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For a full explanation of Financial, Operating and Exploration results please see the Interim Condensed Consolidated Financial Statements as at and for the period ended June 30, 2012 and the associated Management's Discussion & Analysis at www.terangagold.com.

Highlights

- **Profit for the second quarter increased to $12.6 million, 45 percent higher than the first quarter of 2012.**
- **Second quarter record production totaled 45,495 ounces, a 9 percent increase over first quarter 2012 and the highest in Company history, at total cash costs of $645 per ounce, the lowest in Company history.**
- **Construction of the mill expansion to double capacity is complete. With the higher throughput rate in the second half of the year, the Company is on track to meet its full year production guidance of 210,000 to 225,000 ounces of gold at total cash costs of $600 to $650 per ounce[1].**
- **The recent amendment to the Macquarie Bank Facility Agreement increased the quarter end cash balance to $35.6 million, and will increase operating cash flow in the second half of 2012 as a greater percentage of production can now be sold at higher spot gold prices.**
- **Exploration at the Sabodala Pit continues to confirm the potential for an expanded pit.**

Operating Highlights

- Gold production for the second quarter of 2012 was 45,495 ounces, 36 percent higher than the same quarter of 2011, despite down time as part of mill expansion tie-ins and commissioning activities. The increase in production was due to higher grade ore processed in the second quarter of 2012.

- Gold sold for the three months ended June 30, 2012 totaled 38,503 ounces at a total cash cost of $645 per ounce sold compared to 35,407 ounces sold at a total cash cost of $802 per ounce in the same quarter of 2011. Ounces sold during the second quarter of 2012 were lower than ounces produced due to the reduced ability to pour gold during the tie-ins for the mill expansion. As a result, at June 30, 2012, gold in circuit and gold bullion inventory increased by 7,121 ounces to 20,383 ounces. The majority of gold inventory will be sold in the second half of the year.

- Construction of the mill expansion to double capacity is complete, though some fine tuning will continue during the third quarter. In the third quarter the mill is expected to be operating at full capacity.

- Total tonnes mined for the three months ended June 30, 2012 were 15 percent higher compared to the same period of 2011 due to improved productivity and efficiency in the mining operation.

- Mill throughput for the three months ended June 30, 2012 was 25 percent lower than the same period of 2011 mainly due to the harder ore in 2012 compared to softer material that was available during the second quarter of 2011 as well as the shutdowns relating to tie-ins for the mill expansion.

- With the higher throughput rate in the second half of the year, the Company is on track to meet its full year production guidance of 210,000 to 225,000 ounces of gold at total cash costs of $600 to $650 per ounce[1], in line with previous guidance.

"With the mill expansion complete we will see a significant increase in production and reduction in our cash costs per ounce during the second half of the year. I am increasingly encouraged by our recent drill results on the Mine License which we are optimistic can double our gold inventory on the Mine License alone extending our mine life to approximately 15 years in the near term and this does not include any ounces we find on our regional land package", said Alan R. Hill, Chairman and CEO.

[1] This production target is based on existing proven and probable reserves only

Exploration at the Sabodala Mine continues to confirm the potential for an expanded pit

- Pit optimization work completed in February 2012 defined a $1,550 per ounce pit shell containing over 2 million ounces that serves as a guide to our current drill program (2011 proven and probable reserves in the Sabodala pit contained approximately 1 million ounces).

- The 2012 drill program on Mine Licence ("ML") is designed to take the ultimate pit about 150 metres deeper and, if successful, to add upwards of 500,000 to 1 million ounces, based on drilling intercepts to date, at grades of between 1.5 gpt and 2 gpt this year

- On the ML alone a minimum of 7 drill rigs are expected to be testing targets at an estimated cost of $20 million in 2012 to expedite reserve definition drilling and resource expansion. During the second quarter of 2012, Reverse Circulation ("RC") and Diamond drilling ("DD") on the ML totaled 34,000 metres at cost of $7.0 million. Year to date, a total of $14.2 million has been spent on just over 60,000 metres of drilling.

- There are currently 40 drill targets that have been identified on the Company's approximately1,450 km² Regional Land Package ("RLP"), all within trucking distance of the mill. All 40 targets are expected to be drill tested in 2012-2013. A further 20 targets have been evaluated with surface sampling or trenching.

