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 2014

Results for announcement to the market

		Six months ended June 30	
	Percentage Change	2014 $'000	2013 $'000
Revenues from ordinary activities	(33%)	127,324	189,061
Profit (loss) from ordinary activities before tax attributable to equity holders of the parent	NA	(8,061)	52,179
Profit (loss) for the period attributable to equity holders of the parent	NA	(8,061)	52,179

OVERVIEW OF THE BUSINESS

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

Teranga operates the Sabodala gold mine and is currently exploring nine exploration licenses covering 1,055km^2 in Senegal, comprising the regional land package that is surrounding the Company's Sabodala gold mine.

On October 4, 2013, Teranga completed the acquisition of Oromin Explorations Ltd. ("Oromin"). Oromin held a 43.5 percent participating interest in the Oromin Joint Venture Group ("OJVG") which holds 90 percent of Societe des Mines de Golouma S.A. ("Somigol").

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

The acquisition of Bendon and Badr's interests in the OJVG increased Teranga's ownership to 100 percent and consolidates the Sabodala region, increasing the size of Teranga's mine license land holding from 33km^2 to 246km^2 and more than doubling the Company's reserve base by combining the two permitted mine licenses.

The OJVG holds a 15 year renewable mining lease in respect of the Golouma Gold Concession, which is located contiguous to the Sabodala mine license.

Commentary on the results for the reporting period

Financial and Operating Highlights

(US$000's, except where indicated)	Three months ended June 30		Six months ended June 30	
Operating Data	2014	2013	2014	2013
Gold Produced (ounces)	39,857	49,661	91,947	117,962
Gold Sold (ounces)	44,285	54,513	98,052	124,180
Average realized gold price[1]	1,295	1,379	1,294	1,217
Total cash costs ($ per ounce sold)[2]	815	642	750	582
All-in sustaining costs ($ per ounce sold)[2]	1,060	1,185	925	1,024
Total depreciation and amortization ($ per ounce sold)[2]	281	284	307	275

	Three months ended June 30		Six months ended June 30	
Financial Data	2014	2013	2014	2013
Revenue	57,522	75,246	127,324	189,061
Profit (loss) attributable to shareholders of Teranga	(12,018)	7,196	(8,061)	52,179
Per share	(0.04)	0.03	(0.02)	0.21
Operating cash flow	(9,793)	20,838	4,510	44,478
Capital expenditures	6,846	25,990	9,555	48,166
Free cash flow [3]	(16,639)	(5,152)	(5,045)	(3,688)
Cash and cash equivalents (including bullion receivables and restricted cash)	28,381	53,536	28,381	53,536
Net debt[4]	280	28,925	280	28,925
Total assets	706,182	583,937	706,182	583,937
Total non-current financial liabilities	128,069	20,484	128,069	20,484

Note: Results include the consolidation of 100% of the OJVG's operating results, cash flows and net assets from January 15, 2014.

[1] In 2013, includes the impact of 45,289 ounces delivered into gold hedge contacts at an average price of $806 per ounce.

[2] Total cash costs per ounce, all-in sustaining costs per ounce and total depreciation and amortization per ounce are prior to a non-cash inventory write-down to net realizable value and are non-IFRS financial measures that do not have a standard meaning under IFRS. Please refer to Non-IFRS Performance Measures at the end of this report.

