

# Appendix 4D

## Half year report

*Expressed in United States dollars unless otherwise stated*

ASX Listing Rule 4.2A.3

Name of entity

<b>TERANGA GOLD CORPORATION</b>
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ABN or equivalent company reference

<b>766452-4</b>
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Financial half year ended ('current period')

<b>31 DECEMBER 2010</b>
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Teranga Gold Corporation ("Teranga") was incorporated on October 1, 2010 to acquire, among other things, the Sabodala gold mine and a regional exploration package from Mineral Deposits Limited ("MDL") by way of demerger (the "Demerger"). The Demerger was completed on November 23, 2010, and involved the following transactions:

- The shares held in the Sabodala holding companies and Oromin Explorations Ltd. (the "Gold Assets") were transferred to Teranga in consideration for the issuance of 200,000,000 common shares of Teranga to MDL and C\$50 million in satisfaction of a promissory note owing to MDL.
- MDL distributed in-specie 80 percent of Teranga shares to MDL shareholders on a proportional basis. As at the date of the Demerger the former common shareholders of MDL directly owned 65 % equity interest in Teranga while MDL owned an aggregate equity interest in the Company of 16% after the completion of the initial public offering ("IPO"). Since the completion of the IPO Teranga has traded about 6 million shares between the two stock exchanges per week.
- On December 7, 2010 Teranga completed the IPO in Canada and Australia. In Canada, after exercise of the over-allotment option, a total of 36,617,900 common shares of Teranga were issued for gross proceeds of C\$109.9 million. In Australia, 9,000,000 common shares of Teranga were issued for gross proceeds of A\$26.7 million. Total gross proceeds of the IPO were C\$136.5 million.

The information in this Half-year report reflects the financial information of Teranga from the date of its incorporation on October 1, 2010 in respect of corporate activities and operational activities from November 23, 2010 to December 31, 2010 ("the reporting period").

## Commentary on the results for the reporting period

### Principal Activities

The principal activity of Teranga is the operation and development of the Sabodala gold mine. The Sabodala gold mine, which poured its first gold in March 2009, is located 650 kilometres east of the capital of Senegal, Dakar within the West African Birimian geological belt in Senegal, about 90 kilometres from major gold mines and discoveries in Mali.

### Operating Results

The net loss of the consolidated entity before minority interest and after provision for income tax for the reporting period was \$4.4 million.

Revenue totalled \$17.1 million for the reporting period. This amount is attributable to the proceeds of gold sales at an average realized price of \$1,028 per ounce in the period.

### Financial Results

The net assets of Teranga are \$321.9 million on 31 December 2010.

As at December 31, 2010, Teranga had cash and cash equivalents including restricted cash of \$82.8 million. In the opinion of management, the cash and cash equivalents at December 31, 2010, together with future cash flows from operations is sufficient to support Teranga's commitments.

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 fund its announced planned exploration, development and expansion programmes in Senegal.

#### *Net Loss for the Period*

For the reporting period, the consolidated net loss of the Teranga was \$4.1 million. The net loss for the reporting period was largely due to unrealized losses on gold hedge contracts of \$6.3 million, stock based compensation expense of \$1.7 million, expensed exploration expenditures of \$1.3 million and administration expense of \$1.0 million, partially offset by oil hedge unrealized gains of \$1.3 million and gross profit of \$4.7 million.

#### *Revenue*

During the reporting period 11,000 ounces were delivered into gold hedge contracts at \$846 per ounce and 5,992 ounces of gold was sold into the spot market at an average price of \$1,388 per ounce resulting in an average realized price for the quarter of \$1,028 per ounce.

#### *Cost of Sales*

Cost of sales for the reporting period totalled \$12.4 million, consisting of mine production costs, realized gains on energy swap contracts, depreciation and amortization, royalties, rehabilitation costs and inventory costs.

Mine production costs totalled \$10.2 million for the reporting period.

The realized gain on energy swap contracts totalled \$0.3 million for the reporting period as oil prices increased to \$85 per barrel at the date of delivery, which was \$15 above our oil hedge contract price of \$70 per barrel. Teranga has hedged 20,000 barrels per quarter through June 30, 2012 representing approximately half of quarterly consumption.

Royalties totalled \$0.7 million, which was 0.4 million higher than budget due an increase in gold sales and a higher gold spot price than planned for the reporting period as gold prices averaged \$1,388 per ounce .

#### *Administrative Expense*

Administration expenses of \$1.0 million comprise \$0.1 million for corporate employee costs and \$0.9 million for overheads. Corporate administration expenses represent mostly payroll costs from the beginning of the quarter. Corporate administration expenses are expected to average about \$2 million per quarter as Teranga fills out its management team and opens an office in Dakar, Senegal.

