

FOCUSED

TERANGA GOLD CORPORATION
IS A CANADIAN-BASED
GOLD COMPANY WHICH WAS
CREATED TO ACQUIRE THE
SABODALA GOLD MINE AND A
LARGE REGIONAL EXPLORATION
LAND PACKAGE, LOCATED IN
SENEGAL, WEST AFRICA.



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MESSAGE FROM THE EXECUTIVE CHAIRMAN AND PRESIDENT



ALAN HILL
EXECUTIVE CHAIRMAN AND CEO



RICHARD YOUNG
PRESIDENT AND CFO



WATCH ALAN AND RICHARD
DISCUSS THE DETAILS
OF THE SABODALA MINE AT

TERANGAGOLD.COM

Dear Fellow Shareholders,

In acquiring the Sabodala gold mine just over a year ago, we saw tremendous opportunity to create value for our shareholders and stakeholders from the significant potential of having the only large-scale gold mining operation and the largest exploration land package in an emerging gold district. After our first full year, we are even more confident that the operation, together with our prospective land package, provides the basis for growth in reserves, production, earnings and cash flow as new discoveries are made and processed through our existing mill.

OUR MISSION

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

OUR VISION

Our vision is to become a preeminent gold producer in West Africa while setting the benchmark for responsible mining.

- **PHASE 1: BECOME A MID-TIER GOLD PRODUCER in Senegal with 250,000 to 350,000 ounces of annual gold production with existing infrastructure**
- **PHASE 2: INCREASE ANNUAL GOLD PRODUCTION to 400,000 to 500,000 ounces**

With the mine being commissioned in early 2009, the first in Senegal, it takes time to set up systems, line up a supply chain, hire and train our work force as well as contractors to supply goods and services to the mine. These activities are taken for granted in established mining regions but require time in new mining regions like Senegal. As a result, our first objective for Sabodala in 2011 was to continue to build on the good work our predecessors did in building the mine.

All of our actions in 2011 underpin our mission and vision, as we focus on Corporate Social Responsibility and

growth, growth in reserves, growth in production and building a stronger balance sheet in order to facilitate our actions.

WHAT WE DID IN 2011:

- **Produced 131,461 oz gold at \$900 per oz**
- **Ramped up our exploration program**
- **Commenced doubling mill capacity**
- **Lowered operating risk**
- **Delivered against our hedge book and**
- **Implemented a fresh focus on Corporate Social Responsibility**

We made solid strides building on the good work of our predecessors to optimize and reduce the operating risk of the Sabodala gold mine. Despite the fact that we were fortunate to have inherited a first class mill, production was lower than we anticipated as we were delayed in reaching higher grade material which was expected in the December quarter. As a result we produced 131,461 ounces versus the original budget of 140,000 ounces but in line with revised guidance.

These higher grade ounces were stockpiled at the end of 2011 and will be processed in the first quarter of this year. The shortfall was caused by a lack of broken rock which resulted from insufficient drilling capacity. The drill fleet was old and as such, had lower availability than planned. We recognized this issue earlier in the year, but the new drills delivered to site at year end were too late to help meet our 2011 production target. Production was also negatively impacted by lower than planned loading availability in the December quarter. We have addressed this issue by securing a larger inventory of capital spares for both our hauling and loading mobile equipment. As we move

forward, the mine will also benefit from the initiatives we took in 2011 such as the addition of a second ramp in the pit, better rainy season mine planning, improved blasting and maintenance agreements and new incentive programs to help attract and retain the best people. We understand that we are a single asset company and therefore we must do everything within our control to meet our targets. The steps taken in 2011 should ensure that we achieve this going forward.

Cash costs were also higher than anticipated as they were negatively impacted by higher fuel prices, labour, maintenance and royalty costs. Total cash costs for the year were \$900 per ounce, which included \$120 per ounce for stripping costs associated with the mining required in preparation for the mill expansion which we do not defer. We are largely a fixed cost operation and therefore, as we increase production in 2012 through the expanded mill, costs are expected to decline significantly.

Our actions in 2011 will begin to pay off in 2012 as we expect to see a ~65 percent increase in production to 210,000-225,000 ounces of gold and a reduction in cash costs which are expected to decline to between \$600-\$650 per ounce. Cash costs of sales are now being calculated after adjusting for inventory movement, in line with the Company's accounting policies and reported cost of sales in the Financial Statements and in line with industry standards.

Exploration on the Mine License started slowly in early 2011 but over the final quarter of the year we encountered some of the best drill results to date on the property. As a result, we increased our guidance on expanding our gold inventory to 2.5 to 3.5M ounces on the Mine License within the next 12 to 18 months, which would double our mine life at a production rate of 200,000 ounces per annum. The additional ounces are expected to result from

TOGETHER WE WILL GROW THIS COMPANY BY FOCUSING ON WHAT IS WITHIN OUR CONTROL IN ORDER TO DELIVER ON OUR PROMISES. IN DOING SO, WE BELIEVE THAT OUR EFFORTS WILL DIRECTLY TRANSLATE INTO MAXIMIZING BENEFITS FOR ALL OUR STAKEHOLDERS.

the success of deepening the Sabodala pit to the north along the Main Flat Extension, extension of the Masato pit onto our property from a neighbouring property, conversion of Niakafiri resources to reserves as well as adding reserves below these three large open-pit deposits.

Beyond our Mine License, we are very enthusiastic about the potential on our Regional Land Package though we hoped that we would have had early success. While we had very encouraging results in 2011 on our regional targets, we did not have a “discovery hole” of any significance. As we further refine the key target areas and continue with the systematic program underway on many targets yet to be drilled, we expect to have success in 2012 and beyond.

We are also working through the hedge book which we inherited, originally put in place as a requirement for project financing. At year end the hedge position stood at 174,500 ounces. If we deliver according to the schedule, the position will be eliminated in August 2013. However, we can accelerate or defer deliveries at our discretion, which we will manage based on maintaining an adequate minimum cash balance. Due to the shortfall in production in the December quarter, our cash balance declined more than we had planned so we have elected to defer first quarter deliveries until the second half of 2012 and sell all of our gold production at the higher spot gold prices to build up our cash balance, which was \$26.5 million (including restricted cash) at the end of January 2012. We are focused on eliminating the position as quickly and prudently as possible.

WHAT WE PLAN TO DO IN 2012:

- **Produce 210,000–225,000 oz of gold at \$600–\$650 per oz**
- **Increase gold inventory on the Mine License alone towards our goal of 2.5–3.5 million ounces**
- **Continue the extensive and systematic exploration program underway on the Regional Land Package**
- **Acquire additional exploration licenses, by entering into joint ventures and potential strategic acquisitions of companies or assets in Senegal**
- **Complete the mill expansion to double mill capacity**
- **Develop a Regional Development Strategy in collaboration with the communities and key stakeholders**
- **Reduce the hedge book**

We believe we have the right team, a core team that has worked together for 20 years, with extensive experience exploring, developing and operating mines, augmented by people who are driven by the same core values. Together we will grow this Company by focusing on what is within our control in order to deliver on our promises. In doing so, we believe that our efforts will directly translate into maximizing benefits for all our stakeholders.

As shareholders, we recognize that 2011 was a frustrating year in the markets, in particular at a time when the gold price set new records reaching \$1,920 per ounce. The appeal for gold as an investment grew significantly, reflecting persistent concerns about the global economy, geopolitical uncertainties and the outlook for global currencies. Yet this enthusiasm for physical gold did not translate into record-breaking share prices, but rather we saw an overall decline in share prices for the industry.

Our share price declined by 29 percent for the year compared to our peer group which declined by 27 percent. Macroeconomic indicators remain strong for gold, with the necessity to stimulate economic growth and address high unemployment, sovereign debt concerns, EU bailouts, geopolitical concerns with civil unrest throughout the Middle East, all creating an increased environment of uncertainty and unpredictability. All of these factors combined, reinforce our positive outlook for gold prices going forward. We believe that while gold equities have not kept pace with the physical demand for gold, if we can grow our company as we know we can, our share price should follow.

We are very excited about the year ahead, with the mill expansion complete we expect to see a ~65 percent increase in production with a significant reduction in our cast costs. This, in combination with the elimination of our hedge position allows for significant margin expansion which goes straight to our bottom line, increasing earnings, cash flow and free cash flow. As we do not control the equity markets, it is our responsibility to focus on all factors that are within our control and most importantly deliver on our promises.

In conclusion, we would like to thank our shareholders who have supported us and we would like to recognize all of our employees, contractors and suppliers who have worked hard, making great strides towards building the foundation upon which we can grow this Company. We have a terrific team that is dedicated to our vision and together we look forward to making it a reality.



Alan R. Hill
Executive Chairman and CEO



Richard S. Young
President and CFO

FOCUSED ON

GROWING RESERVES

1.66M oz currently to...

- / Objective: 10–15+ year mine life
- / Growth through exploration – extensive exploration program on 1,500km² Regional Land Package of virtually unexplored prolific land
- / Growth through J.V.'s and acquisitions of assets or companies in Senegal

GROWING PRODUCTION

131,461 oz currently to...

- / Leveraging off our existing mill
- / Doubling mill capacity – could increase further
- / Increasing production and lowering costs
- / All exploration targets in trucking distance of existing mill

FINANCIAL STRENGTH

Building a stronger balance sheet to self-fund exploration...

- / Eliminating hedge book – quickly but prudently
- / Margin expansion (eliminate hedge and lower costs)
- / Significant free cash flow
- / Able to self-fund exploration strategy
- / Manageable capex requirements

WHY INVEST



Operating Mine/Mill

Proven performance
Only operating mill in the country



Large Exploration Land Package

>1,500km² virtually unexplored land surrounding operating mill
An emerging world-class gold district



Building a Stronger Balance Sheet

Increasing cash flow by increasing production and lowering costs
Able to self-fund exploration and development



Experienced Management Team

Proven track record
Dedicated to mining responsibly and sharing the benefits



SABODALA GOLD



Teranga has the only gold mine and the largest land package in Senegal.

FIRST GOLD POUR IN MARCH 2009

/ Approximately \$500M invested to date

MILL EXPANSION FROM 2M TPA TO ~4M TPA

/ Expected to be completed early 2012
 / 131,461 oz Au production 2011 expanding to >200,000 oz Au
 / Increasing production and lowering costs

WELL DEVELOPED INFRASTRUCTURE

/ Located 650km east of the capital Dakar and ~100km north of the town of Kedougou – paved road within 56km of mine site
 / 36 MW heavy fuel oil power plant located on site

OPERATIONS



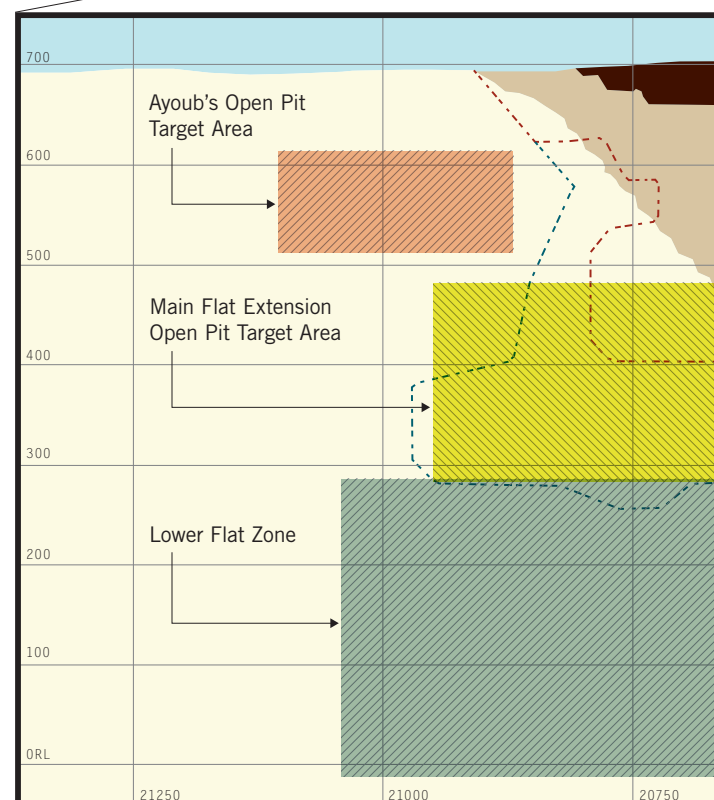
The Sabodala gold project is the only large-scale gold mine to come into operation in Senegal. This open pit mining operation has mineral reserves of 1.66 million ounces of gold and measured and indicated resources of 2.14 million ounces of gold. The region is emerging as a significant new gold district along the Birimian Greenstone Belt where the Company holds a >1,500km² land package.

The Company can leverage off of the existing centrally located mill as additional ounces are discovered.

2012 FORECAST

Gold Production: 210,000–225,000 oz at \$600–\$650/oz

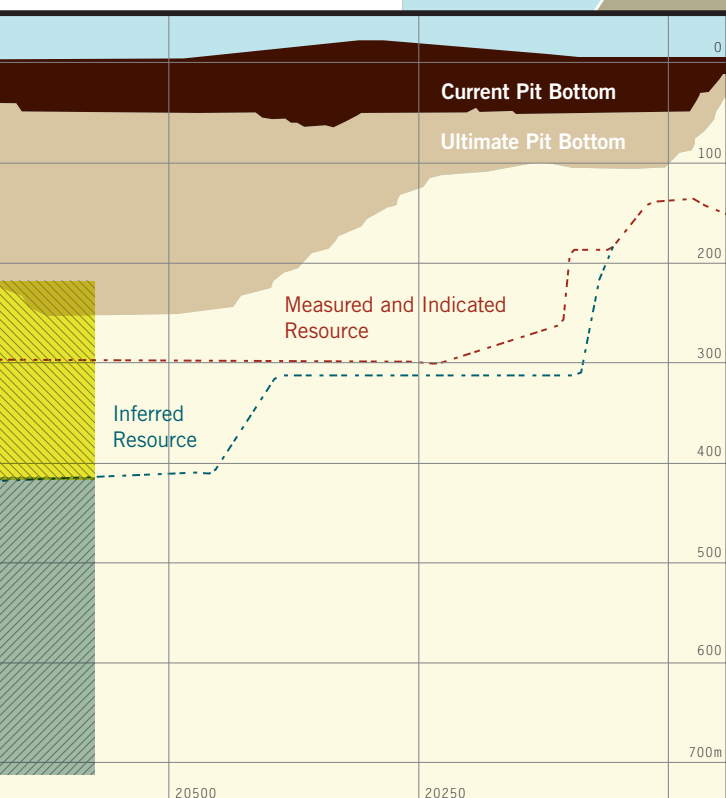
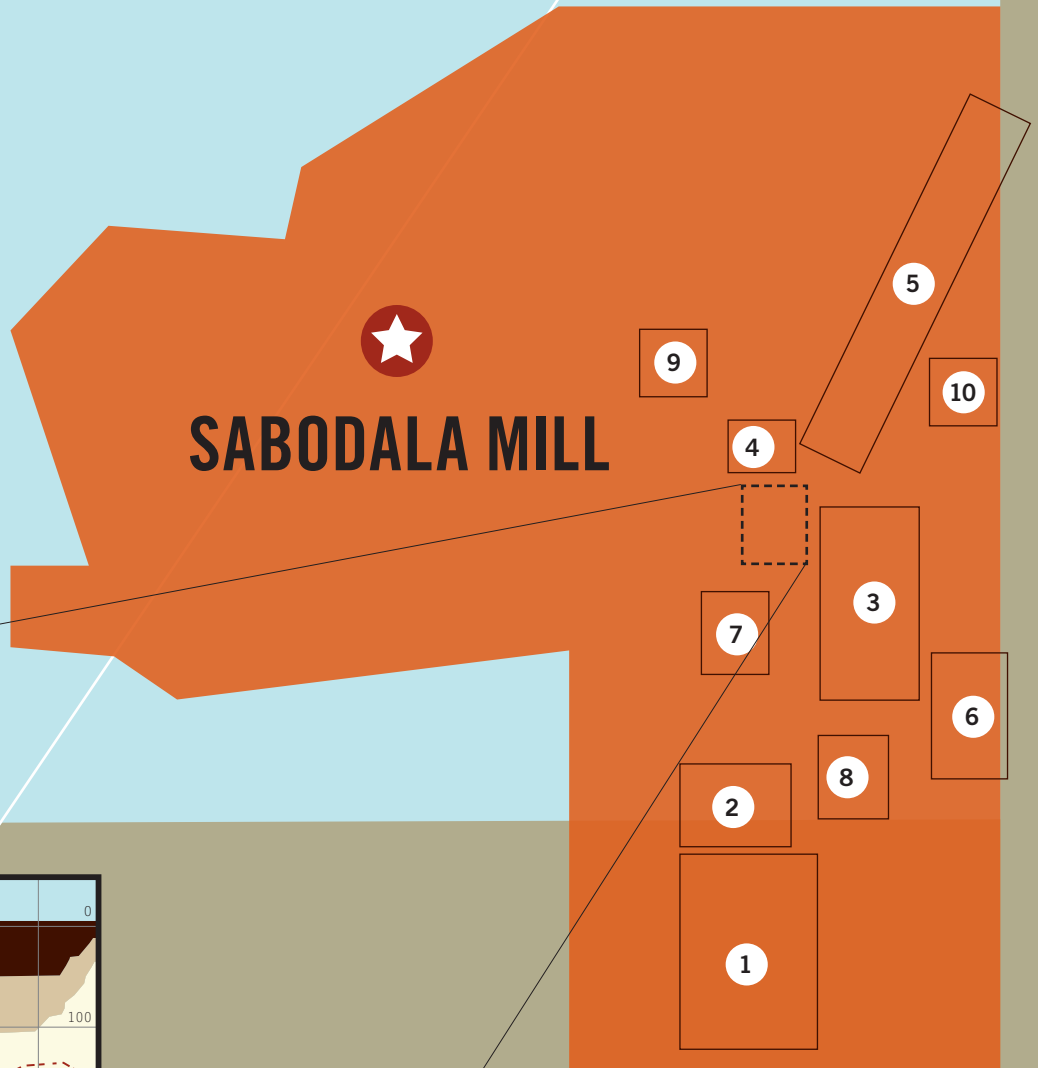
Exploration Budget: \$40M



MINE LICENSE EXPLORATION

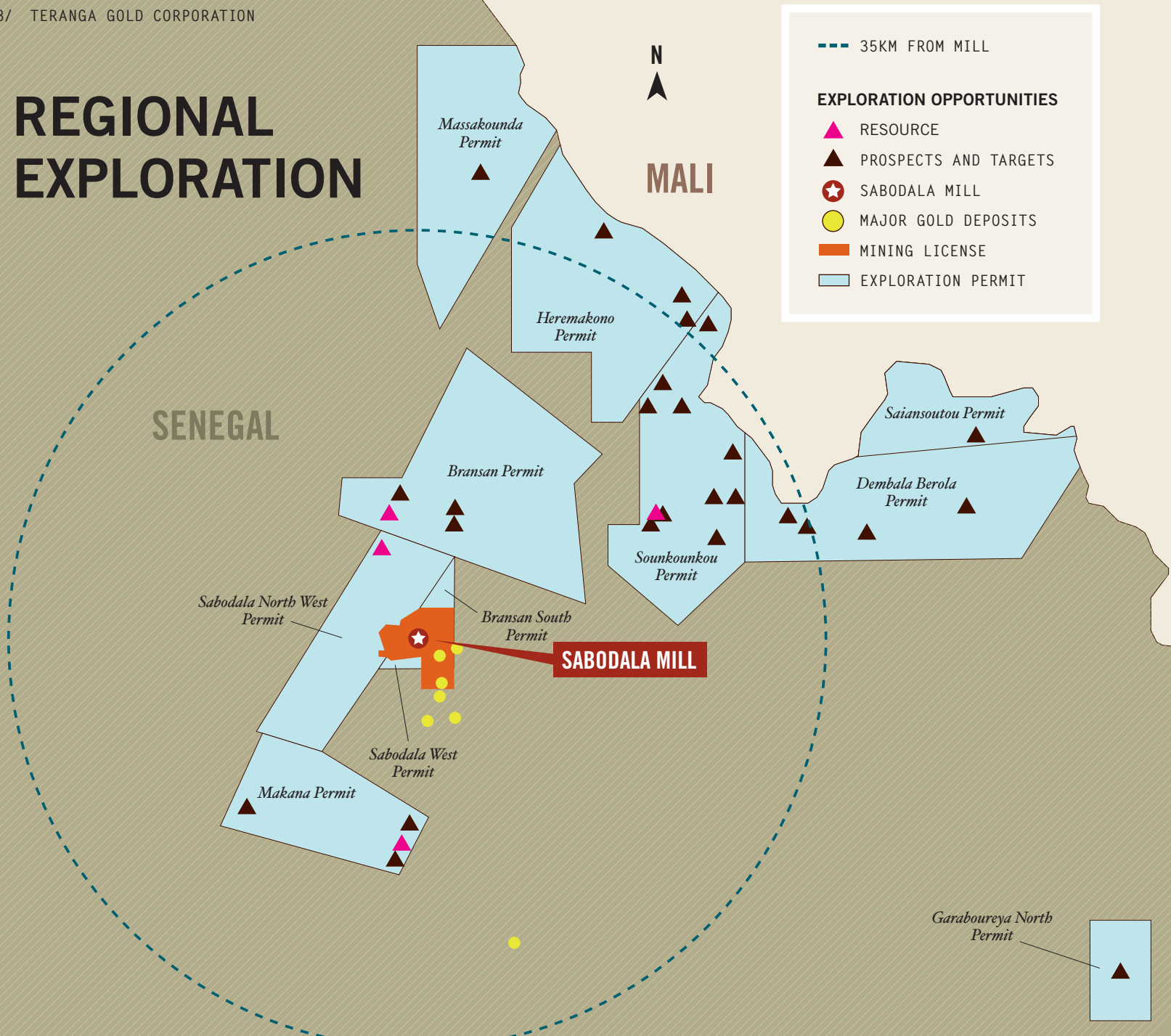
SABODALA MINE LICENSE PROSPECTS

- 1/ NIAKAFIRI & NIAKAFIRI WEST EXTENSIONS
- 2/ SOUKHOTO EXTENSION
- 3/ SAMBAYA HILL
- 4/ MAIN FLAT STRUCTURE EXTENSION
- 5/ SABODALA STRUCTURAL TREND
- 6/ MASATO EXTENSION
- 7/ SUTUBA
- 8/ DINKOKHONO
- 9/ SABODALA GRANITE CONTACT
- 10/ FALOMBOU NORTH



- 2011: \$14M exploration program on the 33km² Sabodala Mine License; 2012: Budgeting \$20M
- Significant potential exists on the 33km² Mine License with 10 targets identified to date for follow-up
- Management expects to expand gold inventory from 1.5M oz gold to 2.5–3.5M oz gold over the next 12 to 18 months increasing the mine life to ~10 to 15 years at a run rate of about 200,000 oz of gold produced annually
- The larger inventory base is expected to result from the success of deepening the Sabodala pit to the north along the Main Flat Extension/Lower Flat Zone, extension of the Masato deposit onto the Mine License, conversion of Niakafiri resources to reserves as well as adding reserves below the three areas

REGIONAL EXPLORATION



- 2011: \$32M program on the 1,500km² Regional Land Package; 2012: Budgeting \$20M
- Significant prospective potential for satellite high-grade deposits, as well as the potential for world-class (+5 million ounces) discoveries similar to those found on the same gold belt in Mali, approximately 90km from the Sabodala mine
- Management pursuing an extensive multi-year exploration program designed to test a number of targets that have already been identified, currently more than 40 targets, as requiring additional analysis, as well as identify new targets for testing
- All targets in trucking distance of the existing mill

EXPLORATION PROGRAM (CALENDAR 2012)

1. Mine License Exploration:	\$20M	(77,000m)
2. Regional Exploration:	\$20M	(90,000m)
TOTAL	\$40M	(167,000m) (+140,000m RAB)

CORPORATE INFORMATION

DIRECTORS

Alan Hill⁵

Executive Chairman and CEO

Richard Young

President and CFO

Christopher Lattanzi^{3,5}

Oliver Lennox-King^{1,2,4,5}

Alan Thomas^{1,2,3,4}

Frank Wheatley^{1,2,3,4}

1. Audit Committee
2. Corporate Governance and Nominating Committee
3. Compensation Committee
4. Finance Committee
5. Technical, Safety, Environmental and Social Responsibility Committee

SENIOR MANAGEMENT

Alan Hill

Executive Chairman and CEO

Richard Young

President and CFO

Yani Roditis

Vice President, Operations

Kathy Sipos

Vice President, Investor & Stakeholder Relations

David Savarie

Vice President, General Counsel & Corporate Secretary

Macoumba Diop

General Manager & Government

Relations Manager, SGO

Mark English

Operations Manager, SGO

Martin Pawlitschek

Regional Exploration Manager, SGO

Bruce Van Brunt

Business Development Manager, SGO

CORPORATE HEAD OFFICE

Teranga Gold Corporation

Suite 2600-121 King Street West
Toronto, Ontario, Canada M5H 3T9

Tel: + 1-416-594-0000

Fax: + 1-416-594-0088

Email: investor@terangagold.com

www.terangagold.com

Contact:

Kathy Sipos

Vice President, Investor & Stakeholder Relations

Direct: + 1-416-594-9547

Email: ksipos@terangagold.com

SENEGAL OFFICE

2K Plaza

Allees Meridient President

Almadies BP38385

Dakar Yoff Senegal

Tel: + 221-338-693-181

Fax: + 221-338-603-683

AUDITOR

Deloitte & Touche LLP

Chartered Accountants
Toronto, Ontario, Canada

SOLICITORS

Stikeman Elliott LLP

Toronto, Ontario, Canada

REGISTRAR AND TRANSFER AGENT

Canada: Computershare Trust Company of Canada

Tel: + 1-800-564-6253

Australia: Computershare Investor Services Pty Ltd

Tel: + 1-300-850-505 (investors within Australia)

Tel: + 61-3-9415-4000 (investors)

SHARE CAPITAL

Common Shares

Issued and Outstanding 245,618,000

(as at December 31, 2011)

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange
Australian Stock Exchange
Symbol: TGZ

ANNUAL MEETING

The Annual General Meeting of Shareholders will be held on Thursday, March 29, 2012 at 9:30 a.m., Offices of Stikeman Elliott LLP Main Board Room, 51st Floor, 199 Bay Street, Toronto, ON

This report is printed on Cougar Opaque with 10% post-consumer recycled fibre using SFI-Fibre Sourcing Certification. It is manufactured by Domtar to exacting environmental standards with support by the Rainforest Alliance, WWF-Canada as well as FSC certification. Inks used for the production of this report are printed using Low VOC (low volatile organic compounds).

