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PRESS RELEASE
For Immediate Release

TSX Trading Symbol: TGZ
ASX Trading Symbol: TGZ

JUNE QUARTER REPORT

Toronto, Canada: August 11, 2011

For a full explanation of results, please see the Financial Statements and Management Discussions & Analysis at www.terangagold.com.

Operating / Exploration highlights

- Exploration budget for 2011 expanded to 17 drill rigs and $33 million due to encouraging exploration results up from the earlier budget of $25 million
  - Mining Licence ("ML") drilling results increase potential for open pit reserve expansion at Sabodala.
  - Drilling at the high-grade Gora deposit continues to return highly mineralized intersections with the deposit remaining open in all directions. A ground IP survey completed in June has delivered additional anomalies for further follow up drilling.
  - Reconnaissance drilling has confirmed the potential for a new discovery of a second regional deposit at Toumboumba, where drilling continues to return ore-grade intersections.
  - Early drilling at Majiva returned several encouraging intersections from the southern extension of the Niakafiri structural intersection.
- Gold production for the three months ended June 30, 2011 was 32,480 ounces. Gold sold for the three months ended June 30, 2011 total 35,407 ounces at total cash costs of $879 per ounce sold. Total cash costs were higher than previous quarters but on budget as higher fuel and maintenance costs were offset by higher than budget sales.
- For calendar 2011, Sabodala is on track to produce 140,000 ounces of gold and sell 144,000 ounces of gold at total cash costs of $750 to $775 per ounce.
- For calendar 2012, Sabodala is expected to produce 220,000 ounces of gold at total cash costs of $575 to $625 per ounce, primarily due to the completion of the mill expansion allowing for higher throughput resulting in higher production and lower mining cost per ounce due to a decrease in the ore to waste strip ratio.
- The plant expansion from 2 Mtpa to approximately 4 Mtpa is underway and is expected to be completed during the first quarter of 2012. Most of our major components are either on site or scheduled for shipment.

Financial highlights

- Net loss for the three months ended June 30, 2011 totalled $9.7 million or $0.04 per share, while net loss for the nine months totalled $3.4 million or $0.03 per share largely due to accelerated deliveries under gold hedge agreements that reduced revenue by $15.6 million and $28 million for the quarter and nine month periods, respectively as well as lowering earnings. As well, higher exploration and stock based compensation costs also contributed to the loss for the quarter and nine month period.
- Cash and cash equivalents including short term investments and restricted cash total $65.9 million at quarter end.
- Revenue of $38.3 million for the three months ended June 30, 2011 represents a shipment of 35,407 ounces of gold, out of which 23,000 ounces were delivered into gold hedge contracts at $846 per ounce and 12,407 ounces were sold into the spot market at an average price of $1,522 per ounce resulting in an average realized price for the quarter of $1,083 per ounce. Higher gold prices allowed the Company to deliver 65 percent of sales into hedge contracts for the quarter, compared to 52 percent for the nine month period while still maintaining a high cash balance to fund the mill expansion and exploration program.
- Accelerated deliveries into gold hedge contracts during the quarter ended June 30, 2011 reduced the balance outstanding to 198,500 ounces of gold. The Company's objective is to eliminate the hedge book entirely as quickly and prudently as possible.
- On June 30, 2011, the Company entered into an equipment supply contract for the purchase of mining equipment for a total of $14.4 million, which is expected to be used primarily for the development of the Gora deposit. The purchase of this mining equipment is expected to be largely financed by expansion of the mobile equipment loan with Société Générale.
- Capital expenditures for the quarter ended June 30, 2011 were $15.3 million. Capital expenditures for the balance of calendar 2011 are expected to total $52.8 million, primarily for the mill expansion, mining equipment and ML exploration costs.
- The Company passed a resolution changing the fiscal year from June 30 to December 31.

Review of Operations

Gold production for the Sabodala gold mine for the three-and-nine months ended June 30, 2011 was 32,480 ounces and 102,530 ounces, respectively. Gold sold for the three months ended June 30, 2011 total 35,407 ounces at total cash costs of $879 per ounce, in line with budget, while gold sold for the nine months ended June 30, 2011 was 108,353 ounces of gold at total cash costs of $766 per ounce. The higher cost reflects a number of one time maintenance items in the mine and mill. Gold production for the twelve months from July 1, 2010 to June 30, 2011, was 137,633 ounces of gold, 5 percent higher than our guidance, at total cash costs of $722 per ounce which was 11 percent lower than our guidance during the Company's initial public offering. The lower cash costs were due to higher production and lower mining costs. The higher cash costs in calendar 2011 reflect higher mining costs related to additional stripping required as part of the mill expansion that adds approximately $120 per ounce to cash costs. Mining cost per ounce is expected to decline from $390 per ounce in 2011 to $270 per ounce in 2012 once the mill expansion is complete. As a result, total cash cost per ounce is expected to decrease from $750 to $775 in 2011 to $575 to $625 in 2012.

Gold production for the period from November 23, 2010, the date of Demerger from MDL, to June 30, 2011 was 85,802 ounces at total cash costs of $737 per ounce.

"Our operations are performing well and are on track to meet our production and cost guidance for the year and our mill expansion is progressing smoothly, providing us with a solid base to build on as we focus on growing our reserves and production" said Alan R. Hill, Chairman and CEO.

Mining

Total tonnes mined were 7 percent lower than budget for the June quarter due to an 8 percent decrease in waste tonnes mined partially offset by an increase in ore tonnes mined as compared to budget. The decrease in the waste tonnes mined was due to difficult mining in the last two ore benches located in the bottom of the pit that contained the bulk of the ore mined during the quarter.

Total tonnes mined for the nine months ended June 30, 2011 were 4 percent lower than budget due to a 7 percent decrease in waste tonnes mined partially offset by an increase in ore tonnes mined as compared to budget. The increase in ore tonnes mined reflects a change to the mine plan during the March quarter to provide earlier access to higher grade ore, which lead to higher production guidance for 2011 and 2012.

Unit mining costs for the quarter were higher than budget. The increase in unit mining costs for the quarter compared to budget and the nine month period reflect the impact of higher fuel costs, one off maintenance costs and lower tonnes mined.

Milling

Mill throughput for the three months ended June 30, 2011 was 10 percent higher than budget due to the softer nature of the ore, optimized blending and the implementation of an automated control system. The higher throughput for the June quarter was partially offset by the lower grade of ore processed compared to budget. The recovery rate for June quarter was marginally lower than budget due to higher throughput and lower gold grades processed.

Unit processing costs for the quarter were higher than budget. The increase in unit processing costs for the quarter compared to budget and the nine month period reflect the impact of higher fuel costs and higher maintenance costs related to two mill relines partially offset by higher tonnes milled.

Average Realized Gold Price

The lower average realized gold price for the quarter ended June 30, 2011 compared to the nine month period relates to an increase in gold sold into hedge contracts compared to the nine month period, partially offset by higher gold prices during the June quarter. In total, 65 percent of gold sales during the June quarter were delivered against gold hedge contracts at $846 per ounce, while for the nine month period 52 percent of gold sales were delivered against gold hedge contracts at $846 per ounce. The average spot price for the quarter was $1,522 compared to $1,429 for the nine month period partially offset the higher percentage of sales into hedge contracts. Higher gold prices permit the Company to deliver additional ounces into hedge contracts to reduce the obligation while maintaining adequate cash balances required to fund ongoing exploration and expansion activity.

Total Cash Costs

Total cash costs (including royalties) of $879 per ounce for the quarter were marginally lower than budget primarily due to an increase in ounces sold during the quarter, offset by $3.6 million higher operating costs mainly due to higher fuel prices and maintenance costs. Total cash costs (including royalties) of $766 per ounce for the nine months were 11 percent lower than budget mainly due to a 14 percent increase in ounces sold during the period. Total cash costs (including royalties) for the period from November 23, 2010, the date of Demerger from MDL, were $737 per ounce.

Plant Expansion

The plant expansion is expected to be completed early in the first quarter of calendar 2012. The estimated capital costs for the plant expansion total $55.9 million.

The plant expansion expenditures for the three-and-nine months ended June 30, 2011 were $9.5 and $14.7 million respectively. The capital expenditures for the balance of calendar 2011 are expected to total $33 million.

Mine License Exploration

The Company believes there is potential to expand proven and probable reserves from 1.5 million ounces of gold to 2 to 3 million ounces of gold, at similar grade to the current reserve (1.5gpt) from the ML over the next 12 to 24 months. This would increase the mine life to approximately 10 to 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 Program. In order to increase reserves on the ML it is anticipated that a total of 5 drill rigs will be testing new targets as well as converting existing resources to reserves at an estimated cost of $8 million in 2011 as part of the Company's expanded $33 million exploration program for the calendar year.

During the quarter, the focus was on the Main Flat Extension which extends out of the north section of the Sabodala pit, on "the Corridor" which is the northerly extension of the structural system that defines the limits of the Sabodala gold deposit, and on the down dip extension of the Masato deposit positioned less than one kilometre east from the Sabodala mine.

June quarter drilling results increase potential for open pit reserve expansion at Sabodala in 2011

Main Flat Extension

The Main Flat is the principal gold host 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 Main Flat Extension 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.

Drilling targeting the Main Flat Extension immediately adjacent to the current ultimate pit at a depth of 300 metres (about 50 metres below the current design pit bottom and accessible to open pit mining) confirms the continuation of the mineralized zone with further drilling planned. Gold grades intersected are typical of the Sabodala deposit. The Main Flat Extension remains open down plunge to the northwest.

"The Corridor"

Drilling continued in the structural corridor progressing outward and north from the Sabodala open pit. It produced ore grade near surface results along Ayoub's Thrust, a structural feature that defines the western limit of the Corridor. Mineralization has been traced more than 200 metres north of the existing

Sabodala open pit along trend and remains open to the north and west. The orientation of the mineralization is understood to be flat and shear related, stacked in multiple zones to a depth of 150 metres from surface.

The results of drilling these two target areas are the delineation of two separate ore zones that have the potential to add reserve ounces to the Sabodala pit in 2011. The lower grade upper ore zone is anticipated to reduce waste stripping to the higher grade lower ore zone and may provide additional near surface ore feed for the Sabodala mill.

Masato

Initial drilling confirms high-grade mineralization at depth along the Masato down dip extension. Most of the assays are pending.

Management believes that all new ounces found on the ML can be converted to production as they can be fed directly through the mill without any further permitting requirements. Permitting ounces found on the Regional Land Package should also move relatively quickly as these ounces are expected to be processed through the existing Sabodala mill.

Regional Exploration

During the three months ended June 30, 2011 the Company achieved the $3.5 million expenditure commitment threshold on exploration work associated with its three joint venture properties with Axmin Inc., thereby meeting the required expenditure threshold to achieve an 80 percent interest in each of the concessions.

In addition to the exploration program on the Company's 33km^2 Sabodala Mine License, 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 ounces) 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.

There are currently 27 targets that have been identified on the Company's 1,455km^2 Regional Land Package, all within trucking distance of the mill that are expected to be drill tested through the end of 2011. Exploration drilling on the regional land holding commenced during the December quarter.

By the end of the June quarter the Company completed approximately 50,000 metres of Diamond Drilling (DD) and Reverse Circulation (RC) and 98,000 metres of Rotary Air Blast (RAB) drilling. A total of 10 drill rigs are currently on the Regional Land Package and two additional drill rigs are expected to be added to the program during the September quarter. In total, 12 drill rigs are expected to be active on the regional land package in the second half of 2011 at a total estimated drilling cost of approximately $25 million.

Extensive RAB drilling completed to date has confirmed that a large proportion of the surface gold anomalies can be traced back to gold bearing structures in the bedrock. Thorough testing evaluation of these structures requires RC and DD. During 2011 first pass RC and DD testing has commenced on nine of the twenty-seven target areas identified on the Regional Land Package. Strategic road upgrades and repair of river and creek crossings was undertaken so that the exploration filed work and drilling could continue during the wet season. During the September quarter the Company is also aiming to continue its resource and exploration drilling program at Gora deposit.

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 for 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 recently completed IP survey has revealed additional anomalies along strike of the current resource which are targeted for follow up drilling. 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 as early as late 2012.

Drilling on the Gora deposit, where the Company has already (May 2, 2011) identified an inferred resource of 100,000+ ounces of gold at 6 gpt, continues to return very high grade results. See below for the selected latest results:

June 13, 2011 - press release	July 11, 2011 - press release	Recent results
5m @ 33.7 g/t from 111m (Vein 1)	2m @ 20.6 g/t from 88m	1m @ 9.5 g/t from 23m
2m @ 61.3 g/t from 126 m (Vein 1)	2m @ 27.3 g/t from 108m	1m @ 3.6 g/t from 79m
3m @ 26.7 g/t from 154 m (Vein 1)	2m @ 20.7 g/t from 79m	1m @ 5.8 g/t from 28m
3m @ 47.7 g/t from 164 m (Vein 5)	4m @ 23.2 g/t from 132m	
1m @ 33.0 g/t from 156m (Vein 4)	3m @ 24.1 g/t from 155m	
4m @ 10.7 g/t from 145m (Vein 2)	4m @ 34.1 g/t from 155m	
1m @ 51.8 g/t from 112m (Vein 2		
9m @ 3.2 g/t from 87m (Vein 1)		

For full drill results to date please see the Company's website at http://www.terangagold.com/investor-relations/news-releases/.

Since February a total of 144 RC and DD holes were completed for a total of 24,705 metres. Assay results are pending for 17 holes. The current phase drill program of approximately 25,000 metres of RC and DD drilling is expected to be completed at the end of August. This program is designed to evaluate the resource of the deposit to a vertical depth of about 130 metres along its known strike extent.

Step out exploration drilling, beyond the current systematic program described above, aims to test key structural intersections located down dip where mineralized structures are expected to intersect a major intrusive body. Step out drilling has commenced with a minimum 2,400 metre DD drill program. The initial nine hole program has been expanded to eleven planned holes, eight of which have been completed (SKRCDD0012, 67, 68, 69, 70, 85, 90, and 101). Geological logging of these holes has confirmed the presence of the mineralized structure in all eight holes to date with true widths of up to 12 metres. Results from holes SKRCDD0067, 68 and 69 have been received and indicate zones of gold anomalism. Data integration is in progress. Results for the remaining holes are still pending.

Recent gradient array IP surveying at Gora showed that the main resource is associated with a well defined geophysical response (chargeability high). This chargeability trend continues for at least an additional 700 metres to the north east, although on a lower response level, which may be due to the mineralised system plunging away with depth. Two additional chargeability anomalies of interest have been identified to the south and south-east of the Gora resource. One of these is 1200 metres in length and has the same orientation as the Gora mineralisation. The second one extends for at least 400 metres and is located almost along strike to the south east of the Gora resource.

For the exploration of the immediate north and south strike extensions of the Gora vein system, a 6,200 metre program of mainly RC drilling has commenced with two RC rigs in late July and may continue through September, depending on rig availability and performance.

Beyond this, a further 10,000 metres of RC drilling and 5,000 metres of DD drilling will be required to test the entire strike extent of the Gora mineralized trend and nearby parallel IP anomalies. This program may commence as early as October 2011, or before if additional rigs can be sourced.

A program of extending the IP grid to the north and south is currently underway to complete the tracking of the along strike geophysical responses to the north, south and west. Some additional lines of IP will be run across the current anomalies with a different equipment configuration (dipole-dipole) which may allow tracing of the key responses up to 300 metres in depth. If successful this will allow better targeted step out exploration drilling.