- During the second quarter of 2012, the Company completed 41,000 metres of Rotary Air Blast ("RAB") drilling over 14 anomalies and prospects and 18,000 metres of RC drilling.

- There were 3 drill rigs on the RLP during the second quarter. RC drilling focused on Toumboumba, Tourokhoto, Saiensoutou, Jam, KB and testing of IP anomalies at Gora. In addition, several RAB programs where completed. RLP exploration expenditures for the second quarter totaled $5.3 million (including $0.5 million for Gora). Year to date, a total of $13.9 million has been spent (including $2.1 million for Gora).

Financial highlights

(US$000's)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Current	Current	Restated (i)		Restated (i)
Revenue	62,010	54,066	122,536	109,133
Cost of sales	(33,083)	(38,517)	(64,988)	(74,155)
	28,927	**15,549**	**57,548**	**34,978**
Other income	14	351	22	617
Share based compensation	(626)	(2,763)	(2,381)	(6,688)
Finance costs	(1,009)	(559)	(1,947)	(1,488)
Exploration and evaluation expenditures	(4,741)	(8,325)	(11,917)	(11,354)
Administration expenses	(5,948)	(2,982)	(9,297)	(5,750)
Net foreign echange gains	875	1,494	506	1,290
Impairment of available for sale financial asset	(11,917)	-	(11,917)	-
Realized and unrealized gains/losses on gold hedge contracts	12,165	(16,203)	(5,318)	(18,907)
Realized and unrealizeds gains/losses on oil hedge contracts	(1,284)	(1,044)	(669)	999
Profit/(loss) before income tax	**16,456**	**(14,482)**	**14,630**	**(6,303)**
Income tax expense	-	(127)	-	(139)
Profit/(loss) for the period	**16,456**	**(14,609)**	**14,630**	**(6,442)**
Profit attributable to non-controlling interest	3,866	(196)	4,823	1,514
Profit/(loss) attributable to shareholders of Teranga	**12,590**	**(14,413)**	**9,807**	**(7,956)**
Basic earnings/(losses) per share	0.05	(0.06)	0.04	(0.03)

(i) The Company adopted changes to its accounting policies as at January 1, 2012 that have been retrospectively applied to the three and six months ended June 30, 2011. See "Interim Condensed Consolidated Financial Statements – Change in Accounting Policies"

Profit for the Period

Profit for the three and six months ended June 30, 2012 was $12.6 million and $9.8 million, respectively, compared to losses of $14.4 million and $8.0 million in the same prior year periods. The earnings per share for the three and six months ended June 30, 2012 was $0.05 and $0.04 per share, respectively, compared to losses of $0.06 and $0.03 per share in the same periods last year. The increase in profit and earnings per share was due to an increase in gross profit from higher revenues and lower cost of sales, as well as from the impact of unrealized gold hedge gains, partially offset by higher administration expenses and investment impairment.

Revenue

Gold revenue for the three and six month periods ended June 30, 2012 was $62.0 million and $122.5 million, respectively, compared to gold revenue of $54.1 million and $109.1 million for the same prior year periods. The increase in gold revenue was driven by higher gold prices.

Revenues do not reflect the impact of gold hedges, as realized losses on ounces delivered into gold hedge contracts are classified in realized and unrealized gains/losses on gold hedge contracts.

Cost of Sales

(US$000's)	**Three months ended June 30,**		**Six months ended June 30,**	
	2012	**2011**	**2012**	**2011**
		restated		**restated**
Mine production costs	33,584	30,292	66,155	55,205
Depreciation and amortization	10,821	8,752	19,767	19,258
Royalties	1,859	1,567	3,681	3,149
Rehabilitation	-	120	4	259
Inventory movements	(13,181)	(2,214)	(24,619)	(3,716)
Total cost of sales	**33,083**	**38,517**	**64,988**	**74,155**

Cost of sales for the three and six months ended June 30, 2012 were $33.1 million and $65.0 million, respectively, compared to $38.5 million and $74.2 million for the same prior year periods. Lower costs of sales were due to higher grade ore stockpiled during the period, partially offset by higher mining costs.