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

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

Operating Results

		Three months ended June 30		Six months ended June 30	
Operating Results		2014	2013	2014	2013
Ore mined	('000t)	974	698	2,236	2,011
Waste mined - operating	('000t)	5,233	2,683	11,384	5,197
Waste mined - capitalized	('000t)	458	4,770	955	9,792
Total mined	('000t)	6,665	8,151	14,575	17,000
Grade mined	(g/t)	1.39	1.59	1.51	1.77
Ounces mined	(oz)	43,601	35,728	109,053	114,657
Strip ratio	waste/ore	5.8	10.7	5.5	7.5
Ore milled	('000t)	817	709	1,710	1,405
Head grade	(g/t)	1.69	2.36	1.86	2.83
Recovery rate	%	89.8	92.3	89.9	92.2
Gold produced[1]	(oz)	39,857	49,661	91,947	117,962
Gold sold	(oz)	44,285	54,513	98,052	124,180
Average realized price	$/oz	1,295	1,379	1,294	1,217
Total cash cost (incl. royalties)[2]	$/oz sold	815	642	750	582
All-in sustaining costs[2]	$/oz sold	1,060	1,185	925	1,024
Mining	($/t mined)	2.90	2.64	2.85	2.62
Milling	($/t milled)	21.29	23.77	19.68	23.13
G&A	($/t milled)	4.92	6.25	4.88	6.21

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

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

Gold sold for the six months ended June 30, 2014 totalled 98,052 ounces compared to 124,180 ounces sold in the prior year period. Ounces sold during the first half of 2014 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, 2014 were 14 percent lower compared to the same prior year period. Mining activities in the current year were solely focused on lowering the benches of phase 3 of the Sabodala pit which has an overall reduced stripping ratio. In the same prior year periods, mining activities were focused on completing phase 2 near the bottom of the Sabodala pit combined with primarily waste stripping of the upper benches of phase 3.

Ore tonnes mined for the six months ended June 30, 2014 were 11 percent higher than the same prior year period as mining activities in the prior year periods were mainly focused on waste stripping of phase 3.

Ore tonnes and overall grade mined in the second half of the quarter were lower than planned as mining activity focused on a peripheral area of the Sabodala ore body on the upper benches of phase 3. This area of the ore body has shown less continuity than in other peripheral areas previously mined. Greater variation in grade and thickness and complexity in the geometry and continuity resulted in lower than expected grades and ore tonnage. Management changed its practices for ore recovery in these areas by increasing sampling, revising blast hole modeling and mining the ore zones at 5 metre benches from the previous 10 metre bench intervals.

In addition, access to a high grade area of the deposit, scheduled for mining in the second quarter, was deferred into the third quarter due to bench access constraints which required a small redesign of phase 3. This modification adds 1.3 million waste tonnes to the 2014 plan that was originally scheduled for mining in phase 4 of the Sabodala pit. Mining through the balance of the year is primarily taking place in the high grade area of the Main Flat Zone. This is expected to lead to higher ore grades mined and processed in the second half of 2014. Provided grades and ore tonnes mined are on plan, the Company remains on track to meet its 2014 production guidance of 220,000 to 240,000 ounces but expects production at the lower end of the range.

Total mining costs for the six months ended June 30, 2014 were 7 percent lower than the same prior year period due to decreased material movement, partly offset by higher costs for light fuel oil (LFO) and higher costs associated with the redesign of phase 3 and mining in 5 metre benches from the previous 10 metres. Unit mining costs for the six months ended June 30, 2014 were 9 percent higher than the same prior year period due to fewer tonnes mined. Mining is concentrated on the lower benches of phase 3 of the mine plan with limited space resulting in lower productivity.

Milling

Ore tonnes milled for the six months ended June 30, 2014 were 22 percent higher than the same prior year period due to improvements made during the first and second quarters of 2013 to reduce the frequency and duration of unscheduled operational downtime and increase throughput in the crushing circuit to better match mill capacity. During the second quarter of 2014, scheduled maintenance of the crushing and milling circuits resulted in a net 10 days of planned and unplanned downtime in May, due to repairs to the secondary cone crusher, replacement of high wear components in the SAG mill and repairs to the primary crusher. No major downtime scheduled for the balance of the year.

Processed grade for the six months ended June 30, 2014 was 34 percent lower than the same prior year period, as mill feed during 2014 was sourced from ore from phase 3 of the Sabodala pit at grades closer to reserve grade. In the prior year period, mill feed was primarily sourced from a high grade zone on the lower benches of phase 2 of the Sabodala pit.