"The mineralization at Gora can be tracked well beyond the boundaries used in the last resource model and consequently we are working on an updated model and resource estimate" said Mr. Hill. "Currently, grades from Gora are at least four times our reserve grade, which may have a significant impact on the near term mill feed, potentially increasing production significantly."

Toumboumba

Toumboumba, located 10km from the Sabodala mill, is the Company's latest discovery with potential to become the second regional deposit processed through the Sabodala Mill. The new discovery, located on the Sabodala North West permit, is largely covered by a laterite plateau with little to no outcrop. The RAB program, which began in April, has been expanded to encompass the entire structural domain that may host similar styles of mineralization to the Gora deposit. The expanded program also provides additional lines that are optimized to the mineralized structural trends. To date, 1,113 RAB holes for 47,584 metres have been completed on nominal 100 x 50 metre grid.

Assays for a large number of drill holes are currently pending. However, results to date have identified a series of north-south trending targets that are related to quartz veining and alteration hosted within a granitic intrusive body. As results are received additional target trends are being identified, expanding the exploration potential at Toumboumba. Of the latest assay results, most of which were released in two press releases during the quarter, 58 RAB holes returned significant intersections over 0.5 gpt Au including:

June 13, 2011 - press release	**July 11, 2011 - press release**	**Recent results**
-early RAB results	**-RAB results**	**-RAB results**
3m @ 6.13 g/t, including 1m @ 15.44 g/t	2m @ 6.65 g/t from 16m	4m @ 3.31 g/t from 26m
3m @ 11.99 g/t, including 1m @ 25.2 g/t	4m @ 6.06 g/t from 8m	2m @ 2.79 g/t from 20m
6m @ 18.85 g/t, including 4m @ 27.7 g/t	2m @ 32.87 g/t from 38m	
	2m @ 3.57 g/t from 12m	
	3m @ 6.34 g/t from 30m	

For full drill results to date please see the Company's website at http://www.terangagold.com/investor-relations/news-releases/.

In addition, 140 RAB holes returned intersections in the gold anomalous range (0.1 gpt Au to 0.5 gpt Au). The targets identified by the RAB program are the subject of the current RC drilling program.

To date, 49 RC holes for 8,748 metres have been completed, testing five north-south trending target zones defined by RAB drilling and historic surface gold geochemistry. RC drilling continues to return wide auriferous zones associated with hematite-carbonate-quartz alteration. Some of the most significant results, most of which were released in two press releases during the quarter, include:

June 13, 2011 - press release	**July 11, 2011 - press release**
-early RC results	**-RC results**
10m @ 2.35 g/t, including 2m @ 9.69 g/t	6m @ 1.91 g/t from 17m including 1m @ 8.07 g/t
8m @ 5.45 g/t, including 2m @ 17.75 g/t	3m @ 17.15 g/t from 39m including 1m @ 50 g/t
	6m @ 2.68 g/t from 56m including 1m @ 8.79 g/t
	3m @ 11.85 g/t from 36m including 1m @ 30.5 g/t

Recent results
-RC results - Aqua Regia
11m@5.18g/t from 37m including 1m@37.6g/t and 4m@6.23g/t from 52m including 1m@21.8g/t from SNWRC016
6m@1.24g/t from 125m from SNWRC017
4m@4.46g/t from 21m from SNWRC023
11m@1.29g/t from 52m from SNWRC027
3m@4.24g/t from 180m from SNWRC029

For full drill results to date please see the Company's website at http://www.terangagold.com/investor-relations/news-releases/.

Four diamond core holes, for a total of 1000 drill metres, are initially planned to test the tenor of mineralization at depth, and to better constrain the geometry and orientation of the targeted mineralized zones. These diamond core holes are designed to intersect gold mineralization at depths in excess of 150 vertical metres from surface. The drill core will yield valuable and detailed information on the styles of gold mineralization and associated hydrothermal alteration assemblages present at Toumboumba. This information will be used to optimize further sub-surface exploration of the area, and contribute to the Company's exploration approach in the immediate region.

The Company believes that at a minimum, Toumboumba could contain a near surface oxide resource, that may have potential for heap leach gold extraction. Significant upside remains at depth, which requires deeper drilling so that the oxide mineralization can be better traced into fresh bedrock. If the near surface mineralization continues at depth and can be confirmed in the other target zones, Toumboumba could become a significant deposit for the Company. A DD rig as well as improved RC drill capacity are scheduled to arrive for further evaluation of this new discovery.

"Toumboumba is a very exciting target with high grade veins within low-grade haloes" said Mr. Hill. "The Company has currently identified 14 areas with multiple shear zones yet to be tested."

Majiva

The Makana permit hosts the Majiva target, one of several prospects located along a twelve kilometre strike length between Majiva and Niakafiri on the ML. To date, a 5 kilometre strike length of gold-mineralized structure has been identified at Majiva.

Two diamond drill holes drilled in 2008 intersected a shear zone up to 80 metres wide with intense carbonate-silica-pyrite alteration, but at the time failed to intersect significant gold mineralization. RAB drilling in 2010 further evaluated this shear structure and identified a 2 kilometre long gold anomaly.

The Company has encountered encouraging early stage results from the first nine RC holes completed at Majiva, for a total of 1,800 metres. In total, 5,000 metres of RC drilling is planned for first pass exploration of the 5 kilometre target strike length which should be completed this fall. These holes are targeting a sub-surface gold anomaly defined by RAB drilling. The RC holes have intersected up to 50 metres of intense carbonate-silia-pyrite-albite alteration developed in basalts and felsic intrusive rocks. The alteration type is similar to what can be observed at the Niakafiri deposit on the ML, a lower grade but softer ore that can be processed through the Sabodala mill at a higher throughput rate than the harder ore from Sabodala.

The mineralization encountered requires further drilling at depth and along strike to confirm its potential.

Tourokhoto

A 23,416 metres RAB drill program has been completed with a total of 1,006 holes on the Tourokhoto target located 33km from the Sabodala mill. A total of 106 holes returned intervals above 0.5 grams per tonne ("g/t") Au and further 340 holes returned values in the range of 0.1 to 0.5 g/t Au. Results are pending for a further 54 holes.

Interpretation of the systematic RAB drilling to date identified eight coherent zones of gold anomalism. Early scout DD completed in the first quarter of 2011 identified significant structural zones which host auriferous alteration zones some of which coincide with these RAB gold trends. The targets are up to 700 metres in strike length, and are associated with the gold bearing structures identified in the early DD. Additional follow up with ground geophysical surveys, RC and DD testing is required to fully evaluate these zones.

RAB results for 54 holes are still outstanding and these are from an area which has been identified as the most prospective, based on termite mound gold geochemistry and structural interpretation of the regional aeromagnetics. RAB drilling in this area was only completed in the June quarter as the area was not accessible in late 2010 when the RAB program at Tourokhoto first started.

“This is an exciting new development at Tourokhoto, illustrating the effectiveness of our strategy of systematic RAB drilling to delineating focussed targets in the bedrock within large prospective zones of favourable geology and geochemistry” said Alan R. Hill, Chairman and CEO.

Diegoun North (“the Donut”) – Cinnamon

A 19,000 metre RAB drill program at Cinnamon on the northern portion of the Diegoun target area (approximately 28 kilometres from the Sabodala mill) has been completed with 663 holes for 9,844 metres. Based on recent results received, 143 holes returned aufriferous intersections above 0.5 g/t Au. A further 95 RAB holes returned auriferous intersections in the range of 0.1 to 0.5 g/t Au. These results indicate three well defined, north east trending target zones on the eastern side of the Cinnamon area. These target zones have a strike length of up to 300 metres. IP surveying and follow up RC drill testing are planned for this area as soon as access conditions and rig availability permit.

Diegoun North (“the Donut”) - Jam and Honey

The first pass RC program at Jam and Honey has been completed with 51 holes for just under 8,800 metres. In total, 40 of the 51 holes returned anomalous levels of gold above 0.5 g/t Au and the remainder returned values in the anomalous range of 0.1 to 0.5 g/t Au.

The selected intersections from Jam include:

SKRC204 2m @ 18.9 g/t Au from 26m
SKRC207 13m @ 1.65 g/t Au from 2m
SKRC216 4m @ 1.74 g/t Au from 13m

For full drill results to date please see the Company’s website at http://www.terangagold.com/investor-relations/news-releases/.

The mineralisation at Jam is closely related to silica-pyrite-carbonate-albite alteration in granodiorite and is controlled by a series of north east trending structures interpreted from the aeromagnetics. These structures trend for several kilometres to the north-east where they connect up with the newly RAB-defined gold anomalies at Cinnamon.

An IP survey completed at Jam confirms the presence of a north-east trending structure and is awaiting final interpretation by the geophysical contractors. The RC drilling at Jam has been of a wide spaced, reconnaissance nature with lines 200 to 400 metres apart. Significant mineralised strike length between and along the mineralised structures remains untested. Data integration and refining of the structural understanding is in progress to define a follow up program of drilling for the coming dry season.

The selected intersections from Honey include:

SKRC225 11m @ 0.56 g/t Au from 193m
SKRC226 1m @ 9.64 g/t Au from 182m
SKRC227 5m @ 2.23 g/t Au from 70m
SKRC228 7m @ 0.65 g/t Au from 11m

For full drill results to date please see the Company’s website at http://www.terangagold.com/investor-relations/news-releases/.

The mineralisation at Honey is largely associated with narrow intervals of quartz veining and minor carbonate alteration hosted in sediments. The mineralisation there also aligns with north east trending structures.
RAB and RC drilling completed on the large prospective complex at Diegoun North has led to the recognition of a well developed, auriferous north east trending structure on the eastern side of the target area. This structure trends for at least 4.5 kilometres from the Jam anomaly to the newly defined RAB gold anomalies at Cinnamon. Further drilling is required to thoroughly explore this extensive gold-bearing structure. Data review and interpretation will take place over the wet season which will lead to definition of follow-up drilling programs for the coming dry season.

There are eight other targets that are currently being explored, these targets, though early days and at various stages of the exploration process are returning encouraging results. In many cases assays are pending and some IP surveys are planned prior to planning further follow up drilling.

For further details on the geology, mineral occurrences and nature of mineralization found within the Corporations Mine License and Regional exploration programs please refer to Teranga's Prospectus filed on SEDAR November 11, 2010 as part of its initial public offering (the "Prospectus").

Review of Financial Results

Loss for the Period

For the three months ended June 30, 2011, the consolidated loss of the Company was $9.7 million, while for the nine months ended June 30, 2011 the consolidated loss totalled $3.4 million. The loss for the quarter and nine months are largely due to deliveries into the Company's hedge book reducing revenue and earnings by $15.6 million and $28 million, respectively. The loss for the quarter as compared to the two previous quarters increased as a result of an increased percentage of production delivered into hedge contracts in the June quarter rather than sold into the higher spot market. Overall, 65 percent of production in the June quarter was delivered into hedge contracts as compared to 45 percent in the prior two quarters. The loss for the three and nine month periods was also impacted by high exploration costs and stock based compensation expense.

Revenue

During the quarter ended June 30, 2011, 23,000 ounces were delivered into gold hedge contracts at $846 per ounce, representing 65 percent of gold sales for the quarter, and 12,407 ounces of gold were sold into the spot market at an average price of $1,522 per ounce resulting in an average realized price for the quarter of $1,083 per ounce. During the nine months ended June 30, 2011, 48,000 ounces were delivered into gold hedge contracts at $846 per ounce, representing 52 percent of gold sales for the period, and 43,489 ounces of gold were sold into the spot market at an average price of $1,429 per ounce resulting in an average realized price for the nine months of $1,123 per ounce. Overall, revenues were reduced by $15.6 million for the quarter and $28 million for the nine month period due to deliveries into hedge contracts. The hedge contracts were requirement 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 is expected to be extinguished by August 2013 or earlier if the Company chooses to accelerate deliveries. Higher spot gold prices during the June quarter allowed the Company to deliver a higher percentage of production into hedge contracts while still maintaining a high cash balance to fund the mill expansion and exploration program.

Cost of Sales

Cost of sales for the three-and-nine months ended June 30, 2011 totalled $33.2 million and $78.5[1] million respectively, consisting of mine production costs, realized gains on oil hedge contracts, depreciation and amortization, royalties, rehabilitation costs and inventory costs.

Administrative Expenses

Administration expenses of $2.7 million for the three months ended June 30, 2011 comprise $0.9 million for corporate employee costs, $0.1 million for audit and legal fees and $1.7 million for other administration costs. For the nine months ended June 30, 2011 corporate administration costs of $6.3 million represent mainly $1.9 million for corporate employee costs, $0.9 million for audit and legal fees, and $3.5 million for other administration costs. Corporate administration expenses are expected to average about $2.5 million per quarter.

Stock Based Compensation

During the three months ended June 30, 2011 a total of 760,000 common share stock options were granted to employees and consultants of the Company. For the nine months ended June 30, 2011 a total of 15,290,000 common share stock options were granted to directors, officers, employees and

1 *The amount of cost of sales reflects operating results from November 23, 2010, the date the Demerger was completed.*

consultants. During the three months ended June 30, 2011 a total of 64,444 options were cancelled while during the nine months ended June, 2011, a total of 224,444 options were cancelled. No stock options were exercised during the three-and-nine month period ended June 30, 2011.

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 75 percent of the cost of the stock options being expensed in the first year of grant.

Net Foreign Exchange Gains

The Company generated foreign exchange gains of $1.5 million for the quarter ended June 30, 2011 and of $1.0 million for the nine months ended June 30, 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.

Gold Hedging Unrealized Loss

The unrealized non-cash loss on gold hedge contracts of $0.6 million for the quarter ended June 30, 2011 resulted from an increase in the spot price of gold by $61 per ounce from the previous quarter end partially offset by 23,000 ounces delivered into gold hedge contracts during the quarter. As a result, the total mark-to-market loss of the remaining 198,500 ounces of gold under gold hedge contracts increased to $133.4 million as the average forward price of the remaining contracts of $831 per ounce is marked to the period end spot price of $1,500 per ounce. The unrealized non-cash loss of $2.1 million for the nine months ended June 30, 2011 resulted from an increase in the spot price of gold from the previous period end of $141 per ounce which was partially offset by 48,000 ounces delivered under gold hedge contracts.

Oil Hedging Unrealized Gain/ Loss

Unrealized oil hedge losses totalled $1.7 million for the three months ended June 30, 2011 resulted from a decrease in the spot price of oil by $11.3 per barrel from the previous quarter end over the remaining 140,000 barrels of fuel oil outstanding. The unrealized oil hedge gains of $1.2 million for the nine months ended June 30, 2011 resulted from an increase of $14 per barrel over the previous period end spot price of oil. The overall non-cash mark-to-market gain of the remaining 140,000 barrels of fuel oil outstanding at a hedge price of $70 per barrel compared to a $95.4 per barrel spot price at quarter end totalled $4.1 million at the end of the quarter.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures for the three-and-nine months ended June 30, 2011 totalled $8.3 million and $12.6 million respectively reflecting regional exploration costs incurred during the periods related to drill programs as well as target identification work underway.

Outlook

Gold production for the 2011 calendar year is on track to total 140,000 ounces of gold at total cash costs of $750 to $775 per ounce. Production and gross cash costs for the September quarter are expected to be lower than the June quarter, however the lower production should result in a higher cash cost on a per ounce basis. The December quarter is expected to result in significantly higher production and lower costs as mining of a higher grade zone occurs. Gold production for 2012 is expected to total 220,000 ounces of gold at total cash costs of $575 to $625 per ounce due to the completion of the mill expansion.