FOCUSED
ON GROWTH



2011 ANNUAL REPORT

FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the fifteen months ended December 31, 2011. The fifteen month financial year is a result of the change in fiscal year end from June 30 to December 31. The MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto ("The Audited Annual Consolidated Financial Statements") of Teranga Gold Corporation ("Teranga" or the "Company") as at and for the fifteen months ended December 31, 2011. The Company's Audited Annual Consolidated Financial Statements and MD&A are presented in United States dollars, unless otherwise specified, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information about Teranga, including the prospectus of the Company dated November 11, 2010, as well as all other public filings, is available on the Company's website at www.terangagold.com and on the SEDAR website (www.sedar.com).

This report is dated as of February 21, 2012. All references to the Company include its subsidiaries unless the context requires otherwise.

The MD&A contains references to Teranga using the words "we", "us", "our" and similar words and the reader is referred to using the words "you", "your" and similar words.

OVERVIEW OF THE BUSINESS

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

The Sabodala gold mine, which came into operation in 2009, is located 650 kilometres east of the capital of Senegal, Dakar within the West African Birimian geological belt in Senegal, and about 90 kilometres from major gold mines in Mali. As of December 31, 2011, the Sabodala gold mine had proven and probable reserves of approximately 1.66 million ounces of gold included in measured and indicated resources of 2.14 million ounces of gold and inferred mineral resources of 1.51 million ounces of gold, a reserve increase of 422,000 ounces since the date of the Initial Public Offering ("IPO") in November 2010. In addition to the Mine Licence, the Company holds one of

the largest exploration land positions in southeastern Senegal with a direct or majority controlling joint venture interest in eleven exploration permits comprising over 1,500km². Management believes that the combination of its operations and prospective land position provides the basis for growth in reserves, production, earnings and cash flow as new discoveries are made and processed through the Company's existing mill.

Our Mission

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

Our Vision

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

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

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

GROWTH STRATEGY

The Company's objective is to grow reserves and production, which in turn should increase earnings and cash flow, through both internal exploration discoveries and strategic acquisitions. The Company is devoting significant resources to exploring its land package with a view of leveraging the existing infrastructure and processing plant which is currently being expanded from a nominal capacity of 2 million tonnes per annum ("M tpa") to approximately 4M tpa. Once expanded, the Sabodala mine is expected to produce a base of approximately 200,000 ounces of gold per annum. Blending of higher grade and or softer material could increase the production rate to 250,000 to 350,000 ounces of gold annually.

Exploration results in 2011, which include an additional 422,000 ounces of additional reserves, 111,000 ounces added to measured and indicated resources and 740,000 ounces added to inferred during the year, support management's belief of the potential to expand upon existing gold mineralization by an additional 20 to 30 million tonnes ("Mt") at grades between 1.5 and 2.0 gpt for a total gold inventory of 2.5 to 3.5 million ounces from the Company's 33km² Sabodala Mining License ("ML") over the next 12 to 18 months. The larger gold inventory base is expected to result from the success of deepening the Sabodala pit to the north along the Main Flat Extension and Lower Flat Zone, extension of the Masato deposit onto the ML and conversion of Niakafiri resources to reserves. Exploration success on the ML alone would significantly increase the mine life and provide a solid production base to build on through the Regional Exploration Program. On the ML alone a minimum of 6 drill rigs are expected to be testing new targets as well as seeking to convert existing resources to reserves at an estimated cost of approximately \$20 million in 2012.

In addition to the exploration program on the ML, the Company has interests in 11 exploration permits, collectively referred to as the Regional Development Package, in which active drill programs are underway on targets located on these exploration permits that management believes have strong potential for at least smaller high-grade or oxide deposits as well as the potential for world-class (+ 5 million ounce) discoveries similar to those found on the same gold belt in Mali approximately 90km from the Sabodala mine. Therefore, management is pursuing an extensive multi-year exploration program designed to test over 60 anomalies, targets and prospects that have already been identified as requiring additional analysis, as well as identify new targets for testing. The Regional Exploration Program budget for 2012 is expected to total approximately \$20 million for the year to continue the systematic drilling and evaluation program. The budget would likely increase if a discovery was made during the year. The first of the regional exploration targets, referred to as Gora, will move, subject to receipt of all permits, from an exploration project to a development project, as exploration drilling has confirmed a small high-grade deposit. Management is targeting permitting and development of Gora to be completed in late 2012 or early 2013, which could increase production in 2013. The Company expects to generate free cash flow from operations in 2012 and beyond which should enable it to self-fund the extensive exploration program and develop new satellite deposits.

On December 23, 2011, the Company's wholly-owned exploration subsidiary, Sabodala Mining Company SARL ("SMC") entered into a joint venture agreement with two private

Spanish exploration companies to acquire a 75 percent interest in their 50km² Garaboueya North exploration permit in eastern Senegal, approximately 65km from the Company's mill on the ML. This permit is located about 6km from the Senegal-Mali Shear Zone, which on the Malian side hosts several multi-million ounce deposits, less than 20km from the Garaboueya North permit. Historic work identified an intense 4km x 3km anomaly located on a North East trending secondary structure. The area is to a large extent covered by laterite and previous drilling has been wide-spaced and of a cursory nature, yet intersected several high grade zones of gold mineralization. Management is very encouraged by the potential of this prospect and will work to get it to a drill ready stage by end of the second quarter of 2012.

Not including the recently acquired interest in the Garaboueya North exploration permit, there are currently 40 targets that have been identified on the Company's 1,455km² regional land package (the "Regional Land Package"), all within trucking distance of the mill. All of the 40 targets are expected to be drill tested through the end of 2012. A further 20 targets have been evaluated with RAB drilling or trenching. With the addition of Garaboueya North the Regional Land Package increases to over 1,500km² with additional targets to be identified and tested in 2012. There were 11 drill rigs on the Regional Land Package during the quarter ended December 31, 2011.

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

With the completion of the mill expansion, scheduled for the first quarter of 2012, production for 2012 is expected to increase to between 210,000 to 225,000 ounces, an increase of 65 percent over 2011, while cash costs are expected to decline to between \$600 to \$650 per ounce, or \$675 to \$725 per ounce under the previous calculation, a decrease of approximately 20 percent compared to 2011. The higher production and cash margins are expected to fund our exploration and growth strategy.

DEMERGER FROM MINERAL DEPOSITS LIMITED ("DEMERGER")

On November 23, 2010, Teranga completed the acquisition of the Sabodala gold mine and a regional exploration package by way of a demerger from MDL. As part of the demerger certain assets consisting of all of the issued and outstanding

(1) *While management has confidence in its projections based on exploration work completed to date, this exploration target is not a Mineral Resource. The potential quality and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.*

shares of Sabodala Gold (Mauritius) Limited, which holds a 90 percent interest in the Sabodala Gold Operations SA (“SGO”), the holder of the Sabodala gold mine, and a 100 percent interest in the Sabodala Mining Company SARL, an exploration entity which holds the Regional Land Package; all of the issued and outstanding shares of SGML (Capital) Limited; and 18,699,500 common shares of Oromin Exploration Ltd., originally held by MDL; were transferred to Teranga in consideration for the issuance of 200,000,000 common shares of Teranga to MDL (approximately 160,000,000 of such common shares were then in specie distributed to MDL’s shareholders with the remainder retained by MDL) and the assumption of a C\$50 million promissory note owing to MDL. Following the completion of the Demerger, the C\$50 million promissory note owing to MDL was repaid by Teranga from the IPO proceeds.

During the preparation of the financial statements for the fifteen months ended December 31, 2011, the Company identified two changes required relating to the net assets acquired as part of the demerger from MDL on November 23, 2010. Property, plant and equipment was understated by \$8.4 million related to accelerated depreciation of mobile equipment in excess of the Company’s policy. Stockpile inventory was overstated by a total of \$12.3 million due to accelerated depreciation related to mobile equipment and costs assigned to inventory in excess of net realizable value.

The restated net assets as at November 23, 2010 reflect a total decrease of \$3.5 million after adjusting the non-controlling interest with a corresponding adjustment to the Company’s share capital.

BASIS OF PRESENTATION

The transfer of the Sabodala Gold Assets into the Company is considered a transaction between entities under common control. As such, the Company has presented its financial results on a continuity-of-interests basis whereby the carrying amounts of the Sabodala Gold Assets reflect those previously reported in the financial statements of MDL. Accordingly, the consolidated statement of comprehensive loss for the fifteen months ended December 31, 2011 reflects the corporate activities since incorporation of Teranga on October 1, 2010 and the operations of SGO from November 23, 2010. The comparable period for 2009 is not presented. The production statistics in this MD&A reflect operating results for the 2011 calendar year as well as for the period from November 23, 2010 to December 31, 2011.

Change in Financial Year

On May 10, 2011 the Board of Directors passed a resolution setting the financial year end of the Company at December 31st. The Board felt this change would better synchronize its financial reporting with that of comparable companies within the mining sector as well as better align its financial reporting with its business planning cycle. For further information on the details of this change, please refer to the Notice of Change of Year End report filed by the Company on SEDAR pursuant to National Instrument 51-102.

CONSOLIDATED RESULTS

(US\$000's)	15 months ended December 31, 2011
Revenue	187,141
Cost of sales	(151,033)
Gross profit	36,108
Other income	848
Administration expenses	(12,043)
Stock-based compensation	(12,411)
Finance costs	(2,946)
Exploration and evaluation expenditures	(31,659)
Net foreign exchange gains	4,486
Net change in unrealized gains on gold hedge	1,789
Net change in unrealized losses on oil hedge	(113)
Loss before tax	(15,941)
Income tax	92
Loss for the period	(15,849)
Profit attributable to non-controlling interest	3,023
Loss attributable to shareholders of Teranga	(18,872)

REVIEW OF FINANCIAL RESULTS

Loss for the Period

For the fifteen months ended December 31, 2011 the consolidated loss totalled \$15.8 million or \$0.09 per share largely due to the impact of the Company's gold hedge book. Deliveries under gold hedge agreements reduced revenue and operating profit by \$49.7 million. The loss for the fifteen months ended December 31, 2011 was also impacted by lower than expected ounces sold and higher than expected operating costs, as well as, high exploration costs and stock-based compensation expense.

Revenue

Revenue of \$187.1 million for the fifteen months ended December 31, 2011 represents gold sales of 153,728 ounces. Seventy two thousand ounces were delivered into gold hedge contracts at \$846 per ounce, representing 47 percent of gold sales for the fiscal year, and 81,728 ounces of gold were sold into the spot market at an average price of \$1,537 per ounce resulting in an average realized price for the fiscal year of \$1,213 per ounce.

Overall, revenues were reduced by \$49.7 million for the fifteen months ended December 31, 2011 due to deliveries into hedge contracts. The hedge contracts were required as part of the project finance facility with Macquarie Bank Limited (the "Project Finance Facility") that was put in place to construct the Sabodala Mine. The Project Finance Facility was fully repaid on September 30, 2010 and the only remaining obligation under the Project Finance Facility are these hedge contracts. The obligations under the hedge contracts are expected to be extinguished by August 2013 or earlier if the Company chooses to accelerate deliveries which at year end total 174,500 ounces representing approximately 8 percent of our resource base.

Cost of Sales

Cost of sales for the fifteen months ended December 31, 2011 totalled \$151 million consisting of mine production costs, realized gains on oil hedge contracts, depreciation and amortization, royalties, rehabilitation costs and inventory movement costs.

Mine production costs totalled \$127.5 million for the fifteen months ended December 31, 2011. Mine production costs for 2012 are expected to increase mainly due to higher mining costs due to higher drilling, blasting and fuel costs and processing costs resulting from the expansion of the mill, doubling milling capacity.

Depreciation and amortization for the fifteen months ended December 31, 2011 totalled \$37.4 million or \$244 per ounce sold. Depreciation and amortization expense for 2012 is expected to increase to approximately \$45 million, or approximately \$200 per ounce sold due to an increase in gold sales and higher amortization associated with the mill expansion. The lower per ounce amount reflects the impact of higher production on fixed assets amortized under the straight-line depreciation method.

The realized gain on oil hedge contracts totalled \$2.3 million for the fifteen months ended December 31, 2011 as oil prices averaged \$93 per barrel above our oil hedge contract price of \$70 per barrel. The Company's oil hedge contracts are based on West Texas Intermediate spot oil price, however site fuel costs are based on Brent crude spot oil price. During 2011 a historic gap in spot prices developed between the two exchanges, resulting in our oil hedges being less effective because of the \$13.4 per barrel difference in the average spot prices which negatively impacted our cash cost per ounce. The Company has hedged 20,000 barrels per quarter through March 31, 2013 representing approximately 27 percent of estimated quarterly consumption in 2012 once the mill expansion is complete.

Royalties for the fifteen months ended December 31, 2011 totalled \$7 million. Royalties are calculated based on three percent of the average spot price of gold rather than the average price realized by the Company. Royalties were higher than planned due to higher spot gold prices.

Administrative Expenses

Administration expenses of \$12 million for the fifteen months ended December 31, 2011 comprise \$4.2 million for corporate employee costs, \$2.9 million for audit and legal fees and \$4.9 million for other administration costs. Administration expense, which includes costs of the corporate and Dakar offices are expected to total approximately \$2.5 to \$3.0 million per quarter or \$10 to \$12 million for 2012.

Stock-Based Compensation

During the fifteen months ended December 31, 2011 a total of 17,980,000 common share stock options were granted to directors, officers, employees and consultants, of which 362,778 were cancelled during the same period. No stock options were exercised during the fifteen month period ended December 31, 2011. For 2012, stock-based compensation expense is expected to include approximately 70 percent of any new grants in 2012 and 25 percent of the cost of stock options awarded in the fifteen month period ended December 31, 2011.

15 months ended
December 31, 2011

Stock option compensation – expensed

\$12,411

The estimated fair value of stock options is amortized over the period in which the options vest which is normally three years, however under IFRS the accelerated method of amortization is applied to stock based compensation which results in about 70 percent of the cost of the stock options being expensed in the first year of grant. 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 17,617,222 common share stock options issued and outstanding as at December 31, 2011, 17,442,222 vest over a three-year period and 175,000 vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized as milestones are achieved and the value can be reasonably measured.

Net Foreign Exchange Gains

The Company generated foreign exchange gains of \$4.5 million for the fifteen months ended December 31, 2011 primarily related to realized gains from the Sabodala gold mine operating costs recorded in the local currency and translated into the US dollar functional currency.

Net Change in Unrealized Gain on Gold Hedge

The unrealized non-cash gain of \$1.8 million for the fifteen months ended December 31, 2011 resulted from a reduction in our financial derivative liability due to 72,000 ounces delivered into hedge contracts during the period partially offset by an increase in the spot price of gold from November 23, 2010 by \$207 per ounce of gold. As a result, the total mark-to-market loss of the remaining 174,500 ounces of gold under gold hedge contracts recorded as a financial derivative liability decreased to \$129.6 million as the average forward price of the remaining contracts of \$826 per ounce is marked to the year end spot price of \$1,566 per ounce.

Net Change in Unrealized Loss on Oil Hedge

The unrealized oil hedge losses of \$0.1 million for the fifteen months ended December 31, 2011 resulted from a decrease in financial derivative asset due to 100,000 barrels delivered into oil hedge contracts during the fifteen months ended December 31, 2011 partially offset by an increase of \$18 per barrel over the November 23, 2010

spot price of oil. The overall non-cash mark-to-market gain of the remaining 100,000 barrels of fuel oil outstanding at a hedge price of \$70 per barrel compared to a \$99 per barrel spot price at year end, recorded as a financial derivative asset, totalled \$2.8 million at December 31, 2011.

Finance Costs

Finance costs for the fifteen months ended December 31, 2011 of \$2.9 million reflect interest costs related to the mobile equipment loan outstanding, amortization of capitalized borrowing costs, political risk insurance relating to project finance facility and bank charges. Finance costs for 2012 are expected to increase marginally due to higher political risk insurance coverage.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures for the fifteen months ended December 31, 2011 totalled \$31.7 million reflecting regional exploration costs incurred during the period related to drill programs as well as target identification work underway. Exploration and evaluation expenditures for 2012 are expected to total approximately \$20 million. The lower expected exploration costs for 2012 reflects the transition from the higher cost diamond drilling at Gora in to the lower cost RC and RAB drilling. If a major discovery is made, exploration expenditures may rise above the planned amount.

Outlook for 2012

With the completion of the mill expansion, gold production for 2012 is expected to total between 210,000 to 225,000 ounces, an increase of 65 percent over 2011. For 2012 onward, the Company will report cash costs of sales after adjusting for inventory movement, in line with its accounting policies and reported cost of sales in the financial statements and in line with industry standards. As a result, total cash costs for 2012 are expected to be between \$600 to \$650 per ounce, or \$675 to \$725 per ounce under the previous calculation, a decrease of approximately 20 percent over 2011.

The decline in cash costs expected in 2012 is largely due to lower mining cost per ounce, which is expected to decline from \$430 per ounce in 2011 to approximately \$300 per ounce in 2012 and to lower per ounce processing and administration costs, due to the higher production rate.

The regional exploration budget for 2012 is expected to total approximately \$20 million. In total, between capitalized mine site exploration and regional exploration expenditures, the Company expects to spend approximately \$40 million in 2012.

Capital expenditures for 2012 are expected to total approximately \$30 million, primarily for the completion of the mill expansion, additional mining equipment and construction of a new tailings management facility as well as an additional \$20 million for capitalized ML exploration costs.

Material Assumptions

Material assumptions or factors used to forecast production and costs include:

- Gold price of \$1,600/oz
- Exchange rates:
 - \$1USD: \$1AUD
 - \$1USD: \$0.002West African Franc (XOF)
 - \$1USD: \$1.37EUR
- Fuel price assumptions
 - Light fuel oil: \$1.20/litre
 - Heavy fuel oil: \$1.15/litre

Other important assumptions include the following:

- Mill expansion completed on time and operates as designed
- Any political events, such as governmental elections, are not expected to impact operations, including movement of people, supplies and gold shipments
- Grades and recoveries will remain consistent with the life-of-mine plan to achieve the forecast gold production
- No unplanned delays in or interruption of scheduled production from Sabodala mine
- Availability of mining equipment due to overruns on scheduled major component replacements planned for the year

Review of Operations

Gold sold from November 23, 2010, the date the Company acquired the Sabodala mine, to December 31, 2011 totalled 153,728 ounces. Total cash costs per ounce of gold sold totalled \$872 per ounce for the period from November 23, 2010 to December 31, 2011. Gold sold for the calendar year totalled 137,136 ounces at total cash costs of \$900 per ounce. Production was lower and total cash costs were higher than plan. Production was lower than budget due to the delay in accessing high grade material in the December 2011 quarter. The higher than budget cash costs were primarily a result of lower than planned production as well as higher fuel, labour and maintenance costs. The higher cash cost per ounce during 2011 also reflect higher mining costs related to additional stripping required as part of the mill expansion that added approximately \$120 per ounce to cash costs.

During 2011, the Company implemented a number of changes to the operation to lower operating risk and ensure that both physical and financial targets are met. These changes include a mill expansion and automated controls to better blend materials to increase throughput; a second access ramp to the pit; better drilling, blasting and maintenance of mobile fleet in the mine to increase the mining rate, as well as changes to employee compensation including higher base pay and benefits as well as a bonus plan designed to incentivize and retain employees. The Company believes that these changes will help improve operating performance over the short and longer term. The impact of these changes, many of which were not budgeted in 2011, increased costs in all areas of the operation but are expected to result in a better operation overall.

Production Statistics

KEY STATISTICS

		12 months ended December 31, 2011	Period from November 23, 2010 to December 31, 2011
Operating results ⁽¹⁾			
Ore mined	('000t)	3,973	4,520
Waste mined	('000t)	21,818	23,876
Total mined	('000t)	25,791	28,396
Strip ratio	waste/ore	5.5	5.3
Ore processed	('000t)	2,444	2,666
Head grade	(g/t)	1.87	1.92
Recovery rate	%	89.5	89.8
Gold produced ⁽¹⁾	(oz)	131,461	147,728
Gold sold	(oz)	137,136	153,728
Average price received	\$/oz	1,236	1,213
Total cash cost (incl. royalties)	\$/oz sold	900	872
Mining (cost/t mined)		2.3	2.3
Milling (cost/t milled)		16.8	16.7
G&A (cost/t milled)		5.8	5.7

(1) Gold produced is change in gold in circuit inventory plus gold recovered during the period.