Total processing costs for the six months ended June 30, 2014 were 4 percent higher than the same prior year period, mainly due to higher mill throughput. Unit processing costs for the six months ended June 30, 2014 were 15 percent lower than the prior year period due to higher tonnes milled.

General and Administration

Total mine site general and administrative costs for the six months ended June 30, 2014 were 8 percent lower than the prior year mainly due to lower insurance costs. Unit general and administration costs for the six months ended June 30, 2014 were 21 percent lower than the same prior year period due to lower general and administrative costs and higher tonnes milled.

Gold Production

Gold production for the six months ended June 30, 2014 was 22 percent lower than the same prior year period, due to lower mined and processed grade partly offset by higher tonnes milled.

Average Realized Gold Price

During the six months ended June 30, 2014, 98,052 ounces were sold at an average gold price of $1,294 per ounce compared to 124,180 ounces sold at an average price of $1,217 per ounce in the same prior year period. Ounces sold in 2014 were higher than production for the period due to a drawdown of gold in circuit inventory.

Total Cash Costs

Total cash costs per ounce, excluding a non-cash inventory write-down to net realizable value ("NRV"), for the six months ended June 30, 2014 were 29 percent higher than the same prior year period. The increase in total cash costs per ounce was mainly due to lower production and lower capitalized deferred stripping compared to the year earlier period.

All-In sustaining costs

All-in sustaining costs per ounce, excluding the non-cash inventory write-down to NRV, for the six months ended June 30, 2014 were 10 percent lower than the same prior year period. All-in sustaining costs per ounce were lower due to lower capital expenditures in the current year period.

Financial Results

The net assets of Teranga totaled $483.1 million as at June 30, 2014.

On May 1, 2014, the Company closed on its offering of 36,000,000 common shares at a price of C$0.83 per share for gross proceeds of C$29.9 million, with a syndicate of underwriters. Net proceeds were $25.4 million after consideration of underwriter fees and expenses totaling approximately $1.9 million.

Profit for the Period

Consolidated loss attributable to shareholders of Teranga for the six months ended June 30, 2014 was $8.1 million compared to consolidated profit of $52.2 million in the same prior year period. Loss per share for the six months ended June 30, 2014 was $0.02 per share compared to earnings per share of $0.21 in the prior year period. The decrease in profit and earnings per share over the prior year period were primarily due to a non-cash inventory write-down to NRV totaling $13.4 million and lower revenues.

Revenue

Gold revenue for the six months ended June 30, 2014 was $127.3 million compared to gold revenue of $189.1 million for the same prior year period. The decrease in gold revenue was due to lower sales volume from lower production and lower spot gold prices in the current year. Revenues for the prior year 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, 2014 totalled $117.5 million and consists of mine production costs, depreciation and amortization, royalties, rehabilitation costs and inventory movement costs. This compares with cost of sales of $108.6 million for the six months ended June 30, 2013.

For the six months ended June 30, 2014, mine production costs, before capitalized deferred stripping, were $84.1 million, compared to $87.9 million in the prior year period. Lower total mining costs as a result of lower material movement were partially offset by higher processing activity.

Depreciation and amortization for the six months ended June 30, 2014 totaled $31.8 million, compared to $37.6 million in the prior year period. Depreciation was lower for the six months ended June 30, 2014 due to lower depreciation on property, plant and equipment and mine development expenditures compared to the prior year periods, partially offset by higher depreciation of deferred stripping balances. Approximately 80 percent of the Company's fixed assets are depreciated using the units of production method of depreciation.

For the six months ended June 30, 2014, royalties were $5.9 million compared to $9.4 million in the prior year period. Royalties were $3.5 million lower than the prior year period due to lower sales revenue in the current year period.

Inventory movements for the six months ended June 30, 2014 resulted in a decrease to cost of sales $14.7 million, compared to an increase to cost of sales of $2.2 million for the same prior year period after reflecting the non-cash inventory write-down.