For 2011, capital expenditures are expected to total approximately $75 million, primarily for the mill expansion, mining equipment and capitalized mine site exploration costs. The increase from the previous guidance is due to a supply equipment contract in the amount of $14.4 million which was finalized on June 30, 2011. The equipment will be used primarily for the development of the Gora deposit. The regional exploration budget for calendar 2011 is expected to total approximately $25 million, an increase of $8 million from earlier guidance due to success at certain exploration targets that necessitated the need to increase the number of drill rigs. In total, between capitalized mine site exploration and regional exploration expenditures, the Company expects to spend approximately $33 million in calendar 2011. The mine site and regional exploration budgets could increase further if results warrant additional activities. For calendar 2011, corporate overheads, including setting up a Dakar, Senegal office are expected to total $10 million, up from earlier estimate of $8 million.

KEY STATISTICS

		3 months ended June 30, 2011	9 months ended June 30, 2011
Operating results (1)			
Ore mined	('000t)	759	2,216
Waste mined	('000t)	5,538	16,155
Total mined	('000t)	6,297	18,371
Strip ratio	waste/ore	7.3	7.3
Ore processed	('000t)	650	1,845
Head grade	(g/t)	1.81	1.93
Recovery rate	%	89.0	90.3
Gold produced (1)	(oz)	32,480	102,530
Gold sold	(oz)	35,407	108,353
Average price received	$/oz	1,083	1,156
Total cash cost (incl. royalties)	$/oz	879	766
Mining (cost/t mined)		2.4	2.2
Milling (cost/t milled)		16.6	15.9
G&A (cost/t milled)		5.4	5.0
Financial results (US$'000) (1)			
Revenue		38,487	103,160
Gross profit		5,253	24,719
Operating cash flow		(10,071)	9,441
Loss per share		(0.04)	0.03
Financial position (US$'000)			**As at June 30, 2011**
Cash and cash equivalents (2)			65,871
Net assets			327,191
Borrowings			20,106

(1) The financial results reflect results from November 23, 2010, the date the demerger was completed while productions statistics reflect operating results for the full three-and-nine month periods ended June 30, 2011

(2) Cash and cash equivalents includes also short term investments over 90 days and restricted cash

PRODUCTION AND COST SUMMARY

		3 months ended June 30, 2011	Period from Nov 23, 2010 to June 30, 2011
Gold produced	oz	32,480	85,802
Gold sold	oz	35,407	91,489
Cost of sales	($'000)	33,234	78,441
Less: depreciation and amortization	($'000)	(10,912)	(25,313)
Less: rehabilitation	($'000)	(120)	(316)
Add: inventory movement		9,253	15,331
Other adjustments	($'000)	(330)	(830)
Total cash cost of sales	($'000)	31,125	67,313
Total cash cost of sales per ounce sold	**U.S.$/oz**	**879**	**737**

CONSOLIDATED FINANCIAL STATEMENTS OF

TERANGA GOLD CORPORATION

STATEMENTS OF COMPREHENSIVE LOSS

For the three and nine months ended 30 June, 2011

(Unaudited and in US$'000 except per share amounts)

	3 months ended June 30, 2011	9 months ended June 30, 2011
Revenue [1]	38,487	103,160
Cost of sales	(33,234)	(78,441)
Gross profit	**5,253**	**24,719**
Other income	351	648
Stock-based compensation	(2,763)	(8,395)
Finance costs	(559)	(1,636)
Exploration and evaluation expenditures	(8,325)	(12,620)
Administration expenses	(2,739)	(6,320)
Net foreign exchange gains	1,494	985
Gold hedge unrealized losses	(624)	(2,092)
Oil hedge unrealized (losses) / gains	(1,691)	1,173
	(14,856)	(28,257)
Loss before tax	**(9,603)**	**(3,538)**
Income tax (expense) / benefit	(127)	92
Loss for the period	**(9,730)**	**(3,446)**
Other comprehensive loss:		
Exchange differences arising on translation of foreign operations	(451)	3,009
Loss on valuation of available for sale financial asset, net of tax	(5,540)	(4,942)
Other comprehensive loss for the period	**(5,991)**	**(1,933)**
Total comprehensive loss for the period	**(15,721)**	**(5,379)**
Profit / (Loss) attributable to:		
- owners of the parent	(10,057)	(5,526)
- non-controlling interests	327	2,080
Loss for the period	**(9,730)**	**(3,446)**
Total comprehensive loss attributable to:		
- owners of the parent	(16,048)	(7,459)
- non-controlling interests	327	2,080
Loss per share from operations attributable to the equity holders of the Company during the period		
- basic loss per share	(0.04)	(0.03)
- diluted loss per share	(0.04)	(0.03)

CONSOLIDATED FINANCIAL STATEMENTS OF

TERANGA GOLD CORPORATION

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2011

(Unaudited and in US$'000)

	As at June 30, 2011
Current assets	
Cash and cash equivalents	55,699
Short-term investments	3,172
Restricted cash	7,000
Trade and other receivables	9,480
Inventories	49,382
Financial derivative assets	2,275
Other assets	7,833
Available for sale financial asset	17,038
Total current assets	**151,879**
Non-current assets	
Inventories	56,065
Financial derivative assets	1,830
Property, plant and equipment	209,337
Mine development expenditure	94,227
Intangible assets	731
Total non-current assets	**362,190**
Total assets	**514,069**
Current liabilities	
Trade and other payables	28,878
Borrowings	10,984
Financial derivative liabilities	52,360
Current tax liabilities	283
Provisions	1,889
Total current liabilities	**94,394**
Non-current liabilities	
Financial derivative liabilities	81,080
Provisions	2,569
Borrowings	8,835
Total non-current liabilities	**92,484**
Total liabilities	**186,878**
Net assets	**327,191**
Equity	
Issued capital	352,881
Foreign currency translation reserve	3,009
Contributed surplus	8,588
Investment revaluation reserve	(4,942)
Accumulated losses	(32,862)
Equity attributable to equity holders of the parent	**326,674**
Non-controlling interests	517
Total equity	**327,191**

CONSOLIDATED FINANCIAL STATEMENTS OF

TERANGA GOLD CORPORATION

STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 30 June 2011

(Unaudited and in US$'000

For the nine months ended June 30, 2011	
Common shares	
At October 1, 2010	-
Shares issued on incorporation of the Company	-
Shares issued from public and private offerings	135,005
Less: Share issue costs	(16,258)
Shares issued on the acquisition of the Sabodala gold mine and a regional exploration package	234,134
At June 30, 2011	352,881
Foreign currency translation reserve	
At October 1, 2010	-
Exchange difference arising on translation of foreign operations	3,009
At June 30, 2011	3,009
Contributed surplus	-
At October 1, 2010	-
Stock-based compensation	8,588
At June 30, 2011	8,588
Investment revaluation reserve	
At October 1, 2010	-
Change in fair value	(4,942)
At June 30, 2011	(4,942)
Accumulated losses	
At October 1, 2010	-
Loss attributable to owners of the parent	(5,526)
Impact of change in accounting policy	(27,336)
At June 30, 2011	(32,862)
Non-controlling interest	
At October 1, 2010	-
Non-controlling interest arising from demerger - November 23, 2010	(1,563)
Non-controlling interest - portion of profit	2,080
At June 30, 2011	517
Total shareholders' equity at June 30, 2011	**327,191**

CONSOLIDATED FINANCIAL STATEMENTS OF

TERANGA GOLD CORPORATION

CASH FLOW STATEMENTS

For the three and nine months ended 30 June, 2011

(Unaudited and in US$'000 except per share amounts)

	3 months ended June 30, 2011	9 months ended June 30, 2011
Cash flows related to operating activities		
Loss for the period	**(9,730)**	**(3,446)**
Depreciation	8,236	18,972
Amortization	93	248
Finance costs	74	183
Stock-based compensation	2,763	8,395
Amortization of capitalized mine development costs	2,664	6,323
Unrealized loss on gold hedge	624	2,092
Unrealized loss / (gain) on oil hedge	1,691	(1,173)
Income tax expense / (benefit)	127	(92)
Changes in working capital [1]	(16,613)	(22,061)
Net cash (used in) / provided by operating activities	**(10,071)**	**9,441**
Cash flows related to investing activities		
Increase in restricted cash	-	(7,000)
Decrease in short-term investments	28,728	(2,352)
Payments for purchase of property, plant and equipment	(12,469)	(19,387)
Payments made on mine development	(3,108)	(5,117)
Payments for purchase of intangibles	(306)	(612)
Payment for acquisition of Sabodala gold mine and regional land package net of cash acquired [2]	-	(34,307)
Net cash provided by / (used in) investing activities	**12,845**	**(68,775)**
Cash flows related to financing activities		
Proceeds from issuance of capital stock, net of issue costs	(90)	118,747
Payment of borrowings	(1,750)	(5,250)
Net cash (used in) / provided by financing activities	**(1,840)**	**113,497**
Net increase in cash and cash equivalents held	**934**	**54,163**
Cash and cash equivalents at the beginning of financial period	**54,673**	**-**
Effect of exchange rates on cash holdings in foreign currencies	92	1,536
Cash and cash equivalent at the end of financial period	**55,699**	**55,699**

About TERANGA

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

Teranga was created to acquire indirectly the Sabodala gold mine and a large regional exploration land package, located in Senegal, West Africa, from Mineral Deposits Limited. Management believes the mine operation, together with the Company's prospective 1,488 km2 land package, 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.

The Sabodala Gold Operation, 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 and discoveries in Mali.

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

Quality Control/Assurance Program

Please refer to Teranga's Prospectus for specific details on the Corporation's Quality Control/assurance program as well as data verification procedures.

Forward Looking Statements

Certain information included in this press release, 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 U.S. 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 labor; 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.

Competent Persons Statement

The scientific and technical information contained in this release relating to exploration activities within the mining license is based on information compiled by Mr. Bruce Van Brunt, who is a Fellow with The Australasian Institute of Mining and Metallurgy and is also a registered professional geologist in the State of Washington, USA. 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 as defined in NI43-101. Mr. Van Brunt has consented to the inclusion of this information in the form and context in which it appears in this release. Mr. Van Brunt is a full-time employee of Teranga and not independent of Teranga within the meaning of NI43-101.

The scientific and technical information contained in this release relating to the regional exploration is based on information compiled by Mr. Martin Pawlitschek, who is a member of the Australian Institute of Geoscientists. Mr. Pawlitschek 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 as a Qualified Person as defined in NI43-101. Mr. Pawlitschek has consented to the inclusion of this information in the form and context in which it appears in this release. Mr. Pawlitschek is a full-time employee of Teranga and not independent of Teranga within the meaning of NI43-101.

The latest grade estimates as presented have been classified as a combination of Measured, Indicated and Inferred Mineral Resources in accordance with CIM Definitions (2005) resource reporting classification guidelines and reconciled to the JORC Code (2004).

Mssrs. Van Brunt and Pawlitschek have reviewed and verified the data contained in this press release, including sampling, analytical and test data underlying the estimates provided. Verification of the data included numerous site visits, database validation of historical drill results and review of sampling and assaying protocols.

For further information please contact: Kathy Sipos, Vice-President of Investor Relations

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE-AND-NINE MONTHS ENDED JUNE 30, 2011

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 three-and-nine months ended June 30, 2011. The MD&A should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto ("Statements") of Teranga Gold Corporation ("Teranga" or the "Company") as at and for the three-and-nine months ended June 30, 2011 and the prospectus of the Company dated November 11, 2010. The Company's Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts included in this MD&A are in United States dollars, unless otherwise specified. This report is dated as of August 10, 2011. All references to the Company include its subsidiaries unless the context requires otherwise. The Company's public filings can be reviewed on the SEDAR website (www.sedar.com) and on the Company's website at www.terangagold.com.

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. Management believes the mine operation, together with the Company's prospective 1,488 km^2 land package, provides the basis for growth in reserves, production, earnings and cash flow as new discoveries are made and processed through the Company's milling facilities.

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, 2010, the Sabodala gold mine had proven and probable reserves of 1.5 million ounces of gold included in measured and indicated resources of 2.3 million ounces of gold and inferred mineral resources of 0.77 million ounces of gold. In addition, the Company holds one of the largest exploration land positions in south eastern Senegal consisting of ten exploration permits comprising 1,455 km^2.

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

GROWTH STRATEGY

The Company's goal is to grow reserves, production, 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 Mtpa to approximately 4 Mtpa. Once expanded, the Sabodala mine is expected to produce approximately 200,000 ounces of gold per annum.

The Company believes there is potential to expand proven and probable reserves from the current 1.5 million ounces of gold to 2 to 3 million ounces of gold, at similar grade to the current reserve (1.5 grams per tonne), from the Sabodala mining license ("ML") over the next 12 to 24 months. This would increase the mine life to approximately 10 to 15 years, providing a solid production base to build on through the Regional Exploration Program. In order to increase reserves on the ML a total of five drill rigs are expected to be testing new targets as well as converting existing resources to reserves at an estimated cost of $8 million in 2011.

In addition to the exploration program on the Company's 33km^2 ML, the Company has active drill programs underway on targets located on its exploration permits that Management believes have strong potential. There are 27 targets that have been identified on the Company's 1,455 km^2 regional land package that are expected to be drill tested through the end of 2011. A total of 10 drill rigs are currently on the regional land package and an additional 2 drill rigs are expected to be added to the program during the September quarter. The first of the regional exploration targets, referred to as Gora, is expected to move from an exploration project to a development project as exploration drilling has confirmed at least a small high-grade pit. Management is targeting permitting and development of Gora to be completed as early as late 2012, which could help to increase production beyond the current 220,000 ounces estimate for 2012. The Company expects to generate significant free cash flow from operations which will enable it to self-fund the extensive exploration program.

Management believes that the regional land package has significant prospective potential for at least smaller high-grade deposits similar to Gora as well as the potential for world-class (+ 5 million ounce) discoveries similar to those found on the same gold belt in Mali approximately 90 km from the Sabodala mine. Therefore Management intends to pursue 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.

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.

Management believes the operating team at Sabodala has created the template for developing and operating modern mines in Africa by focusing on creating value for all stakeholders through: job creation; the advancement and integration of the local workforce into the management and operations of the Company; and, working with all levels of government to assist in community development initiatives that are driven by a bottom up approach to both community and sustainable development initiatives.

QUARTER HIGHLIGHTS

Operating / Exploration Highlights

- Gold production for the three months ended June 30, 2011 was 32,480 ounces. Gold sold for the three months ended June 30, 2011 total 35,407 ounces at total cash costs of $879 per ounce sold. Total cash costs were higher than previous quarters but on budget as higher fuel and maintenance costs were offset by higher than budget sales.
- For calendar 2011, Sabodala is on track to produce 140,000 ounces of gold and sell 144,000 ounces of gold at total cash costs of $750 to $775 per ounce, which is in line with earlier estimates.
- For calendar 2012, Sabodala is expected to produce 220,000 ounces of gold at total cash costs of $575 to $625 per ounce, primarily due to the completion of the mill expansion allowing for higher throughput resulting in higher production and lower mining cost per ounce due to a decrease in the ore to waste strip ratio.
- The plant expansion from 2 Mtpa to approximately 4 Mtpa is underway and is expected to be completed during the first quarter of 2012. Most of our major components are either on site or scheduled for shipment.
- Exploration budget for 2011 expanded to 17 drill rigs and $33 million due to encouraging exploration results up from the earlier budget of $25 million.
    - ML drilling results increase potential for open pit reserve expansion at Sabodala.
    - Drilling at the high-grade Gora deposit continues to return highly mineralized intersections with the deposit remaining open in all directions. A ground IP survey completed in June has delivered additional anomalies for further follow up drilling.
    - Reconnaissance drilling has confirmed the potential for a new discovery of a second regional deposit at Toumboumba, where drilling continues to return ore-grade intersections.

