Appendix 4D

Half year report

Expressed in ***United States dollars*** *unless otherwise stated*

ASX Listing Rule 4.2A.3

Name of entity

TERANGA GOLD CORPORATION

ABN or equivalent company reference	Financial half year ended ('current period')
766452-4	30 JUNE 2013

Results for announcement to the market

	Percentage Change	Six months ended June 30 2013 $'000	2012 * $'000
Revenues from ordinary activities	54%	189,061	122,536
Profit from ordinary activities before tax attributable to equity holders of the parent	323%	52,179	12,339
Profit for the period attributable to equity holders of the parent	323%	52,179	12,339

* 2012 comparative amounts have been restated to reflect the Company's adoption if IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine.

OVERVIEW OF THE BUSINESS

Teranga is a Canadian-based gold company which operates the Sabodala gold mine and is currently exploring 10 exploration licenses covering 1,057km^2 in Senegal, comprising the regional land package, surrounding the Sabodala gold mine. The Sabodala gold mine, the regional land package, and shares held in Oromin Explorations Ltd. ("Oromin") are collectively referred to as the Sabodala Gold Assets.

The Sabodala gold mine, which came into operation in 2009, is located 650 kilometres southeast of the capital of Senegal, Dakar within the West African Birimian geological belt in Senegal where approximately 11 million ounces of gold resources have been discovered over the past six years, and lies about 90 kilometres from major gold mines in Mali.

As of March 31, 2013, Teranga had proven and probable reserves of approximately 1.65 million ounces of gold included in measured and indicated resources of 2.94 million ounces of gold and inferred mineral resources of 1.87 million ounces of gold.

Management believes that the combination of the Sabodala gold mine and mill and its regional land package, combined with Oromin Explorations Ltd's ("Oromin") interest in the Oromin Joint Venture Group ("OJVG"), all within trucking distance to the Sabodala mill, provides the basis for growth in reserves and production, resulting in expected growth in earnings and cash flow per share as satellite deposits are processed through the Sabodala mill.

Commentary on the results for the reporting period

Operating Results

Gold sold for the six months ended June 30, 2013 totalled 124,180 ounces. Ounces sold during the first half of 2013 were higher than production for the period due to a drawdown of gold in circuit inventory.

Mining

Total tonnes mined for the six months ended June 30, 2013 were 16 percent higher compared to the same prior year period due to the increase in hauling and drilling capacity of the mining fleet resulting in higher tonnes mined during first quarter of 2013 combined with shorter haul distances to the mill as a result of mining in phase 3 during second quarter of 2013.

Ore tonnes mined for the six months ended June 30, 2013 were 38 percent lower compared to the same prior year period while grades mined were 9 percent lower. This resulted in a decrease in ounces mined for the six months ended June 30, 2013 of 43 percent. This was mainly due to lower ore tonnes mined during second quarter 2013 for the reasons noted above.

Unit mining costs for the six months ended June 30, 2013 were 3 percent higher than the same prior year period, mainly due to higher costs for drilling and blasting enabling better fragmentation for processing together with higher costs for maintenance.

Milling

Ore tonnes milled for the six months ended June 30, 2013 were 32 percent higher than the same prior year period due to an increase in mill capacity as a result of the completion of the mill expansion in the second quarter of 2012.

Significant work was conducted on the processing plant during the first half of 2013 with the objective of reducing the frequency and duration of unplanned downtime and to increase throughput in the crushing circuit to match mill capacity. As a result of the work completed, mill throughput from mid-June through July achieved annualized design capacity of 3.5 million tonnes of primarily hard ore.

Unit processing costs for the six month period ended June 30, 2013 were 17 percent higher than the same prior year period mainly due to higher power costs, higher maintenance costs associated with the planned January and May shutdowns to improve crusher operating time, and an increase in consumables required for the processing of a lower ratio of soft to hard ore blend.

General and Administration

Unit general and administration costs for the six months ended June 30, 2013 were in line with the same prior year period, despite higher tonnes milled due to higher personnel costs and higher property insurance premiums related to the expanded mill and mining fleet.