During the six months ended June 30, 2014, the Company recognized a non-cash write-down on long-term low-grade ore stockpile inventory of $13.4 million, as a result of an increase in costs added to low-grade ore stockpiles during the quarter. Fewer ounces mined during the quarter resulted in an increase in the per ounce cost of inventory (including applicable overhead, depreciation and amortization). Higher per ounce inventory costs have a greater impact on low-grade stockpile values because of the higher future processing costs required to produce an ounce of gold. The non-cash write-down represents the portion of historic costs that would not be recoverable based on the Company's long-term forecasts of future processing and overhead costs at a gold price of $1,237 per ounce (including the impact of the Franco-Nevada gold stream). Fluctuations in the mine plan result in wide fluctuations in the per ounce cost of our long-term ore stockpiles. During periods where fewer ounces are mined, per ounce costs rise, while during those periods when mining takes place in higher grade areas, per ounce costs fall. As mining takes place in higher grade areas of Sabodala and Masato, a portion of this non-cash write-off is expected to reverse over the course of the balance of the year. Conversely, should long-term gold prices decline or future costs rise, there is a potential for further NRV adjustments.

Exploration and Evaluation

Exploration and evaluation expenditures for the six months ended June 30, 2014 totaled $1.7 million, compared to $3.5 million in the prior year period.

Administrative Expense

Administration expenses for the six months ended June 30, 2014 were $8.0 million compared to $7.7 million in the prior year period. Higher social community costs related to the acquisition of the OJVG and additional staffing in the Dakar office were largely offset by lower depreciation.

Stock Based Compensation

During the three and six months ended June 30, 2014, 130,000 common share stock options were granted. During the three months ended June 30, 2014, 59,028 common share stock options were cancelled and during the six months ended June 30, 2014, 707,917 common share stock options were cancelled. During the three and six months ended June 30, 2013, a total of 310,000 and 820,000 common share stock options were granted to directors, officers, and employees, all at an exercise price of C$3.00 per share, and 670,278 and 1,150,834 common share stock options were cancelled. No stock options were exercised during the either period.

Of the 23,159,933 common share stock options issued and outstanding as at June 30, 2014, 15,248,333 vest over a three-year period, 7,911,600 are already vested and 175,000 vests based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized based on our best estimate of outcome of achieving our results.

In order to allow non-executive directors and employees to participate in the long-term success of the Company and to promote alignment of interests between directors/employees and shareholders, the Company introduced a new Deferred Share Unit Plan ("DSU Plan") for non-executive directors and a new Restricted Share Unit Plan ("RSU Plan") for employees during the second quarter 2014. DSUs represent a right for a non-executive director to receive an amount of cash (subject to withholdings), on ceasing to be a director of the Company, equal to the product of (i) the number of DSUs held, and (ii) the volume weighted average trading price of the Company's shares for the five trading days prior to such date. For employees, RSUs are not convertible into Company stock and simply represent a right to receive an amount of cash (subject to withholdings), on vesting, equal to the product of i) the number of RSUs held, and ii) the volume weighted average trading price of the Company's shares for the five trading days prior to such date. RSUs will generally vest as to 50 percent in thirds over a three year period and as to the other 50 percent, in thirds upon the achievement of performance-based criteria.

During the six months ended June 30, 2014, the Company granted 2,329,600 RSUs at a price of C$0.72 per unit. At June 30, 2014 there were no units vested and no units were cancelled. The Company granted 545,000 DSUs during the six months ended June 30, 2014 at a price of C$0.72 per unit. At June 30, 2014 there were no units vested and no units were cancelled.

Finance Costs

Finance costs reflect interest costs related to the outstanding bank and mobile equipment loans, amortization of capitalized deferred financing costs, political risk insurance relating to the project finance facility and bank charges. Finance costs for the six months ended June 30, 2014 were $4.8 million, compared to $5.6 million in the prior year period. Finance costs were $0.8 million lower than the same prior year period primarily due to lower interest on borrowings as a result of the repayment of $30.0 million under the project loan facility in first quarter 2014.