Mining

Total tonnes mined for the period from November 23, 2010 to December 31, 2011 were 4 percent lower than budget primarily due to a 5 percent decrease in waste tonnes mined. The decrease in total tonnes mined was mainly due to lower than planned drilling and loading availability in the quarter ended December 31, 2011. Management recognized the drilling issue and ordered three new blast hole drill rigs. Two drill rigs arrived on site at the beginning of January with a third scheduled to arrive in February 2012, too late to benefit the 2011 mining rate. To address loading and hauling rates, management has increased the capital spares inventory to improve availability of the mobile equipment.

Unit mining costs for the period from November 23, 2010 to December 31, 2011 were higher than budget. The increase in unit mining costs for the period compared to budget reflected the impact of higher fuel, labour and maintenance costs and lower tonnes mined than budgeted during the period. While the Company budgeted \$110 per barrel fuel oil, a combination of higher in-country transportation charges, higher Brent crude oil spot prices than budgeted and lower West Texas Intermediate crude oil prices, which reduced the amount of hedge benefit of the higher oil price, were primarily responsible for the higher unit mining costs. Unit mining costs for 2012 are expected to increase marginally due to higher fuel costs budgeted at \$120 per barrel of diesel fuel oil as well as a full year of higher fuel transportation costs.

Milling

Mill throughput for the period from November 23, 2010 to December 31, 2011 was 4 percent higher than budget due to the implementation of an automated control system which helps optimize the blending of ore. The milling rate is also benefiting from better blasting procedures that are resulting in increased fragmentation of ore delivered to the mill. Higher throughput partially offset lower grades processed than planned due to the delayed access to higher grade zones in the December quarter of 2011.

Unit processing costs for the period from November 23, 2010 to December 31, 2011 were higher than budget. The increase in unit processing costs for the period compared to budget reflects the impact of higher fuel costs, required to self-generate power, than budgeted, as well as higher labour and maintenance costs, partially offset by the higher throughput rate. Unit processing costs are expected to be similar to 2011 benefiting from the expansion of the mill, scheduled for completion in the first quarter of 2012, partially offset by higher power and reagent costs.

General and Administration

Higher general and administration costs for the period from November 23, 2010 to December 31, 2011 reflect higher labour and Corporate Social Responsibility ("CSR") costs. The Company is embarking on a significant CSR program to ensure that the operation benefits all stakeholders.

Gold Production

Gold production for the period from November 23, 2010 to December 31, 2011 was 147,728 ounces, which was 5 percent lower than budget due to delayed access to higher grade zones in the quarter ended December 31, 2011. Gold production for the calendar year totalled 131,461 ounces, 6 percent lower than budget. Access to the higher grade ore scheduled for December occurred later in the month than anticipated, resulting in approximately 17,000 ounces of gold at 2.37 gpt of ore being stockpiled rather than processed before the end of 2011. The high grade stockpiles are expected to be processed in the first quarter of 2012.

Average Realized Gold Price

During the period from November 23, 2010 to December 31, 2011, 72,000 ounces were delivered into gold hedge contracts at \$846 per ounce, representing 47 percent of gold sales for the fiscal year, and 81,728 ounces of gold were sold into the spot market at an average price of \$1,537 per ounce resulting in an average realized price for the fiscal year of \$1,213 per ounce. For calendar year 2011, 61,000 ounces were delivered into gold hedge contracts at \$846 per ounce, representing 44 percent of gold sales for the calendar year, and 76,136 ounces of gold were sold into the spot market at an average price of \$1,548 per ounce resulting in an average realized price for the calendar year of \$1,236 per ounce. Remaining gold sales subject to existing hedge contracts total 174,500 ounces or approximately 8 percent of our resource base.

Total Cash Costs

Total cash costs for the period from November 23, 2010 to December 31, 2011 were \$134 million or 6 percent higher than budget mainly due to higher fuel, labour and maintenance costs. On a per ounce sold basis for the fiscal year total cash costs were \$872 per ounce or 11 percent higher than budget due to higher than planned costs and lower than planned production. Total cash costs for calendar year 2011 were \$123.5 million or 8 percent higher than budget. On a per ounce sold basis for the calendar year total cash costs were \$900 per ounce or 13 percent higher than budget.

Reserves

The proven and probable mineral reserves for the Sabodala and Niakafiri deposits were based on the measured and indicated resources that fall within the designed pits. The bases for the reserves are consistent with the Canadian Securities Administrators National Instrument 43-101 ("NI 43-101") report. The design for the open pit limits, related phasing and long-term planning for the Sabodala open pit were updated as at September 30, 2011. An updated resource block model was also used, which included minor local modifications as the majority of the drill hole database was unchanged from the previous resource block model.

The updated Sabodala pit design is larger than the 2010 design. The new design provides a secondary ramp access to ensure flexibility and improved productivity. The new design also adopted slightly steeper pit wall angles. New mining phases were designed and the mine sequencing was modified with the objectives of mining the softer oxide material preferentially and deepening the pit bottom in the dry season, while minimizing interaction of operations between successive phases and presenting the higher grade, lower stripping ratio portion of the reserve as early as possible.

The Niakafiri pit is unchanged from 2010, however a slightly lower cut-off grade, reflecting the higher metal price assumption, was applied and marginally more ounces were added to the mineral reserve estimate.

Compared to the Company's NI 43-101 report, dated September 2010, input parameters for both Sabodala and Niakafiri were adjusted to reflect updated economic parameters such as recent cost escalation and, more significantly, the change in the average long-term gold price assumption from \$900 per ounce to \$1,200 per ounce. The most recent success of the drill program to the north of the Sabodala ultimate pit was modelled and a new final pit limit was consequently designed using a \$1,250 per ounce price. This additional reserve is also reported below. The total proven and probable mineral reserves at December 31, 2011 are set forth in the table below.

Mineral reserves	Proven			Probable			Proven and Probable		
	M tonnes	Grade g/t Au	M oz Au	M tonnes	Grade g/t Au	M oz Au	M tonnes	Grade g/t Au	M oz Au
Sabodala	14.515	1.51	0.704	5.375	1.63	0.283	19.89	1.54	0.987
Niakafiri	0.231	1.69	0.013	7.583	1.12	0.274	7.814	1.14	0.287
Stockpile	4.211	0.94	0.128	–	–	–	4.211	0.94	0.128
Subtotal	18.957	1.39	0.845	12.958	1.33	0.557	31.915	1.37	1.402
Sutuba	–	–	–	0.353	1.06	0.012	0.353	1.06	0.012
Gora	0.369	4.21	0.050	0.34	5.88	0.064	0.709	5.01	0.114
Sabodala – additional				3.232	1.26	0.131	3.232	1.26	0.131
Total	19.326	1.44	0.895	16.883	1.41	0.764	36.209	1.43	1.659

Julia Martin, PEng, MAusIMM (CP), with AMC Mining Consultants (Canada), who is independent of Teranga, is a “qualified person” as defined in NI 43-101 and as a “competent person” as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Ms Martin has reviewed and accepts responsibility for the reserve estimate associated with the Sabodala and Niakafiri pits and stockpiles disclosed above. Ms Martin has consented to the inclusion of this information in the form and context in which it appears in this MD&A.

The technical information contained in this MD&A relating to exploration activities within the ML, along with the reserves statements for Sutuba, Gora and the additional reserves from the Sabodala pit using \$1,250 per ounce are based on information compiled by Mr. Bruce Van Brunt, who is a Fellow of The Australasian Institute of Mining and Metallurgy and is also a registered professional geologist in the State of Washington, USA. He is also qualified as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” and is a “qualified person” as defined in NI 43-101. Mr. Van Brunt has consented to the inclusion of this information in the form and context in which it appears in this MD&A. Mr. Van Brunt is a full-time employee of Teranga and not considered to be independent of Teranga.

The technical information contained in the MD&A relating to the regional exploration is based on information compiled by Mr. Martin Pawlitschek, who is a member of the Australian Institute of Geoscientist. He is qualified as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” and is a “qualified person” as defined in NI 43-101. Mr. Pawlitschek has consented to the inclusion of this information in the form and context in which it appears in this MD&A. Mr. Pawlitschek is a full-time employee of Teranga and not considered to be independent of Teranga.

Compared to the total company’s reserves as of December 31, 2010 of 31.973 Mt at 1.47 gpt or 1.512M oz it is shown that last year depleted reserve has been more than replenished.

Mineral Resources

Mineral resources as at December 31, 2011 have been estimated for the Sabodala, Soukhoto, Sutuba, Niakafiri West and Niakafiri deposits contained within mining concession area and the exploration permit areas including Gora, Diadiako, Majiva and Toumboumba, and are set forth in the tables below. Note the mineral resources include mineral reserves. Mr. Van Brunt of Teranga is a “qualified person” as defined in NI 43-101 has reviewed and accepts responsibility for the resource estimate.

Mineral Resources	Measured			Indicated			Measured and Indicated		
	M tonnes	Grade g/t Au	M oz Au	M tonnes	Grade g/t Au	M oz Au	M tonnes	Grade g/t Au	M oz Au
Sabodala	28.787	1.13	1.047	15.585	0.95	0.478	44.371	1.07	1.525
Niakafiri	0.278	1.74	0.016	10.463	1.1	0.37	10.741	1.12	0.386
Gora	0.584	4.28	0.08	0.698	6	0.135	1.282	5.22	0.215
Sutuba	–	–	–	0.353	1.06	0.012	0.353	1.06	0.012
Total	29.649	1.2	1.143	27.099	1.14	0.995	56.747	1.17	2.138

(1) Measured Resources include stockpiles which total 4.211 M tonnes at 0.94 g/t for 128,000 ounces.

(2) The cut offs applied are 0.2 g/t or 0.35 g/t for oxide and 0.3 or 0.50 g/t for fresh ore.

(3) CIM definitions were used for mineral resources.

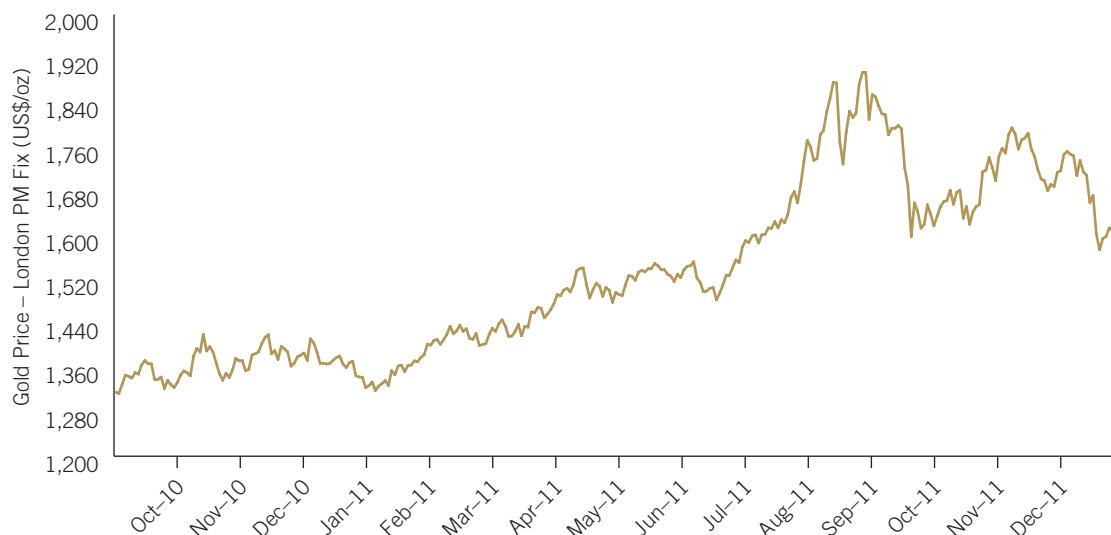
(4) Amounts may not add due to rounding.

Inferred Mineral Resources	M tonnes	Grade g/t Au	M oz Au
Sabodala	26.205	1.01	0.848
Niakafiri	7.248	0.88	0.205
Niakafiri West	7.144	0.82	0.188
Soukhoto	0.566	1.32	0.024
Gora	0.286	4.16	0.038
Diadiako	2.917	1.49	0.119
Majiva	2.593	0.64	0.047
Toumboumba	0.855	1.5	0.041
Total	47.814	0.98	1.51

Note: The cut offs applied are 0.20 g/t or 0.35 g/t for oxide and 0.30 g/t or 0.50 g/t for fresh (sulphide) material.

IMPACT OF KEY ECONOMIC TRENDS

Price of gold – Fifteen Month Gold Price History

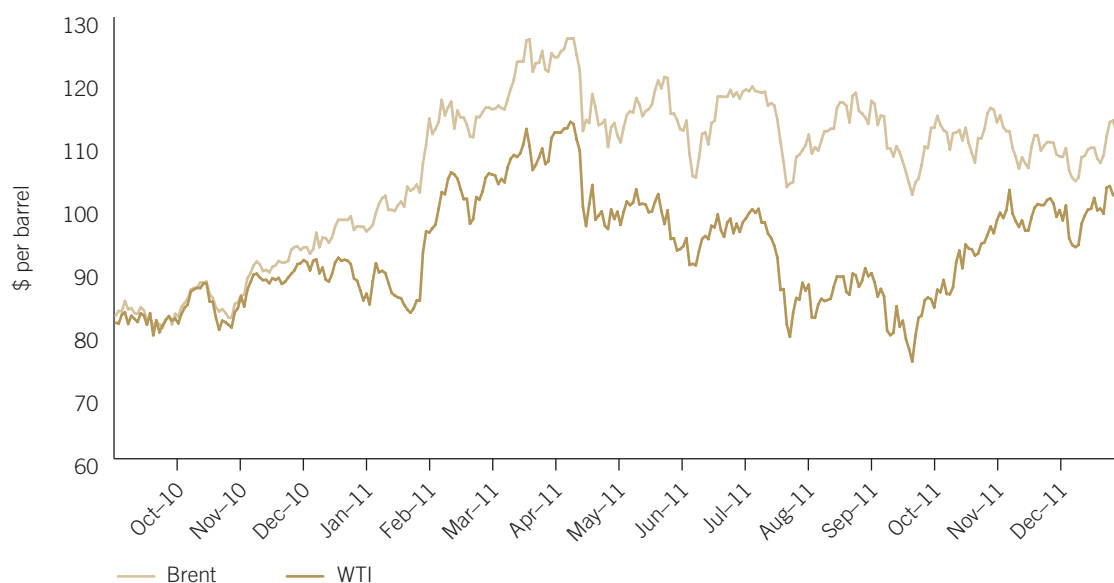


Source: London Bullion Marketing Association

The market price of gold is the primary driver of the Company's profitability and ability to generate free cash flows. During 2011 the gold price experienced volatility with the price ranging from \$1,319 per ounce to an all-time high of \$1,895 per ounce due to continuing economic and political uncertainties.

The gold price is expected to continue to be influenced by long-term trends in global mine production, investment demand, the impact of central bank gold activities, the ongoing negative real interest rate environment in the United States and continued European sovereign debt and global recessionary concerns.

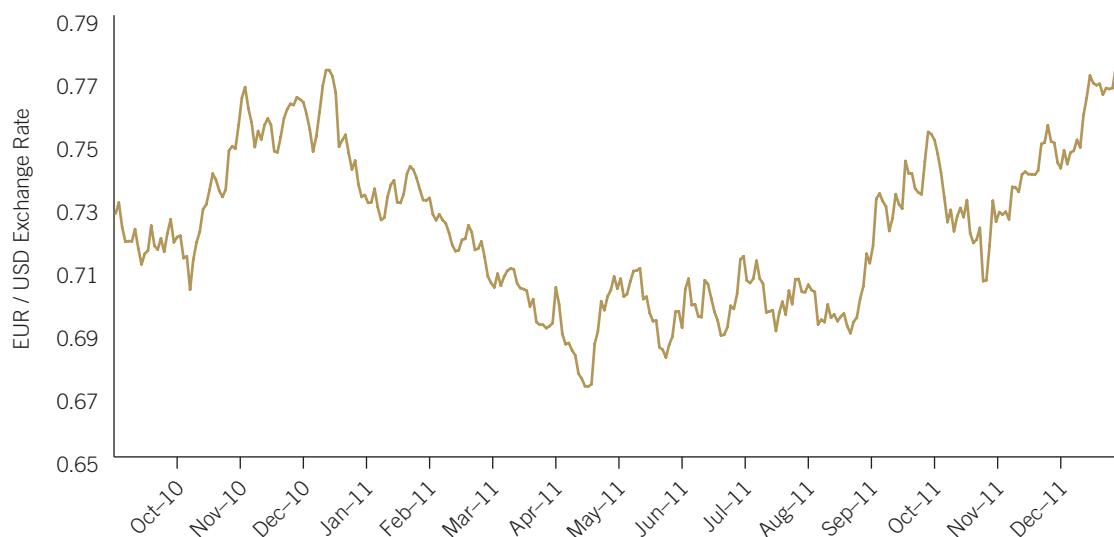
Inflationary Cost Pressures – Spot Crude Oil Prices (WTI vs. Brent)



Fuel costs for power generation and operation of the mobile fleet are the single largest cost to the Sabodala mine. Fuel purchased to operate the power plant and mobile equipment fleet totalled \$42 million in 2011 or 32 percent of operating costs. The Company hedged a portion of its exposure to fuel costs by hedging its exposure to crude oil prices. The

Company has hedged 20,000 barrels of oil per quarter through March 31, 2013 representing approximately 27 percent of quarterly consumption. The Company's oil hedge contracts are based on West Texas Intermediate spot oil price, however Sabodala site fuel costs are based on Brent.

Currency Fluctuations – USD Exchange Rate Performance Against EUR



A portion of operating costs and capital expenditures of Sabodala gold mine operations are denominated in currencies other than US dollars. A large share of the Company's non US dollar operations costs are denominated in EUR and EUR linked currencies, whereas the revenue from the gold sales is in US dollars therefore the Company does face some risk of EUR appreciation against US dollars. The EUR strengthened before weakening against the US dollar during 2011, as

highlighted in the graph above. Generally, as the US dollar strengthens, the EUR and other currencies weaken, and as the US dollar weakens, the EUR currency strengthens. All of the Company's production comes from its operations in Senegal therefore costs will continue to be exposed to foreign exchange rate movements. The Company continues to monitor currency exposure on an ongoing basis and will implement a hedging strategy if deemed appropriate.

PLANT EXPANSION

The Sabodala gold plant expansion is underway to increase capacity from 2M tpa to approximately 4M tpa. Once expanded, the mine is expected to produce a base of 200,000 ounces of gold per annum up from 131,461 ounces produced in calendar 2011. Blending of higher grade and/or softer material could increase the production rate to 250,000 to 350,000 ounces of gold annually.

Additions to the processing plant include a partial secondary crushing facility and new stockpile/reclaim facilities to debottleneck the semi-autogenous (SAG) mill, a second ball mill and additional carbon-in-leach capacity. The Sabodala power station has been expanded to 36 MW capacity with the addition of one new 6 MW unit. The requirements include cooling and exhaust pipe work, fuel delivery pipe work and a step-down transformer.

The plant expansion is expected to be completed by the end of the first quarter of 2012. The estimated capital cost for the plant expansion is expected to total approximately \$62 million, which is 10 percent higher than the original budget mainly due to project scope changes, an increase in price for structural steel fabrication and higher foreign currency costs.

Plant expansion expenditures to December 31, 2011 totalled \$47.6 million. The balance of capital expenditures totalling \$14.4 million is expected to be spent in the first half of 2012.

During the quarter ended December 31, 2010, the Company increased its mining capacity ahead of the proposed expansion of the Sabodala gold plant to ensure sufficient ore was available for the expanded mill. This equipment, costing \$14.4 million, was financed by an increase in the fleet lease facility with Société Générale.

MINE LICENSE EXPLORATION

Exploration results in 2011 support management's belief of the potential to expand upon existing gold mineralization by an additional 20 to 30 Mt at grades between 1.5 and 2.0 gpt for a total inventory of 2.5 to 3.5 million ounces from the Company's 33km² Sabodala ML over the next 12 to 18 months². The larger gold inventory base is expected to result from the success of deepening the Sabodala pit to the north along the Main Flat Extension, extension of the Masato deposit onto the ML and conversion of Niakafiri

resources to reserves. On the ML alone, this would increase the mine life to approximately 15 years at a run rate of about 200,000 ounces of gold produced annually and provide a solid production base to build on through the Regional Exploration Program³. In order to increase reserves on the ML a minimum of 6 drill rigs are expected to be testing new targets as well as seeking to convert existing resources to reserves. The Company plans to drill 77,000 metres at a cost of \$20 million in 2012. While management has confidence in its projections based on exploration work done to date, the potential quantity and grade disclosed herein is conceptual in nature, and there has been insufficient exploration in most areas to define a mineral resource, therefore it is uncertain if further exploration will result in the targets being delineated as a mineral resource.

Highlights of drilling during the year 2011 on the ML include the intersection of significant widths of high grade mineralization outside the Sabodala ultimate pit limit as part of the Main Flat Extension drill program which is expected to lead to an expansion of the final pit design and increased reserves, the successful intersection and extension of the Masato deposit down dip 200 metres onto the ML and 500 metres along strike with potentially underground mineable high-grade ore, as well as discovery of multiple high-grade zones in the Lower Flat Zone ("LFZ") at depth at Sabodala.

During 2011 Reverse Circulation ("RC") and Diamond drilling ("DD") on the ML totalled 79,200 metres from 5 drills at cost of \$14.4 million. The aggressive investment in drilling has resulted in significant advances in understanding the structural controls on gold mineralization on the ML and throughout the Sabodala district. There are 7 drills operating on the ML at the present time (6 DD and 1 RC) and pending rig availability this number may increase to expedite resource expansion and reserve definition drilling through 2012.

Main Flat Extension ("MFE")

The MFE is one of the principal gold hosts in the Sabodala deposit. In the southern part of the deposit this structure dips shallowly to the west, rolls flat and then rolls to a moderate northerly dip as it exits the ultimate pit. The MFE drill program is designed to test the continuity of this structure to the north beginning with in-filling holes in the deepest part of the current mine design then stepping out to the north.

(2) While management has confidence in its production projections based on exploration work completed to date, this exploration target is not a Mineral Resource. The potential quality and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

(3) This exploration/production target is not a Mineral Resource. The potential quality and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource. Reaching this level of production is based on achieving success associated with the exploration target set out above and reflects existing mill capacity as well as Management's confidence in upside potential of exploration results on the ML based on drilling results to date.

Drilling targeting the MFE immediately adjacent to the current ultimate pit, as well as the LFZ located below and to the north of the MFE, confirms the continuation of the mineralized zone with further drilling planned. The MFE and LFZ remain open down plunge and to the northwest.

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

The goal of the MFE/LFZ programs is to add 250,000 to 500,000 ounces of gold to the open pit mineable gold inventory at an average grade between 1.5 – 2.0 gpt, as well as potentially a similar amount to lower/underground at an average grade between 3.0 – 4.0 gpt, over the next 12 to 18 months.⁴

Corridor and Ayoub's Target Area

Drilling along the Corridor northeast of the Sabodala pit intersected mineralization along the Ayoub's portion of the target area. The system, although low grade, is continuous and is showing Sabodala style albitic alteration to the north where the target remains open down dip and along strike. The position of the Ayoub's mineralization in the Corridor lends itself to sharing stripping for including deeper MFE mineralization into the ultimate pit.

Underground Mining Desktop Analysis

Teranga commissioned an engineering firm to undertake a desktop study to identify potentially suitable underground mining methods and provide stoping cost estimates for the resources outside the 2010 Sabodala ultimate pit. Results of the study are positive with approximately 200,000 ounces of material currently classified as inferred outside of the 2010 ultimate pit now identified as potentially mineable underground. The study was based on the 2009 Sabodala resource model.

Since the study was commissioned, Teranga has completed drilling that confirms that the Sabodala mineralization extends more than 300 metres below the deepest zones included in the 2009 model and this desktop study. In total, 260,000 ounces at 3.1 gpt grade have been classified as measured and indicated outside the ultimate pit in 2.6 million tonnes. Another 240,000 ounces of material

grading 3.4 gpt has been classified as inferred outside the ultimate pit in 2.2 Mt. Much of this resource is now under consideration for open pit mining and therefore the underground analysis has been tabled pending the results of the open pit engineering on-going.

Masato

The Masato deposit outcrops on the neighbouring Oromin Joint Venture Group ("OJVG") property to the east of the ML approximately 2km from the Sabodala mill. The OJVG has defined an open pit mineable reserve of 0.5 million ounces at Masato. The deposit has a strike length of over 2km. Gold is hosted in a shear zone that strikes north and sits immediately east of the Teranga/OJVG property boundary in the main deposit area. To the north the Masato deposit inflects and strikes to the NE away from the Teranga property boundary. To the south the Masato deposit strikes onto the Teranga ML but has not been drill tested.

Drilling in 2011 confirmed a mineralized strike length of 500 metres and a dip extent of 200 metres on the ML. The Masato deposit remains open to depth and along strike and is currently being tested in both directions by two drills.

The objectives for Masato for 2012 include in-filling the 200 metres by 500 metres zone identified in the first pass 2011 drilling in preparation for a resource estimate, further definition drilling on the high-grade pod of gold mineralization located on the north end of the deposit as well as to locate the southern extension of Masato that strikes onto the ML.

Management expects that continued positive drilling results will lead to the defining of a significantly larger body of gold mineralization at Masato on the ML in 2012.

Niakafiri

A drill program is planned at the Niakafiri deposit immediately below the current open pit reserve where the deposit remains open below at depth. Drilling is planned to begin in the second half of 2012 pending community discussions. Expectations are to increase reserves and resources in 2012 at Niakafiri.

Niakafiri West and Soukhoto

A significant drill program is also planned across the Niakafiri West and Soukhoto deposits to both in-fill and extend the current resources that are separated by 500 metres of undrilled strike length. Gold mineralization in

(4) This "exploration target" is not a Mineral Resource. While management has confidence in its projections based on exploration work done to date, the potential quantity and grade disclosed herein is conceptual in nature, and there has been insufficient exploration to define a mineral resource, therefore it is uncertain if further exploration will result in the targets being delineated as a Mineral Resource.

both deposits is hosted in multiple shallow dipping zones with more steeply dipping high-grade zones located in crossing structures. The drill program is expected to run throughout the 2012 campaign with resources updated at year end.

Dinkokhono

Located 1km north of the Niakafiri deposit and 1km south of the Sambaya Hill anomaly on the Niakafiri shear system Dinkokhono is expected to be the target of 12,000 metres of drilling in 2012. Previous drilling identified low-grade mineralization within the Niakafiri shear from surface to a depth of 100 metres. Re-interpretation of the Dinkokhono structural controls on gold mineralization and the discovery of the Mamasato deposit on OJVG ground less than 1km to the east have contributed to a new approach to drilling this deposit. The program is expected to test for North West and North East high-grade crossing structures in known mineralized zones and is expected to test for the extension of the Mamasato deposit onto the Teranga ML. Pending results, management believes the program could add resources by mid-2012 and add to open pit mineable reserves at year end.

REGIONAL EXPLORATION

In addition to the exploration program on the Company's 33km² ML, management believes that the Regional Land Package has significant prospective potential for satellite high-grade deposits similar to Gora as we know it today, as well as the potential for world-class (+ 5 million ounce) discoveries similar to those found on the same gold belt in Mali, approximately 90km from the Sabodala mine. Therefore, management is pursuing an extensive multi-year exploration program designed to test a number of targets that have already been identified as requiring additional analysis, as well as identify new targets for testing.

Not including the recently acquired interest in the Garaboueya North exploration permit, there are currently 40 targets that have been identified on the Regional Land Package, all within trucking distance of the mill. All of the 40 targets are expected to be drill tested through the end of 2012. With the addition of Garaboueya North the Regional Land Package increases to over 1,500km² with additional targets to be identified and tested in 2012.

In 2011 the Company completed approximately 151,000 metres of Rotary Air Blast (RAB) drilling, 86,000 metres of RC and 29,000 metres of DD drilling at cost of \$31.7 million. There were 11 drill rigs on the Regional Land Package during the quarter ended December 31, 2011. The exploration cost for the Regional Exploration Program is estimated at \$20 million for 2012 consisting of 90,000 metres of RC/

DD and 140,000 metres of RAB. There is expected to be a reduction in DD in favour of more RAB and RC rigs, as the resource drilling at Gora is completed and more first pass testing of targets takes place during the first half of 2012.

Gora

Initial exploration results from the Gora Project, located 22km from the Company's Sabodala gold mine confirmed a high-grade gold deposit. As a result of the exploration success to date, the Company increased its exploration budget for the Gora Project in 2011 to complete exploration drilling at depth as well as along strike as the deposit remains open in all directions. High-grade drill intersections continue to expand the potential footprint of the deposit, while a completed induced polarization survey ("IP") has revealed additional anomalies along strike of the current resource which were drill tested during the last quarter of 2011. The Company is running a number of processes in parallel to efficiently develop Gora as quickly as possible, including the ongoing exploration program, permitting and feasibility level economic analysis with the objective of having production in early 2013, permitting dependent.

The Company has identified a reserve of 114,000 ounces at a grade of 5.01 gpt. This estimate is based on data to the end of December 2011. Resource drilling at Gora was completed in November 2011. A number of drill samples were sent for check assays to another laboratory to ensure reporting compliance of all data prior to updating the resource estimate.

The vein system has been intersected for an additional 200 metres to the north with some isolated high grade intersection just outside the resource drill area.

To the southwest at least two mineralized quartz veins can be traced along strike from the Gora resource drilling, and these correlate well with veins 1 and 2 and are close to coincident with some linear features interpreted from the IP. The drilling results received so far, extend the strike length of mineralization by 200 metres to the southwest, while the associated IP trends can be traced for at least 1,300 metres along strike. Exploration drilling along this trend continued during the last quarter of 2011.

Diadiako

Additional diamond drilling during the last quarter of 2011 and detailed interpretation of the geological sections resulted in the definition of an inferred resource at Diadiako. The mineralized system at Diadiako is continuous and predictable with drilling intersecting the structure in a predictable fashion over a strike length of 900 metres and down dip to a vertical depth of at least 200 metres. Manual calculation resulted in an inferred resource estimate of 2.92 Mt at

1.49 gpt for a total of 119,000 ounces. A cut-off of 0.2 gpt and no top cap were used in this exercise, while volumes were kept to a conservative extent.

The mineralization consists of two sub-parallel northeast and moderately southeast dipping (30°) structures. The upper zone, referred to as the main zone, has strike continuity of 900 metres and down dip continuity to a vertical depth of 200 metres, and at a 0.2 gpt cut-off averages 1.08 gpt, has an average thickness of 3.1 metres and is open to the northeast and down dip. The main zone hosts around 90 percent of the inferred resource.

The lower zone is separated by 14 to 50 metres of wall rock and sits in the foot wall of the Main zone. This zone hosts 10 percent of the resource and has strike continuity over at least 400 metres, averages 2.39 gpt and is on average 2 metres wide. Mineralization remains open along strike to the northeast and down dip past a vertical depth of 200 metres.

Computer based modelling and calculations are in progress and strategically placed infill drilling may be carried out during 2012. Structural review of the core indicates that high grade shoots are likely to occur in this system. A review is underway to target these shoots with minimal drilling.

Recent RAB drilling to the northeast identified over 1,000 metres of strike continuation of these structures with several sub-parallel zones. These are expected to be drill tested during 2012.

Toumboumba (Sabodala NW) and Majiva Central/North (Makana Permit)

These two projects drilled in 2011 are currently undergoing interpretation and three-dimensional modelling to allow a preliminary estimate of mineralized rock volumes. It is anticipated that this work will be completed in February, after which additional drilling maybe required.

Majiva represents a low-grade, bulk tonnage target on the same structure that hosts the Niakafiri deposit on the ML, as well as a number of similar discoveries on the intervening ground.

Toumboumba is a shear vein system hosted in the Falombou granite and has potential for a small, shallow, oxide resource, located 10km to the northwest of the Sabodala mill.

The successes of the Regional Exploration Program during 2011 has shown that the systematic, geosciences-driven approach to the regional exploration permits leads to a pipeline of exploration opportunities moving through from anomalies, to drill targets, discovery of new prospects and ultimately additional resources. At least two new gold resources have been defined during 2011 at Gora and

Diadiako. Gora is progressing to a satellite pit mining project, while Diadiako is expected to undergo further exploration drilling in 2012. Two additional prospects are advanced enough to undergo evaluation for their resource potential in the first quarter of 2012. This systematic approach has resulted in several discoveries and management believes may in time lead to bigger discoveries on its regional ground holdings.

Tourokhoto

During the quarter ended December 31, 2011, an RC program commenced at Tourokhoto which is designed to systematically test the gold mineralized trends identified from the RAB drilling. The drilling to date identified a substantial, gold mineralization system, which has potential to host ore-grade shoots within it. This first pass drilling program is designed to test for a large, near surface open-pit resource, drilling is about 60 percent complete with most assays and interpretation pending.

In addition the positive RAB results at Tourokhoto-Marougou, which was only a second order surface anomaly, demonstrate the value in systematically screening coherent anomalies in favourable geological settings. As a result, further RAB testing of second and third order surface gold anomalies at Tourokhoto is expected to continue in 2012.

Diegoun North (“the Donut”)

Drilling at Jam and Honey has identified in almost all holes, wide zones of altered and gold mineralized intrusive rocks. The results indicate large mineralizing hydrothermal systems, within a complex structural setting. The first pass RC drilling was oriented to test for mineralized structures parallel to the regional North East trends. Recent work has focused on testing North West oriented structures which could control the ore-grade portions of the larger mineralized system evident from the drilling to date. Drilling and mapping in early 2012 is expected to focus on understanding the ore-grade structural controls and orientations at Jam and Honey, which is anticipated to lead to a breakthrough in drill targeting on this large 4km by 7km prospect.

The Company plans to proceed to drill testing 40 targets and prospects during 2012, with the view to identifying additional resources. In parallel, pre-drilling field work is expected to be carried out on at least 20 gold anomalous areas on the Regional Land Package, all of which have previously had little or no attention. Significant potential remains and this work is expected to add to the list of drill targets, thus adding to the pipeline of opportunities throughout 2012. Resources are expected to be allocated according to technical and operational priorities.

CASH FLOW

(\$'000)	15 months ended December 31, 2011
Cash flow	
Operating activities	3,815
Investing activities	(113,522)
Financing activities	116,579
Change in cash and cash equivalents during period	6,872
Cash and cash equivalents – beginning of period	–
Effect of exchange rates on holdings	598
Cash and cash equivalents – end of period ⁽¹⁾	7,470

(1) Cash and cash equivalents exclude restricted cash and cash held investments of longer than 90 days.

Net cash provided by operating activities during the fifteen months ended December 31, 2011 of \$3.8 million represents \$187.1 million received from gold sales less production costs of \$145.2 million, \$12 million of administration expenses and \$26.1 million in working capital.

Net cash used in investing activities for the fifteen months period ended December 31, 2011 was \$113.5 million which was primarily due to repayment of a promissory note to MDL of C\$50 million offset by cash acquired and \$76.4 million spent on capital expenditures.

Net cash provided by financing activities for the fifteen months ended December 31, 2011 was \$116.6 million resulting from the issuance of 45.6 million shares for gross proceeds of \$135 million through the IPO of the Company completed on December 7, 2010 partially offset by share issuance costs related to the public offerings of \$16.3 million, drawdowns of \$9.6 million from the Amended Mining Fleet Lease Facility and the payments against the same facility of \$10.8 million.

SUMMARY OF QUARTERLY INFORMATION

2011		Q4	Q3	Q2	Q1	Period from November 23, 2010 to December 31, 2011
Operating results						
Ore mined	('000t)	1,715	1,008	759	491	547
Waste mined	('000t)	4,736	5,085	5,538	6,460	2,057
Total mined	('000t)	6,451	6,093	6,297	6,951	2,604
Ore processed	('000t)	604	582	650	608	222
Gold produced	(oz)	36,695	27,082	33,388	34,296	16,267
Gold sold	(oz)	34,665	27,574	35,407	39,490	16,592
Average price received	(\$/oz)	1,482	1,174	1,083	1,199	1,029
Cash cost	(\$/oz sold)	902	1,156	879	655	704
Financial results (\$'000)						
Revenue		51,519	32,462	38,487	47,534	17,139
Profit/(Loss) for the period		12,550	(24,953)	(9,730)	10,698	(4,414)
Operating cash flow		6,548	(12,254)	(10,071)	19,816	(224)
Profit/(Loss) per share		0.04	(0.10)	(0.04)	0.04	(0.04)

Revenue of \$51.5 million for the three months ended December 31, 2011 represents gold sales of 34,665 ounces of gold, out of which 7,385 ounces were delivered into gold hedge contracts at \$846 per ounce and 27,280 ounces were sold into the spot market at an average price of \$1,654 per ounce resulting in an average realized price for the three months ended December 31, 2011 of \$1,482 per ounce.

Cost of sales for the quarter ended December 31, 2011

totalled \$40.7 million consisting of mine production costs, realized gains on oil hedge contracts, depreciation and amortization, royalties, rehabilitation costs and inventory movement costs.

Gold production for the three months ended December 31, 2011 was 36,695 ounces. While it was the highest quarterly production of calendar 2011, it was 18 percent lower than plan due to a delay in accessing higher grade zones.

Access to the higher grade zones scheduled for December occurred later in the month than anticipated, resulting in approximately 17,000 ounces of gold at 2.37 gpt being stockpiled rather than processed before the end of 2011. The high grade stockpiles are expected to be processed in the first quarter of 2012.

Gold sold for the three months ended December 31, 2011 totalled 34,665 ounces at a total cash cost of \$902 per ounce sold. Total cash costs decreased by \$254 per ounce compared to the September quarter due an increase in production by 9,600 ounces.

Net profit for the three months ended December 31, 2011 totalled \$12.5 million or \$0.04 per share largely due to gold hedge unrealized gain, higher production and a higher average realized gold price as a lower percentage of gold sales were delivered into the hedge book compared to prior quarters.

Capital expenditures for the three months ended December 31, 2011 totalled \$27.3 million, primarily for the mill expansion, mobile equipment and capitalized mine site exploration.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2011, the Company had cash, cash equivalents and short-term investment including restricted cash of \$11 million. This cash balance is lower than budget due to shortfall in December production as well as due to timing difference of 10,500 ounces sold at the end of the year for which cash of \$17 million was received at the beginning of January 2012. Management believes that the cash and cash equivalents at December 31, 2011, together with expected future cash flows from operations is sufficient to support the Company's liquidity requirements. To provide additional financial flexibility, in December 2011, the Company reached an agreement with Macquarie Bank Limited to defer 28,000 ounces that were due for delivery on February 17, 2012 until later in 2012. The deferral of scheduled first quarter deliveries into hedge contracts allows the Company to sell all of its first quarter gold production at higher spot gold prices, allowing the Company to rebuild its cash balance. Once the mill expansion is complete, the production rate is expected to rise and cash cost of production are expected to fall improving cash margins. The improved cash margins combined with expected higher production should allow the Company to increase its cash balance through the year.

The Company's total planned capital expenditures for 2012, with a focus on completion of the plant expansion at the Sabodala mine site, capitalized exploration costs, as well as construction of the new tailings disposal facility, are expected to total \$50 million.

The Company has counterparty risk relating to advances provided to suppliers as well as to receivables from the sale of gold bullions. The cash and cash equivalents are invested in short-term Term Deposits issued by Canadian banks and in sovereign debt. The Company has adopted a strategy to minimize its credit risk by substantially investing in sovereign debt issued by Canadian Agencies, Provinces and the Federal Government of Canada. A minimal cash amount is held with the Senegalese banks.

The Company strengthened its balance sheet during the fifteen months ended December 31, 2011 with the IPO in Canada and Australia completed on December 7, 2010. In Canada, after the exercise of the over-allotment option, a total of 36,617,900 common shares were issued for gross proceeds of C\$109.9 million. In Australia, 9,000,000 common shares were issued for gross proceeds of A\$26.7 million. The Company then used C\$50 million from the net proceeds of the IPO to repay a loan to MDL, which was part of the consideration for the transfer of the Sabodala Gold Assets to Teranga from MDL.

During 2012, Teranga's cash flows from operations are expected to increase with the expansion of the Sabodala mill and are expected to be sufficient to support the ongoing exploration and development activities.

Off Balance Sheet Arrangement

The Company has no off balance sheet arrangements.

FINANCIAL INSTRUMENTS

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

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

Following a restructure late in 2008, a total of 399,000 ounces of gold was committed forward for delivery between May 2009 and August 2013 at an average delivery price of \$826 per ounce. Deliveries into the hedge position to date of 224,500 ounces have reduced the hedge balance to 174,500 ounces at December 31, 2011. The mark-to-market at the reporting date spot price of \$1,566 was negative \$129.6 million.

The Company has a hedge agreement with respect to the oil price in order to manage its exposure to commodity risk. The Company hedged 80,000 barrels per annum for four years commencing April 1, 2009 at a flat forward price of \$70 per barrel. At December 31, 2011, the remaining 100,000 barrels were hedged with a mark-to-market gain of \$2.8 million at the reporting date spot price of \$99 per barrel.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Working Capital Requirements

The Company's working capital requirements primarily relate to the mining costs of extracting ore from the Sabodala gold mine and then the costs involved in processing the ore to remove the gold, before the gold itself is sold.

As at December 31, 2011, the Company had the following payments due on contractual obligations and commitments:

Contractual Obligation and Commitments	Payments Due By Period (\$Millions)				
	Total	< 1 year	1-3 years	4-5 years	>5 years
Mining Fleet Lease Facility ⁽¹⁾	24.4	16.8	7.6	–	–
Exploration commitments	5.6	5.6	–	–	–
Government of Senegal payments ⁽²⁾	4.8	4.8	–	–	–
Plant expansion	21.4	21.4	–	–	–
Mining equipment supply contract ⁽³⁾	5.0	5.0	–	–	–
Total	61.2	53.6	7.6	–	–

(1) In 2010, an amended facility was concluded with a new limit of \$27.8 million to provide for the acquisition of additional mining equipment associated with the Sabodala expansion (\$15.1 million) and the re-gearing of existing equipment (\$2.2 million). During the quarter ended December 31, 2011, the Company finalized the expansion of the mobile equipment loan with Société Générale by an additional \$12.8 million. The amended facility contains a quarterly repayment schedule concluding with the final payment on September 30, 2013. The facility is currently drawn down to \$24.4 million.

(2) Comprises \$4.0 million, to which an annual interest rate of 6.0 percent applies, payable to the Government of Senegal relating to the historical cost of acquiring the mine license. The Company anticipates paying this amount along with the accrued interest within the next 3 months.

(3) In 2011, the Company entered into an equipment supply contract for the purchase of mining equipment to be used primarily for the development of the Gora deposit. The purchase of this mining equipment is largely financed by expansion of the mobile equipment loan with Société Générale. See Note (1).

Sabodala Operating Commitments

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

Pursuant to the Company's Mining Concession, a royalty of 3 percent is payable to the Government of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date.

\$425,000 per annum is payable for social development of local authorities in the surrounding Tambacounda region during the term of the Mining Concession.

\$30,000 per year is payable for logistical support of the territorial administration of the region from date of notification of the Mining Concession.

\$200,000 per year of production is payable for training of Directorate of Mines and Geology officers and Mines Ministry.

\$4.0 million plus interest is payable to the Government of Senegal pursuant to terms included in the Sabodala Mining Licence at date of grant. The Company anticipates paying this amount along with the accrued interest within the next 3 months.

RISK FACTORS

Below are some risk factors that Teranga believes can have a material effect on the profitability, future cash flow, earnings, results of operations, stated reserves and financial condition of the Company. If any event arising from these risks occurs, the Company's business, prospects, financial condition, results of operations or cash flows could be adversely affected, the trading price of Teranga's common shares could decline and all or part of any investment may be lost. Additional risks and uncertainties not currently known to the Company, or that are currently deemed immaterial, may also materially and adversely affect the Company's business operations, prospects, financial condition, results of operations or cash flows.

Financial Risks

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company prepares detailed budgets and forecasts to determine the funding requirements for operations, capital expenditure programs, exploration programs and the completion of the mill expansion program.

Operating issues in the pit have resulted in an anticipated shortfall of 20,000 ounces over the final quarter of 2011 and first quarter of 2012, which are expected to be mined and processed during the second quarter of 2012. To make up for the shortfall in production, the Company has elected to defer its first quarter deliveries into its hedge contracts until the second half of 2012 in order to sell all of the Company's gold production at the higher spot price of gold. The Company believes that the deferral of its hedge deliveries in the first quarter of 2012 should ensure that its expected cash flow from operations, along with its cash holdings is sufficient to meet its first and second quarter 2012 obligations including the completion of the mill expansion. Once the mill expansion is complete, scheduled for the end of the first quarter 2012, higher production should help to increase cash balances to ensure that the Company is able to meet the balance of its obligations through 2012.

As at December 31, 2011, the Company had \$11 million in cash, cash equivalents, short-term investments and restricted cash.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Credit risk is primarily associated with its forward gold sales, trade receivables, and oil hedge contracts; however, it also arises on cash and cash equivalents. To mitigate exposure to credit risk on financial assets, the Company ensures that counterparties demonstrate minimum acceptable creditworthiness and to ensure liquidity of available funds.

Teranga monitors its financial assets. Gold sales are made to large international financial institutions including those deliveries into the Company's forward sales contracts to Macquarie Bank Limited. Payment is received normally within approximately ten days of shipment. The historical level of defaults is negligible, and as a result, the credit risk associated with trade receivables at December 31, 2011 is considered minimal. The oil hedge contracts are also with a large institution. The Company invests its cash and cash equivalents with major financial institutions, and the credit risk associated with its investments is considered low.

As a result of the global financial crisis, many financial institutions have gone into bankruptcy or have been rescued by government agencies. As such, the Company is subject to the risk of loss on its deposits with financial institutions that hold the Company's cash. As at December 31, 2011, the Company's cash and cash equivalents were held by three major financial institutions as well as invested in Canadian bonds.

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. As part of the risk management policy the Company has entered into gold forward sales contracts, and oil energy swaps to reduce exposure to unpredictable market fluctuations. The gold forward sale program undertaken is structured with the objective of providing a minimum floor price for a portion of the Company's gold sales, while the Company's oil hedge contracts are structured to retaining as much upside to the oil price as possible pursuant to the terms under the Company's Project Finance Facility. The Company has elected not to hedge account these instruments.

Currency Risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that Teranga incurs in its operations. Gold is sold in US dollars and the Company's costs are incurred principally in US dollars and the CFA Franc, the national currency of Senegal, which is pegged to the Euro. The Company also incurs Canadian dollar and Euro costs. The appreciation of non-US dollar currencies against the US dollar can increase the cost of gold production and capital expenditures in US dollar terms. The Company also holds cash and cash equivalents that are denominated in non-US dollar currencies that are subject to currency risk. Accounts receivable and other current and long-term assets are denominated in non-US dollars.

The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than US dollars at December 31, 2011. See Note 33(d) to the Audited Annual Consolidated Financial Statements of Teranga.

Teranga currently does not hedge to reduce risks associated with currency fluctuation.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has interest rate risk relating to its bank balances, treasury bills and bonds and external borrowings. See Note 33(e) to the Audited Annual Consolidated Financial Statements of Teranga.

The Company has elected not to actively manage its exposure to interest rate risk at this time.

Macquarie Bank Limited Hedge Commitment

The Company maintains an ongoing relationship with Macquarie Bank Limited resulting from its outstanding forward sales contracts with the bank. The financing is secured by, among other things, a fixed and floating charge over substantially all of SGO's assets, with the facility and security remaining in place until the hedge position is extinguished.

Société Générale Mining Equipment Lease Facility

In 2010, SGML (Capital) Limited entered into an amended agreement with Société Générale London to expand the facility to allow for the purchase of additional mining equipment required for the mill expansion. An amended facility was concluded with a new limit of \$27.8 million. Quarterly payments have reduced the balance outstanding to \$14.5 million at December 31, 2011.

In 2011 the facility was further expanded by \$12.8 million to acquire mobile equipment to be used primarily for the development of the Gora deposit. The facility is currently drawn down to \$24.4 million.

The facility, including the expanded amount, contains a quarterly repayment schedule concluding with the final payment on September 30, 2013 with interest calculated using LIBOR plus a margin.

Price Risk

Price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. Teranga's profitability depends on the price of gold, which is affected by numerous factors, such as the sale or purchase of gold by various central banks and financial institutions, interest rates, exchange rates, inflation or deflations in the value of the US dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of the world's major gold-producing countries. A 10 percent increase or decrease in the price of gold would result in approximately a \$17.1 million increase or decrease in revenue based on the expectations and assumptions it used in the 2012 outlook.

At present, the Company has 174,500 ounces of gold forward sales deliverable through August 2013 at an average price of \$826 per ounce. The mark-to-market at the reporting date spot price of \$1,566 was negative \$129.6 million. A 10 percent increase or decrease in the price of gold would result in approximately a \$27 million increase or decrease in gold hedge unrealized gains or losses.

The costs in relation to Teranga's production, development and exploration activities vary depending on the market prices of certain mining consumables, including light and heavy fuel oil. The Company's oil hedging program mitigates the increase or decrease to heavy fuel oil price fluctuations. Electricity is supplied by way of a power station on site, which increases the Company's reliance and dependence on heavy fuel oil.

Risks Relating to the Business and Operations*Loss of Entire Investment*

An investment in the shares of Teranga ("Shares") is speculative and may result in the loss of an investor's entire investment. Only potential investors who are experienced in high risk investments and who can afford to lose their entire investment should consider an investment in the Company.

Strategic Acquisitions, Investments and/or Divestitures

Teranga may consider making strategic acquisitions, divestitures or investments as a means of pursuing its corporate strategy. It is possible that Teranga may not identify suitable opportunities, or if it does identify suitable opportunities, that it may not complete those transactions on terms commercially acceptable to Teranga or at all. The inability to identify suitable acquisition targets or divestiture opportunities or investments or the inability to complete such transactions could materially and adversely affect Teranga's competitiveness and growth prospects. In the event Teranga successfully completes an acquisition or investment, it could face difficulties managing the investment or integrating the acquisition into its operations. There can be no assurance that Teranga will be able to achieve the strategic purpose of such an acquisition or investment. In the event Teranga successfully completes a divestiture, there can be no assurance that Teranga will obtain favourable consideration for such divestiture. These difficulties could disrupt Teranga's ongoing business, distract its management and employees, and increase its expenses, any of which could materially and adversely affect Teranga's business and results of operations.

Profitability of Teranga

Teranga's ability to operate profitably depends upon a number of factors, some of which are beyond Teranga's direct control. These factors include Teranga's ability to develop its mining projects and commercialize mineral reserves, its ability to control its costs, the demand and price for gold and general economic conditions. If Teranga is unable to generate profits in the future, the market price of the Shares could fall.

Exploration, Development and Mining Risks

Teranga's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including environmental hazards, industrial accidents, equipment failure, import/customs delays, shortage or delays in installing and commissioning plant and equipment, metallurgical and other processing problems, seismic activity, unusual or unexpected rock formations, wall failure, cave ins or slides, burst dam banks, flooding, fires, interruption to or the increase in costs of services (such as water, fuel (particularly for heavy fuel oil) or transport) and interruption due to inclement or hazardous weather conditions. These risks could result in damage to, or destruction of, mineral properties, production and power facilities or other properties, for example, dams, personal injury or death, environmental damage, pollution, delays in mining, increased production costs, monetary losses and possible legal liability.

Whether income will result from projects undergoing exploration programs depends on the successful establishment of mining operations. Factors including, but not limited to, government regulations (such as those governing prices, taxes, royalties, land tenure, land use and environmental protection), costs, actual mineralization, size and grade of mineral deposits, consistency and reliability of ore grades and commodity prices may affect successful project development. In addition, few properties that are explored are ultimately developed into producing mines.

Mineral properties in remote locations may have limited access during seasonal weather patterns which in turn can severely limit mining operations. Successful mining operations will be dependent on the availability of processing and refining facilities and secure transportation infrastructure at economic tariff rates over which Teranga may have limited or no control.

The Company is currently involved in joint ventures in which the ongoing operations and certain fundamental decisions require approval of the joint venture partners. The voting decisions of such partners are outside the control of the Company and may have a materially adverse impact on the Company's business operations or financial position.

Reliability of Resource and Reserve Estimates

Teranga's mineral resources and mineral reserves described in the Sabodala Technical Report are estimates based on a number of assumptions. Any adverse changes could require

Teranga to lower its mineral resource and mineral reserve estimates. There is no certainty that any of the mineral resources or mineral reserves described in the Sabodala Technical Report will be realized or that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that reserves can be mined or processed profitably. Until a deposit is actually mined and processed, the quantity and grades of mineral resources and mineral reserves must be considered as estimates only. Valid estimates made at a given time may significantly change when new information becomes available. In addition, the quantity and/or economic viability of mineral resources or mineral reserves may vary depending on, among other things, metal prices, grades, production costs, stripping ratios, recovery rates, permit regulations and requirements, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Any material change in the quantity of mineral resources or mineral reserves, grade or stripping ratio may affect the economic viability of Teranga's properties or any project undertaken by Teranga. In addition, there can be no assurance that mineral or other metal recoveries in small scale laboratory tests will be duplicated in a larger scale test under on-site conditions or during production and the volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. There can also be no assurance that any discoveries of new reserves will be made.

Fluctuations in the prices of gold and other minerals, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of mineral resources or mineral reserves could have a material adverse effect on Teranga's results of operations and financial condition.

Illegal Mining on the ML and Regional Land Package

Illegal mining is becoming more widespread in Senegal. Illegal miners have and may continue to trespass on Teranga's properties and engage in very dangerous practices including the use of mercury and dynamite in their operations, without any government regulation or oversight. Teranga is unable to continuously monitor its entire Regional Land Package. The presence of illegal miners could also lead to project delays and disputes regarding the development or operation of commercial gold deposits, including disputes with Senegalese governmental authorities regarding reporting of resources and mine production.

The illegal activities of these miners could cause environmental damage (including damage from the use of mercury in recovery practices by certain of these artisanal miners) or other damage to Teranga's properties, as well as personal injury or death, for which Teranga could potentially be held responsible, all of which could have an adverse impact on Teranga's further cash flows, earnings, results of operations and financial condition.

Teranga May Not Meet Key Production or Other Cost Estimates

A decrease in the amount of or a change in the timing of the mineral production outlook for Teranga may impact the amount and timing of Teranga's cash flow from operations. The actual impact of such a decrease of Teranga's cash flow from operations would depend on the timing of any changes in production and on actual prices and costs. Any change in the timing of these projected cash flows that would occur due to production shortfalls or labour disruptions would, in turn, result in delays in receipt of such cash flows and in using such cash to, as applicable, reduce debt levels and fund operating and exploration activities, which may require additional borrowings to fund capital expenditures in the future.

The level of production and capital and operating cost estimates which are used for determining and obtaining financing and other purposes are based on certain assumptions and are inherently subject to significant uncertainties. It is very likely that actual results for Teranga's projects will differ from its current estimates and assumptions, and these differences may be material. In addition, experience from actual mining or processing operations may identify new or unexpected conditions that could reduce production below, and/or increase capital and/or operating costs above, the current estimates. If actual results are less favourable than Teranga currently estimates, Teranga's business, results of operations, financial condition and liquidity could be materially adversely impacted.

Input Price Risks

Any increase in the price of production inputs, including labour, fuel, mine consumables or other inputs could materially and adversely affect Teranga's business and results of operations. Input costs can be affected by changes in factors including market conditions, government policies, exchange rates and inflation rates, which are unpredictable and outside the control of Teranga. In particular, the cost of fuel, which is required to generate power, and other inputs constitutes a significant part of Teranga's operating expenses. Unanticipated increases in the price of these or other inputs could materially and adversely affect Teranga's business and results of operations.

Current Global Financial Conditions

Events in global financial markets over the past three years have had a profound impact on the global economy. Many industries, including the mining industry, are affected by these market conditions. Current global financial conditions have been subject to increased volatility and numerous commercial enterprises have either gone into bankruptcy or have had to be rescued by governmental authorities. Some of the key effects of the current financial market turmoil include higher sovereign debt levels, contraction in credit markets, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. Access to public financing has been negatively affected. A continued or worsened sovereign debt crisis in Europe, slowdown in the financial markets or other economic conditions, including, but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates may adversely affect Teranga's growth and profitability. Specifically the sovereign debt crisis in Europe could affect the cost and availability of financing and Teranga's overall liquidity, the volatility of mineral prices, gold in particular, impacts Teranga's revenues, profits and cash flow, volatile energy, commodity and consumables prices and currency exchange rates impact Teranga's production costs; and the devaluation and volatility of global stock markets impacts the valuation of Teranga's equity securities. In addition, recent market events in Europe surrounding the sovereign debt crisis and its impact on the banking system have significantly raised the risk of counterparty default. Teranga is subject to counterparty risk and may be impacted in the event that a counterparty, including suppliers and joint venture partners, becomes insolvent. If these increased levels of volatility and market turmoil continue, Teranga's operations may be adversely affected and the trading price of the securities of Teranga may be adversely affected.

Financing Risks

Mining operations, exploration and development involve significant financial risk and capital investment. The operations and expansion plans for Teranga may also result in increases in capital expenditures and commitments. Teranga may require additional funding to expand its business and may require additional capital in the future to, among other things, complete the expansion of the Sabodala plant and no assurance can be given that such capital will be available at all or available on terms acceptable to Teranga. Teranga may be required to seek funding from third parties if internally generated cash resources and available credit facilities are insufficient to finance these activities. In the

event that Teranga were unable to obtain adequate financing on acceptable terms, or at all, to satisfy its operating, development and expansion plans, its business and results of operations may be materially and adversely affected.

The success and the pricing of any such capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time, the availability of funds from lenders and other factors relating to the Sabodala mine. If additional capital is raised by an issue of securities, this may have the effect of diluting shareholders' interests in Teranga. Any debt financing, if available, may involve financial or other covenants which may limit Teranga's operations. The principal amounts under any debt financing arrangements entered into by Teranga may become immediately due and payable if Teranga fails to meet certain restrictive covenants. If Teranga cannot obtain such additional capital, it may not be able to complete the expansion of the Sabodala mill which may adversely affect its business, operating results and financial condition.

There can be no assurance that funding will be available to the Company or available on terms that do not adversely affect the projected economic return from the expansion of the Sabodala plant. If funding is obtained through the issue of additional equity, shareholders' interest in the Company may be diluted.

Terms of Existing Debt Financing

Failure by Teranga, SGO or Sabodala Gold (Mauritius) Limited to comply with their covenants contained in the finance documents relating to the Project Finance Facility and the gold and oil hedging arrangements with Macquarie Bank Limited may constitute an event of default under such finance documents. The occurrence of an event of default, or the triggering of a review event, under the finance documents relating to the Project Finance Facility and the gold and oil hedging arrangements with Macquarie Bank Limited could have material adverse consequences to Teranga, SGO and Sabodala Gold (Mauritius) Limited, including: resulting in the requirement that Teranga, SGO and Sabodala Gold (Mauritius) Limited immediate restructuring of SGO's gold and oil hedging arrangements with Macquarie Bank Limited on terms less favourable to SGO; the termination of SGO's gold and oil hedging arrangements with Macquarie Bank Limited, potentially crystallizing termination payments to Macquarie Bank Limited calculated according to prevailing market rates; the enforcement by Macquarie Bank Limited of its security interests held over Teranga's shares in Sabodala Gold (Mauritius) Limited and any SGO Creditor and over the assets of Sabodala Gold (Mauritius) Limited and SGO, or other such consequences, any of which could have material adverse effect on the business, operating

results, financial position and future ability to raise capital by Teranga, Sabodala Gold (Mauritius) Limited or SGO.

Failure by Teranga, SGO or SGML (Capital) Limited to comply with their covenants contained in the finance documents relating to the Finance Lease may constitute an event of default under such finance documents. The occurrence of an event of default, or the triggering of a review event, under the finance documents relating to the Finance Lease could have material adverse consequences to Teranga, SGO and SGML (Capital) Limited, including: resulting in the requirement that Teranga, SGO and Sabodala Gold (Mauritius) Limited immediately repay all outstanding amounts under such documents; the making of a demand under the guarantee granted to Société Générale London Branch by SGO; the enforcement by Société Générale London Branch of its security interests held over Teranga's shares in SGML (Capital) Limited and over the assets of SGML (Capital) Limited, or other such consequences, any of which could have material adverse effect on the business, operating results, financial position and future ability to raise capital by Teranga, SGO and SGML (Capital) Limited.

Tax Risk

Teranga may have exposure to greater than anticipated tax liabilities. Teranga is subject to income taxes and non-income taxes in a variety of jurisdictions and its tax structure is subject to review by both domestic and foreign taxation authorities. The determination of its tax structure has required and continues to require significant judgement and there are transactions and determinations where the ultimate tax result is uncertain. While management does not believe that there is a significant risk to Teranga's tax structure there can be no assurance that taxation authorities will not seek to challenge the structure in the future.

Teranga's Dependence on the Sabodala Project

While Teranga may invest in additional mining and exploration projects in the future, the Sabodala gold mine is likely to be the Company's only producing mining project for the foreseeable future, thereby providing substantially all of the Company's operating revenue and cash flows. Consequently, a delay or difficulty encountered in the operations of the Sabodala gold mine could materially and adversely affect the Company's financial condition and financial sustainability. Any adverse changes or developments affecting these projects, such as, but not limited to, the Company's inability to successfully complete any of the projects, work programs or expansions, obtain financing on commercially suitable terms, hire suitable personnel and mining contractors, may have a material adverse effect on the Company's financial performance and results of operations.

In addition, Teranga's business and results of operation could be materially and adversely affected by any events which cause the Sabodala mine to operate at less than optimal capacity, including among other things, equipment failure or shortages, adverse weather, serious environmental and safety issues, any permitting or licensing issues and any failure of the mine to produce expected amounts of gold.

Insurance and Uninsured Risks

The business of Teranga is subject to a number of risks and hazards generally, including adverse environmental conditions and pollution, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, earthquakes and dust storms. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of Teranga or others, delays in mining, monetary losses and possible legal liability.

Although Teranga maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance may not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and Teranga may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Teranga or to other companies in the mining industry on acceptable terms. Losses from these events may cause Teranga to incur significant costs that could have a material adverse effect upon its financial performance and results of operations or otherwise affect its insurability and reputation in the market.

If Teranga incurs losses not covered by its insurance policies, such losses may adversely affect its business, operating results and financial condition.

Litigation

Teranga is not currently subject to litigation, but could become involved in disputes with other parties in the future which may result in litigation. The results of litigation cannot be predicted with certainty. If Teranga were unable to resolve such disputes favourably, the resultant litigation could have a material adverse impact on Teranga's financial performance, cash flow and results of operations.

Dependence on Key Personnel

Teranga's success depends to a significant extent upon its ability to attract, retain and train key management personnel, both in Canada and in Senegal, as well as other management and technical personnel (including those employed on a contractual basis). If Teranga is not successful in retaining or attracting such personnel, Teranga's business may be adversely affected. The loss of the services of any of Teranga's key management personnel could materially and adversely affect Teranga's business and results of operations.

In addition, the recruiting of qualified personnel is critical to Teranga's success. As Teranga's business grows, it will require additional key financial, administrative, mining, processing and exploration personnel as well as additional staff for operations. While Teranga believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success. If Teranga is not successful in recruiting and training such personnel, it could materially and adversely affect Teranga's business and results of operations.

Currency Risk

Teranga's expected future revenue, if any, will be in United States dollars and while most of its expenditures are in United States dollars a significant component is also in the local currency of Senegal. Also, future capital raised by Teranga from public offerings of securities may be in Canadian or Australian dollars. As a result of the use of these different currencies, Teranga is subject to the risk of foreign currency fluctuations, which are affected by a number of factors that are beyond the control of Teranga. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. Foreign currency fluctuations may materially affect Teranga's financial position and operating results. Currently, Teranga has not hedged against fluctuations in exchange rates, however, it may do so at a later date.

Inability to Enforce its Legal Rights

In the event of a dispute arising at Teranga's Senegalese operations, Teranga may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. Teranga may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity. The dispute provisions of Sabodala Mining Licence and stipulate that any dispute between the parties thereto is to be submitted to international arbitration. However,

there can be no assurance that a particular governmental entity or instrumentality will either comply with the provisions of these or any other agreements or voluntarily submit to arbitration. Teranga's inability to enforce its rights could have an adverse effect on its future cash flows, earnings, results of operations and financial condition.

Derivative Instrument Risk

Teranga has hedging arrangements in place by way of gold forward contracts and oil swaps to manage risks associated with the prices for gold and oil. The use of such instruments involves certain inherent risks including credit risk, market liquidity risk and unrealized mark-to-market risk.

Currently, Teranga does not have any other hedging agreements in place but may enter into additional contracts from time to time. While hedging activities may protect Teranga in certain circumstances, they may also cause it to be unable to take advantage of fluctuating market prices, and no assurances are given as to the effectiveness of Teranga's current or future hedging policies.

SGO currently has significant gold hedging in place at prices significantly below the current market price and this may result, depending on the future price of gold, in significant changes to the projected financial returns of Teranga.

No Dividends

Teranga has paid no dividends on its Shares to date. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including, but not limited to, Teranga's operating results, financial condition and current and anticipated cash needs. At this time however, all of Teranga's available funds are expected to be invested to finance the growth of Teranga's business and therefore investors cannot expect and should not anticipate receiving a dividend on the Common Shares in the foreseeable future.

Repatriation of Earnings

There is no assurance that the Government of Senegal or any other foreign country in which Teranga may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities.

Operating Loss

The Company currently has an operating loss and no assurance is given that additional losses will not be incurred in the future or that the Company will be profitable.

Stock Exchange Prices

The market price of a publicly traded stock is affected by many variables, some of which are not directly related to the success of Teranga. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be junior companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of Teranga's securities in the future.

Market for Teranga's Securities

There can be no assurance that an active, liquid market for Teranga's securities will be maintained. Holders of Teranga's securities may be unable to sell their investments on satisfactory terms. In addition, the market price of the securities of Teranga at any given point in time may not accurately reflect the long-term value of Teranga. Furthermore, responding to any events or circumstances resulting from the risk factors described herein could result in substantial costs and divert management's attention and resources.

Other factors unrelated to the performance of Teranga that may have an effect on the price and liquidity of Teranga's securities include, among other things: the extent of analyst coverage of Teranga's securities, the trading volume and general market interest in Teranga's securities, the size of Teranga's public float and/or any event resulting in a de-listing of Teranga's securities.

Potential Conflicts of Interest

Certain directors of Teranga are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of Teranga. Situations may arise in connection with potential acquisitions or investments where the other interests of these directors may conflict with the interests of Teranga. Directors of Teranga with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

Effecting Service of Process

Substantially all of the assets of Teranga and certain of its officers and experts named herein are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon the officers and

experts named herein. It may also not be possible to enforce against Teranga, certain of its officers, and certain experts named herein, judgements obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

Influence of Joint Venture Partners

Exploration, development and mining projects are often conducted through joint ventures which may require the unanimous approval of the parties to the joint venture or their representatives for certain fundamental decisions relating to the governance and operations of the joint venture. This means that a party may have a veto right, or similar power, with respect to such decisions which could lead to a deadlock and negatively impact or limit the business operations or financial position of Teranga in the future.

Exemptions from Rules of the Australian Securities and Investment Commission (ASIC)

ASX Listing Rules and the Australian Corporations Act 2001 (Cth)

Non-Canadian residents who hold Teranga common shares (directly or indirectly through CDIs) may not be aware that Canadian corporate and securities laws are different from those in Australia. Teranga complies with Canadian securities laws, corporate governance guidelines and disclosure standards that apply to Canadian companies listed on TSX. In addition to these Canadian requirements, Teranga must also comply with the ASX Listing Rules (Listing Rules) and the Australian Corporations Act 2001 (Cth) (Corporations Act). Circumstances exist where Teranga is exempt from Listing Rule and Corporations Act requirements due to its compliance with the TSX, Canadian securities laws and corporate governance requirements. Teranga may from time to time seek additional relief from Listing Rule and Corporations Act requirements, however there is no guarantee that such applications for relief will be received in which case compliance will be necessary.

Risks Relating to the Industry

Fluctuations in Metal Prices

The price of gold and other metals and minerals fluctuates widely and is affected by numerous factors beyond the control of Teranga, including, but not limited to, industrial and retail supply and demand, exchange rates, inflation rates, price and availability of substitutes, actions taken by governments, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional

political, social or economic events. The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers. Future production from Teranga's mining properties, including the Sabodala mine, is dependent upon the price of gold and other metals and minerals being adequate to make these properties economic. Future serious price declines in the market value of gold and other metals and minerals could cause continued development of, and eventually commercial production from, the Sabodala mine and Teranga's other properties to be rendered uneconomic, thereby forcing Teranga to discontinue production or development or to lose its interest in or sell, some of its properties. There is no assurance, even as commercial quantities of gold are produced, that Teranga will be able to profitably market gold.

In addition to adversely affecting the reserve estimates of Teranga and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Mining Operations

By its nature, the business of mineral exploration, project development, mining and processing, contains elements of significant risks and hazards. The continuous success of Teranga's business is dependent on many factors including, but not limited to:

- discovery and/or acquisition of new ore reserves;
- securing and maintaining title to tenements and obtaining necessary consent for exploration and mining;
- successful design and construction of mining and processing facilities;
- successful commissioning and operating of mining and processing facilities; and
- the performance of the technology incorporated into the processing facility.

The Sabodala mine is subject to technical risk in that it may not perform as designed. Increased development or expansion costs, lower output or higher operating costs may all combine to make the Sabodala mine less profitable than that expected at the time of the development decision. This would have a negative impact on Teranga's expected cash flow. No assurance can be given that Teranga would

be adequately compensated by third party project design, construction and supply companies in the event of equipment failure or that the project does not meet its expected design specifications.

Critical Supplies

Timely and cost effective execution of Teranga's mining operations at the Sabodala mine is dependent on the adequate and timely supply of water, fuel, chemicals and other critical supplies.

If Teranga is unable to procure the requisite quantities of water, fuel or other inputs in time and at commercially acceptable prices or if there are significant disruptions in the supply of fuel, water or other inputs to the Sabodala mine, the performance of Teranga's business and results of operations could be materially and adversely affected.

Environmental Risks and Regulations

All phases of Teranga's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation in the various jurisdictions in Teranga operates is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Teranga's operations. Environmental hazards may exist on the properties on which Teranga holds interests which are unknown to Teranga at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals and permits are currently and may in the future be required in connection with the operations of Teranga. To the extent such approvals are required and not obtained, Teranga may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or

in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of mining activities and civil or criminal fines or penalties may be imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on Teranga and cause increases in exploration expenses, capital expenditures or production costs, or reduction in levels of production at producing properties, or require abandonment or delays in development of new mining properties.

Licenses and Permits

The current and future operations of Teranga require permits from various governmental authorities and such operations are and will be subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, surface rights, environmental protection, safety and other matters, and dependent upon the grant, or as the case may be, the maintenance of appropriate licenses, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintaining of tenements, obtaining renewals, or getting tenements granted, often depends on Teranga being successful in obtaining required statutory approvals for its proposed activities and that the licenses, concessions, leases, permits or consents it holds will be renewed as and when required. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required to commence production on its properties will be obtained. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, may be necessary prior to operation of the properties in which Teranga has interests and there can be no assurance that Teranga will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Teranga's producing operations and exploration activities in Senegal are subject to various state laws governing land use, surface rights, the protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, workplace safety and other matters. Such operations and exploration activities are also subject to substantial regulation under these laws by governmental agencies and may require that Teranga obtain permits from various governmental agencies. Teranga believes it is in substantial compliance with all material laws and regulations that currently apply to its activities. There can be no assurance, however, that all permits Teranga may require for construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have a material adverse effect on any mining project Teranga might undertake.

Title to Properties

There can be no assurances that the interest of Teranga in its properties is free from title defects or that the material contracts between Teranga and (the entities owned or controlled by) the relevant governments will not be unilaterally altered or revoked. Teranga has investigated its rights as set forth herein and believes that these rights are in good standing. There is no assurance, however, that such rights and title interests will not be revoked or significantly altered to the detriment of Teranga. There can be no assurances that Teranga's rights and title interests will not be challenged or impugned by third parties.

Competition

Teranga competes with other companies, some which have greater financial and other resources than Teranga and, as a result, may be in a better position to compete for future business opportunities. Teranga competes with other mining companies for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. There can be no assurance that Teranga can compete effectively with these companies.

Closure Costs

The key risks for mine closure include, without limitation, the (i) long-term management of permanent engineered structures and acid rock drainage; (ii) achievement of environmental closure standards; (iii) orderly retrenchment of employees and contractors; and (iv) relinquishment of the site with associate permanent structures and community development infrastructure and programs to new owners. The successful completion of these tasks is

dependent on the ability to successfully implement negotiated agreements with the relevant government, community and employees. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing environmental impacts and corporate reputation damage if desired outcomes cannot be achieved, which could materially and adversely affect Teranga's business and results of operations.

Exploration Risk

Teranga is seeking mineral deposits on exploration projects where there are not yet established commercial quantities. There can be no assurance that economic concentrations of minerals will be determined to exist on Teranga's property holdings within existing investors' investment horizons or at all. The failure to establish such economic concentrations could have a material adverse outcome on Teranga and its securities. Teranga's planned programs and budgets for exploration work are subject to revision at any time to take into account results to date. The revision, reduction or curtailment of exploration programs and budgets could have a material adverse outcome on Teranga and its securities.

Opposition of Business Activities

In recent years, individuals, communities, governmental agencies, courts and non-governmental organizations have become more vocal and active with respect to mining activities and business activities of foreign entities. These parties may take actions such as road blockades, applications for injunctions seeking working stoppages, refusals to grant access to lands or sell properties on commercially viable terms, lawsuits for damages, issuances of unfavourable laws and regulations, and rulings contrary to Teranga's interests. These actions can occur in response not only to current activities but also to decades-old mining activities by prior owners of subject mining properties. Opposition to business activities of Teranga are beyond its control and may result in the inability to obtain or a loss of rights to explore, develop and mine mineral properties, substantial delays, and increased costs.

Risks Relating to Senegal

Political Risks

Teranga's projects are located in Senegal in West Africa. Its tenure over its property rights and the conditions under which it operates, both during and after the exploration stage, are subject to the jurisdiction of the Government of Senegal and in some cases of political subdivisions within that country. The laws and regulations governing Teranga's tenure and operations are subject to alteration, and an

adverse alteration to those laws and regulations could have a material adverse effect on Teranga. In addition, the exposure of Teranga, its projects and its operations to political risk comprises part of the evaluations, perceptions and sentiments of investors. An adverse change in investors' tolerance of political risk could have a material adverse effect on Teranga and its securities.

Foreign Operations Risks

The operations of Teranga are currently conducted in West Africa and, as such, are exposed to various levels of political, economic and other natural and man-made risks and uncertainties, over which Teranga has no or limited control. These risks and uncertainties include, but are not limited to, economic, social or political instability, terrorism, hostage taking, military repression, labour unrest, the risks of war or other forms of civil unrest, expropriation and nationalization, illegal mining, renegotiation, nullification or adoption of new laws or regulations concerning existing concessions, licences, permits and/or contracts, extreme fluctuations in currency exchange rates, high rates of inflation, changes in taxation policies, restrictions on foreign exchange and repatriation, validity of export rights and payment of duties, changing political conditions, currency controls, customs regulations policies, changes or adoption of new laws affecting foreign ownership, government participation or control or working conditions and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitudes in any jurisdiction in which Teranga operates may adversely affect its operations or profitability and viability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on prospecting, development, production, price controls, export controls, currency remittance, income taxes, royalties, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, forestry, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of Teranga.

Mining Tax Regime Risk

Mining tax regimes in foreign jurisdictions are subject to differing interpretations and are subject to constant change and may include fiscal stability guarantees. Teranga's interpretation of taxation law as applied to its activities may not coincide with that of the tax authorities. As a result, transactions may be challenged by tax authorities and Teranga's operations may be assessed, which could result in significant additional taxes, penalties and interest.

Teranga's Senegalese operating subsidiary, SGO, was granted an exoneration from taxation including value added tax and company tax; and no import duties shall be charged on owned or rented equipment or on goods or services destined for the Sabodala mine. The exoneration extends until May 2015, after which time a tax rate of 25% is applicable.

Risks of being a Multinational Company

Teranga is a multinational company that conducts operations through mainly foreign subsidiaries, foreign companies and joint ventures, and substantially all of the assets of Teranga consist of equity in these entities. Accordingly, any limitations, or the perception of limitations, on transfer of cash or other assets between the parent company and these entities, or among these entities, could restrict Teranga's ability to fund its operations efficiently, or to repay its debts, and could impact negatively Teranga's valuation and share price.

Government Regulation

The mining, processing, development and mineral exploration activities of Teranga are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, forestry, land claims of local people, and other matters. Although the exploration and development activities of Teranga are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a substantial adverse impact on Teranga.

Outbreak of Disease

The outbreak, or threatened outbreak, of any severe communicable disease in Senegal could materially and adversely affect the overall business environment in Senegal, particular if such outbreak is inadequately controlled. This in turn could materially and adversely affect domestic

labour supply. As Teranga's revenue is currently derived from its Senegal operations, any labour shortages in Senegal could materially and adversely affect Teranga's business and results of operations. In addition, if any of Teranga's employees is affected by any severe communicable disease, it could adversely affect or disrupt Teranga's production and materially and adversely affect its results of operations as Teranga may be required to close its facilities to prevent the spread of the disease. The spread of any severe communicable disease in Senegal may also affect the operations of Teranga's suppliers, which could materially and adversely affect Teranga's business and results of operations.

In particular, malaria and other diseases such as HIV/AIDS represent a serious threat to maintaining a skilled workforce in the mining industry throughout Africa and are a major healthcare challenge faced by Teranga's operations in Africa. There can be no assurance that Teranga will not lose members of its workforce or see its workforce man-hours reduced or incur increased medical costs as a result of these health risks, which could materially and adversely affect Teranga's business and results of operations.

CONTINGENT LIABILITIES

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

During the quarter ended December 31, 2011, SGO received a tax assessment from the Senegalese tax authorities claiming withholding taxes of approximately \$24 million relating to interest paid to SGML Capital under the Mining Fleet Lease facility, director's fees and services rendered by offshore companies. SGO responded to the tax assessment including evidence supporting treatment of withholding taxes in accordance with the General Tax Code in Senegal. In January 2012 the tax assessment was re-confirmed by the Senegalese tax authorities. We have reviewed the alleged breaches identified by the Senegalese tax authorities with our legal counsel and are confident that they are without merit and that these issues will be resolved with no or an immaterial amount of tax due. As a result, in February 2012, SGO filed a notice to refer the tax assessment to arbitration in accordance with Senegalese laws. The arbitration ruling is appealable to the International Court in Paris.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following are critical judgements that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the financial statements:

Fair Value of Derivative Financial Instruments

Management assesses the fair value of the Company's financial derivatives in accordance with the accounting policy stated in Note 3 to the Unaudited Interim 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 significant impact on comprehensive income due to the change in the fair value attributed to the Company's financial 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.

Ore Reserves

Management estimates the Company's ore reserves based upon information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting Mineral Resources and Ore Reserves and Qualified Persons as defined in NI 43-101, which is similar to the Australian 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, provision for rehabilitation obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortization charged to the income statement.

Units of Production

Management estimates recoverable reserves in determining the depreciation and amortization of mine assets. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine

property at which the asset is located. The calculations require the use of estimates and assumption, including the amount of recoverable reserve and estimates of future capital expenditure. The Company's units of production calculation is based on life of mine gold production. As the Company updated its estimate regarding the expected units of production over the life of the mine, amortization under the units of production basis will change. During 2011, recoverable reserves increased, resulting in a decrease in units of production amortization for the year.

Mine Rehabilitation Provision

Management assesses the Company's mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provisions for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and cost of rehabilitation activities, technological changes, regulatory change, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the balance 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 at 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, exploration potential 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, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. 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:

- the level of capital expenditure compared to construction cost estimates;
- 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, underground mine development or mineable reserve development. It is also at this point that depreciation/amortization commences.

Fair Value of Stock Options

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in Note 3(s) to the interim consolidated financial statements. The fair value of the options granted is measured using 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. As there were no historical data available for determination of the fair value of the stock options granted, the Company developed its assumptions based on information available in the mining industry using comparable companies operating in the gold sector.

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 the corporate office is Canadian dollar and the functional currency of all other entities within the group is US dollar. Functional currency of each entity was determined based on the currency that mainly influences sales prices for goods and services, labour, material and other costs.

CHANGE IN ACCOUNTING POLICIES

With effect from October 1, 2010, exploration and evaluation expenditures in relation to each separate area of interest are expensed as exploration costs in the consolidated statement of comprehensive income until the determination of the technical feasibility and the commercial viability of the project is completed. Under the Company's previous policy, exploration and evaluation expenditures were recognized as an exploration and evaluation asset in the year in which they were incurred and assessed for impairment.

As a result of the change in the accounting policy, all exploration costs, including convention and concession costs, in the total amount of \$27.3 million existing before October 1, 2010 and capitalized to exploration assets, were de-recognized and expensed through retained earnings. Management believes that the change in accounting policy results in reliable and more relevant information.

OUTSTANDING SHARE DATA

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

	Outstanding
Ordinary shares	245,618,000
Stock options	17,617,222
Fully diluted share capital	263,235,222

NON-IFRS FINANCIAL MEASURES

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

		12 months ended December 31, 2011	Period from Nov 23, 2010 to December 31, 2011
Gold produced	(oz)	131,461	147,728
Gold sold	(oz)	137,136	153,729
Cost of sales	(\$'000)	138,645	151,033
Less: depreciation and amortization	(\$'000)	(33,885)	(37,442)
Less: rehabilitation	(\$'000)	(473)	(530)
Add: inventory movement	(\$'000)	19,188	20,973
Total cash cost of sales	(\$'000)	123,475	134,034
Total cash cost of sales per ounce sold	\$/oz	900	872

TRANSACTION WITH RELATED PARTIES

Equity Interests in Related Parties

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 37 to the Company's Audited Annual Consolidated Financial Statements.

Transactions with Key Management Personnel

Details of key management personnel compensation are disclosed in Note 37 to the Company's Audited Annual Consolidated Financial Statements.

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

Transactions with Other Related Parties

There was zero balance outstanding to related parties as at December 31, 2011.

Shareholdings

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

CEO/CFO CERTIFICATION

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

In 2011, management focused on building up its administrative and finance group and control structure. A major positive step forward occurred during 2011 with the implementation of a new ERP system. Further steps were taken to strengthen the site management team.

The Company's CEO and CFO certify that, as of December 31, 2011, the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the interim filings

are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The control framework the Company's CEO and CFO used to design the Company's ICFR is COSO. There is no material weakness relating to the design of ICFR. There is no limitation on scope of design as described in paragraph 3.3 of NI 52-109.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted as of December 31, 2011 by the Company's management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that, as of December 31, 2011, the Company's DC&P are effective to ensure that information required to be disclosed in reports that we file or submit under Canadian securities legislation is summarized and reported within the time periods specified therein. The Company's management, under the supervision of the CEO and the CFO, has evaluated the effectiveness of its internal control over financial reporting. Based on this evaluation, management has concluded that internal control over financial reporting was effective as of December 31, 2011. There is no limitation on scope of design as described in paragraph 5.3 of NI 52-109. There has been no change in the Company's ICFR that occurred during the year ended December 31, 2011 which has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

RISKS AND UNCERTAINTIES

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

FORWARD-LOOKING STATEMENTS

Certain information included in this Management Discussion and Analysis, including any information as to the Company's strategy, projects, exploration programs, joint venture ownership positions, plans, future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute "forward-looking statements". The words "believe", "expect", "will", "intend", "anticipate", "project", "plan", "estimate", "on track" and similar expressions identify forward-looking statements. Such forward-looking statements are necessarily based upon a number of estimates, assumptions, opinions and analysis made by management in light of its experience that, while considered reasonable, may turn out to be incorrect and involve known and unknown risks, uncertainties and other factors, in each case that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements. Such forward-looking statements are not guarantees of future performance. These assumptions, risks, uncertainties and other factors include, but are not limited to: assumptions regarding general business and economic conditions; conditions in financial markets and the future financial performance of the company; the impact of global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future cash flows; the supply and demand for, deliveries of, and the level and volatility of the worldwide price of gold or certain other commodities (such as silver, fuel and electricity); fluctuations in currency markets, including changes in US dollar and CFA Franc interest rates; risks arising from holding derivative instruments;

adverse changes in our credit rating; level of indebtedness and liquidity; ability to successfully complete announced transactions and integrate acquired assets; legislative, political or economic developments in the jurisdictions in which the Company carries on business; operating or technical difficulties in connection with mining or development activities; employee relations; availability and costs associated with mining inputs and labour; the speculative nature of exploration and development, including the risks of obtaining necessary licenses and permits and diminishing quantities or grades of reserves; changes in costs and estimates associated with our projects; the accuracy of our reserve estimates (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based; contests over title to properties, particularly title to undeveloped properties; the risks involved in the exploration, development and mining business, as well as other risks and uncertainties which are more fully described in the Company's prospectus dated November 11, 2010 and in other Company filings with securities and regulatory authorities which are available at www.sedar.com. Accordingly, readers should not place undue reliance on such forward-looking statements. Teranga expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

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 judgements 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, Deloitte & Touche LLP, have conducted an audit in accordance with generally accepted auditing standards, and their report follows.



Alan R. Hill
Executive Chairman and CEO



Richard S. Young
President and CFO

INDEPENDANT AUDITOR'S REPORT

To the Shareholders of Teranga Gold Corporation

We have audited the accompanying consolidated financial statements of Teranga Gold Corporation and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statement of comprehensive loss, statement of changes in equity and statement of cash flows for the fifteen months 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.

Auditor's Responsibility

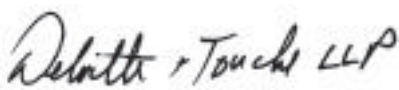
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 auditor's 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 auditor considers 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 in our audit 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 and its subsidiaries as at December 31, 2011, and their financial performance and cash flows for the fifteen months then ended in accordance with International Financial Reporting Standards.



Chartered Accountants
Licensed Public Accountants
February 21, 2012

STATEMENT OF COMPREHENSIVE LOSS

For the fifteen months ended December 31, 2011
(in US\$'000 except for share and per share amounts)

	Note	15 months ended December 31, 2011
Revenue	7	187,141
Cost of sales	8	(151,033)
Gross profit		36,108
Other income	7	848
Stock-based compensation	34	(12,411)
Finance costs	9	(2,946)
Exploration and evaluation expenditures		(31,659)
Administration expenses		(12,043)
Net foreign exchange gains		4,486
Net change in unrealized gains on gold hedge		1,789
Net change in unrealized losses on gold hedge		(113)
		(52,049)
Loss before income tax		(15,941)
Income tax benefit	10	92
Loss for the period		(15,849)
Other comprehensive loss:		
Exchange differences arising on translation of Teranga corporate entity	24	(935)
Loss on valuation of available for sale financial asset, net of tax	23	(1,319)
Other comprehensive loss for the period		(2,254)
Total comprehensive loss for the period		(18,103)
Profit / (Loss) attributable to:		
– shareholders		(18,872)
– non-controlling interests		3,023
Loss for the period		(15,849)
Total comprehensive profit / (loss) attributable to:		
– shareholders		(21,126)
– non-controlling interests		3,023
Loss per share from operations attributable to the shareholders of the Company during the period		
– basic loss per share	25	(0.09)
– diluted loss per share	25	(0.09)

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

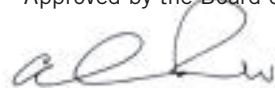
STATEMENT OF FINANCIAL POSITION

For the fifteen months ended December 31, 2011
(in US\$'000 except for share and per share amounts)

	Note	As at December 31, 2011
Current assets		
Cash and cash equivalents	32	7,470
Short-term investments	33	593
Restricted cash	33	3,004
Trade and other receivables	11	20,447
Inventories	12	46,927
Financial derivative assets	13	2,288
Other assets	14	12,751
Available for sale financial asset	23	19,800
Total current assets		113,280
Non-current assets		
Inventories	12	50,786
Financial derivative assets	13	532
Property, plant and equipment	15	256,539
Mine development expenditure	16	100,359
Intangible assets	17	1,085
Total non-current assets		409,301
Total assets		522,581
Current liabilities		
Trade and other payables	18	43,238
Borrowings	19	16,468
Financial derivative liabilities	20	79,241
Provisions	21	1,954
Total current liabilities		140,901
Non-current liabilities		
Financial derivative liabilities	20	50,318
Provisions	21	9,215
Borrowings	19	7,509
Total non-current liabilities		67,042
Total liabilities		207,943
Equity		
Issued capital	22	349,425
Foreign currency translation reserve	24	(935)
Contributed surplus		12,599
Investment revaluation reserve	23	(1,319)
Accumulated losses		(46,208)
Equity attributable to shareholders		313,562
Non-controlling interests		1,076
Total equity		314,638
Total equity and liabilities		522,581

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

Approved by the Board of Directors



Alan R. Hill
Director



Alan R. Thomas
Director

STATEMENT OF CHANGES IN EQUITY

For the fifteen months ended December 31, 2011
(in US\$'000 except for share and per share amounts)

	Note	15 months ended December 31, 2011
Issued Capital		
At October 1, 2010		–
Shares issued on incorporation of the Company		–
Shares issued on the acquisition of the Sabodala gold mine and a regional exploration package	22	230,678
Shares issued from public and private offerings	22	135,005
Less: Share issue costs	22	(16,258)
At December 31, 2011		349,425
Foreign currency translation reserve		
At October 1, 2010		–
Exchange difference arising on translation of Teranga corporate entity	24	(935)
At December 31, 2011		(935)
Contributed surplus		
At October 1, 2010		–
Stock-based compensation		12,599
At December 31, 2011		12,599
Investment revaluation reserve		
At October 1, 2010		–
Change in fair value	23	(1,319)
At December 31, 2011		(1,319)
Accumulated losses		
At October 1, 2010		–
Loss attributable to shareholders		(18,872)
Impact of change in accounting policy	4	(27,336)
At December 31, 2011		(46,208)
Non-controlling interest		
At October 1, 2010		–
Non-controlling interest arising from demerger – November 23, 2010		(1,947)
Non-controlling interest – portion of profit		3,023
At December 31, 2011		1,076
Total shareholders' equity at December 31, 2011		314,638

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

STATEMENT OF CASH FLOWS

For the fifteen months ended December 31, 2011
(in US\$'000 except for share and per share amounts)

	Note	15 months ended December 31, 2011
Cash flows related to operating activities		
Loss for the period		(15,849)
Depreciation	15	28,195
Amortization of intangibles	17	490
Amortization of capitalized borrowing costs	9	328
Amortization of capitalized mine development costs	16	9,433
Unwinding of discount	9	47
Mine restoration and rehabilitation provision	21	425
Stock-based compensation		12,411
Net change in unrealized gains on gold hedge		(1,789)
Net change in unrealized losses on oil hedge		113
Deferred income tax benefit on reversal of temporary differences	10	(231)
Income tax paid		(638)
Changes in working capital	32(b)	(29,120)
Net cash provided by operating activities		3,815
Cash flows related to investing activities		
Increase in restricted cash		(3,004)
Decrease in short-term investments		181
Payments for purchase of property, plant and equipment	15	(60,825)
Payments made on mine development	16	(14,359)
Payments for purchase of intangibles	17	(1,208)
Payment for acquisition of Sabodala gold mine and regional land package net of cash acquired	32(c)	(34,307)
Net cash used in investing activities		(113,522)
Cash flows related to financing activities		
Proceeds from issuance of capital stock, net of issue costs		118,747
Payment of borrowings		(10,849)
Draw down from finance loan facility net of borrowing cost paid		9,612
Interest paid on borrowings		(931)
Net cash provided by financing activities		116,579
Net increase in cash and cash equivalents held		6,872
Cash and cash equivalents at the beginning of financial period		–
Effect of exchange rates on cash holdings in foreign currencies		598
Cash and cash equivalents at the end of financial period		7,470

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the fifteen months ended December 31, 2011
(in US\$'000 except for share and per share amounts)

1. GENERAL INFORMATION

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

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

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

2. DEMERGER FROM MINERAL DEPOSITS LIMITED (“DEMERGER”)

On November 23, 2010, Teranga completed the acquisition of the Sabodala Gold Assets by way of Demerger from MDL. As part of the Demerger certain assets consisting of all of the issued and outstanding shares of Sabodala Gold (Mauritius) Limited (“SGML”), which holds a 90% interest in the Sabodala Gold Operations SA (“SGO”), the holder of the Sabodala gold mine, and a 100% interest in the Sabodala Mining Company SARL (“SMC”), an exploration entity which holds the regional land package; all of the issued and outstanding shares of SGML (Capital) Limited; and 18,699,500 common shares of Oromin Exploration Ltd., originally held by MDL; were transferred to Teranga in consideration for the issuance of 200,000,000 common shares of Teranga to MDL (approximately 160,000,000 of such common shares were then in specie distributed to MDL’s shareholders) and the assumption of a C\$50 million promissory note owing to MDL. As the transaction was a common control transaction, the Company has elected to apply the ‘pooling of interest’ method to account for the demerger (see Note 3).