Gold Production

Gold production for the six months ended June 30, 2013 increased 35 percent to 117,962 ounces of gold compared to the same prior year period due to higher mill throughput as a result of the completion of the mill expansion.

Average Realized Gold Price

During the six months ended June 30, 2013, 124,180 ounces were sold at an average gold price of $1,217 per ounce compared to 73,771 ounces sold at an average price of $1,658 per ounce in the same prior year period. Ounces sold in 2013 were higher than production for the period due to a drawdown of gold in circuit inventory.

As of April 15, 2013, the Company was 100 percent hedge free after having bought back the remaining 14,500 ounces of "out of the money" gold forward sales contracts. As a result, the Company is selling all production at spot gold prices rather than at the much lower hedge price.

Total Cash Costs

Total cash costs for the six months ended June 30, 2013 were $72.3 million compared to cash costs of $45.7 million in the same prior year period. Total cash costs per ounce[1] for the six months ended June 30, 2013 decreased 6 percent to $582 per ounce sold as higher gross mining costs were more than offset by higher capitalization of production phase stripping costs.

All-In sustaining costs

All-in sustaining cost was $943 per ounce for the six months ended June 30, 2013 compared to $1,190 per ounce for the prior year period, a reduction of 21 percent. All-in sustaining costs were lower in 2013 compared to the prior year primarily due to lower capitalized reserve development costs, partially offset by higher mine site operating and capital expenditures.

Financial Results

The net assets of Teranga totaled $436.4 million as at June 30, 2013.

During the three months ended March 31, 2013, the Company entered into a new $50 million finance lease facility with Macquarie Bank Limited (“Macquarie”). The lease facility replaces the finance lease facility previously in place with Societé Generalé (“SocGen”), which was assigned and novated to Macquarie. The proceeds will be put towards additional equipment for the Sabodala pit as well as the new equipment required for the Gora deposit that is currently being permitted. At June 30, 2013, $25.4 million was outstanding.

On July 18, 2013, the Company announced that it amended its existing $60 million loan facility agreement with Macquarie. The amended agreement extends the final repayment date of its existing loan facility agreement by one year to June 30, 2015. The Company will be required to maintain a restricted cash balance of up to $20 million and $40 million of the loan facility will be repaid in five equal quarterly instalments beginning on June 30, 2014. The final $20 million will be repaid with the final instalment on June 30, 2015.

Profit for the Period

Consolidated profit attributable to shareholders of Teranga for the six months ended June 30, 2013 was $52.2 million compared to $12.3 million in the same prior year period. Earnings per share for the six months ended June 30, 2013 were $0.21 per share compared to $0.05 per share in the same period last year. The increases in profit and earnings per share were primarily due to an increase in gross profit from an increase in revenue, gains on gold hedge contracts in the current period compared to losses in the prior period and lower exploration and evaluation expenditures in the current period.

Revenue

Gold revenue for the six months ended June 30, 2013 was $189.1 million compared to gold revenue of $122.5 million for the same prior year period. The increase in gold revenue was driven by a higher volume of gold sales, partially offset by lower spot gold prices. Revenues exclude the impact of realized losses on ounces delivered into forward sales contracts which are classified within gains and losses on gold hedge contracts.

Cost of Sales

Cost of sales for the six months ended June 30, 2013 totalled $108.6 million and consists of mine production costs, depreciation and amortization, royalties, rehabilitation costs and inventory movement costs. This compares with cost of sales of $62.2 million for the six months ended June 30, 2012.

For the six months ended June 30, 2013, mine production costs were $59.4 million compared with $50.7 million in the same prior year period. Higher mine production costs in 2013 were due to higher mining and processing activity.

[1] Total cash costs per ounce and all-in sustaining costs per ounce are non-IFRS measures which do not have standard meanings under IFRS.

Depreciation and amortization for the six months ended June 30, 2013 totalled $37.6 million or $275 per ounce sold compared with $19.9 million in the same prior year period. On a gross cost basis, depreciation was higher in 2013 due to higher gold sales as many of the Company's fixed assets are depreciated using the units of production method of depreciation. In addition, depreciation was higher in 2013 as the plant expansion was completed during the second quarter of 2012, increasing the depreciation base.