Gold Hedge Contracts

For the six months ended June 30, 2014, there were no forward sales contracts outstanding.

During the three 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. During the three months ended March 31, 2013, 45,289 ounces were delivered into forward sales contracts at an average price of $806 per ounce. 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

For the six months ended June 30, 2014, there were no oil hedge contracts outstanding since the oil hedge contracts were completed at March 31, 2013. The gain on settlement of oil hedge contracts totaled $31 thousand for the quarter ended March 31, 2013 and resulted from an increase in the spot oil price over December 31, 2012.

Net Foreign Exchange Losses

The Company generated foreign exchange losses of $nil for the six months ended June 30, 2014 and generated losses of $0.5 million for the same prior year period, 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.

Loss on available for sale financial assets

For the six months ended June 30, 2014, there was no loss recognized on available for sale financial assets. For the six months ended June 30, 2013, non-cash losses of $4.5 million were recognized on the Oromin shares based on further declines in Oromin’s share price, relative to a previous impairment loss that was recorded as at December 31, 2012.

Other expense

Other expenses were $ $2.0 million for the six months ended June 30, 2014. This compares to other expenses of $3.7 million for the six months in the prior year period. The expenses in the current year relate to costs associated with the acquisitions of Oromin and the OJVG. The prior year period expenses 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, 2014, operating cash provided $4.5 million compared to $44.5 million in the same prior year period. The decrease was primarily due to lower revenues, including the impact of delivering a portion of current period production to Franco-Nevada at 20 percent of gold spot prices. In 2013, operating cash flow included a use of cash to buy-back-back the remaining “out of the money” gold forward sales contracts and the delivery of 45,289 ounces into the hedge book at $806 per ounce.

Investing Cash Flow

For the six months ended June 30, 2014, net cash used in investing activities was $117.1 million compared to $48.1 million in the same prior year period. The increase in cash flow used in investing activities was due to the acquisition of the OJVG of $112.5 million, partially offset by lower sustaining and development capital expenditures, lower capitalized deferred stripping costs and lower capitalized reserve development expenditures in the current year, as well as a $5.0 million decrease in the restricted cash balance.

Financing Cash Flow

Net cash provided by financing activities for the six months ended June 30, 2014 was $111.0 million compared to net cash provided by financing activities of $7.9 million in the same prior year period. Financing cash flows in 2014 include proceeds of $135.0 million received from the Franco-Nevada gold stream transaction and net proceeds of $25.4 million from the equity offering, partially offset by the repayment of borrowings of $46.4 million and interest paid on borrowings of $2.1 million. Financing cash flows in 2013 include proceeds of $13.8 million received from the finance facility, partially offset by interest paid on borrowings of $3.2 million and advance dividends paid to the Republic of Senegal of $2.7 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

	2014	2013
Net tangible asset backing per common share	$1.37	$1.77

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

During the third and fourth quarters of 2013, the Company issued 71,183,091 Teranga shares to acquire all of the Oromin shares (Oromin being one of the three joint venture partners holding 43.5 percent of the OJVG) for total consideration of $37.8 million.

On January 15, 2014, the Company acquired the balance of the OJVG that it did not already own from Bendon International Ltd. (“Bendon”) and Badr Investment Ltd. (“Badr”).

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, 2014 %
Dembala Berola	Gold exploration	100
Massakounda	Gold exploration	100
Senegal Nominees JV – Bransan	Gold exploration	70
AXMIN JV – Sabodala NW (i)	Gold exploration	80
AXMIN JV - Heremakono	Gold exploration	80
AXMIN JV - Sounkounkou	Gold exploration	80
Bransan Sud	Gold exploration	100
Sabodala Ouest	Gold exploration	100
Saiansoutou	Gold exploration	100
Garaboureya North	Gold exploration	75

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: July 30, 2014
Vice President and Chief Financial Officer

Print name: Navin Dyal