Mine production costs totaled $33.6 million and $66.2 million for the three and six months ended June 30, 2012, respectively, compared to $30.3 million and $55.2 million for the same prior year periods. Mine production costs increased due to more tonnes mined as well as higher fuel and blasting costs.

Depreciation and amortization for the three and six months ended June 30, 2012 totaled $10.8 million or $281 per ounce sold and $19.8 million or $268 per ounce sold, respectively, in comparison with $8.8 million or $247 per ounce sold and $19.3 million or $257 per ounce sold for the same periods last year. The increase is due to more ounces sold in the June 2012 quarter compared to the year earlier period and due to an increase in depreciation for the new mobile equipment purchased at the end of 2011 and the completed mill expansion. Depreciation and amortization expense for the remainder of 2012 is expected to decrease to approximately $200 to $225 per ounce sold due to the increase in production with the completion of the mill expansion.

Royalties for the three and six months ended June 30, 2012 increased to $1.9 million and $3.7 million, respectively, compared to $1.6 million and $3.1 million in the same periods of 2011 due to higher gold spot prices. Royalties are calculated at 3 percent of the average spot price of gold during the periods.

Administrative Expenses

Administrative expenses for the three and six months ended June 30, 2012 totaled $5.9 million and $9.3 million, respectively, compared to $3.0 million and $5.8 million in the same prior year periods. The increase in administrative expenses was due to higher employee costs, higher legal fees and corporate social responsibility costs. Administration expense, which includes costs of the corporate and Dakar offices as well as community and social responsibility expenses are expected to total approximately $16 million for 2012.

Share Based Compensation

During the three and six months ended June 30, 2012 a total of 50,000 and 1,920,000 common share options, respectively, were granted to directors and employees while 2,562,778 and 2,841,666 stock options were forfeited during the same periods. During the three and six months ended June 30, 2011 a total of 760,000 and 1,485,000 common share options, respectively, were granted to directors and employees while 64,444 and 224,444 stock options were forfeited during the same periods. No share options were exercised during the three and six months ended June 30, 2012 and 2011.

During the second quarter of 2012, 2,440,000 options originally granted to certain employees and consultants were forfeited due to negative personal tax consequences in their respective country of residence. Management continuously refines employee compensation packages to ensure that the Company is able to hire and retain the best employees available.

Realized and Unrealized Gains/Losses on Gold Hedge Contracts

The realized and unrealized gain on gold hedge contracts totaled $12.2 million for the second quarter of 2012 compared to a loss of $16.2 million for the second quarter of 2011. For the six months ended June 30, 2012 and 2011 the realized and unrealized loss on gold hedge contracts totaled $5.3 million and $18.9 million, respectively. The increase in realized and unrealized gains for the three months and a decrease in losses for the six months ended June 30, 2012 compared to the same prior year periods is due to a decrease in the spot price of gold. During the quarter ended June 30, 2012, the Company bought back certain "out of the money" gold forward sales contracts totalling 52,105 ounces. The total mark-to-market loss of the remaining 122,395 ounces of gold under gold hedge contracts recorded as a financial derivative liability decreased to $95.9 million at quarter end as the average forward price of the remaining contracts at $818 per ounce is marked to the quarter end spot price of $1,599 per ounce.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures totaled $4.7 million and $11.9 million for the three and six months ended June 30, 2012 compared to $8.3 million and $11.4 million in the same periods last year reflecting regional exploration costs incurred during the period related to drill programs as well as target identification work underway. Exploration and evaluation expenditures for 2012 are expected to total approximately $20 million.

Impairment of available for sale financial asset

As of June 30, 2012 Oromin share price traded 56 percent lower than the share price at the date of acquisition and 52 percent lower than at the beginning of the year. As a result of the continuous decline in the share price, the Company recognized a non cash impairment loss of $11.9 million on the Oromin shares during the second quarter.

Review of Operations

Gold sold for the three months ended June 30, 2012 totaled 38,503 ounces at a total cash cost of $645 per ounce sold compared to 35,407 ounces sold at a total cash cost of $802 per ounce in the same quarter of 2011. Ounces sold during the second quarter of 2012 were lower than ounces produced due to the reduced ability to pour gold during the tie-ins for the mill expansion. As a result, at June 30, 2012, gold in circuit and gold bullion inventory increased by 7,121 ounces to 20,383 ounces. The majority of gold inventory will be sold in the second half of the year. Gold sold for the six months ended June 30, 2012 totaled 73,771 ounces at a total cash cost of $658 per ounce was comparable to 74,897 ounces sold at a cash cost of $716 per ounce during the same period last year.

Key Statistics

		Three months ended June 30,		Six months ended June 30,	
		2012	2011 restated	2012	2011 restated
Operating results					
Ore mined	('000t)	2,105	759	3,222	1,250
Waste mined	('000t)	5,130	5,538	11,446	11,997
Total mined	('000t)	7,235	6,297	14,668	13,247
Strip ratio	waste/ore	2.4	7.3	3.6	9.6
Ore milled	('000t)	491	650	1,064	1,258
Head grade	(g/t)	3.22	1.81	2.85	1.86
Recovery rate	%	89.6	89.2	89.8	89.8
Gold produced (1)	(oz)	45,495	33,388	87,399	67,684
Gold sold	(oz)	38,503	35,407	73,771	74,897
Average price received	$/oz	1,608	1,083	1,658	1,144
Total cash cost (incl. royalties) (2)	$/oz sold	645	802	658	716
Mining (cost/t mined)		2.5	2.4	2.5	2.1
Milling (cost/t milled)		22.9	16.6	19.8	15.9
G&A (cost/t milled)		7.0	5.4	6.2	5.1
Financial results (US$'000)					
Revenue		62,010	54,066	122,536	109,133
Profit/(loss) for the period		16,456	(14,609)	14,630	(6,442)
Operating cash flow		(12,989)	(9,821)	15,896	10,192
Profit/(loss) per share		0.07	(0.06)	0.06	(0.03)

	As at June 30,	
Financial position (US$'000)	**2012**	**2011**
Cash and cash equivalents (3)	35,559	55,699
Net assets	286,936	268,669
Borrowings	77,298	23,977

Note (1) Gold produced represents change in gold in circuit inventory plus gold recovered during the period

Note (2) Cash cost per ounce is a non-IFRS financial measure with no standard meaning under IFRS

Note (3) Cash and cash equivalents includes also short term investments over 90 days and restricted cash

Mining

Total tonnes mined for the three and six months ended June 30, 2012 were 15 and 11 percent higher compared to the same periods of 2011 due to improved productivity and efficiency in the mining operation. Drilling and loading availabilities benefited from the addition of three new blast hole drill rigs and four new haul trucks. The implementation of better maintenance practices resulted in improved loading and hauling efficiencies from an improved availability of the mobile equipment fleet.

Unit mining costs for the three and six months ended June 30, 2012 were on plan but higher compared to the same periods of 2011 mainly due to higher fuel and blasting costs.

Milling

Mill throughput for the three and six months ended June 30, 2012 was 25 and 15 percent lower than the same periods of 2011 mainly due to harder ore in 2012 compared to the softer material that was available in 2011 as well as the shutdowns relating to tie-ins for the mill expansion.

Unit processing costs for the three and six months ended June 30, 2012 were 38 and 24 percent higher compared to the same periods of 2011 primarily due to lower throughput rates and higher reagent costs.

General and Administration

General and administration costs for the three and six months ended June 30, 2012 totaled $3.8 million and $7.7 million, respectively, compared to $3.5 million and $7.3 million in the same prior year periods. The marginal increase in general and administration costs was due to higher insurance costs.

Gold Production

Gold production for the second quarter of 2012 was 45,495 ounces, 36 percent higher than the same quarter of 2011, despite down time as part of mill expansion tie-ins and commissioning activities. Gold production for the six months ended June 30, 2012 was 87,399 ounces, 29 percent higher than the same period last year. The increase in production was due to higher grade ore processed in the first half of 2012.

Average Realized Gold Price

During the second quarter of 2012, 38,503 ounces were sold into the spot market at an average price of $1,608 per ounce while during the same quarter in 2011, 35,407 ounces were sold at an average realized price of $1,083 per ounce including 23,000 ounces that were delivered into gold hedge contracts at $845 per ounce and 12,407 ounces of gold sold into the spot market at an average price of $1,522 per ounce. During the six months ended June 30, 2012, 73,771 ounces were sold into the spot market at an average price of $1,658 while during the same period of 2011, 74,897 ounces were sold at an average realized price of $1,144 per ounce including 37,000 ounces delivered into gold hedge contracts at $845 per ounce and 37,897 ounces of gold sold into the spot market at an average price of $1,435 per ounce.

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.

"Average realized price" is a financial measure with no standard meaning under IFRS. Management uses this measure to better understand the price realized in each reporting period for gold and silver sales. Average realized price excludes from revenues unrealized gains and losses on non-hedge derivative contracts. The average realized price is intended to provide additional information only and does not have any standardized definition under IFRS; it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate this measure differently.

"Total cash costs of sales per ounce sold" is a common financial performance measure in the gold mining industry but has no standard meaning under IFRS. The Company reports total cash costs on a sales basis. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure, along with sales, is considered to be a key indicator of a Company's ability to generate operating earnings and cash flow from its mining operations.

Total cash costs figures are calculated in accordance with a standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is the accepted standard of reporting cash cost of production in North America. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measure of other companies. The total cash cost per ounce sold is calculated as follows:

		Three months ended June 30,		Six months ended June 30,	
		2012	2011 restated	2012	2011 restated
Gold produced	oz	45,495	33,388	87,399	67,684
Gold sold	oz	38,503	35,407	73,771	74,897
Cost of sales (1)	($'000)	33,083	38,517	64,988	74,155
Less: depreciation and amortization	($'000)	(10,821)	(8,752)	(19,767)	(19,258)
Less: realized oil hedge gain	($'000)	(467)	(647)	(1,128)	(1,137)
Add: non-cash inventory movement	($'000)	3,119	(279)	4,577	(78)
Less: other adjustments	($'000)	(80)	(441)	(117)	(65)
		24,834	28,398	48,553	53,617
Total cash cost of sales per ounce sold	**$/oz**	**645**	**802**	**658**	**716**

Note (1): Cost of sales include 3 percent royalty payable to the Government of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date.

Total Cash Costs

Total cash costs for the second quarter of 2012 were $24.8 million compared to $28.4 million in the same quarter last year. Total cash costs were $645 per ounce sold in the second quarter 2012, a decrease of 20 percent compared to $802 per ounce in the second quarter 2011. Total cash costs for the six months ended June 30, 2012 were $48.6 million or $658 per ounce sold compared to $53.6 million or $716 per ounce sold in the same period last year. The decrease in cash costs is due to lower cost of sales.

Outlook

With the completion of the Sabodala mill expansion, production for 2012 is expected to increase to between 210,000 to 225,000 ounces, an increase of 65 percent over 2011, while the total cash cost per ounce sold is expected to decline to between $600 to $650 per ounce in line with previous guidance. This production target is based on proven and probable reserves only.

At June 30, 2012 the gold forward sales program declined by 52,105 ounces to 122,395 ounces from the previous quarter end. The reduction of 52,105 ounces from the gold forward sales program was a result of a buy-back of “out of the money” gold forward sales contracts as part of the recent $60 million 2-Year Loan Facility with Macquarie Bank Limited by way of an amendment to the existing Facility Agreement. Forward sales contracts are expected to total 66,000 ounces at year end and are scheduled to be fully extinguished by August 2013, at which time the Company would be hedge free.

In total, between capitalized mine site exploration and regional exploration expenditures, the Company expects to spend approximately $40 million in calendar 2012.

Capital expenditures for 2012 are expected to total $40 million, an increase of $10 million over previous guidance, due to higher costs to complete the mill expansion. In addition, management continues to evaluate the merits of purchasing additional mining equipment to increase the mining rate at Sabodala. The additional mining equipment is expected to cost between $10 million to $15 million.

LIQUIDITY AND CAPITAL RESOURCES

The recent $60 million 2-Year Loan Facility with Macquarie Bank Limited by way of an amendment to the existing Facility Agreement increased the quarter end cash balance to $35.6 million, and will increase operating cash flow in the second half of 2012 as a higher percentage of production can now be sold at higher spot gold prices. Management believes that the cash and cash equivalents at June 30, 2012, together with expected future cash flows from operations and our ability to modify hedge deliveries as required from time to time, is sufficient to support the Company’s minimum liquidity requirements. As a result of the amended Facility Agreement, the gold forward sales program declined by 52,105 ounces to 122,395 ounces from the previous quarter end. Forward sales contracts are expected to total 66,000 ounces at year end and are scheduled to be fully extinguished by August 2013, at which time the Company would be hedge free.

The Company’s total planned capital expenditures for the calendar 2012, with a focus on completion of the plant expansion at the Sabodala mine site, capitalized exploration costs, as well as construction of the new tailings disposal facility, are expected to total $60 million, with approximately $15 million to be spent for the remainder part of the year. The increase is due to higher costs to complete the mill expansion.

PLANT EXPANSION

Construction of the mill expansion to double capacity is finished, though some fine tuning will continue through the third quarter. In the third quarter the mill is expected to be operating at full capacity. With the higher throughput rate in the second half of the year, the Company is on track to meet its full year production guidance of 210,000 to 225,000 ounces of gold at total cash costs of $600 to $650 per ounce.[2]

MINE LICENSE EXPLORATION

The primary objective of the $20 million 2012 drill program on the Sabodala Mine License is to expand the Sabodala Mine open pit reserves. Pit optimization work completed in February 2012 defined a $1,550 per ounce pit shell containing over 2 million ounces that serves as a guide to our current drill program (2011 proven and probable reserves in the Sabodala pit contained approximately 1 million ounces).[3] The ultimate pit limits at Sabodala are driven laterally by the extent of the Main Flat zone which dips gently away from the centre of the deposit to both the east and west. To the east, the Main Flat dips into Sambaya Hill towards the Masato deposit. To the north, the economic limit to mine the plunging Main Flat and sub parallel Lower Flat Zones is defined by the strip ratio.

[2] This production target is based on proven and probable reserves only.

[3] Pit optimization work, which included a Lerchs-Grossman (Whittle) run resulting in a shell containing 2 million ounces based on Measured, Indicated and Inferred resource material using comparable costs as reported in the December 31, 2011 Sabodala Technical Report.

The 2012 drill program is designed to take the ultimate pit about 150 metres deeper to about 480 metres in depth and, if successful, to add upwards of 500,000 to 1 million ounces, based on drilling intercepts to date, at grades of between 1.5 gpt and 2 gpt this year.[4] Recent results in the second quarter of 2012 advance the mineralized extents at Sabodala to the NE in drill hole SBDH291 and SE in drill hole SBDH259DD. In-fill drilling under the main haulage ramp on the north end of the pit is ongoing with a high grade intercept down dip at depth from drill hole SBDH254D which intersected a series of higher grade zones including 31 metres of 6.0 grams per tonne ("gpt") from 385 metres. Vertical drilling from the north end of the pit on the 20850N section returned 95 metres of 1.3 gpt from 358 metres in SBDH262D including internal dilution between mineralized zones.

As a result of the mine planning work completed in the first quarter of 2012, we have focused the majority of the drilling effort this year into expanding the Sabodala open pit reserves. During the second quarter of 2012, Reverse Circulation ("RC") and Diamond drilling ("DD") on the ML totalled 34,000 metres at cost of $7.0 million. Year to date, a total of $14.2 million has been spent on just over 60,000 metres of drilling. A minimum of 7 drill rigs are expected to be testing targets at an estimated cost of $20 million in 2012 with the expectation of drilling approximately 90,000 metres of RC and DD, about 15 percent higher than budget. There are 7 drills operating on the ML at the present time (5 DD and 2 RC).

Main Flat Extension ("MFE")

The MFE is one of the principal gold hosts in the Sabodala deposit.

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

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

The goal of the MFE/LFZ programs is to add 500,000 to 1,000,000 ounces of gold to the open pit mineable gold inventory at an average grade between 1.5 – 2.0 gpt, by mid-year 2013.

During the second quarter 23,800 metres of drilling were completed at Sabodala primarily on the MFE but also testing the down dip potential of the Main Flat to the west of the current ultimate pit limit; both areas have returned good results.

[4] This exploration target is not a Mineral Resource. The potential quality and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

The latest results from June quarter 2012 include:

HOLE ID[1]	FROM (m)	INTERSECTION[2]
SBDH166DD	536	6.9m @ 1.6 g/t
SBDH207DD	230	2m @ 2.5 g/t
	236	4m @ 2.3 g/t
SBDH211D	262	10m @ 2.7 g/t
SBDH225D	515	6m @ 2.5 g/t
	527	18m @ 2.4 g/t
SBDH239D	307	2m @ 3.8 g/t
SBDH240D	273	4m @ 2.5 g/t
	287	4m @ 1.7 g/t
	377	2m @ 3 g/t
SBDH245	116	12m @ 2.3 g/t
	162	8m @ 3.6 g/t
SBDH246	298	1m @ 7.9 g/t
SBDH248	153	5m @ 1.1 g/t
	161	15m @ 3.2 g/t
	183	4m @ 1.7 g/t
SBDH259DD	139	16m @ 4.2 g/t
SBDH263DD	89	9m @ 5.4 g/t
SBDH264DD	95	18m @ 2.3 g/t
	119	17m @ 1.7 g/t
SBDH291	164	20m @ 3.2 g/t

(1) Drill hole results are disclosed as they are received and due to location and depth of holes, not all results are available at the same time nor are they processed sequentially.
(2) True widths to be determined.

Corridor and Ayoub's Target Area

Drilling along the Corridor northeast of the Sabodala pit intersected mineralization along the Ayoub's portion of the target area. The system, although low grade, is continuous and shows Sabodala style alteration. The position of the Ayoub's mineralization in the Corridor lends itself to sharing stripping allowing for the inclusion of deeper MFE mineralization into the ultimate pit. In the second quarter of 2012, 4,800 metres of drilling was completed, while no additional drilling is currently planned.

Masato

Drilling in 2011 confirmed a mineralized strike length of 500 metres and a dip extent of 200 metres on the ML. In the first quarter of 2012 the deposit extents were expanded to 300 metres down dip and a strike length of 1,600 metres. The Masato deposit remains open to depth and along strike.

The objectives for Masato for 2012 include in-filling the 200 metre by 500 metre zone identified in the first pass 2011 drill program in preparation for a resource estimate, further definition drilling on the high-grade pod of gold mineralization located on the north end of the deposit, as well as to locate the southern extension of Masato that strikes towards the ML. In the second quarter, 6,310 metres of drilling were completed. Assays are presently being compiled and geologic interpretation is in progress. Management expects the continued positive drilling results to lead to the defining of a resource at Masato on the ML by year end.

Drill programs scheduled for the second half of the year in the southern portion of the ML at Niakafiri, Niakafiri West, Soukhoto and Dinkokhono will be deferred into 2013 as we continue to focus on the expanded drill program at Sabodala.

REGIONAL EXPLORATION

There are currently 40 drill targets that have been identified on the Company's approximately 1,450km² RLP, all within trucking distance of the mill. All 40 targets are expected to be drill tested in 2012-2013. A further 20 targets have been evaluated with surface sampling or trenching.

During the second quarter of 2012, the Company completed 41,000 metres of Rotary Air Blast ("RAB") drilling over 14 anomalies and prospects and 18,000 metres of RC drilling. There were 3 drill rigs on the RLP. RC drilling during the second quarter focused on Toumboumba, Tourokhoto, Saiensoutou, Jam, KB and testing of IP anomalies at Gora. In addition, several RAB programs where completed. RLP exploration expenditures for the second quarter totaled $5.3 million (including $0.5 million for Gora). Year to date, a total of $13.9 million has been spent, including $2.1 million at Gora. The exploration budget for the Regional Exploration Program is estimated at $20 million for 2012. The Company removed the three drill rigs for the rainy season and intends to use the time to catch up on the back log of assay results, analyse the exploration results to date and plan its drill programs for the final quarter of 2012 and 2013.