For the six months ended June 30, 2013, royalties of $9.4 million were $5.7 million higher than the same prior year period. Higher royalties were due to higher gold sales and an increase in the royalty rate on sales from 3% to 5%, effective January 1, 2013.

Inventory movements for the six months ended June 30, 2013 resulted in an increase to cost of sales of $2.2 million compared to a reduction to cost of sales of $12.1 million for the six months in the prior year period. The 2013 increase to cost of sales is mainly due to a draw-down of gold in circuit inventory.

Exploration and Evaluation

Exploration and evaluation expenditures for the six months ended June 30, 2013 totalled $3.5 million, $8.4 million lower than the same prior year period, reflecting the Company's decision to minimize drilling on the regional land package in the current gold price environment.

Administrative Expense

For the six months ended June 30, 2013, administration expenses were $7.7 million, $0.7 million higher than the same prior year period. The higher costs in 2013 reflect higher expenditures in the corporate & Dakar offices and depreciation expense for IT infrastructure, partially offset by lower legal and consulting costs. Administration costs are expected to decline in the second half of the year as cost containment initiatives are instituted.

Stock Based Compensation

During the six months ended June 30, 2013, a total of 820,000 common share stock options were granted to directors, officers, employees and consultants, all at an exercise price of $3.00 per share, and 1,150,834 common share stock options were cancelled during the six months ended June 30, 2013. No stock options were exercised during the six months ended June 30, 2013.

Of the 16,808,333 common share stock options issued and outstanding as at June 30, 2013, 16,633,333 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 based on our best estimate of the outcome of achieving our results.

Finance Costs

Finance costs for the six months ended June 30, 2013 of $5.6 million reflect interest costs related to the outstanding bank and mobile equipment loans, amortization of capitalized borrowing costs, political risk insurance relating to the project finance facility and bank charges. Finance costs were higher than the same prior year period due to higher debt balances and interest costs on borrowings.

Gold Hedge Contracts

During the six months ended June 30, 2013, the Company bought back the remaining "out of the money" gold forward sales contracts at a cost of $8.6 million and became 100 percent hedge free.

The gain on gold hedge contracts totaled $5.3 million for the six months ended June 30, 2013, resulting from a decrease in the spot price of gold from December 31, 2012.

Oil Hedge Contracts

The oil hedge contracts were completed at March 31, 2013. The gain on settlement of oil hedge contracts totaled $0.5 million for the quarter ended March 31, 2013 and resulted from an increase of $5 per barrel over the December 31, 2012 spot price of oil.

Net Foreign Exchange Loss

The Company generated foreign exchange losses of $0.5 million for the six months ended June 30, 2013 primarily related to realized losses from the Sabodala gold mine operating costs recorded in the local currency and translated into the US dollar functional currency.

Impairment of available for sale financial assets

For the six months ended June 30, 2013, the Company recognized non-cash impairment losses of $4.5 million on the Oromin shares. These impairment losses were based on further declines in Oromin's share price. This compares to a non-cash impairment loss of $11.9 million for the six months in the prior year.

Other expense

Other expenses were $3.7 million for the six months ended June 30, 2013. This compares to other expenses of $2.3 million for the same prior year period. The increase in the current year is related to costs associated with the offer to acquire Oromin and non-recurring legal and other expenses.

Cash Flow

Operating Cash Flow

For the six months ended June 30, 2013, operating cash flow provided $44.5 million compared to $31.3 million in the same prior year period. The increase was primarily due to higher profit in the current year and lower buy-back of "out of the money" gold forward sales contracts, partially offset by a decrease in operating cash flow due to the delivery of 45,289 ounces into the hedge book during the first quarter of 2013.

Investing Cash Flow

For the six months ended June 30, 2013, net cash used in investing activities was $48.1 million compared to $55.6 million in the same prior year period. The decrease was due to lower mine site and development capital in the current year and lower expenditures for capitalized reserve development, partially offset by higher capitalized deferred stripping costs in 2013 and a cash inflow in the prior year of restricted cash.