- Early drilling at Majiva returned several encouraging intersections from the southern extension of the Niakafiri structural intersection.

Financial Highlights

- Net loss for the three months ended June 30, 2011 totalled $9.7 million or $0.04 per share, while net loss for the nine months totalled $3.4 million or $0.03 per share largely due to accelerated deliveries under gold hedge agreements that reduced revenue by $15.6 million and $28 million for the quarter and nine month periods, respectively as well as lowering earnings. As well, higher exploration and stock based compensation costs also contributed to the loss for the quarter and nine month period.
- Cash and cash equivalents including short term investments and restricted cash total $65.9 million at quarter end.
- Revenue of $38.3 million for the three months ended June 30, 2011 represents a shipment of 35,407 ounces of gold, out of which 23,000 ounces were delivered into gold hedge contracts at $846 per ounce and 12,407 ounces were sold into the spot market at an average price of $1,522 per ounce resulting in an average realized price for the quarter of $1,083 per ounce. Higher gold prices allowed the Company to deliver 65 percent of sales into hedge contracts for the quarter, compared to 52 percent for the nine month period while still maintaining a high cash balance to fund the mill expansion and exploration program.
- Accelerated deliveries into gold hedge contracts during the quarter ended June 30, 2011 reduced the balance outstanding to 198,500 ounces of gold. The Company's objective is to eliminate the hedge book entirely as quickly and prudently as possible.
- On June 30, 2011, the Company entered into an equipment supply contract for the purchase of mining equipment for a total of $14.4 million, which is expected to be used primarily for the development of the Gora deposit. The purchase of this mining equipment is expected to be largely financed by expansion of the mobile equipment loan with Société Générale.
- Capital expenditures for the quarter ended June 30, 2011 were $15.3 million. Capital expenditures for the balance of calendar 2011 are expected to total $52.8 million, primarily for the mill expansion, mining equipment and ML exploration costs.
- The Company passed a resolution changing the fiscal year from June 30 to December 31.

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 shares of Sabodala Gold (Mauritius) Limited, 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, 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. Following the completion of the Demerger, the C$50 million promissory note owing to MDL was repaid by Teranga from the IPO proceeds.

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 income for the three-and-nine months ended June 30, 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 full three-and-nine-month periods ended June 30, 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. As a result, the Company's fiscal reporting period ended June 30th 2011 now constitutes an interim reporting period as opposed to a fiscal year end. For further information on the details of this change, and how it will impact subsequent reporting and comparative periods, 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.

CONSOLIDATED RESULTS

	3 months ended June 30, 2011	9 months ended June 30, 2011
Revenue	38,487	103,160
Cost of sales	(33,234)	(78,441)
Gross profit	**5,253**	**24,719**
Other income	351	648
Administration expenses	(2,739)	(6,320)
Stock-based compensation	(2,763)	(8,395)
Finance costs	(559)	(1,636)
Exploration and evaluation expenditures	(8,325)	(12,620)
Net foreign exchange gains	1,494	985
Gold hedge unrealized losses	(624)	(2,092)
Oil hedge unrealized (losses)/gains	(1,691)	1,173
Loss before tax	**(9,603)**	**(3,538)**
Income tax	(127)	92
Loss for the period	**(9,730)**	**(3,446)**
Profit attributable to non-controlling interest	327	2,080
Loss attributable to owners of the parent	**(10,057)**	**(5,526)**

Review of Financial Results

Loss for the Period

For the three months ended June 30, 2011, the consolidated loss of the Company was $9.7 million, while for the nine months ended June 30, 2011 the consolidated loss totalled $3.4 million. The loss for the quarter and nine months are largely due to deliveries into the Company's hedge book reducing revenue and earnings by $15.6 million and $28 million, respectively. The loss for the quarter as compared to the two previous quarters increased as a result of an increased percentage of production delivered into hedge contracts in the June quarter rather than sold into the higher spot market. Overall, 65 percent of production in the June quarter was delivered into hedge contracts as compared to 45 percent in the prior two quarters. The loss for the three and nine month periods was also impacted by high exploration costs and stock based compensation expense.

Gross profit declined for the three months ended June 30, 2011 due to lower average realized gold price (down by $40 per ounce) resulting from higher percentage of hedge deliveries and higher operating costs (increased by $102 per ounce).

Revenue

During the quarter ended June 30, 2011, 23,000 ounces were delivered into gold hedge contracts at $846 per ounce, representing 65 percent of gold sales for the quarter, and 12,407 ounces of gold were sold into the spot market at an average price of $1,522 per ounce resulting in an average realized price for the quarter of $1,083 per ounce. During the nine months ended June 30, 2011, 48,000 ounces were delivered into gold hedge contracts at $846 per ounce, representing 52 percent of gold sales for the period, and 43,489 ounces of gold were sold into the spot market at an average price of $1,429 per ounce resulting in an average realized price for the nine months of $1,123 per ounce. Overall, revenues were reduced by $15.6 million for the quarter and $28 million for the nine month period due to deliveries into hedge contracts. The hedge contracts were requirement 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 is expected to be extinguished by August 2013 or earlier if the Company chooses to accelerate deliveries. Higher spot gold prices during the June quarter allowed the Company to deliver a higher percentage of production into hedge contracts while still maintaining a high cash balance to fund the mill expansion and exploration program.

Cost of Sales

Cost of sales for the three-and-nine months ended June 30, 2011 totalled $33.2 million and $78.5[1] million respectively, consisting of mine production costs, realized gains on oil hedge contracts, depreciation and amortization, royalties, rehabilitation costs and inventory costs.

Mine production costs totalled $30.5 million for the three months ended June 30, 2011 while for the nine months ended June 30, 2011 mine production costs totalled $65.8[1] million.

Depreciation and amortization for the three-and-nine months ended June 30, 2011 totalled $10.9 million and $25.3 million respectively or $308 per ounce sold for the quarter and $277 per ounce sold for the nine months ended June 30, 2011.

The realized gain on oil hedge contracts totalled $0.7 million for the three months ended June 30, 2011 and $1.4 million for the nine months ended June 30, 2011 as oil prices increased to $85 per barrel at the delivery date of December 31, 2010, $106 per barrel at the delivery date of March 31, 2011 and $95 per barrel at the delivery date of June 30, 2011 which was $15, $36 and $25 above our oil hedge contract price of $70 per barrel. The Company has hedged 20,000 barrels per quarter through March 31, 2013 representing approximately 30 percent of quarterly consumption.

Royalties for the three-and-nine months ended June 30, 2011 totalled $1.6 million and $3.8 million respectively. Royalties are calculated based on three percent of the average spot price of gold rather than the average price realized by the Company.

Administrative Expenses

Administration expenses of $2.7 million for the three months ended June 30, 2011 comprise $0.9 million for corporate employee costs, $0.1 million for audit and legal fees and $1.7 million for other administration costs. For the nine months ended June 30, 2011 corporate administration costs of $6.3 million represent mainly $1.9 million for corporate employee costs, $0.9 million for audit and legal fees, and $3.5 million for other administration costs. Corporate administration expenses are expected to average about $2.5 million per quarter.

Stock Based Compensation

During the three months ended June 30, 2011 a total of 760,000 common share stock options were granted to employees and consultants of the Company. For the nine months ended June 30, 2011 a total of 15,290,000 common share stock options were granted to directors, officers, employees and consultants. During the three months ended June 30, 2011 a total of 64,444 options were cancelled while during the nine months ended June, 2011, a total of 224,444 options were cancelled. No stock options were exercised during the three-and-nine month period ended June 30, 2011.

[1] *The amount of cost of sales reflects operating results from November 23, 2010, the date the Demerger was completed.*

	3 months ended June 30, 2011	9 months ended June 30, 2011
Stock option compensation - expensed	2,763	8,395

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 75 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 760,000 common share stock options issued during the three months ended June 30, 2011, 585,000 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 $1.5 million for the quarter ended June 30, 2011 and of $1.0 million for the nine months ended June 30, 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.

Gold Hedging Unrealized Loss

The unrealized non-cash loss on gold hedge contracts of $0.6 million for the quarter ended June 30, 2011 resulted from an increase in the spot price of gold by $61 per ounce from the previous quarter end partially offset by 23,000 ounces delivered into gold hedge contracts during the quarter. As a result, the total mark-to-market loss of the remaining 198,500 ounces of gold under gold hedge contracts increased to $133.4 million as the average forward price of the remaining contracts of $831 per ounce is marked to the period end spot price of $1,500 per ounce. The unrealized non-cash loss of $2.1 million for the nine months ended June 30, 2011 resulted from an increase in the spot price of gold from the previous period end of $141 per ounce which was partially offset by 48,000 ounces delivered under gold hedge contracts.

Oil Hedging Unrealized Gain/Loss

Unrealized oil hedge losses totalled $1.7 million for the three months ended June 30, 2011 resulted from a decrease in the spot price of oil by $11.3 per barrel from the previous quarter end over the remaining 140,000 barrels of fuel oil outstanding. The unrealized oil hedge gains of $1.2 million for the nine months ended June 30, 2011 resulted from an increase of $14 per barrel over the previous period end spot price of oil. The overall non-cash mark-to-market gain of the remaining 140,000 barrels of fuel oil outstanding at a hedge price of $70 per barrel compared to a $95.4 per barrel spot price at quarter end totalled $4.1 million at the end of the quarter.

Finance Costs

Finance costs for the three-and-nine months ended June 30, 2011 of $0.6 million and $1.6 million respectively reflect interest costs related to the equipment loan outstanding, amortization of capitalized borrowing costs, political risk insurance relating to project finance facility and bank charges.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures for the three-and-nine months ended June 30, 2011 totalled $8.3 million and $12.6 million respectively reflecting regional exploration costs incurred during the periods related to drill programs as well as target identification work underway.

Outlook

Gold production for the 2011 calendar year is on track to total 140,000 ounces of gold at total cash costs of $750 to $775 per ounce. Production and gross cash costs for the September quarter are expected to be lower than the June quarter, however the lower production should result in a higher cash cost on a per ounce basis. The December quarter is expected to result in significantly higher production and lower costs as mining of a higher grade zone occurs. Gold production for 2012 is expected to total 220,000 ounces of gold at total cash costs of $575 to $625 per ounce due to the completion of the mill expansion.

For 2011, capital expenditures are expected to total approximately $75 million, primarily for the mill expansion, mining equipment and capitalized mine site exploration costs. The increase from the previous guidance is due to a supply equipment contract in the amount of $14.4 million which was finalized on June 30, 2011. The equipment will be used primarily for the development of the Gora deposit. Capital expenditures for the balance of calendar 2011 are expected to total $52.8 million, primarily for the mill expansion, mining equipment and ML exploration The regional exploration budget for calendar 2011 is expected to total approximately $25 million, an increase of $8 million from earlier guidance due to success at certain exploration targets that necessitated the need to increase the number of drill rigs. In total, between capitalized mine site exploration and regional exploration expenditures, the Company expects to spend approximately $33 million in calendar 2011. The mine site and regional exploration budgets could increase further if results warrant additional activities. For calendar 2011, corporate overheads, including setting up a Dakar, Senegal office are expected to total $10 million, up from earlier estimate of $8 million.

Review of Operations

Gold production for the Sabodala gold mine for the three-and-nine months ended June 30, 2011 was 32,480 ounces and 102,530 ounces, respectively. Gold sold for the three months ended June 30, 2011 total 35,407 ounces at total cash costs of $879 per ounce, in line with budget, while gold sold for the nine months ended June 30, 2011 was 108,353 ounces of gold at total cash costs of $766 per ounce. The higher cost reflects a number of one time maintenance items in the mine and mill. Gold production for the twelve months from July 1, 2010 to June 30, 2011, was 137,633 ounces of gold, 5 percent higher than our guidance, at total cash costs of $722 per ounce which was 11 percent lower than our guidance during the Company's initial public offering (the "IPO"). The lower cash costs were due to higher production and lower mining costs. The higher cash costs in calendar 2011 reflect higher mining costs related to additional stripping required as part of the mill expansion that adds approximately $120 per ounce to cash costs. Mining cost per ounce is expected to decline from $390 per ounce in 2011 to $270 per ounce in 2012 once the mill expansion is complete. As a result, total cash cost per ounce is expected to decrease from $750 to $775 in 2011 to $575 to $625 in 2012.

Gold production for the period from November 23, 2010, the date of Demerger from MDL, to June 30, 2011 was 85,802 ounces at total cash costs of $737 per ounce.

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 as of November 1, 2010. The design for the open pit limits, related phasing and long term planning for the Sabodala open pit were updated as at December 31, 2010. As a result, 123,000 ounces of gold were added to proven and probable reserves while all parameters were maintained as per the Company's NI 43-101 report with the exception of the average long term gold price assumption which was increased from $900 per ounce to $1,000 per ounce. The updated reserves do not reflect any of the results of the current drill program underway. No redesign was done in the Niakafiri pit, but slightly lower cut-off grades, reflecting the higher metal price assumption were used to estimate the reserve within the same pit. As a result, an additional 5,000 ounces were added to the reserves.

After the redesign of the Sabodala pit, the new pit limit is larger by approximately 22 million tonnes compared to the previous design. The new design provides a secondary ramp access to ensure flexibility and improved productivity. New mining phases were designed and the mine sequencing was modified with the objectives of mining the softer oxide material preferentially in the dry season, deepening the pit bottom in the dry season, minimizing interaction of operations between successive phases and presenting the higher grade, lower stripping ratio portion of the reserve as early as possible. As a result, gold production from the Sabodala mine should increase by an additional 10,000 ounces in calendar 2011 (production est. 140,000 ounces) and 20,000 ounces in 2012 (production est. 220,000 ounces) at lower costs than provided in the guidance included in the prospectus filed with the IPO last fall.

The total proven and probable mineral reserves for the Sabodala and Niakafiri at December 31, 2010 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	16.5	1.61	0.852	5.032	1.72	0.278	21.532	1.63	1.13
Stockpile	2.818	1.11	0.101				2.818	1.11	0.101
Niakafiri	0.231	1.76	0.013	7.392	1.13	0.268	7.623	1.15	0.281
Total	**19.549**	**1.54**	**0.966**	**12.424**	**1.37**	**0.546**	**31.973**	**1.47**	**1.512**

Dr. A. Ebrahimi, P.Eng. of AnoMine Tech, and a sub consultant to AMC Mining, who is independent of Teranga, and is a "qualified person" (within the meaning of NI 43-101) has reviewed and accepts responsibility for the reserve estimate contained in the Technical Report filed in November, 2010.

The technical information contained in this MD&A relating to exploration activities within the ML is 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 as defined in NI43-101. 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 as defined in NI43-101. 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.

Production Statistics

		3 months ended June 30, 2011	9 months ended June 30, 2011
Operating results (1)			
Ore mined	('000t)	759	2,216
Waste mined	('000t)	5,538	16,155
Total mined	('000t)	6,297	18,371
Strip ratio	waste/ore	7.3	7.3
Ore processed	('000t)	650	1,845
Head grade	(g/t)	1.81	1.93
Recovery rate	%	89.0	90.3
Gold produced [1]	(oz)	32,480	102,530
Gold sold	(oz)	35,407	108,353
Average price received	$/oz	1,083	1,156
Total cash cost (incl. royalties)	$/oz sold	879	766
Mining (cost/t mined)		2.4	2.2
Milling (cost/t milled)		16.6	15.9
G&A (cost/t milled)		5.4	5.0

Notes:

(1) Gold produced is gold poured and does not include gold-in-circuit at period end.

Mining

Total tonnes mined were 7 percent lower than budget for the June quarter due to an 8 percent decrease in waste tonnes mined partially offset by an increase in ore tonnes mined as compared to budget. The decrease in the waste tonnes mined was due to difficult mining in the last two ore benches located in the bottom of the pit that contained the bulk of the ore mined during the quarter.

Total tonnes mined for the nine months ended June 30, 2011 were 4 percent lower than budget due to a 7 percent decrease in waste tonnes mined partially offset by an increase in ore tonnes mined as compared to budget. The increase in ore tonnes mined reflects a change to the mine plan during the March quarter to provide earlier access to higher grade ore, which lead to higher production guidance for 2011 and 2012.

Unit mining costs for the quarter were higher than budget. The increase in unit mining costs for the quarter compared to budget and the nine month period reflect the impact of higher fuel costs, one off maintenance costs and lower tonnes mined.

Milling

Mill throughput for the three months ended June 30, 2011 was 10 percent higher than budget due to the softer nature of the ore, optimized blending and the implementation of an automated control system. The higher throughput for the June quarter was partially offset by the lower grade of ore processed compared to budget. The recovery rate for June quarter was marginally lower than budget due to higher throughput and lower gold grades processed.

Unit processing costs for the quarter were higher than budget. The increase in unit processing costs for the quarter compared to budget and the nine month period reflect the impact of higher fuel costs and higher maintenance costs related to two mills relines partially offset by higher tonnes milled.

Gold Production
Gold production for the three months ended June 30, 2011 was 3 percent higher than budget primarily due to higher throughput during the quarter, while for the nine month period, gold production was 7 percent higher than budget benefiting from higher than budget grades in the December quarter.

Average Realized Gold Price

The lower average realized gold price for the quarter ended June 30, 2011 compared to the nine month period relates to an increase in gold sold into hedge contracts compared to the nine month period, partially offset by higher gold prices during the June quarter. In total, 65 percent of gold sales during the June quarter were delivered against gold hedge contracts at $846 per ounce, while for the nine month period 52 percent of gold sales were delivered against gold hedge contracts at $846 per ounce. The average spot price for the quarter was $1,522 compared to $1,429 for the nine month period partially offset the higher percentage of sales into hedge contracts. Higher gold prices permit the Company to deliver additional ounces into hedge contracts to reduce the obligation while maintaining adequate cash balances required to fund ongoing exploration and expansion activity.

Total Cash Costs

Total cash costs (including royalties) of $879 per ounce for the quarter were marginally lower than budget primarily due to an increase in ounces sold during the quarter, offset by $3.6 million higher operating costs mainly due to higher fuel prices and maintenance costs. Total cash costs (including royalties) of $766 per ounce for the nine months were 11 percent lower than budget mainly due to a 14 percent increase in ounces sold during the period. Total cash costs (including royalties) for the period from November 23, 2010, the date of Demerger from MDL, were $737 per ounce.

Plant Expansion

The Sabodala gold plant expansion is underway to increase capacity from 2 Mtpa to approximately 4 Mtpa. Once expanded, the mine is expected to produce approximately 200,000 ounces of gold per annum up from the expected 140,000 ounces in calendar 2011.

Additions to the processing plant will include a partial secondary crushing facility and new stockpile/reclaim facilities to debottleneck the semi-autogenous mill, a second ball mill and additional carbon-in-leach capacity. The Sabodala power station will be 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 early in the first quarter of calendar 2012. The estimated capital costs for the plant expansion total $55.9 million.

The plant expansion expenditures for the three-and-nine months ended June 30, 2011 were $9.5 and $14.7 million respectively. The capital expenditures for the balance of calendar 2011 are expected to total $33 million.

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 approximately $15 million, was financed by an increase in the fleet lease facility with Société Générale.

Mine License Exploration

The Company believes there is potential to expand proven and probable reserves from 1.5 million ounces of gold to 2 to 3 million ounces of gold, at similar grade to the current reserve (1.5gpt) from the ML over the next 12 to 24 months. This would increase the mine life to approximately 10 to 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 Program. In order to increase reserves on the ML it is anticipated that a total of 5 drill rigs will be testing new targets as well as converting existing resources to reserves at an estimated cost of $8 million in 2011 as part of the Company's expanded $33 million exploration program for the calendar year.

During the quarter, the focus was on the Main Flat Extension which extends out of the north section of the Sabodala pit, on "the Corridor" which is the northerly extension of the structural system that defines the limits of the Sabodala gold deposit, and on the down dip extension of the Masato deposit positioned less than one kilometre east from the Sabodala mine.

June quarter drilling results increase potential for open pit reserve expansion at Sabodala in 2011

Main Flat Extension

The Main Flat is the principal gold host 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 Main Flat Extension 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.

Drilling targeting the Main Flat Extension immediately adjacent to the current ultimate pit at a depth of 300 metres (about 50 metres below the current design pit bottom and accessible to open pit mining) confirms the continuation of the mineralized zone with further drilling planned. Gold grades intersected are typical of the Sabodala deposit. The Main Flat Extension remains open down plunge to the northwest.

"The Corridor"

Drilling continued in the structural corridor progressing outward and north from the Sabodala open pit. It produced ore grade near surface results along Ayoub's Thrust, a structural feature that defines the western limit of the Corridor. Mineralization has been traced more than 200 metres north of the existing Sabodala open pit along trend and remains open to the north and west. The orientation of the mineralization is understood to be flat and shear related, stacked in multiple zones to a depth of 150 metres from surface.

The results of drilling these two target areas are the delineation of two separate ore zones that have the potential to add reserve ounces to the Sabodala pit in 2011. The lower grade upper ore zone is anticipated to reduce waste stripping to the higher grade lower ore zone and may provide additional near surface ore feed for the Sabodala mill.

Masato

Initial drilling confirms high-grade mineralization at depth along the Masato down dip extension. Most of the assays are pending.

Management believes that all new ounces found on the ML can be converted to production as they can be fed directly through the mill without any further permitting requirements. Permitting ounces found on the Regional Land Package should also move relatively quickly as these ounces are expected to be processed through the existing Sabodala mill.

Regional Exploration

During the three months ended June 30, 2011 the Company achieved the $3.5 million expenditure commitment threshold on exploration work associated with its three joint venture properties with Axmin Inc., thereby meeting the required expenditure threshold to achieve an 80 percent interest in each of the concessions.

In addition to the exploration program on the Company's 33km^2 Sabodala Mine License, 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 ounces) 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.

There are currently 27 targets that have been identified on the Company's 1,455km^2 Regional Land Package, all within trucking distance of the mill that are expected to be drill tested through the end of 2011. Exploration drilling on the regional land holding commenced during the December quarter.

By the end of the June quarter the Company completed approximately 50,000 metres of Diamond Drilling (DD) and Reverse Circulation (RC) and 98,000 metres of Rotary Air Blast (RAB) drilling. A total of 10 drill rigs are currently on the Regional Land Package and two additional drill rigs are expected to be added to the program during the September quarter. In total, 12 drill rigs are expected to be active on the regional land package in the second half of 2011 at a total estimated drilling cost of approximately $25 million.

Extensive RAB drilling completed to date has confirmed that a large proportion of the surface gold anomalies can be traced back to gold bearing structures in the bedrock. Thorough testing evaluation of these structures requires RC and DD. During 2011 first pass RC and DD testing has commenced on nine of the twenty-seven target areas identified on the Regional Land Package. Strategic road upgrades and repair of river and creek crossings was undertaken so that the exploration filed work and drilling could continue during the wet season. During the September quarter the Company is also aiming to continue its resource and exploration drilling program at Gora deposit.

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 for 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 recently completed IP survey has revealed additional anomalies along strike of the current resource which are targeted for follow up drilling. 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 as early as late 2012.

Drilling on the Gora deposit, where the Company has already (May 2, 2011) identified an inferred resource of 100,000+ ounces of gold at 6 gpt, continues to return very high grade results. See below for the selected latest results:

June 13, 2011 - press release	July 11, 2011 - press release	Recent results
5m @ 33.7 g/t from 111m (Vein 1)	2m @ 20.6 g/t from 88m	1m @ 9.5 g/t from 23m
2m @ 61.3 g/t from 126 m (Vein 1)	2m @ 27.3 g/t from 108m	1m @ 3.6 g/t from 79m
3m @ 26.7 g/t from 154 m (Vein 1)	2m @ 20.7 g/t from 79m	1m @ 5.8 g/t from 28m
3m @ 47.7 g/t from 164 m (Vein 5)	4m @ 23.2 g/t from 132m	
1m @ 33.0 g/t from 156m (Vein 4)	3m @ 24.1 g/t from 155m	
4m @ 10.7 g/t from 145m (Vein 2)	4m @ 34.1 g/t from 155m	
1m @ 51.8 g/t from 112m (Vein 2		
9m @ 3.2 g/t from 87m (Vein 1)		

For full drill results to date please see the Company's website at http://www.terangagold.com/investor-relations/news-releases/.

Since February a total of 144 RC and DD holes were completed for a total of 24,705 metres. Assay results are pending for 17 holes. The current phase drill program of approximately 25,000 metres of RC and DD drilling is expected to be completed at the end of August. This program is designed to evaluate the resource of the deposit to a vertical depth of about 130 metres along its known strike extent.

Step out exploration drilling, beyond the current systematic program described above, aims to test key structural intersections located down dip where mineralized structures are expected to intersect a major intrusive body. Step out drilling has commenced with a minimum 2,400 metre DD drill program. The initial nine hole program has been expanded to eleven planned holes, eight of which have been completed (SKRCDD0012, 67, 68, 69, 70, 85, 90, and 101). Geological logging of these holes has confirmed the presence of the mineralized structure in all eight holes to date with true widths of up to 12 metres. Results from holes SKRCDD0067, 68 and 69 have been received and indicate zones of gold anomalism. Data integration is in progress. Results for the remaining holes are still pending.
Recent gradient array IP surveying at Gora showed that the main resource is associated with a well defined geophysical response (chargeability high). This chargeability trend continues for at least an additional 700 metres to the north east, although on a lower response level, which may be due to the mineralised system plunging away with depth. Two additional chargeability anomalies of interest have been identified to the south and south-east of the Gora resource. One of these is 1200 metres in length and has the same orientation as the Gora mineralisation. The second one extends for at least 400 metres and is located almost along strike to the south east of the Gora resource.

For the exploration of the immediate north and south strike extensions of the Gora vein system, a 6,200 metre program of mainly RC drilling has commenced with two RC rigs in late July and may continue through September, depending on rig availability and performance.

Beyond this, a further 10,000 metres of RC drilling and 5,000 metres of DD drilling will be required to test the entire strike extent of the Gora mineralized trend and nearby parallel IP anomalies. This program may commence as early as October 2011, or before if additional rigs can be sourced.

A program of extending the IP grid to the north and south is currently underway to complete the tracking of the along strike geophysical responses to the north, south and west. Some additional lines of IP will be run across the current anomalies with a different equipment configuration (dipole-dipole) which may allow tracing of the key responses up to 300 metres in depth. If successful this will allow better targeted step out exploration drilling.

The mineralization at Gora can be tracked well beyond the boundaries used in the last resource model. The Company is working on an updated model and resource estimate. Currently, grades from Gora are at least four times our reserve grade, which may have a significant impact on the near term mill feed, potentially increasing production significantly.

Toumboumba

Toumboumba, located 10km from the Sabodala mill, is the Company's latest discovery with potential to become the second regional deposit processed through the Sabodala Mill. The new discovery, located on the Sabodala North West permit, is largely covered by a laterite plateau with little to no outcrop. The RAB program, which began in April, has been expanded to encompass the entire structural domain that may host similar styles of mineralization to the Gora deposit. The expanded program also provides additional lines that are optimized to the mineralized structural trends. To date, 1,113 RAB holes for 47,584 metres have been completed on nominal 100 x 50 metre grid.

Assays for a large number of drill holes are currently pending. However, results to date have identified a series of north-south trending targets that are related to quartz veining and alteration hosted within a granitic intrusive body. As results are received additional target trends are being identified, expanding the exploration potential at Toumboumba. Of the latest assay results, most of which were released in two press releases during the quarter, 58 RAB holes returned significant intersections over 0.5 gpt Au including:

June 13, 2011 - press release -early RAB results	**July 11, 2011 - press release -RAB results**	**Recent results -RAB results**
3m @ 6.13 g/t, including 1m @ 15.44 g/t	2m @ 6.65 g/t from 16m	4m @ 3.31 g/t from 26m
3m @ 11.99 g/t, including 1m @ 25.2 g/t	4m @ 6.06 g/t from 8m	2m @ 2.79 g/t from 20m
6m @ 18.85 g/t, including 4m @ 27.7 g/t	2m @ 32.87 g/t from 38m	
	2m @ 3.57 g/t from 12m	
	3m @ 6.34 g/t from 30m	

For full drill results to date please see the Company's website at http://www.terangagold.com/investor-relations/news-releases/.

In addition, 140 RAB holes returned intersections in the gold anomalous range (0.1 gpt Au to 0.5 gpt Au). The targets identified by the RAB program are the subject of the current RC drilling program.

To date, 49 RC holes for 8,748 metres have been completed, testing five north-south trending target zones defined by RAB drilling and historic surface gold geochemistry. RC drilling continues to return wide auriferous zones associated with hematite-carbonate-quartz alteration. Some of the most significant results, most of which were released in two press releases during the quarter, include:

June 13, 2011 - press release -early RC results	**July 11, 2011 - press release -RC results**
10m @ 2.35 g/t, including 2m @ 9.69 g/t	6m @ 1.91 g/t from 17m including 1m @ 8.07 g/t
8m @ 5.45 g/t, including 2m @ 17.75 g/t	3m @ 17.15 g/t from 39m including 1m @ 50 g/t
	6m @ 2.68 g/t from 56m including 1m @ 8.79 g/t
	3m @ 11.85 g/t from 36m including 1m @ 30.5 g/t

Recent results
-RC results - Aqua Regia

11m@5.18g/t from 37m including 1m@37.6g/t and 4m@6.23g/t from 52m including 1m@21.8g/t from SNWRC016
6m@1.24g/t from 125m from SNWRC017
4m@4.46g/t from 21m from SNWRC023
11m@1.29g/t from 52m from SNWRC027
3m@4.24g/t from 180m from SNWRC029

For full drill results to date please see the Company's website at http://www.terangagold.com/investor-relations/news-releases/.

Four diamond core holes, for a total of 1000 drill metres, are initially planned to test the tenor of mineralization at depth, and to better constrain the geometry and orientation of the targeted mineralized zones. These diamond core holes are designed to intersect gold mineralization at depths in excess of 150 vertical metres from surface. The drill core will yield valuable and detailed information on the styles of gold mineralization and associated hydrothermal alteration assemblages present at Toumboumba. This information will be used to optimize further sub-surface exploration of the area, and contribute to the Company's exploration approach in the immediate region.

The Company believes that at a minimum, Toumboumba could contain a near surface oxide resource, that may have potential for heap leach gold extraction. Significant upside remains at depth, which requires deeper drilling so that the oxide mineralization can be better traced into fresh bedrock. If the near surface mineralization continues at depth and can be confirmed in the other target zones, Toumboumba could become a significant deposit for the Company. A DD rig as well as improved RC drill capacity are scheduled to arrive for further evaluation of this new discovery.

Toumboumba is a target with high grade veins within low-grade haloes. The Company has currently identified 14 areas with multiple shear zones yet to be tested.

Majiva

The Makana permit hosts the Majiva target, one of several prospects located along a twelve kilometre strike length between Majiva and Niakafiri on the ML. To date, a 5 kilometre strike length of gold-mineralized structure has been identified at Majiva.

Two diamond drill holes drilled in 2008 intersected a shear zone up to 80 metres wide with intense carbonate-silica-pyrite alteration, but at the time failed to intersect significant gold mineralization. RAB drilling in 2010 further evaluated this shear structure and identified a 2 kilometre long gold anomaly.

The Company has encountered encouraging early stage results from the first nine RC holes completed at Majiva, for a total of 1,800 metres. In total, 5,000 metres of RC drilling is planned for first pass exploration of the 5 kilometre target strike length which should be completed this fall. These holes are targeting a sub-surface gold anomaly defined by RAB drilling. The RC holes have intersected up to 50 metres of intense carbonate-silia-pyrite-albite alteration developed in basalts and felsic intrusive rocks. The alteration type is similar to what can be observed at the Niakafiri deposit on the ML, a lower grade but softer ore that can be processed through the Sabodala mill at a higher throughput rate than the harder ore from Sabodala.

The mineralization encountered requires further drilling at depth and along strike to confirm its potential.

Tourokhoto

A 23,416 metres RAB drill program has been completed with a total of 1,006 holes on the Tourokhoto target located 33km from the Sabodala mill. A total of 106 holes returned intervals above 0.5 grams per tonne ("g/t") Au and further 340 holes returned values in the range of 0.1 to 0.5 g/t Au. Results are pending for a further 54 holes.

Interpretation of the systematic RAB drilling to date identified eight coherent zones of gold anomalism. Early scout DD completed in the first quarter of 2011 identified significant structural zones which host auriferous alteration zones some of which coincide with these RAB gold trends. The targets are up to 700 metres in strike length, and are associated with the gold bearing structures identified in the early DD. Additional follow up with ground geophysical surveys, RC and DD testing is required to fully evaluate these zones.

RAB results for 54 holes are still outstanding and these are from an area which has been identified as the most prospective, based on termite mound gold geochemistry and structural interpretation of the regional aeromagnetics. RAB drilling in this area was only completed in the June quarter as the area was not accessible in late 2010 when the RAB program at Tourokhoto first started.

The new development at Tourokhoto, illustrates the effectiveness of our strategy of systematic RAB drilling to delineating focussed targets in the bedrock within large prospective zones of favourable geology and geochemistry.

Diegoun North ("the Donut") – Cinnamon

A 19,000 metre RAB drill program at Cinnamon on the northern portion of the Diegoun target area (approximately 28 kilometres from the Sabodala mill) has been completed with 663 holes for 9,844 metres. Based on recent results received, 143 holes returned aufriferous intersections above 0.5 g/t Au. A further 95 RAB holes returned auriferous intersections in the range of 0.1 to 0.5 g/t Au. These results indicate three well defined, north east trending target zones on the eastern side of the Cinnamon area. These target zones have a strike length of up to 300 metres. IP surveying and follow up RC drill testing are planned for this area as soon as access conditions and rig availability permit.

Diegoun North ("the Donut") - Jam and Honey

The first pass RC program at Jam and Honey has been completed with 51 holes for just under 8,800 metres. In total, 40 of the 51 holes returned anomalous levels of gold above 0.5 g/t Au and the remainder returned values in the anomalous range of 0.1 to 0.5 g/t Au.

The selected intersections from Jam include:

SKRC204 2m @ 18.9 g/t Au from 26m
SKRC207 13m @ 1.65 g/t Au from 2m
SKRC216 4m @ 1.74 g/t Au from 13m

For full drill results to date please see the Company's website at http://www.terangagold.com/investor-relations/news-releases/.

The mineralisation at Jam is closely related to silica-pyrite-carbonate-albite alteration in granodiorite and is controlled by a series of north east trending structures interpreted from the aeromagnetics. These structures trend for several kilometres to the north-east where they connect up with the newly RAB-defined gold anomalies at Cinnamon.

An IP survey completed at Jam confirms the presence of a north-east trending structure and is awaiting final interpretation by the geophysical contractors. The RC drilling at Jam has been of a wide spaced, reconnaissance nature with lines 200 to 400 metres apart. Significant mineralised strike length between and along the mineralised structures remains untested. Data integration and refining of the structural understanding is in progress to define a follow up program of drilling for the coming dry season.

The selected intersections from Honey include:

SKRC225 11m @ 0.56 g/t Au from 193m
SKRC226 1m @ 9.64 g/t Au from 182m
SKRC227 5m @ 2.23 g/t Au from 70m
SKRC228 7m @ 0.65 g/t Au from 11m

For full drill results to date please see the Company's website at http://www.terangagold.com/investor-relations/news-releases/.

The mineralisation at Honey is largely associated with narrow intervals of quartz veining and minor carbonate alteration hosted in sediments. The mineralisation there also aligns with north east trending structures.

RAB and RC drilling completed on the large prospective complex at Diegoun North has led to the recognition of a well developed, auriferous north east trending structure on the eastern side of the target area. This structure trends for at least 4.5 kilometres from the Jam anomaly to the newly defined RAB gold anomalies at Cinnamon. Further drilling is required to thoroughly explore this extensive gold-bearing structure. Data review and interpretation will take place over the wet season which will lead to definition of follow-up drilling programs for the coming dry season.

Diegoun South

A 5,400 metre RAB drilling was completed at Diegoun South target. The program is targeting a stock worked granitic dyke which has returned wide aufriferous sections from trenching carried out in 2010.

Dembala Hill

An initial 24 hole, 2,700 metre RC program commenced at Dembala Hill during the December quarter and was completed during the March quarter. Three diamond holes were completed for a total of 1,057 metres during the June quarter. These holes targeted down dip mineralisation encountered in the previous RC and trenching programs. Assays of these holes are pending.

KC and KB

During the September quarter approximately 5,000 metre of RC and DD are planned on these two targets. A 14,000 metre RAB program is in progress to further evaluate these targets.

Goundamehko

A 60 km line IP survey is scheduled for September quarter prior to any further RC or DD drilling.

Diadiako

A 7,000 metre first phase RC drill program commenced at Diadiako during the March quarter with a total of 28 holes for 4,087 metres completed to date. Seventeen of the RC holes returned intersections in the higher range of 0.5 g/t Au, related to a north east trending and south east dipping silica-carbonate-hematite-albite altered structure. A further eight holes returned alteration and gold bearing intervals in the 0.1 to 0.5 g/t Au range. This mineralised structure has been traced for over 1 kilometre in strike length and remains open to the north east. An IP survey is planned to help with sub-surface mapping of the alteration zones prior to planning further follow up drilling.

Bransan and Sabodala North West

A RAB drill program totalling 23,000 metres was completed over several prospects on the Bransan and Sabodala North West permits during the quarter. Three RC holes for 642 metres were completed during the quarter at Goumbou Gamba South. All three holes intersected interesting alteration, but did not return any significant gold values.

CASH FLOW

	3 months ended June 30, 2011	9 months ended June 30, 2011
Cash flow		
Operating activities	(10,071)	9,441
Investing activities	12,845	(68,775)
Financing activities	(1,840)	113,497
Change in cash and cash equivalents during period	**934**	**54,163**
Cash and cash equivalents - beginning of period	54,673	-
Effect of exchange rates on holdings	92	1,536
Cash and cash equivalents - end of period (1)	**55,699**	**55,699**

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

Net cash used by operating activities during the three months ended June 30, 2011 of $10 million represents $33 million received from gold sales offset by production costs of $33 million, $3 million of administration expenses and $7 million of inventory purchases. Net cash provided by operating activities during the nine months ended June 30, 2011 of $9 million represents $106 million received from gold sales partially offset by production costs of $79 million, $6 million of administration expense and $12 million of inventory purchases.

Net cash provided by investing activities for the three month period ended June 30, 2011 of $13 million resulted from $29 million provided by divesting in government bonds partially offset by $16 million spent on capital expenditures, mine development and exploration. Net cash used in investing activities for the nine month period ended June 30, 2011 was $69 million which was primarily due to repayment of a promissory note to MDL of C$50 million offset by cash acquired, $2 million invested in short term government bonds and $24 million on capital expenditures, mine development and exploration.

Net cash used in financing activities for the three months ended June 30, 2011 was $2 million primarily from a payment under the mining fleet lease facility with Société Générale London (the "Mining Fleet Lease"). Net cash provided by financing activities for the nine months ended June 30, 2011 was $114 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 payments under the Mining Fleet Lease facility of $5 million and share issuance costs related to the public offerings of $16 million.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2011, the Company had cash, cash equivalents and short term investment including restricted cash of $65.9 million. In the opinion of management, the cash and cash equivalents at June 30, 2011, together with future cash flows from operations is sufficient to support the Company's growth strategy. The Company's total planned capital expenditures for the balance of calendar 2011, with a focus on the plant expansion at the Sabodala mine site as well as purchase of mining equipment for development of Gora, are expected to total at least $52.8 million.

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 minimal cash amount is held with the Senegal banks.

The Company strengthened its balance sheet during the nine months ended June 30, 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.

Looking beyond 2011, 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 $834 per ounce. Deliveries into the hedge position to date of 200,500 ounces have reduced the hedge balance to 198,500 ounces at June 30, 2011. The mark-to-market at the reporting date spot price of $1,500 was negative $133.4 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 June 30, 2011, the remaining 140,000 barrels were hedged with a mark-to-market gain of $4.1 million at the reporting date spot price of $95.4 per barrel.

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 and expansion programs. The Company believes that its expected cash flow from operations, along with its cash holdings is sufficient to meet its 2011 obligations including the mill expansion.

As at June 30, 2011, the Company had $65.9 million in cash, cash equivalents, short term investments and restricted cash.

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 June 30, 2011, the Company had the following payments due on contractual obligations and commitments:

	Payments Due By Period (U.S.$Millions)				
Contractual Obligation and Commitments	**Total**	**< 1 year**	**1-3 years**	**4-5 years**	**>5 years**
Mining Fleet Lease Facility(1)	20.1	11.2	8.9	—	—
Exploration commitments	6.9	3.5	3.4	—	—
Government of Senegal payments(2)	5.3	5.3	—	—	—
Plant expansion	41.2	41.2	—	—	—
Mining equipment supply contract (3)	14.4	14.4			
Total	**87.9**	**75.6**	**12.3**	**—**	**—**

(1) In July 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). The facility contains a quarterly repayment schedule concluding with the final payment on June 30, 2013. The facility is currently drawn down to $20.1 million.

(2) Comprises $4.1 million to which an annual interest rate of 6.0 percent applies is payable to the Government of Senegal. The Company anticipates paying this amount along with the accrued interest within the next 3-6 months.

(3) On June 30, 2011, the Company entered into an equipment supply contract for the purchase of mining equipment for a total of $14.4 million, which is expected to be used primarily for the development of the Gora deposit. The purchase of this mining equipment is expected to be largely financed by expansion of the mobile equipment loan with Société Générale.

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 Convention.
- $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.
- $4.1 million is payable to the Government of Senegal. The Company anticipates paying this amount along with the accrued interest within the next 3-6 months.

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 June 30, 2011 is considered minimal. The oil hedge contracts are also with large institutions. 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 June 30, 2011, the Company's cash and cash equivalents were held by three major financial institutions as well as invested in Canadian and US government 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 hedging program undertaken is structured with the objective of retaining as much upside to the gold and 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 U.S. dollars and the Company's costs are incurred principally in U.S. dollars and the CFA Franc, the national currency of Senegal. The Company also incurs Canadian dollar and Euro costs. The appreciation of non-U.S. dollar currencies against the U.S. dollar can increase the cost of gold production and capital expenditures in U.S. dollar terms. The Company also holds cash and cash equivalents that are denominated in non-U.S. dollar currencies that are subject to currency risk. Accounts receivable and other current and long-term assets are denominated in non-U.S. dollars.

The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than U.S. dollars at June 30, 2011. See Note 33(d) to the Unaudited Interim 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 and external borrowings. See Note 33(e) to the Unaudited Interim 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

On July 9, 2010, SGML (Capital) Limited entered into an amended agreement with Societe Generale London to expand the facility to allow for the purchase of additional mining equipment. An amended facility was concluded with a new limit of $27.8 million. This facility contains a quarterly repayment schedule concluding with the final repayment on June 30, 2013. Interest is calculated using LIBOR plus 3% margin. The lease facility is secured by, among other things, the assets financed and currently has a balance of $20.1 million.

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 U.S. 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 $10.6 million increase or decrease in revenue based on the expectations and assumptions it used in the 2011 outlook.

At present, the Company has 198,500 ounces of gold forward sales deliverable through August 2013 at an average price of $831 per ounce. The mark-to-market at the reporting date spot price of $1,500 was negative $133.4 million. A 10 percent increase or decrease in the price of gold would result in approximately a $30.8 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 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.

CONTINGENT LIABILITIES

(a) 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.

(b) There are no outstanding native title claims against the Company which could or would have a financial impact.

The directors are not aware of any other contingent liabilities at June 30, 2011.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following are critical judgments 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. 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. 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 of 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 $0.5 million lower depreciation cost for the quarter.

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(f) 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 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 U.S. 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 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	15,065,556
Fully diluted share capital	260,683,556

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.

		3 months ended June 30, 2011	Period from Nov 23, 2010 to June 30, 2011
Gold produced	oz	32,480	85,802
Gold sold	oz	35,407	91,489
Cost of sales	($'000)	33,234	78,441
Less: depreciation and amortization	($'000)	(10,912)	(25,313)
Less: rehabilitation	($'000)	(120)	(316)
Add: inventory movement		9,253	15,331
Other adjustments	($'000)	(330)	(830)
Total cash cost of sales	($'000)	31,125	67,313
Total cash cost of sales per ounce sold	**U.S.$/oz**	**879**	**737**

TRANSACTION WITH RELATED PARTIES

(a) Equity interests in related parties

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 31 to Company's Interim Consolidated Financial Statements.

(b) Transactions with key management personnel

Details of key management personnel compensation are disclosed in the Note 36 to the Company's Interim Consolidated Financial Statements.

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

(c) Transactions with other related parties

There was zero balance outstanding to related parties as at June 30, 2011.

Shareholdings

Teranga's 90% shareholding in SGO, the company operating the Sabodala gold mine, is held 89.5% through Mauritius holding company, Sabodala Gold Mauritius Limited ("SGML"), and the remaining 0.5% 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% 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.

The Company's CEO and CFO certify that, as June 30, 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. There has been no change in the Company's ICFR that occurred during the quarter ended June 30, 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.

Corporate Directory

Directors
Alan Hill, 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, Chairman and CEO
Richard Young, President and CFO
Yani Roditis, Vice President Operations
Kathy Sipos, Vice President Investor Relations
David Savarie, Vice President, Legal and Corporate Secretary
Mark English, General Manager SGO
Martin Pawlitschek, Regional Exploration Manager, SGO
Bruce Van Brunt, Business Development Manager, SGO

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sis la Route due Meridien President
Dakar Almadies
T: +221 338 693 181
F: +221 338 603 683

Auditor
Deloitte & Touche LLP

Share Registries
Canada: Computershare Trust Company of Canada
T: +1 800 564 6253
Australia: Computershare Investor Services Pty Ltd
T: 1 300 850 505

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

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 U.S. 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 labor; 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.