The table below represents the costs of assets and liabilities acquired by Teranga from MDL by way of Demerger:

As at	November 23, 2010	Restatement ¹	November 23, 2010 Restated
Current assets			
Cash and cash equivalents	14,924		14,924
Trade and other receivables	238,089		238,089
Inventories	82,842	(12,267)	70,575
Financial derivative assets	1,074		1,074
Other assets	2,688		2,688
Available for sale financial asset	21,109		21,109
Total current assets	360,726	(12,267)	348,459
Non-current assets			
Inventories	6,514		6,514
Mine development expenditure	112,710		112,710
Financial derivative assets	1,859		1,859
Intangible assets	367		367
Capitalized mine convention costs	10,133		10,133
Property, plant and equipment	209,023	8,427	217,450
Total non-current assets	340,606	8,427	349,033
Total assets	701,332	(3,840)	697,492
Current liabilities			
Trade and other payables	256,910		256,910
Borrowings	8,630		8,630
Financial derivative liabilities	37,078		37,078
Current tax liabilities	518		518
Provisions	1,696		1,696
Total current liabilities	304,832	0	304,832
Non-current liabilities			
Trade and other payables	1,657		1,657
Financial derivative liabilities	94,270		94,270
Deferred tax liabilities	231		231
Provisions	2,284		2,284
Borrowings	16,256		16,256
Total non-current liabilities	114,698	0	114,698
Total liabilities	419,530	0	419,530
Non-controlling interest	1,563	384	1,947
Net assets	283,365	(3,456)	279,909

Reconciliation of the value of shares issued on the acquisition of the Sabodala gold mine and a regional exploration package:

As at	November 23, 2010	Restatement ¹	November 23, 2010 Restated
Net assets acquired	283,365	(3,456)	279,909
Less deferred compensation (C\$50 million)	(49,231)	0	(49,231)
Value of shares issued on acquisition	234,134	(3,456)	230,678

(1) During the preparation of the consolidated financial statements for the fifteen months ended December 31, 2011, the Company identified two changes required relating to the net assets acquired as part of the demerger from MDL on November 23, 2010. Property, plant and equipment was understated by \$8.4 million related to accelerated depreciation of mobile equipment in excess of the Company's policy. Stockpile inventory was overstated by a total of \$12.3 million due to accelerated depreciation related to mobile equipment and costs assigned to inventory in excess of net realizable value.

The restated net assets as at November 23, 2010 reflect a total decrease of \$3.5 million after adjusting the non-controlling interest with a corresponding adjustment to the Company's share capital.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These 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.

Basis of Presentation

The consolidated financial statements have been presented in United States dollars unless otherwise stated. The consolidated financial statements have been prepared on the basis of historical cost, except for share based payments that are fair valued at the date of grant and other financial assets and liabilities that are measured at fair value.

The transfer of the Sabodala gold mine and a regional land package into the Company is considered a transaction between entities under common control. As such, the Company has presented its financial results on a pooling of interests basis whereby the carrying amounts of the transferred assets and liabilities reflects those previously reported in the financial statements of MDL. Accordingly, the consolidated statements of comprehensive loss, changes in equity and cash flows reflect the corporate activities since incorporation of Teranga on October 1, 2010 and the operations of the Company from November 23, 2010. The accounting policies set out below have been applied consistently.

Change of Fiscal Year

On May 10, 2011 the Board of Directors passed a resolution setting the financial year end of the Company at December 31st. The Board felt this change would better synchronize its financial reporting with that of comparable companies within the mining sector as well as better align its financial reporting with its business planning cycle. For further information on details of this change please refer to the Notice of Change of Year End report filed by the Company on SEDAR pursuant to Section 4.8 of National Instrument 51-102.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, 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 judgements, 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 judgements, estimates and assumptions are reasonable, actual results may differ from the amounts included in the consolidated financial statements.

Judgements 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 judgements in applying the entity’s accounting policies, and key sources of estimation uncertainty.

The following is a summary of the accounting policies adopted by the Company in preparation of the financial statements.

(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, Teranga Gold (USA) Corporation, Sabodala Gold (Mauritius) Limited, and SGML (Capital) Limited and its subsidiaries as defined in IAS 27 “Consolidated and Separate Financial Statements”. A list of subsidiaries is contained in Note 31 to the consolidated financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill 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 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 the statement of comprehensive loss.

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 amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Company.

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

(b) Foreign Currency Transactions and Balances

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 the corporate office is the Canadian dollar and the functional currency of all other entities within the group is the United States dollar. The consolidated financial statements are presented in United States dollars, which is the Company's presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of 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.

Teranga Corporate Entity

The financial results and position of the Company's corporate entity whose functional currency is different from the Company's presentation currency are translated as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at the reporting date
- Income and expenses are translated at average exchange rates for the period
- Equity is translated at the exchange rates prevailing at the date of the transaction
- Exchange differences arising on translation of Teranga corporate entity are transferred directly to the Company's foreign currency translation reserve in the statement of financial position. These differences are recognized in the statement of changes in equity in the period.

(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.

Restricted cash is cash held in the Company's Proceed Account operated by Macquarie Bank Limited that is restricted in use.

When applicable, bank overdrafts are shown within borrowings in current liabilities in the 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. Short-term investments are carried at amortized cost.

(e) Inventories

Gold bullions, gold in circuit and ore stockpile 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 expenditure, including depreciation and amortization, incurred in converting materials into finished goods.

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.

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 on their disposal.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(f) Financial Assets

The Company classifies its financial assets in the following three categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification on its financial assets at initial recognition.

Fair Value Through Profit or Loss

Investments are recognized and de-recognized on 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 or loss.

On disposal of an investment, the difference in the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive loss.

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 rate.

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 impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets 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 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 or 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 equity.

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.

(g) Property, Plant and Equipment

Property, plant and equipment are measured on the cost basis. Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour and borrowing costs where appropriate. Assets under constructions 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 the statement of comprehensive loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight line basis over their useful lives of the asset commencing from the time the asset is held ready for use. The Company uses the units-of-production ('UOP') method when depreciating mining assets which results in a depreciation charge proportional to the depletion of the anticipated remaining life of mine. Mining assets include buildings and property improvements and plant and equipment.

The depreciation is calculated using the following method:

Class of Property, Plant and Equipment	Method	Years
Buildings and property improvements	UOP	
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 – 7.0 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 on 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 the statement of comprehensive loss.

Assets Under Finance Lease

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

(h) 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 balance outstanding. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Refer to Note 3(m).

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. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Lease Incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefits of incentives are recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(i) Mine Development

Development expenditure is recognized at cost less accumulated amortization and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs are amortized over the estimated economic life of the mine on a units-of-production basis.

(j) Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and impairment. 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.

(k) Impairment of Long-lived Assets

At each reporting date the Company reviews the carrying amounts of its 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. 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 the statement of comprehensive loss.

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 the statement of comprehensive loss.

(l) Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to gold and oil price risk, including gold forward contracts and oil hedge contracts.

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 profit or loss 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.

(m) Borrowing Costs

Borrowing 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 borrowing costs are recognized in profit or loss in the period in which they are incurred.

(n) 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.

(o) 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 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.

(p) 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, and 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 annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

(q) 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 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.

In principle, 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 utilised. However, the 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 tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries

and associates and interests in joint ventures except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

(r) Financial Instruments

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 3(t).

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.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

(s) Share-based Payment

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

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.

Stock-based compensation relating to stock options is charged to the statement of comprehensive loss.

(t) Revenue Recognition

Gold and Silver Bullion Sales

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

- 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 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.

Royalties paid and payable are separately reported as expenses.

Interest Revenue

Interest revenue is recognized on a time proportionate basis taking into account the effective yield on the financial assets.

(u) Exploration and Evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are expensed in the consolidated statement of comprehensive loss 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 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 technical feasibility study is completed, subsequent exploration and development expenses are capitalized as mine development expenditures.

Upon reaching commercial production, these capitalized costs will be transferred from mine development expenditures to producing properties on the consolidated statement of financial position and will be amortized using the units-of-production method over the estimated ore reserves.

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.

(v) 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 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.

(w) Joint Venture Arrangements

Interests in jointly controlled assets in which the Company is a venturer and has joint control are included in the consolidated financial statements by recognizing 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.

The Company's interests in assets where the Company does not have joint control are accounted for in accordance with the substance of the Company's interest. Where such arrangements give rise to an undivided interest in the individual assets and liabilities of the joint venture, the Company recognizes its undivided interest in each asset and liability and classifies and presents those items according to their nature.

(x) Government Royalties

Royalties are accrued and charged against earnings when the liability from production of the gold arises.

4. CHANGE IN ACCOUNTING POLICIES

With effect from October 1, 2010, exploration and evaluation expenditures in relation to each separate area of interest are expensed as exploration costs in the consolidated statement of comprehensive loss until the determination of the technical feasibility and the commercial viability of the project. Under MDL's previous policy, exploration and evaluation expenditures were recognized as an exploration and evaluation asset in the year in which they were incurred and assessed for impairment.

As a result of the change in the accounting policy, all exploration costs, including concession costs, in the total amount of \$27.3 million existing before October 1, 2010 and capitalized to exploration assets were de-recognized and expensed through retained earnings. Management believes that the change in the accounting policy results in reliable and more relevant information. Had these exploration and evaluation expenditures been capitalized in the current year's statement of financial position the impact on the basic and diluted EPS would have been a reduction of the loss per share of 15 cents.

5. FUTURE ACCOUNTING POLICIES

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. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 10 – Consolidated Financial Statements

IFRS 10, "Consolidated financial statements" (IFRS 10) was issued by the IASB in May 2011 and will replace SIC 12, "Consolidation – Special purpose entities" and parts of IAS 27, "Consolidated and separate financial statements". Under the existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires an entity that controls one or more other entities to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 10 on its consolidated financial statements.

IFRS 11 – Joint Arrangements

IFRS 11, "Joint arrangements" (IFRS 11) was issued by the IASB in May 2011 and will supersede 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. Venturers will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item on their financial statements. In addition, IFRS 11 will require joint arrangements to be classified as either joint operations

or joint ventures. The structure of the joint arrangement will no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 11 on its consolidated financial statements.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12, “Disclosure of interests in other entities” (IFRS 12) was issued by the IASB in May 2011. IFRS 12 requires enhanced disclosure of information about involvement with consolidated and unconsolidated entities, including structured entities commonly referred to as special purpose vehicles, or variable interest entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 12 on its consolidated financial statements.

IFRS 13 – Fair Value Measurement

IFRS 13, “Fair value measurement” (IFRS 13) was issued by the IASB in May 2011. This standard clarifies the definition of fair value, required disclosures for fair value measurement, and sets out a single framework for measuring fair value. IFRS 13 provides guidance on fair value in a single standard, replacing the existing guidance on measuring and disclosing fair value which is dispersed among several standards. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 13 on its consolidated financial statements.

IAS 1 – Presentation of Financial Statements

An amendment to IAS 1, “Presentation of financial statements” (IAS 1) was issued by the IASB in June 2011. The amendment requires separate presentation for items of other comprehensive income that would be reclassified to profit or loss in the future, such as foreign currency differences on disposal of a foreign operation, if certain conditions are met from those that would never be reclassified to profit or loss. The effective date is July 1, 2012 and earlier adoption is permitted. The Company is currently evaluating the impact of the amendment to IAS 1 on its consolidated financial statements.

IAS 27 – Separate Financial Statements

IAS 27, “Separate financial statements” (IAS 27) was re-issued by the IASB in May 2011 to only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity

prepares separate financial statements. The consolidation guidance is now included in IFRS 10. The amendments to IAS 27 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments to IAS 27 on its consolidated financial statements.

IAS 28 – Investments in Associates and Joint Ventures

IAS 28, “Investments in associates and joint ventures” (IAS 28) was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates, but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments to IAS 28 on its consolidated financial statements.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical Judgements in Applying the Company’s Accounting Policies

The following are critical judgements 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:

Ore Reserves

Management estimates its ore reserves based upon information compiled by Competent Persons with the Canadian Code for Reporting Mineral Resources and Ore Reserves and Qualified Persons as defined in NI 43-101, 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 the statement of comprehensive loss.

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 the corporate office is the Canadian dollar and the functional currency of all other entities within the group is the United States dollar. Functional currency of each of the entities 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.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Units of Production

Management estimates recoverable reserves in determining the depreciation and amortization of mining assets. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates and assumption, including the amount of recoverable reserve. The Company's units of production calculation is based on life of mine gold production.

During the quarter ended June 30, 2011 the Company updated its estimate regarding the expected units of production over the life of the mine based on the additional 123,000 ounces added to the proven and probable reserves as disclosed in the press release the Company issued on May 2, 2011. As a result, the depreciation of certain assets that are amortized under the units of production basis was adjusted, resulting in \$1.7 million lower depreciation cost for the year.

Mine Restoration and Rehabilitation Provision

Management assesses its mine restoration and rehabilitation provision annually. 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 expenditure 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 annually 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, underground mine development or mineable reserve development. It is also at this point that depreciation/depletion commences.

Fair Value of Derivative Financial Instruments

Management assesses the fair value of Teranga's financial derivatives in accordance with the accounting policy stated in Note 3(l) 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 significant impact on the fair valuation attributed to the Company's financial 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 3(s) 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. As there were no historical data available for determination of the fair value of the stock options granted, the Company developed its assumption of volatility based on information available in the mining industry using comparable companies operating in the gold sector.

7. REVENUE

	15 months ended December 31, 2011
Gold sales at spot price	236,232
Silver sales	641
Realized loss on gold forward contracts	(49,732)
	187,141
Sales revenue	
Interest revenue from bank deposits and short-term investments	848
Other income	848

During the fifteen months ended December 31, 2011, 72,000 ounces were delivered into gold hedge contracts at \$846 per ounce, representing 47% of gold sales for the period, and 81,728 ounces of gold were sold into the spot

market at an average price of \$1,537 per ounce resulting in an average realized price for the fifteen months of \$1,213 per ounce.

8. COST OF SALES

	15 months ended December 31, 2011
Cost of sales:	
- mine production costs	127,530
- realized gain on oil hedge contracts	(2,316)
- depreciation and amortization	37,442
- royalties	7,035
- rehabilitation	530
- inventory movements	(19,188)
Total cost of sales	151,033

9. FINANCE COSTS

	15 months ended December 31, 2011
Interest on borrowings	1,317
Amortization of capitalized borrowing costs	328
Unwinding of discount	47
Political risk insurance	1,131
Bank charges	123
Total finance costs	2,946

10. INCOME TAXES

	15 months ended December 31, 2011
Current income tax expense	139
Deferred income tax benefit on reversal of temporary differences	(231)
Total income tax benefit	(92)

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

	15 months ended December 31, 2011
Statutory tax rates 28.8%	
Income tax benefit computed at statutory rates	(4,591)
Non-deductible items	-
Income not subject to tax	-
Difference between deferred and current rate	-
Unrecognized deferred tax assets	4,499
Other	
Income tax benefit	(92)

Deferred income tax assets are recognized for tax loss carry-forwards, property, plant and equipment and the share issuance 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 \$5,291,000 in respect of losses, property, plant and equipment and share issuance costs amounting to \$21,163,000 that can be carried forward against future taxable income. The losses, property,

plant and equipment and share issuance costs amounting to \$21,163,000 will expire in the years 2030 to 2035.

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 \$48,048,000 at December 31, 2011.

11. TRADE AND OTHER RECEIVABLES

	As at December 31, 2011
Current	
Trade receivable (i)	17,120
Other receivables (ii)	3,327
Total trade and other receivables	20,447

(i) Trade receivable relates to gold shipments made prior to December 31, 2011 that were settled on January 3 and January 10, 2012.

(ii) Other receivables primarily include receivables from suppliers for services provided, materials and utilities used at Sabodala gold mine.

12. INVENTORIES

As at December 31, 2011

Current	
Gold bullion	2,152
Gold in circuit	2,539
Ore stockpile – work in progress	17,437
Total gold inventories	22,128
Diesel fuel	1,371
Materials and supplies	21,687
Goods in transit	1,741
Total other inventories	24,799
Total current inventories	46,927
Non-Current	
Ore stockpiles	50,786
Total inventories	97,713

13. FINANCIAL DERIVATIVE ASSETS

As at December 31, 2011

Current	
Oil hedge contracts	2,288
Non-Current	
Oil hedge contracts	532
Total financial derivative assets	2,820

The Company has a hedge agreement with respect to the oil price in order to manage its exposure to commodity risk. The Company hedged 80,000 barrels per annum for four years commencing April 1, 2009 at a flat forward price of

\$70 per barrel (West Texas Intermediate price). At December 31, 2011, the remaining 100,000 barrels were hedged with a market value of \$2.8 million at the reporting date spot price of \$98.8 per barrel.

14. OTHER ASSETS

As at December 31, 2011

Current	
Prepayments (i)	11,251
Security deposit (ii)	1,500
Total other assets	12,751

(i) Prepayments include primarily \$7.9 million advance given for the new mining fleet with the balance representing advances to other contractors.

(ii) The security deposit represents mainly a guarantee in respect of the finance lease facility for the mining fleet.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings & property improvement	Plant and equipment	Office furniture and equipment	Motor vehicles	Plant and equipment under finance lease	Capital work in progress	Total
Cost							
Balance at October 1, 2010	–	–	–	–	–	–	–
Property, plant and equipment arising from demerger – November 23, 2010	30,838	172,424	575	1,774	25,787	26,344	257,742
Additions	–	–	–	–	–	60,825	60,825
Capitalized mine rehabilitation	–	6,459	–	–	–	–	6,459
Transfer	1,378	11,514	704	707	16,308	(30,611)	–
Balance at December 31, 2011	32,216	190,397	1,279	2,481	42,095	56,558	325,026
Accumulated depreciation							
Balance at October 1, 2010	–	–	–	–	–	–	–
Accumulated depreciation arising from demerger – November 23, 2010 – restated	4,102	25,853	399	913	9,025	–	40,292
Depreciation expense	2,701	15,973	272	466	8,783	–	28,195
Balance at December 31, 2011	6,803	41,826	671	1,379	17,808	–	68,487
Net book value							
Balance at December 31, 2011	25,413	148,571	608	1,102	24,287	56,558	256,539

Additions made to property, plant and equipment during the fifteen months ended December 31, 2011 relate mainly to the ongoing mill expansion and additional mining equipment acquired.

The Company has fixed assets that are fully amortized but still in use with gross book value of \$1 million.

16. MINE DEVELOPMENT EXPENDITURE

As at December 31, 2011

Cost	
Balance at October 1, 2010	–
Mine development expenditure arising from demerger – November 23, 2010	127,336
Change of accounting policy* (see Note 4)	(17,277)
Expenditures incurred during the period	14,359
Balance at December 31, 2011	124,418
Accumulated depreciation	
Balance at October 1, 2010	–
Accumulated depreciation arising from demerger – November 23, 2010	14,626
Depreciation expense	9,433
Balance at December 31, 2011	24,059
Carrying amount	
As at December 31, 2011	100,359

* Total impact of the change in accounting policy was \$27.3 million, out of which \$17.3 million relates to mine exploration expenditures and \$10 million relates to mining concession and convention costs.

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

17. INTANGIBLE ASSETS

As at December 31, 2011

Cost	
Balance at October 1, 2010	–
Intangible assets arising from demerger – November 23, 2010	707
Additions	1,208
Balance at December 31, 2011	1,915
Accumulated amortization	
Balance at October 1, 2010	–
Accumulated amortization arising from demerger – November 23, 2010	340
Amortization expense	490
Balance at December 31, 2011	830
Carrying amount	
Balance at December 31, 2011	1,085

Intangible assets represent intangible computer software. Amortization expense is included in the statement of comprehensive loss under Administration expenses.

The following useful life is used in the calculation of amortization: Software – 2.5 years. The remaining amortization period of the majority of our software is 2.25 years.

18. TRADE AND OTHER PAYABLES

As at December 31, 2011

Current	
Unsecured liabilities:	
- trade payables (i)	18,860
- sundry creditors and accrued expenses	13,733
- government royalties (ii)	5,887
- amounts payable to Government of Senegal (iii)	4,758
Total trade and other payables	43,238

- (i) Trade payables comprise obligations by the Company to suppliers of goods and services to the Company. Terms are generally 30 days.
- (ii) Government royalties are payable annually based on the mine head value of the gold and related substances produced.

- (iii) \$4 million to which an annual interest rate of 6% applies is payable to the Government of Senegal relating to the historical cost of acquiring the mine license. The Company anticipates paying this amount along with the accrued interest payable within the next 3 months therefore it is disclosed as current payable.

19. BORROWINGS

As at December 31, 2011

Current

Finance lease liabilities (i)	
- finance lease liabilities	16,799
- borrowing costs	(331)
	16,468

Non-Current

Secured at amortized cost:	
Finance lease liabilities (i)	
- finance lease liabilities	7,573
- borrowing costs	(64)
	7,509
	23,977

(i) SGML (Capital) Limited entered into an amended agreement with Société Générale on July 14, 2010 with a new limit of \$27.8 million to provide for the acquisition of additional mining equipment associated with the Sabodala expansion (\$15.1 million) and the re-gearing of existing equipment (\$2.2 million). During the quarter ended December 31, 2011, the Company finalized the expansion of the mobile equipment loan with Société Générale by an additional \$12.8 million. The amended facility contains a quarterly repayment schedule concluding with the final payment on September 30, 2013. The facility is currently drawn down to \$24.4 million.

(ii) The Project Finance Facility provided by Macquarie Bank Limited for the Sabodala gold mine has been fully repaid as of September 30, 2010.

All of the obligations under the facility with Macquarie Bank Limited continue due to the oil hedge and the gold hedging contracts.

The Macquarie Loan Facility and Société Générale Equipment Lease Facility include typical security packages which involve share pledges as well as mortgages or charges over the physical assets of the material subsidiaries includ-

ing the Sabodala mining concession and its associated property rights. Specifically, the Macquarie Bank Limited security package includes: (i) a fixed and floating charge in respect of all assets of Teranga BVI; (ii) a share mortgage in respect of all shares held by Teranga in Teranga BVI; (iii) a share mortgage over Teranga's shares in SGML; (iv) a share pledge over shares in SGO held by SGML and nominated directors of Teranga and over shares in SMC held by SGML; (v) a fixed and floating charge over all assets of SGML (other than SGML's shares in SMC); (vi) a fixed and floating charge over all SGML's assets located outside of Mauritius; (vii) a fixed and floating charge over all assets of SGO held outside of Senegal; (viii) a mortgage of the Sabodala mining concession and certain real property in Senegal and a pledge over all SGO's assets in Senegal; (ix) an assignment by way of security of SGO's interest in project documents including the Sabodala mining concession and the mining convention; and (x) a pledge agreement in respect of balances of local banking accounts held by SGO in Senegal. Under the Société Générale Equipment Lease Facility the security package includes: (i) a guarantee issued by SGO to Société Générale of up to US\$50,000,000; (ii) a share mortgage over all shares in SGML Capital held by Teranga; and (iii) a fixed and floating charge over all the assets of SGML Capital.

20. FINANCIAL DERIVATIVE LIABILITIES

As at December 31, 2011

Financial derivative liabilities:	
Gold forward contracts	129,559
Disclosed as:	
Current	79,241
Non-current	50,318

At December 31, 2011, the hedge position comprised 174,500 ounces of flat forward sales at an average \$826 per ounce. At December 31, 2011 the mark-to-market gold hedge position at reporting date spot price of \$1,566 was in a liability position of \$129.6 million.

The Company has elected to defer its first quarter 2012 deliveries into its hedge contracts until the second half of

2012 in order to sell all of the Company's gold production at the higher spot price of gold. The Company believes that the deferral of its hedge deliveries in the first quarter of 2012 should ensure that its expected cash flow from operations, along with its cash holdings is sufficient to meet its first and second quarter 2012 obligations including the completion of the mill expansion.

21. PROVISIONS

As at December 31, 2011

Current	
Employee benefits (i)	1,954
Non-Current	
Mine restoration and rehabilitation (ii)	9,215
	11,169

- (i) The current provisions for employee benefits include \$1.6 million accrued vacation and \$0.4 million long service leave entitlements respectively.
- (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 activity will occur at the completion of the active mining and processing (expected completion is 2019) but a limited amount of concurrent rehabilitation will occur through the mine life.

Balance at October 1, 2010	–
Transfer of provision from demerger – November 23, 2010	2,284
Additional provisions recognized	425
Capitalized mine rehabilitation	6,459
Unwinding of discount	47
Balance at December 31, 2011	9,215

During 2011 the existing rehabilitating plan for the mine site was updated by management for increases in environmental disturbance and constructive obligations. The increase during the year reflects cost increases, an expanded operations foot print, refinement in estimated cash outflows, a lower discount rate due to lower interest rates

globally and a refined methodology which increased the liability by \$6.5 million. The most significant components of the liability relate to reclaiming the tailings pond and waste dumps. Management plans to engage a third party during 2012 to review and update the existing rehabilitation study.

22. ISSUED CAPITAL

Common shares issued and outstanding	Number of shares	Amount
Balance at October 1, 2010	–	–
Shares issued on incorporation of the Company	100	–
Shares issued from initial public offering	45,617,900	135,005
Less: Share issue costs	–	(16,258)
Shares issued on demerger – restated	200,000,000	230,678
Balance at December 31, 2011	245,618,000	349,425

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

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

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 attaching 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.

23. AVAILABLE FOR SALE FINANCIAL ASSETS

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

The following table outlines the change in fair value of the investment in Oromin which is recognized in the investment revaluation reserve:

	As at December 31, 2011
Balance at October 1, 2010	–
Acquisition of Oromin arising from demerger – November 23, 2010	21,109
Change in fair value during the period	(1,319)
Foreign exchange gain	10
Balance at December 31, 2011	19,800

24. RESERVE

The foreign currency translation reserve records historical exchange differences arising on translation from the functional currency of the Company's corporate entity into United States dollars which are recorded directly to the foreign currency translation reserve within the consolidated statement of equity.

25. LOSS PER SHARE (LPS)

	15 months ended December 31, 2011
Basic LPS (US\$)	(0.09)
Diluted LPS (US\$)	(0.09)
Basic LPS:	
Net loss used in the calculation of basic LPS	(18,872)
Weighted average number of common shares for the purposes of basic LPS ('000)	215,198
Weighted average number of common shares for the purpose of diluted LPS ('000)	215,198

The determination of the weighted average number of common shares - diluted excludes 18 million shares related to stock options that were antidilutive for the year ended December 31, 2011.

26. DIVIDENDS

During the fifteen months ended December 31, 2011, no dividends were paid.

27. COMMITMENTS FOR EXPENDITURE

(a) Capital Expenditure Commitments

	As at December 31, 2011
Capital expenditure commitments outstanding comprised:	
Sabodala Gold Mine – expansion	21,400
Additional mining equipment	5,045
Payments due within one year	26,445

(b) Exploration Commitments

The Company has committed to spend a total of \$5.6 million over the next year in respect of the Sabodala regional exploration programme.

(c) Sabodala Operating Commitments

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

- Pursuant to the Company's Mining Concession, a royalty of 3% is payable to the Government of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date.
- \$425,000 per annum on social development of local authorities in the surrounding Tambacounda region during the term of the Mining Concession.
- \$30,000 per year for logistical support of the territorial administration of the region from date of notification of the Mining Concession.
- \$200,000 per year on training of Directorate of Mines and Geology officers and Mines Ministry

28. LEASES

(a) Operating Lease Commitments

The Company has entered into an agreement to lease premises until February 27, 2013. The annual rent of premises consists of minimum rent plus realty taxes, maintenance and utilities. In accordance with the lease agreement the amount of \$306,000 is payable within a year and a remaining \$25,000 is payable by February 27, 2013.

During the fifteen months ended December 31, 2011 the Company also entered into an agreement to lease an office space in Dakar, Senegal until April 30, 2014 with an option to renew for an additional 3 years. In accordance with the lease agreement the amount of \$95,000 is payable within a year, \$95,000 is payable in 2013 with a remaining amount of \$32,000 payable in 2014.

The Company recognized \$409,000 as a rental expense in the statement of comprehensive loss.

(b) Finance Lease Liabilities

	Minimum future lease payments	Present value of minimum future lease payments
	December 31, 2011	December 31, 2011
No later than one year	16,799	16,468
Later than one year and not later than five years	7,573	7,509
	24,372	23,977
Included in the financial statements as:		
- current	16,799	16,468
- non-current	7,573	7,509

The finance lease relates to the Mining Fleet Sublease with a remaining lease term of 21 months expiring September, 2013. Minimum future lease payments consist of seven 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.

29. CONTINGENT LIABILITIES

During the December quarter of 2011 SGO received a tax assessment from the Senegalese tax authorities claiming withholding taxes of approximately \$24 million relating to interest paid to SGML Capital under the Mining Fleet Lease facility, director's fees and services rendered by offshore companies. SGO responded to the tax assessment including evidence supporting treatment of withholding taxes

in accordance with the General Tax Code in Senegal. In January 2012 the tax assessment was re-confirmed by the Senegalese tax authorities. We have reviewed the alleged breaches identified by the Senegalese tax authorities with our legal counsel and are confident that they are without merit and that these issues will be resolved with no or an immaterial amount of tax due. As a result, in February 2012 SGO filed a notice to refer the tax assessment to arbitration in accordance with Senegalese laws. The arbitration ruling is appealable to the International Court in Paris.

30. EXPLORATION LICENCES AND JOINTLY CONTROLLED OPERATIONS AND ASSETS

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

Name of venture	Principal activity	Interest 2011 %
Dembala Berola	Gold exploration	100
Massakounda	Gold exploration	100
Senegal Nominees JV – Bransan	Gold exploration	70
NAFPEC JV – Makana	Gold exploration	80
AXMIN JV – Sabodala NW	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
Garaboueya North	Gold exploration	75

Exploration commitments and contingent liabilities

Exploration commitments and contingent liabilities arising from the Company's interests in joint ventures are disclosed in Notes 27.

31. CONTROLLED ENTITIES

	Country of Incorporation	Percentage owned 2011
Controlled entities consolidated		
Teranga Gold B.V.I. (i)	B.V.I.	100
Teranga Gold (USA) Corporation	USA	100
Sabodala Gold (Mauritius) Limited (iii)	Mauritius	100
SGML (Capital) Limited	Mauritius	100
Subsidiaries of Sabodala Gold (Mauritius) Limited:		
Sabodala Mining Company SARL (ii)	Senegal	100
Sabodala Gold Operations SA (ii) (iii)	Senegal	90

(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%) 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% in SGO with the other 89.5% 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% shareholding according to the circumstances at the time.

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

32. CASH FLOW INFORMATION

(a) Reconciliation of Cash and Cash Equivalents

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

	As at December 31, 2011
Cash at bank	5,780
Short-term investments with maturity less than 90 days	1,690
Total cash and cash equivalents	7,470

(b) Reconciliation of Change in Working Capital15 months ended
December 31, 2011

Changes in working capital	
Increase in trade and other receivables	(18,707)
Increase in other assets	(10,062)
Increase in inventories	(20,624)
Increase in trade and other payables	20,015
Increase in provisions	258
Net change in working capital	(29,120)

(c) Non-cash Financing and Investing Activities

On November 23, 2010, Teranga acquired the Sabodala gold mine and a regional exploration land package together with 15% (December 31, 2011:13.76%) of Oromin Exploration Ltd. ("Oromin") in consideration of the issuance of 200 million shares and C\$50 million in satisfaction of a promissory note owing to MDL. The transaction has been recorded as a non-cash transaction, except the C\$50 million repayment of the promissory note. See Note 2.

(d) Cash Balances Restricted for Use

The balance of funds held in SGO's Proceeds Account of \$3 million (per the Project Finance Facility provided by Macquarie Bank Limited) is only available for operating, project and financing (including loan repayments) costs of that entity. Funds are not available for other entities within the Company unless strict criteria are passed. These criteria include technical and financial completion tests, loan ratio tests and sufficient funds remaining in the Proceeds Account to maintain an agreed reserve amount. Funds in the amount of \$3 million are restricted and must always remain in the Proceeds Account, while the Facility Agreement remains in place.

33. 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 losses. The Company is not subject to any externally imposed capital requirements.

Management believes that the cash and cash equivalents at December 31, 2011, together with expected future cash flows from operations is sufficient to support the Company's liquidity requirements. To provide additional financial flexibility, in December 2011, the Company reached an agreement with Macquarie Bank Limited to defer 28,000 ounces that were due for delivery on February 17, 2012 until later in 2012. The deferral of scheduled first quarter deliveries into hedge contracts allows the Company to sell all of its first quarter gold production at higher spot gold prices, allowing the Company to rebuild its cash balance. Once the mill expansion is complete, the production rate is expected to rise and cash cost of production are expected to fall improving cash margins. The improved cash margins combined with expected higher production should allow the Company to increase its cash balance through the year.

The leverage ratio as at December 31, 2011 was as follows:

As at December 31, 2011

Borrowings	(23,977)
Cash and cash equivalents	7,470
Short-term investments	593
Net cash	(15,914)
Equity attributable to the shareholders	313,562
Net cash to equity ratio	-5%

(b) Categories of Financial Instruments

As at December 31, 2011, the Company's financial instruments consisted of cash and cash equivalents, restricted cash, 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 within the fair value hierarchy as at December 31, 2011:

As at December 31, 2011	
Financial assets:	
<i>Loans and receivables</i>	
Cash and cash equivalents	7,470
Restricted cash	3,004
Short-term investments	593
Trade and other receivable	20,447
<i>Assets at fair value through profit or loss</i>	
Financial derivative assets	2,820
<i>Available-for-sale</i>	
Available-for-sale financial assets	19,800
Financial liabilities:	
<i>Other financial liabilities at amortized cost</i>	
Borrowings	23,977
Trade and other payables	43,238
<i>Liabilities at fair value through profit or loss</i>	
Financial derivative liabilities	129,559

(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. As part of the risk management policy the Company has entered into gold forward sales contracts and oil hedge contracts to reduce exposure to unpredictable market fluctuations. The Company has elected not to apply hedge accounting for these instruments.

Derivative Financial Instruments

As at December 31, 2011	
Financial derivative assets:	
Oil hedge contracts	2,820
Disclosed as:	
Current	2,288
Non-current	532
Financial derivative liabilities:	
Gold flat forward contracts	129,559
Disclosed as:	
Current	79,241
Non-current	50,318

Gold Forward Contracts and Oil Hedge Contracts

	Forward Ounces	\$/ounce	Fair Value	Contracts BBL	\$/BBL	Fair Value
Within 1 year	108,500	837	79,241	80,000	70	2,288
Between 1 and 2 years	66,000	807	50,318	20,000	70	532
Total	174,500	826	129,559	100,000	70	2,820

At December 31, 2011, the gold spot price was \$1,566/oz and the oil price was \$98.8/bbl.

As the Company has elected not to adopt hedge accounting, movements in the fair value of these contracts are accounted for through the statement of comprehensive loss.

Sensitivity Analysis

The following table summarizes the sensitivity of financial assets and financial liabilities held at reporting date to movement in gold and oil commodity rates, with all other variables held constant. A 10% movement for gold and oil rates represents management's assessment of the reasonably possible change.

	Financial Assets As at December 31, 2011	Financial Liabilities As at December 31, 2011
Gold forward contracts		
Profit or loss	–	27,289
Other equity	–	–
Oil hedge contracts		
Profit or loss	978	–
Other equity	–	–

(d) Foreign Currency Risk Management

The Company has certain financial instruments denominated in CFA Franc, CAD, AUD, EUR and other currencies. Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to the CFA Franc, CAD, AUD, EUR 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, CAD, AUD, EUR and other currencies.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities that are denominated in a currency other than the functional currency is as follows:

	Financial Assets As at December 31, 2011	Financial Liabilities As at December 31, 2011
CAD	2,627	2,204
CFA Franc (XOF)	4,494	23,118
AUD	837	3,809
EUR	189	6,357
Other	963	1,449

Foreign Currency Sensitivity Analysis

The Company is mainly exposed to CFA Franc, CAD, AUD and EUR. 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% change in the functional currency rates. A negative number indicates a decrease in

profit or equity where the functional currency strengthens 10% against the relevant currency for financial assets and where the functional currency weakens against the relevant currency for financial liabilities. For a 10% weakening of USD against the relevant currency for financial assets and a 10% strengthening for financial liabilities, there would be an equal and opposite impact on net assets and the balances would be positive.

	Financial Assets As at December 31, 2011	Financial Liabilities As at December 31, 2011
CAD Impact		
Profit or loss	263	220
Other equity		
CFA Franc (XOF) Impact		
Profit or loss	449	2,312
Other equity		
AUD Impact		
Profit or loss	84	381
Other equity		
EUR Impact		
Profit or loss	19	636
Other equity		

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. See below:

The following table illustrates the classification of the Company's financial instruments which are exposed to interest rate risk as at December 31, 2011.

	As at December 31, 2011
Financial assets	
Cash and cash equivalents	7,470
Short-term investments	593
Restricted cash	3,004
	11,067
Financial liabilities	
Borrowings	23,977
	(12,910)

The Company's interest rate on its borrowings is calculated at LIBOR plus 3% margin.

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 As at December 31, 2011	Financial Liabilities As at December 31, 2011
Profit or loss	55	120
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 invested in short-term Term Deposits issued by Canadian banks and in sovereign debt. The Company has adopted a strategy to minimize its credit risk by substantially investing in sovereign debt issued by Canadian Agencies, Provinces and the Federal Governments of Canada, and the Australian Government.

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 either delivered into forward sales contracts with Macquarie or sold into the spot market and deposited into the Company's bank account.

The Company is exposed to the credit risk of Senegal banks that hold and disburse cash on behalf of its Senegal subsidiaries. The Company manages its Senegal 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. The amount of \$1.4 million was held at Senegal banks as at December 31, 2011.

(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, and the Australian Government.

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
December 31, 2011					
<i>Financial Liabilities</i>					
Non-interest bearing	–	33,742	–	5,887	–
Variable interest rate instruments	3.37%	–	2,800	13,999	7,573
Fixed interest rate instruments	6.00%	–	2,707	902	–
Derivatives (i)	–	–	–	79,241	50,318
		33,742	5,507	100,029	57,891

(i) Expected to be settled through delivery of gold.

	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
December 31, 2011					
<i>Financial Assets</i>					
Non-interest bearing	–	20,447	–	–	–
Derivatives (i)	–	–	584	1,704	532
		20,447	584	1,704	532

(i) Expected to be settled in cash on a net basis.

(h) Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of derivative instruments are calculated using quoted prices and option pricing models.

Management consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximate their fair value for the Company, as they represent short-term trade amounts.

Fair Value Hierarchy

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

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 and liabilities as at December 31, 2011				
	Level 1	Level 2	Level 3	Total
				\$
<i>Financial assets</i>				–
Cash and cash equivalents	7,470	–	–	7,470
Short-term investments	593	–	–	593
Restricted cash	3,004	–	–	3,004
Available-for-sale financial assets	19,800	–	–	19,800
Derivative financial assets		2,820	–	2,820
	\$ 30,867	\$ 2,820	\$ –	\$ 33,687
				\$
<i>Financial liabilities</i>				–
Derivative financial liabilities		129,559	–	129,559
		\$ 129,559	\$ –	\$ 129,559

34. STOCK OPTIONS

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 fifteen months ended December 31, 2011 a total of 17,980,000 common share stock options were granted to directors, officers, employees and consultants. During the fifteen months ended December 31, 2011 a total of 362,778 options were cancelled. No stock options were exercised during the fifteen month period ended December 31, 2011.

The following stock options were outstanding as at December 31, 2011:

Option series	Number	Grant date	Expiry date	FV at grant date	
				C\$	C\$
Granted on November 26, 2010	10,268,333	26-Nov-10	26-Nov-20	3.00	1.19
Granted on December 3, 2010	3,225,000	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	253,889	27-Apr-11	27-Apr-21	3.00	0.80
Granted on June 14, 2011	455,000	14-Jun-11	14-Jun-21	3.00	0.94
Granted on August 13, 2011	370,000	13-Aug-11	13-Aug-21	3.00	0.82
Granted on December 20, 2011	2,320,000	20-Dec-11	20-Dec-21	3.00	0.61

As at December 31, 2011, approximately 7 million options were available for issuance under the Plan.

The stock-based compensation expense for the fifteen months ended December 31, 2011 was \$12.4 million.

The estimated fair value of stock 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 17,980,000 common share stock options issued

during the fifteen months ended December 31, 2011, 17,805,000 vest evenly over a three-year period and 175,000 vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized as milestones are achieved and the value can be reasonably measured.

As at December 31, 2011 all outstanding stock options have a remaining contractual life of ten years.

Fair Value of Stock Options Granted

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

	15 months ended December 31, 2011
Range of grant date share price	C\$2.14 – C\$3.00
Exercise price	C\$3.00
Range of risk-free interest rate	1.01% – 2.22%
Volatility of the expected market price of share	53%
Weighted average expected life of options	3.44
Dividend yield	0%
Forfeiture rate	6.39%

Volatility was determined using the industry average for comparable-size mining companies due to lack of historical information for the Company.

Movements in Shares Options During the Period

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

	2011	
	Number of options	Weighted average exercise price
Balance at beginning of the period – October 1, 2010	–	–
Granted during the period	17,980,000	C\$3.00
Forfeited during the period	(362,778)	–
Exercised during the period	–	–
Expired during the period	–	–
Balance at end of the period – December 31, 2011	17,617,222	C\$3.00
Number of options exercisable – December 31, 2011	5,133,604	

Share Options Exercised During the Period

There were no options exercised during the fifteen-month period ended December 31, 2011.

35. SEGMENT REPORTING

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

Information regarding geographical and customer segments is presented below.

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:

	15 months ended December 31, 2011
Republic of Senegal – revenue from gold and silver sales	187,141
Republic of Senegal – Other revenue	39
Mauritius	–
Toronto	809
Total	187,989

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

	As at December 31, 2011
Republic of Senegal	404,138
Mauritius	4,088
Toronto	1,075
Total	409,301

Information About Major Customers

Gold sales revenue from one customer for the fifteen months ended December 31, 2011 was \$187 million.

36. KEY MANAGEMENT PERSONNEL COMPENSATION

The names and positions held by key management in office as at December 31, 2011:

Directors

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

Senior Management

Alan Hill	Executive Chairman and CEO
Richard Young	President and CFO
Yani Roditis	Vice President, Operations
Kathy Sipos	Vice President, Investor and Stakeholder Relations
David Savarie	Vice President, General Counsel and Corporate Secretary
Macoumba Diop	General Manager and Government Relations Manager, SGO
Mark English	Mining Operations Manager, SGO
Martin Pawlitschek	Regional Exploration Manager, SMC
Bruce Van Brunt	Business Development Manager, SGO

The remuneration of the key members of management during the fifteen months ended December 31, 2011 is as follows:

	Short term benefits			Equity settled share based payments – value vested during the period	Total
	Salary and Fees ⁽ⁱ⁾	Non-Cash Benefits	Cash Bonus	Options	
for fifteen months ended December 31, 2011					
Compensation	3,567	21	435	8,729	12,752

(i) Salary and fees include consulting payments of \$285,000 made to senior management personnel during the initial public offering, which were paid from proceeds of the IPO at the board approved salary rate.

37. RELATED PARTY TRANSACTIONS

(a) Equity interests in related parties

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

(b) Transactions with key management personnel

Details of key management personnel compensation are disclosed in the Note 36.

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

(c) Transactions with other related parties

The Company has no payable to or receivable from Mineral Deposit Limited as at December 31, 2011.

Shareholdings

The directors representing the Mauritian parent entity were issued one share each for a total of 0.5% in Sabodala Gold Operations SA with the other 89.5% issued to and held by the Mauritian parent Sabodala Gold (Mauritius) Limited. On death or resignation, a share individually held would be transferred to another representative of the relevant Mauritian parent entity or added to its current 89.5% shareholding according to the circumstances at the time.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on February 21, 2012.

CORPORATE DIRECTORY

Directors

Alan Hill

Executive Chairman and CEO

Richard Young

President and CFO

Christopher Lattanzi

Non-Executive Director

Oliver Lennox-King

Non-Executive Director

Alan Thomas

Non-Executive Director

Frank Wheatley

Non-Executive Director

Senior Management

Alan Hill

Executive Chairman and CEO

Richard Young

President and CFO

Yani Roditis

Vice President, Operations

Kathy Sipos

Vice President, Investor and Stakeholder Relations

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Vice President, General Counsel and Corporate Secretary

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General Manager
SGO/Government Relations Manager

Mark English

Mining Operations Manager, SGO

Martin Pawlitschek

Regional Exploration Manager, SMC

Bruce Van Brunt

Business Development Manager, SGO

Registered Office

121 King Street West, Suite 2600
Toronto, Ontario, M5H 3T9, Canada
Tel: +1 416-594-0000
Fax: +1 416-594-0088
Email: generalmailbox@terangagold.com
www.terangagold.com

Senegal Office

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

Auditor

Deloitte & Touche LLP

Share Registries

Canada: Computershare Trust Company of Canada

Tel: +1 800 564 6253
Australia: Computershare Investor Services Pty Ltd
Tel: 1 300 850 505

Stock Exchange Listings

Toronto Stock Exchange,
TSX code: TGZ
Australian Securities Exchange,
ASX code: TGZ



Teranga Gold Corporation

Suite 2600-121 King Street West
Toronto, Ontario, Canada M5H 3T9
Tel: + 1-416-594-0000
Fax: + 1-416-594-0088
Email: investor@terangagold.com
www.terangagold.com