Financing Cash Flow

Net cash provided by financing activities for the six months ended June 30, 2013 was $7.9 million compared to net cash provided by financing activities of $52.6 million in the same prior year period. Net cash provided by financing activities for the six months ended June 30, 2013 include proceeds of $13.8 million received from Macquarie Bank Limited ("Macquarie") and interest paid on borrowings of $3.2 million. Financing cash flows in 2012 include proceeds from the loan facility of $58.0 million and proceeds from the finance lease facility of $2.9 million, partially offset by repayments of the finance lease facility of $7.7 million.

Dividends (distributions)

	Amount per security	Franked amount per security
Interim dividend	–	–
Previous corresponding period	–	–
Record date for determining entitlements to the dividend	–	

During the reporting period, no dividends were paid. The directors have not recommended the payment of a dividend.

Net tangible assets per common share

	2013	2012 *
Net tangible asset backing per common share	$1.77	$1.17

* 2012 comparative amounts have been restated to reflect the Company's adoption if IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine.

Details of entities over which control has been acquired or disposed of

During the reporting period, there were no entities acquired or disposed of.

Dividends

During the reporting period, no dividends were paid. The directors have not recommended the payment of a dividend.

Dividends per share

		Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Final dividend:	Current year	–	–	–
	Previous year	–	–	–
Interim dividend:	Current year	–	–	–
	Previous year	–	–	–

Total dividend per share

		Current Period	Previous period
Final dividend:	Paid/payable on	–	–
Interim dividend:	Paid/payable on	–	–

Dividend reinvestment plans

Teranga does not have a dividend reinvestment plan.

Details of aggregate share of profits (losses) of associates and joint venture entities

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

Name of venture	Principal activity	Interest at June 30, 2013 %
Dembala Berola	Gold exploration	100
Massakounda	Gold exploration	100
Senegal Nominees JV – Bransan	Gold exploration	70
NAFPEC JV – Makana	Gold exploration	80
AXMIN JV - Heremakono	Gold exploration	80
AXMIN JV - Sounkounkou	Gold exploration	80
Bransan Sud	Gold exploration	100
Sabodala Ouest	Gold exploration	100
Saiansoutou	Gold exploration	100
Garaboureya North	Gold exploration	75

Compliance Statement

1 This report, and the accounts upon which this report is based, have been prepared in accordance with International Financial Reporting Standards (IFRS), specifically in accordance with IAS 34 “Interim financial reporting”, and Interpretations as issued by the International Accounting Standards Board (IASB).

2 This report, and the accounts upon which the report is based, use the same accounting policies.

3 This report gives a true and fair view of the matters disclosed.

4 This report is based on accounts to which one of the following applies.

- ☐ The accounts have been audited.
- ☑ The accounts have been subject to review.
- ☐ The accounts are in the process of being audited or subject to review.
- ☐ The accounts have *not* yet been audited or reviewed.

5 If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately if they are available.

6 This Half-year report was reviewed by the audit committee of Teranga.

Sign here: .... Date: August 27, 2013
Vice President and Chief Financial Officer

Print name: Navin Dyal

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The Audit Committee of the Board of Directors
Teranga Gold Corporation
121 King Street West, Suite 2600
Toronto ON M5H 3T9
Canada

6 August 2013

To the Audit Committee of Teranga Gold Corporation:

In accordance with our engagement letter dated 18 April 2013, we have reviewed the interim condensed consolidated balance sheet of Teranga Gold Corporation (the "Company") as at 30 June 2013 and the interim statements of earnings and comprehensive income, shareholders' equity and cash flows for the three month and six month periods then ended. These interim condensed consolidated financial statements are the responsibility of the Company's management.

We performed our review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor (an "interim review"). Such an interim review consists principally of applying analytical procedures to financial data, and making inquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our review, we are not aware of any material modification that needs to be made for these interim condensed consolidated financial statements to be in accordance with IAS 34 "interim financial reporting". This report is solely for the use of the Audit Committee of the Company to assist it in discharging its regulatory obligation to review these interim condensed consolidated financial statements, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

Yours very truly,

Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants