2012.

b. Fixed Bonus Plan

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

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

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

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

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

As at December 31, 2013, there were 1,440,000 Units outstanding that were granted on August 8, 2012 with expiry dates ranging from November 24, 2020 through to February 24, 2022. The Units each have an exercise price of C$3.00 and have fair values at December 31, 2013 in the range of C$0.01 to C$0.11 per Unit. The total fair value of the Units at December 31, 2013 was $0.1 million (December 31, 2012: $0.9 million).

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

Fair value of Units granted

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

	For the years ended December 31	
	2013	**2012**
Share price at the end of the period	C$0.53	C$2.26
Exercise price	C$3.00	C$3.00
Range of risk-free interest rate	1.12%-1.95%	1.13%-1.38%
Volatility of the expected market price of share	66.71%-68.3%	43.70%-61.62%
Expected life of options	2.00-5.00	1.25-5.00
Dividend yield	0%	0%
Forfeiture rate	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.

37. SEGMENT REPORTING

The Company has one reportable operating segment under IFRS 8 operating segments relating to the gold activity.

Geographical information

The Company operates in two geographical areas, predominantly in Senegal (West Africa) and Mauritius.

The following table discloses the Company's revenue by geographical location:

	For the years ended December 31	
	2013	**2012**
Republic of Senegal – revenue from gold and silver sales	297,927	350,520
Republic of Senegal – interest income	51	31
Mauritius	-	-
Canada	1	5
Total	**297,979**	**350,556**

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

The following is an analysis of the Company's non-current assets by geographical location:

	As of December 31, 2013	As of December 31, 2013
Republic of Senegal	456,523	419,288
Mauritius	-	-
Canada	51,722	1,778
Total	**508,245**	**421,066**

38. KEY MANAGEMENT PERSONNEL COMPENSATION

The Company considers key members of management to include the Executive Chairman, President and CEO, Vice Presidents and the General Manager and Government Relations Manager of SGO.

The remuneration of the key members of management includes 8 members during the twelve months ended December 31, 2013 and 9 members during the twelve months ended December 31, 2012. The remuneration during the twelve months ended December 31, 2013 and 2012 is as follows:

	Short term benefits			Cash settled share based payments - value vested during the period	Equity settled share based payments - value vested during the period	
	Salary and Fees	Non-Cash Benefits	Cash Bonus	Options	Options	Total
For the year ended December 31, 2013						
Compensation	2,839	267	-	108	1,110	**4,324**
For the year ended December 31, 2012						
Compensation	2,668	130	1,076	898	1,881	**6,652**

39. RELATED PARTY TRANSACTIONS

At December 31, 2013, the Company has a receivable of $411 due from the OJVG for project management fees.

During the year ended December 31, 2013, there were transactions of $0.3 million between the Company and a director-related entity.

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on February 20, 2014.