#### *Stock Based Compensation*

For the reporting period a total of 13,805,000 common share stock options were granted and held by directors, officers, employees and consultants. No stock options were exercised, forfeited or cancelled during the reporting period.

#### *Net Foreign Exchange Loss*

Foreign exchange losses for the reporting period totalled \$0.3 million related mostly to realized losses from Sabodala gold mine operation costs recorded in the local currency and translated into a US functional currency.

*Gold Hedging Unrealized Loss*

For the reporting period the unrealised loss on the gold hedge contracts total \$6.3 million resulting from the non-cash impact of the marking-to-market of 235,500 ounces of gold at a spot price of \$1,408 per ounce against an average forward price of \$834 per ounce, which results in a loss of \$138 million.

*Oil Hedging Unrealized Gain*

Unrealized oil hedge gains totalled \$1.3 million for the reporting period from the non-cash impact of the mark-to-market of 180,000 barrels of fuel oil outstanding at a hedge price of \$70 per barrel compared to a \$91 per barrel spot price at quarter end.

*Finance costs*

Finance costs for the reporting period of \$0.1 million reflect interest costs related to the equipment loans outstanding, amortization of capitalized borrowing costs and bank charges.

*Exploration and Evaluation Expenditures*

Exploration and evaluation expenditures totalled \$1.3 million for the reporting period reflecting regional exploration costs incurred during the reporting period related to three drill programs as well as target identification work underway.

**Cash Flow**

Net cash used in operating activities during the reporting period of \$0.2 million represents \$13 million received from gold sales which was offset by production costs of \$10 million, \$1 million of administration expenses, and \$1 million of inventory purchases.

Net cash used in investing activities for the three the reporting period was \$41.8 which is mostly due to repayment of a promissory note to MDL of C\$50 million, partially offset by cash acquired.

Net cash provided by financing activities for the reporting period was \$118 million resulting from the issuance of \$45.6 million shares for gross proceeds of \$135 million through IPO completed in December 7, 2010 partially offset by \$1.7 million repayment of the Mining Fleet Lease facility. The share issuance costs related to the public offerings were \$15.8 million.

**Results for announcement to the market**

	<b>Percentage Change</b>	<b>\$'000</b>
Revenues from ordinary activities	N/A	17,139
Loss from ordinary activities after tax attributable to equity holders of the parent	N/A	4,155
Loss for the period attributable to equity holders of the parent	N/A	4,155

**Dividends (distributions)**

	<b>Amount per security</b>	<b>Franked amount per security</b>
Interim dividend	-	-
Previous corresponding period	-	-
Record date for determining entitlements to the dividend	-	

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

## Net tangible assets per common share

	<b>2010</b>	<b>2009</b>
Net tangible asset backing per common share (cents)	84	N/A

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

As part of the Demerger, Teranga acquired 18,699,500 common shares in Oromin Explorations Ltd. ("Oromin"), a company listed on the Toronto Stock Exchange, representing approximately 13.85% of the issued and outstanding common shares of Oromin.

## Dividends

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

### Dividends per share

	<b>Amount per security</b>	<b>Franked amount per security at 30% tax</b>	<b>Amount per security of foreign source dividend</b>
Final dividend: Current year	-	-	-
Previous year	N/A	N/A	N/A
Interim dividend: Current year	-	-	-
Previous year	N/A	N/A	N/A

### Total dividend per share

	<b>Current Period</b>	<b>Previous period</b>
Final dividend: Paid/payable on	-	-
Interim dividend: Paid/payable on	-	-

### Dividend reinvestment plans

Teranga does not have a dividend reinvestment plan.

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

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

Name of venture	Principal activity	Output interest
		2010 %
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	earning 80
AXMIN JV - Heremakono	Gold exploration	earning 80
AXMIN JV - Sounkounkou	Gold exploration	earning 80
Bransan Sud	Gold exploration	100
Sabodala Ouest	Gold exploration	100
Saiansoutou	Gold exploration	100

## Compliance Statement

- 1 This report, and the accounts upon which this report is based, have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations as issued by the International Accounting Standards Board (IASB).
- 2 This report, and the accounts upon which the report is based, use the same accounting policies.
- 3 This report gives a true and fair view of the matters disclosed.
- 4 This report is based on accounts to which one of the following applies.
 

<input type="checkbox"/> The accounts have been audited.	<input checked="" type="checkbox"/> The accounts have been subject to review.
<input type="checkbox"/> The accounts are in the process of being audited or subject to review.	<input type="checkbox"/> The accounts have <i>not</i> yet been audited or reviewed.
- 5 If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available.
- 6 This Half-year report was reviewed by the audit committee of Teranga.



Sign here: .....  
Chief Financial Officer  
Print name: Richard Young

Date: February 14, 2011