For further information please contact: Kathy Sipos, Vice-President of Investor Relations:

T: +1 416-594-0000
E: ksipos@terangagold.com

Interim Condensed Consolidated Financial Statements of

TERANGA GOLD CORPORATION

As at and for the three-and-nine months ended June 30, 2011

(Unaudited)

TERANGA GOLD CORPORATION

STATEMENT OF COMPREHENSIVE LOSS

For the three-and-nine months ended June 30, 2011
(Unaudited and in US$'000)

	Note	3 months ended June 30, 2011	9 months ended June 30, 2011
Revenue [1]	7	38,487	103,160
Cost of sales	9	(33,234)	(78,441)
Gross profit		**5,253**	**24,719**
Other income	7	351	648
Stock-based compensation		(2,763)	(8,395)
Finance costs	8	(559)	(1,636)
Exploration and evaluation expenditures		(8,325)	(12,620)
Administration expenses		(2,739)	(6,320)
Net foreign exchange gains		1,494	985
Gold hedge unrealized losses		(624)	(2,092)
Oil hedge unrealized (losses) / gains		(1,691)	1,173
		(14,856)	(28,257)
Loss before tax		**(9,603)**	**(3,538)**
Income tax (expense) / benefit	10	(127)	92
Loss for the period		**(9,730)**	**(3,446)**
Other comprehensive loss:			
Exchange differences arising on translation of foreign operations	24	(451)	3,009
Loss on valuation of available for sale financial asset, net of tax	23	(5,540)	(4,942)
Other comprehensive loss for the period		**(5,991)**	**(1,933)**
Total comprehensive loss for the period		**(15,721)**	**(5,379)**
Profit / (Loss) attributable to:			
- owners of the parent		(10,057)	(5,526)
- non-controlling interests		327	2,080
Loss for the period		**(9,730)**	**(3,446)**
Total comprehensive loss attributable to:			
- owners of the parent		(16,048)	(7,459)
- non-controlling interests		327	2,080
Loss per share from operations attributable to the equity holders of the Company during the period			
- basic loss per share	25	(0.04)	(0.03)
- diluted loss per share	25	(0.04)	(0.03)

Note 1: Out of the total revenue, $102.7 million represents shipments of 91,489 ounces of gold in the period from November 23, 2010 to June 30, 2011, out of which 48,000 ounces were delivered into forward sales contracts at $846 per ounce and 43,489 ounces were sold into the spot market at an average price of $1,429 per ounce. The remaining revenue relates to silver sale.

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

Approved by the Board of Directors

Alan Hill
Director

Alan Thomas
Director

STATEMENT OF FINANCIAL POSITION
As at June 30, 2011
(Unaudited and in US$'000)

	Note	As at June 30, 2011
Current assets		
Cash and cash equivalents	32	55,699
Short-term investments	32	3,172
Restricted cash	32	7,000
Trade and other receivables	11	9,480
Inventories	12	49,382
Financial derivative assets	13	2,275
Other assets	14	7,833
Available for sale financial asset	23	17,038
Total current assets		**151,879**
Non-current assets		
Inventories	12	56,065
Financial derivative assets	13	1,830
Property, plant and equipment	15	209,337
Mine development expenditure	16	94,227
Intangible assets	17	731
Total non-current assets		**362,190**
Total assets		**514,069**
Current liabilities		
Trade and other payables	18	28,878
Borrowings	19	10,984
Financial derivative liabilities	20	52,360
Current tax liabilities		283
Provisions	21	1,889
Total current liabilities		**94,394**
Non-current liabilities		
Financial derivative liabilities	20	81,080
Provisions	21	2,569
Borrowings	19	8,835
Total non-current liabilities		**92,484**
Total liabilities		**186,878**
Net assets		**327,191**
Equity		
Issued capital	22	352,881
Foreign currency translation reserve	24	3,009
Contributed surplus		8,588
Investment revaluation reserve	23	(4,942)
Accumulated losses		(32,862)
Equity attributable to equity holders of the parent		**326,674**
Non-controlling interests		517
Total equity		**327,191**

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

TERANGA GOLD CORPORATION

STATEMENT OF CHANGES IN EQUITY

For the nine months ended June 30, 2011

(Unaudited and in US$'000)

For the nine months ended June 30, 2011	Note	
Common shares		
At October 1, 2010		-
Shares issued on incorporation of the Company		-
Shares issued from public and private offerings	22	135,005
Less: Share issue costs	22	(16,258)
Shares issued on the acquisition of the Sabodala gold mine and a regional exploration package	22	234,134
At June 30, 2011		352,881
Foreign currency translation reserve		
At October 1, 2010		-
Exchange difference arising on translation of foreign operations		3,009
At June 30, 2011		3,009
Contributed surplus		-
At October 1, 2010		-
Stock-based compensation		8,588
At June 30, 2011		8,588
Investment revaluation reserve		
At October 1, 2010		-
Change in fair value	23	(4,942)
At June 30, 2011		(4,942)
Accumulated losses		
At October 1, 2010		-
Loss attributable to owners of the parent		(5,526)
Impact of change in accounting policy	4	(27,336)
At June 30, 2011		(32,862)
Non-controlling interest		
At October 1, 2010		-
Non-controlling interest arising from demerger - November 23, 2010		(1,563)
Non-controlling interest - portion of profit		2,080
At June 30, 2011		517
Total shareholders' equity at June 30, 2011		**327,191**

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

TERANGA GOLD CORPORATION

STATEMENT OF CASH FLOWS

For the three-and-nine months ended June 30, 2011

(Unaudited and in US$'000)

	Note	3 months ended June 30, 2011	9 months ended June 30, 2011
Cash flows related to operating activities			
Loss for the period		**(9,730)**	**(3,446)**
Depreciation		8,236	18,972
Amortization		93	248
Finance costs		74	183
Stock-based compensation		2,763	8,395
Amortization of capitalized mine development costs		2,664	6,323
Unrealized loss on gold hedge		624	2,092
Unrealized loss / (gain) on oil hedge		1,691	(1,173)
Income tax expense / (benefit)		127	(92)
Changes in working capital [1]	32(b)	(16,613)	(22,061)
Net cash (used in) / provided by operating activities		**(10,071)**	**9,441**
Cash flows related to investing activities			
Increase in restricted cash		-	(7,000)
Decrease in short-term investments		28,728	(2,352)
Payments for purchase of property, plant and equipment		(12,469)	(19,387)
Payments made on mine development		(3,108)	(5,117)
Payments for purchase of intangibles		(306)	(612)
Payment for acquisition of Sabodala gold mine and regional land package net of cash acquired [2]		-	(34,307)
Net cash provided by / (used in) investing activities		**12,845**	**(68,775)**
Cash flows related to financing activities			
Proceeds from issuance of capital stock, net of issue costs		(90)	118,747
Payment of borrowings		(1,750)	(5,250)
Net cash (used in) / provided by financing activities		**(1,840)**	**113,497**
Net increase in cash and cash equivalents held		**934**	**54,163**
Cash and cash equivalents at the beginning of financial period		**54,673**	**-**
Effect of exchange rates on cash holdings in foreign currencies		92	1,536
Cash and cash equivalent at the end of financial period		**55,699**	**55,699**

Note 1: Change in working capital includes interest paid of $246,000 and $533,000 and taxes paid of $126,000 and $405,000 during the 3-and-9 month periods ended June 30, 2011, respectively.

Note 2: On November 23, 2010, Teranga acquired the Sabodala gold mine and a regional exploration land package together with 15% (June 30, 2011:13.8%) of Oromin Exploration Ltd. ("Oromin") for consideration of the issuance of 200 million shares and C$50 million in satisfaction of a promissory note owing to Mineral Deposits Limited. Transaction has been recorded as a non-cash transaction, except of C$50 million repayment of the promissory note. See Note 2.

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

1. GENERAL INFORMATION

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

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. DE-MERGER FROM MINERAL DEPOSITS LIMITED ("Demerger")

On November 23, 2010, Teranga completed the acquisition of the Sabodala Gold Assets by a 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, 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, 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:

(Unaudited and in US$'000)

As at	November 23, 2010
Current assets	
Cash and cash equivalents	14,924
Trade and other receivables	238,089
Inventories	82,842
Financial derivative assets	1,074
Other assets	2,688
Available for sale financial asset	21,109
Total current assets	**360,726**
Non-current assets	
Inventories	6,514
Mine development expenditure	112,710
Financial derivative assets	1,859
Intangible assets	367
Capitalized mine convention costs	10,133
Property, plant and equipment	209,023
Total non-current assets	**340,606**
Total assets	**701,332**
Current liabilities	
Trade and other payables	256,910
Borrowings	8,630
Financial derivative liabilities	37,078
Current tax liabilities	518
Provisions	1,696
Total current liabilities	**304,832**
Non-current liabilities	
Trade and other payables	1,657
Financial derivative liabilities	94,270
Deferred tax liabilities	231
Provisions	2,284
Borrowings	16,256
Total non-current liabilities	**114,698**
Total liabilities	**419,530**
Non-controlling interest	1,563
Net assets	**283,365**

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
Net assets acquired	283,365
Less deferred consideration (C$50 million)	(49,231)
Value of shares issued on acquisition	**234,134**

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34") 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 condensed 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 income (loss), equity and cash flows reflect the operations of the Company from November 23, 2010 and of the corporate activities since incorporation of Teranga on October 1, 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. As a result, the Company's fiscal reporting period ended June 30th 2011 now constitutes an interim reporting period as opposed to a fiscal year end. For further information on details of this change, and how it will impact subsequent reporting and comparative periods, 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 judgments and key sources of estimation uncertainty

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

Judgments made by management in the application of IFRS that have significant effects on the consolidated financial statements and estimates with a significant risk of material adjustments, where applicable, are contained in the relevant notes to the financial statements. Refer to Note 6 for critical 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 all entities being 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 30 to the 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 income.

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

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

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the 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 income (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 Company's presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of transaction. Foreign currency monetary items are translated at the year-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 year-end exchange rates prevailing at the reporting date
- Income and expenses are translated at average exchange rates for the period
- Accumulated profits/(losses) are translated at the exchange rates prevailing at the date of the transaction
- Exchange differences arising on translation of foreign operations 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 three months 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 and 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 and 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 income.

Loans and receivables

Trade 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 investments 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 investments 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 is 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.

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 income 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 method when depreciating mining assets which results in a depreciation charge proportional to the depletion of the anticipated remaining life of mine.

(Unaudited and in US$'000)

The depreciation is calculated using the following useful lives :

Class of Fixed Assets	Years
Buildings and property improvements	6.7 – 8.0 years
Plant and equipment	5.0 – 8.0 years
Office furniture and equipment	6.7 years
Computer equipment	3.0 years
Other assets	6.7 years
Fixtures and fittings	5.0 – 7.7 years
Motor vehicles	5.0 years
Camp construction	7.7 – 8.0 years

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

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 profit or loss.

Assets under finance lease

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

(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 profit or 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 profit or 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 hedged item 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 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 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 tax

Current 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 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 tax

Deferred 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 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. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

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

(t) Revenue Recognition

Gold and silver bullion sales

Revenue from gold and silver bullion sales is recognized when the Company has transferred the significant risk and rewards of ownership to the buyer and selling prices are known or can be reasonably estimated. Revenue is reported net of discounts and pricing adjustments. 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 income until the determination of the technical feasibility and the commercial viability of the project.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven 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 development properties to producing properties on the consolidated balance sheet and will be amortized using the unit-of-production method over the estimated ore reserves.

Exploration and evaluation assets comprise of costs incurred to secure the mining convention, 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 attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary 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 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 or sale of the gold crystallizes.

4. CHANGE IN ACCOUNTINGS 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. 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 the accounting policy results in reliable and more relevant information.

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, 2013. 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 JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments in applying the entity'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 financial statements:

Ore reserves

Management estimates its 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 NI43-101. 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 statement of comprehensive income.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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 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. The Company's units or 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 $0.5 million lower depreciation cost for the quarter.

Mine restoration and rehabilitation provision

Management assesses its 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 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.

(Unaudited and in US$'000)

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 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 interim condensed 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 interim condensed 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 United States Dollar. Functional currency of each of the entity 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.

7. REVENUE

	3 months ended June 30, 2011	**9 months ended June 30, 2011**
Gold sales at spot price	53,920	131,757
Silver sales	146	412
Realized loss on gold forward contracts	(15,579)	(29,009)
	38,487	**103,160**
Sales revenue		
Interest revenue from bank deposits and short-term invesments	351	648
Other income	**351**	**648**

(i) During the quarter ended June 30, 2011, 23,000 ounces were delivered into gold hedge contracts at $846 per ounce and 12,407 ounces of gold were sold into the spot market at an average price of $1,522 per ounce resulting in an average realized price for the quarter of $1,083 per ounce.

(ii) During the nine months ended June 30, 2011, 48,000 ounces were delivered into gold hedge contracts at $846 per ounce and 43,489 ounces of gold were sold into the spot market at an average price of $1,429 per ounce resulting in an average realized price for the period of $1,123 per ounce.

(Unaudited and in US$'000)

8. FINANCE COSTS

	3 months ended June 30, 2011	9 months ended June 30, 2011
Interest on borrowings	250	859
Amortization of capitalized borrowing costs	74	183
Unwinding of discount	10	24
Political risk insurance	224	530
Bank charges	1	40
Total finance costs	**559**	**1,636**

9. COST OF SALES

	3 months ended June 30, 2011	9 months ended June 30, 2011
Cost of sales:		
- mine production costs	30,535	65,771
- realized gain on oil hedge contracts	(647)	(1,444)
- depreciation and amortization	10,912	25,313
- royalties	1,567	3,816
- rehabilitation	120	316
- inventory movements	(9,253)	(15,331)
Total cost of sales	**33,234**	**78,441**

10. INCOME TAXES

	3 months ended June 30, 2011	9 months ended June 30, 2011
Current tax expense	127	139
Deferred tax benefit of reversal of temporary differences	-	(231)
Total tax expense / (benefit)	**127**	**(92)**

11. TRADE AND OTHER RECEIVABLES

	As at June 30, 2011
Current	
Trade receivable (i)	5,588
Other receivables (ii)	3,892
	9,480

(i) Trade receivable relates to gold shipment made prior to June 30, 2011 that was settled only after the quarter-end.

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

(Unaudited and in US$'000)

12. INVENTORIES

	As at June 30, 2011
Current	
Gold bullion	1,728
Gold in circuit	2,779
Ore stockpile – work in progress	19,871
Total gold inventories	***24,378***
Diesel fuel	1,543
Materials and supplies	20,784
Goods in transit	2,677
Total other inventories	***25,004***
Total current inventories	**49,382**
Non-Current	
Ore stockpiles	**56,065**
Total inventories	**105,447**

13. FINANCIAL DERIVATIVE ASSETS

	As at June 30, 2011
Current	
Oil hedge contracts	2,275
Non-Current	
Oil hedge contracts	1,830
	4,105

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 June 30, 2011, the remaining 140,000 barrels were hedged with a market value of $4.1 million at the reporting date spot price of $95.42 per barrel.

14. OTHER ASSETS

	As at June 30, 2011
Current	
Prepayments (i)	6,290
Security deposit (ii)	1,543
	7,833

(i) Prepayments include primarily advances to contractors.

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

(Unaudited and in US$'000)

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings & property improvement	Plant and equipment	Office equipment	Motor vehicles	Plant and equipment under finance lease	Total
Cost						
Balance at October 1, 2010	-	-	-	-	-	**-**
Property, plant and equipment arising from demerger - Nov 23, 2010	30,838	187,248	575	1,774	37,307	**257,742**
Additions	-	13,571	594	434	4,788	**19,387**
Balance at June 30, 2011	**30,838**	**200,819**	**1,169**	**2,208**	**42,095**	**277,129**
Accumulated depreciation						
Balance at 1 October, 2010	-	-	-	-	-	**-**
Accumulated depreciation arising from demerger - Nov 23, 2010	4,107	25,849	399	912	17,452	**48,719**
Depreciation expense	1,522	9,128	103	219	8,000	**18,972**
Net foreign currency exchange differences	(4)	59	25	6	15	**101**
Balance at June 30, 2011	**5,625**	**35,036**	**527**	**1,137**	**25,467**	**67,792**
Net book value						
Balance at June 30, 2011	**25,213**	**165,783**	**642**	**1,071**	**16,628**	**209,337**

16. MINE DEVELOPMENT EXPENDITURE

	As at June 30, 2011
Cost	
Balance at October 1, 2010	-
Mine development expenditure arising from demerger - Nov 23, 2010	127,336
Expenditures incurred during the period	5,117
Change of accounting policy* (see Note 4)	(17,277)
Balance at June 30, 2011	**115,176**
Accumulated depreciation	
Balance at October 1, 2010	-
Accumulated depreciation arising from demerger - Nov 23, 2010	14,626
Depreciation expense	6,323
Balance at June 30, 2011	**20,949**
Carrying amount	
As at June 30, 2011	**94,227**

Note*: 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 including costs for the expansion project.

(Unaudited and in US$'000)

17. INTANGIBLE ASSETS

	As at June 30, 2011
Cost	
Balance at October 1, 2010	-
Intangible assets arising from demerger - Nov 23, 2010	707
Additions	612
Balance at June 30, 2011	**1,319**
Accumulated amortization	
Balance at October 1, 2010	-
Accumulated amortization arising from demerger - Nov 23, 2010	340
Amortization expense	248
Balance at June 30, 2011	**588**
Carying amount	
Balance at June 30, 2011	**731**

Intangible assets represent intangible computer software. Amortization expense is included in the statement of comprehensive income as "amortization of intangible assets".

The following useful life is used in the calculation of amortization: Software – 2.5 years

18. TRADE AND OTHER PAYABLES

	As at June 30, 2011
Current	
Unsecured liabilities:	
- trade payables (i)	9,193
- sundry creditors and accrued expenses	11,122
- government royalties (ii)	3,278
- amounts payable to Government of Senegal (iii)	5,285
Total trade and other payables	**28,878**

(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) $4.1 million to which an annual interest rate of 6% applies is payable to the Government of Senegal. The Company anticipates paying this amount along with the accrued interest payable within the next 3-6 months therefore it is disclosed as current payable.

(Unaudited and in US$'000)

19. BORROWINGS

	As at June 30, 2011
Current	
Finance lease liabilities (i)	
-finance lease liabilities	11,200
- borrowing costs	(216)
	10,984
Non-Current	
Secured at amortized cost:	
Finance lease liabilities (i)	
-finance lease liabilities	8,906
- borrowing costs	(71)
	8,835
	19,819

(i) SGML (Capital) Limited entered into an amended agreement with Société Generale London to allow for the purchase of additional mining equipment. This facility contains a quarterly repayment schedule concluding with the final repayment on June 30, 2013.

(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.

20. FINANCIAL DERIVATIVE LIABILITIES

	As at June 30, 2011
Financial derivative liabilities:	
Gold forward contracts	**133,440**
Disclosed as:	
Current	52,360
Non-current	81,080

At June 30, 2011, the hedge position comprised 145,500 ounces of flat forward sales at $846 per ounce and 53,000 ounces of flat forward sales at $791 per ounce. At June 30, 2011 the mark-to-market gold hedge position at reporting date spot price of $1,500 was in a liability position of $133.4 million.

(Unaudited and in US$'000)

21. PROVISIONS

	As at June 30, 2011
Current	
Employee benefits (i)	**1,889**
Non-Current	
Mine restoration and rehabilitation (ii)	**2,569**
	4,458

(i) The current provisions for employee benefits include $1.5 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 convention agreement.

Balance at October 1, 2010	-
Transfer of provision from demerger - November 23, 2010	2,284
Additional provisions recognized	261
Unwinding of discount	24
Balance at June 30, 2011	**2,569**

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	200,000,000	234,134
Balance at June 30, 2011	**245,618,000**	**352,881**

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 ("SGO"), 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.

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 June 30, 2011
Balance at October 1, 2010	-
Acquisition of Oromin arising from demerger - Nov 23, 2010	21,109
Change in fair value during the period	(4,942)
Foreign exchange gain	871
Balance at June 30, 2011	**17,038**

24. RESERVES

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)

	3 months ended June 30, 2011	9 months ended June 30, 2011
Basic LPS (US$)	(0.04)	(0.03)
Diluted LPS (US$)	(0.04)	(0.03)
Basic LPS:		
Net loss used in the calculation of basic LPS	(10,057)	(5,526)
Weighted average number of ordinary shares for the purposes of basic LPS ('000)	245,618	194,695
Weighted average number of ordinary shares for the purpose of diluted LPS ('000)	245,618	194,695

26. DIVIDENDS

During the period ended June 30, 2011, no dividends were paid.

(Unaudited and in US$'000)

27. COMMITMENTS FOR EXPENDITURE

(a) Capital Expenditure Commitments

	As at June 30, 2011
Capital expenditure commitments outstanding comprised:	
Sabodala Gold Mine - expansion - engineering services	6,160
Ball mill and other machinery for the expansion	18,101
Additional mining equipment	14,440
Payments due within one year	**38,701**

(b) Exploration Commitments

The Company has committed to spend a total of $6.9 million over the next three years 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 Convention.
- $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 of production on training of Directorate of Mines and Geology officers and Mines Ministry
- $4.1 million plus 6% interest payable to Government of Senegal. The Company anticipates paying this amount along with the accrued interest payable within the next 3 to 6 months.

28. LEASES

(a) Operating Lease Commitments

The Company has entered into an agreement to lease premises for the period 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 $178,000 is payable by February 27, 2013.

(Unaudited and in US$'000)

(b) Finance Lease Liabilities

	Minimum future lease payments	Present value of minimum future lease payments
	June 30, 2011	June 30, 2011
No later than one year	11,200	10,984
Later than one year and not later than five years	8,906	8,835
	20,106	**19,819**
Included in the financial statements as:		
- current	11,200	10,984
- non-current	8,906	8,835

The finance lease relates to the Mining Fleet Sublease with a remaining lease term of 24 months expiring June 30, 2013. Minimum future lease payments consist of eight 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

The directors and the management of the Company are not aware of any contingent liabilities at June 30, 2011.

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

Exploration commitments and contingent liabilities

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

(Unaudited and in US$'000)

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 ("SGML"). A sufficient number of directors representing SGML (the Mauritius holding company) were elected to the board of directors of Sabodala Gold Operations SA ("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:

(Unaudited and in US$'000)

	As at June 30, 2011
Cash and cash equivalents	55,699
Short-term investments	3,172
Restricted cash	7,000
Total cash, cash equivalents, short-term investments and restricted cash at end of period	**65,871**

(b) Reconciliation of change in working capital

	3 months ended June 30, 2011	9 months ended June 30, 2011
Changes in working capital		
Increase in trade and term debtors	(6,470)	(5,516)
Decrease / (increase) in prepayments and other assets	2,524	(5,145)
Increase in inventories	(7,588)	(16,091)
(Decrease) / increase in trade creditors and accruals	(5,119)	4,586
Increase in rehabilitation provision	178	479
Decrease in current tax liability	(138)	(374)
Net change in working capital	**(16,613)**	**(22,061)**

(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% (June 30, 2011:13.8%) 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 of 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 $16.7 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 $7 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.

The leverage ratio as at June 30, 2011 was as follows:

(Unaudited and in US$'000)

	As at June 30, 2011
Borrowings	(19,819)
Cash and cash equivalents	55,699
Short-term investments	3,172
Net cash	**39,052**
Equity attributable to equity holders of the parent	**326,674**
Net cash to equity ratio	**12%**

(b) Categories of financial instruments

As at June 30, 2011, the Company's financial instruments consisted of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, 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 June 30, 2011:

	As at June 30, 2011
Financial assets:	
Loans and receivables	
Cash and cash equivalents	55,699
Restricted cash	7,000
Short-term investments	3,172
Trade and other receivable	9,480
Assets at fair value through profit and loss	
Financial derivative assets	4,105
Available-for-sale	
Available-for-sale financial assets	17,038
Financial liabilities:	
Other financial liabilities at amortized cost	
Borrowings	19,819
Trade and other payables	28,878
Liabilities at fair value through profit and loss	
Financial derivative liabilities	133,440

(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.

(Unaudited and in US$'000)

Derivative financial instruments

	As at June 30, 2011
Financial derivative assets:	
Oil hedge contracts	**4,105**
Disclosed as:	
Current	2,275
Non-current	1,830
Financial derivative liabilities:	
Gold flat forward contracts	**133,440**
Disclosed as:	
Current	52,360
Non-current	81,080

Gold forward contracts and oil hedge contracts

	Gold Forward Contracts			Oil Hedge Contracts		
	Ounces	US$/ounce	Fair Value	BBL	US$/BBL	Fair Value
Within 1 year	80,000	846	52,360	80,000	70	2,275
Between 1 and 2 years	102,500	826	69,539	60,000	70	1,830
Between 2 and 3 years	16,000	791	11,541	-	-	-
Total	198,500	831	133,440	140,000	70	4,105

At June 30, 2011, the gold spot price was $1,500/oz and the oil price was $95.42/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 income.

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	Financial Liabilities
	As at June 30, 2011	As at June 30, 2011
Gold forward contracts		
Profit or loss	-	30,882
Other equity	-	-
Oil hedge contracts		
Profit or loss	1,385	-
Other equity	-	-

(Unaudited and in US$'000)

(d) Foreign currency risk management

The Company has certain financial instruments denominated in CFA Franc, CAD, AUD and other currencies. Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to the CFA Franc, AUD, CAD 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 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	Financial Liabilities
	As at June 30, 2011	As at June 30, 2011
CAD	13,043	698
CFA Franc (XOF)	5,870	20,337
AUD	21,757	1,804
Other	675	2,262

Foreign currency sensitivity analysis

The Company is mainly exposed to CFA Franc, CAD and AUD. Ten percent represents management's assessment of the reasonably possible change in foreign exchange rates. Sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at period end for a 10% 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	Financial Liabilities
	June 30, 2011	June 30, 2011
CAD Impact		
Profit or loss	1,304	70
Other equity		
XOF Impact		
Profit or loss	587	2,034
Other equity		
AUD Impact		
Profit or loss	2,176	180
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.

(Unaudited and in US$'000)

(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 June 30, 2011.

	As at June 30, 2011
Financial assets	
Cash at bank	55,699
Short-term investments	3,172
Restricted cash	7,000
	65,871
Financial liabilities	
Borrowings	19,819
	35,880

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	Financial Liabilities
	June 30, 2011	June 30, 2011
Profit or loss	329	99
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, a 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 $0.2 million was held at Senegal banks as at June 30, 2011.

(g) Liquidity risk management

The Company has sufficient funds as at June 30, 2011 to settle current and long-term liabilities.

(Unaudited and in US$'000)

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 and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative 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
June 30, 2011					
Financial Liabilities					
Non-interest bearing	-	21,498	-	3,278	-
Variable interest rate instruments	3.31%	-	2,800	8,400	8,906
Fixed interest rate instruments	6.00%	-	3,077	1,025	-
Derivatives (i)	-	-	3,599	48,761	81,080
		21,498	**9,476**	**61,464**	**89,986**

(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
June 30, 2011					
Financial Assets					
Non-interest bearing	-	9,480	-	-	-
Derivatives (i)	-	-	531	1,744	1,830
		9,480	**531**	**1,744**	**1,830**

(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.

(Unaudited and in US$'000)

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 June 30, 2011							
		Level 1		Level 2		Level 3		Total
Financial assets							$	-
Cash and cash equivalents		55,699		-		-		**55,699**
Short-term investments		3,172		-		-		**3,172**
Restricted cash		7,000		-		-		**7,000**
Available-for-sale financial assets		17,038		-		-		**17,038**
Derivative financial assets		4,105		-		-		**4,105**
	$	87,014	$	-	$	-	**$**	**87,014**
Financial liabilities							$	-
Derivative financial liabilities		133,440		-		-		**133,440**
								-
	$	133,440	$	-	$	-	**$**	**133,440**

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 at the date of grant. The term of options granted under the Plan is at the discretion of the board, 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.

As at June 30, 2011, 15,065,556 common share stock options were granted and held by directors, officers, employees and consultants. 64,444 and 224,444 stock options were cancelled due to terminations during the three and nine-month periods ended June 30, 2011 respectively. The following stock options were outstanding as at June 30, 2011:

(Unaudited and in US$'000)

Option series	Number	Grant date	Expiry date	Exercise price C$	FV at grant date C$
Granted on November 26, 2010	10,355,556	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	305,000	27-Apr-11	27-Apr-21	3.00	0.80
Granted on June 14, 2011	455,000	14-Jun-11	14-Jun-21	3.00	0.94

As at June 30, 2011, approximately 10 million options were available for issuance under the Plan.

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 15,290,000 common share stock options issued during the nine months ended June 30, 2011, 15,115,000 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.

As at June 30, 2011 all outstanding stock options have a remaining contractual life of ten years.

Fair value of stock options granted

The current period's valuation was calculated using Black-Scholes option pricing model with the following assumptions:

	3 months ended June 30, 2011	9 months ended June 30, 2011
Grant date share price	C$2.54	C$2.96
Exercise price	C$3.00	C$3.00
Weighted average risk-free interest rate	2.03%	1.99%
Volatility of the expected market price of share	53%	53%
Weighted average expected life of options	3.44	3.44
Dividend yield	0%	0%
Forfeiture rate	6.39%	6.39%

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	15,290,000	C$3.00
Forfeited / cancelled during the period	(224,444)	-
Exercised during the period	-	-
Expired during the period	-	-
Balance at end of the period - June 30, 2011	**15,065,556**	**C$3.00**

(Unaudited and in US$'000)

Share options exercised during the period

There were no options exercised during the three-and-nine month period ended June 30, 2011.

35. SEGMENT REPORTING

The Company has one reportable operating segment under IFRS 8 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:

	3 months ended June 30, 2011	9 months ended June 30, 2011
Republic of Senegal – revenue from gold and silver sales	38,487	103,160
Republic of Senegal – Other revenue	10	24
Mauritius	-	
Toronto	341	624
Total	**38,838**	**103,808**

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

	As at June 30, 2011
Republic of Senegal	361,364
Mauritius	137
Toronto	689
Total	**362,190**

Information about major customers

Gold sales revenue from one customer for the three-and-nine months ended June 30, 2011 was $38.5 million and $103.2 million respectively.

36. KEY MANAGEMENT PERSONNEL COMPENSATION

The names and positions held by key management personnel in office as at June 30, 2011:

Alan R.Hill Chairman and CEO

Richard S.Young President and CFO

The remuneration of each officer during the nine months ended June 30, 2011 is as follows:

(Unaudited and in US$'000)

	Short term benefits			Equity settled share based payments - value vested during the period	
	Salary and Fees	Non-Cash Benefits	Cash Bonus	Options	Total
for nine months ended June 30, 2011					
Alan R.Hill	458	-	-	1,242	1,700
Richard S.Young	366	-	-	1,118	1,484
	824	**-**	**-**	**2,360**	**3,184**

Note: 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 outstanding balance with related parties as at June 30, 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 (SGO) 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 UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim consolidated financial statements were approved by the Board of Directors on August 10, 2011.