For full drill results from our regional exploration program please see the Company's website.

Toumboumba (Sabodala NW)

Toumboumba is a shear vein system hosted in the Falombou granite and has the potential for a small, shallow, oxide deposit, located 10 km from the Sabodala mill. This prospect consists of 18 north-south to north-east trending gold anomalous zones identified from RAB drilling during 2011.

During the second quarter of 2012 a program of 129 reverse circulation ("RC") holes for 12,000 metres was completed on a systematic 25 x 25 metre grid over the oxide resource area, targeting the main mineralized trends. The mineralization was confirmed as consisting of three principal, sub-parallel NS trending shallowly - east dipping shear veins hosted in granite. The upper portions of the granite are oxidized to a depth of approximately 50 metres. The mineralized system continues down dip into the fresh rock. Assays are pending for eight holes. Interpretation and three-dimensional modelling of the mineralization has commenced, with the objective of calculating an updated mineral resource estimate and determining the mining potential of this deposit by year end.

Tourokhoto

The bulk of the results for the previous RC program completed at Tourokhoto were received during the second quarter 2012, with assays only pending for one remaining hole. The RC drilling program at Tourokhoto comprised 27 holes for a total of 14,000 metres, which commenced in December 2011 and was completed during the first quarter of 2012. The drilling over Tourokhoto can be grouped into six geographically/geologically distinct areas, comprising the Main Trend Central Area, Northern Area, NE Area, and Southern Area as well as the Marougou and Segoto Areas.

The most promising drill results were returned from the Marougou area. This area is located south-east of the Tourokhoto Main Trend Central area. RC holes were drilled on three lines spaced 600 metres apart for a total of 3,000 metres. The drilling identified significant widths and grades of mineralization on each line, with best results of 14 metres @ 3.25 g/t Au from 31 metres in DBRC0149, 12 metres @ 13.2 g/t Au from 6 metres in DBRC0138 and 8 metres @ 3.6 g/t Au from 144 metres in DBRC0143. The full listing of intersections can be found on the Company's website. The mineralization highlights a trend of at least 1,200 metres in length, extending across the lines in a north-east direction with a westerly dip and represents the discovery of a new prospect. This prospect is open to the north and south and some extension of the trend in both directions is supported by surface gold anomalism along strike of the existing drilling. A new drill program to infill and extend the zone along strike is expected to begin in the fourth quarter, after the rainy season, to further evaluate this discovery.

Diegoun North ("the Donut")

Cinnamon

The first quarter drill testing of auriferous bedrock gold trends identified from 2011 RAB drilling consisted of 14 RC holes for 2,500 metres. The samples from this program were sent in two batches with five holes going to SGS Kayes for Fire Assay determinations of gold and nine holes going to SGS Sabodala for ARE 155 (Aqua Regia) gold analysis. Results to date returned up to 8 metres @ 1.9 g/t Au (from 115 metres in hole DBRC0227), 15 metres @ 0.5 g/t Au (from 41metres in DBRC0224) and 6 metres @ 2.8 g/t Au (from surface in DBRC00221) from the eastern portion of the prospect which falls into the Dembala Berola permit. See the company's website for a full listing of results.

The remainder of the results are expected to become available during the coming quarter.

Jam

A further 15 RC holes for 2,900 metres and nine DD holes for 2,100 metres were completed at Jam. This program was designed to test two north-west trending structures defined in this area as well as follow-up on previous anomalous RC holes with hole orientations at different angles. Results from this program returned wide, but low grade mineralized intersections, related to albite-carbonate-silica-pyrite altered felsic intrusive rocks and it is evident from the work completed to date that the Jam area is a large-scale, gold-bearing, hydrothermal alteration system.

Other diamond holes returned similar geology and gold results. The 28 km^2 Diegoun north area with its three prospects Jam, Cinnamon and Honey is being recognized as a very large auriferous alteration system and the company believes there is potential to find economic grade mineralization within the large complex. The company continues to evaluate the results to date over the wet season to determine the next course of action.

An additional 13,000 metres of RAB drilling have been completed in the Jam area. This work was designed to complete coverage over the main north-east trending structural trends between Cinnamon and Jam (JC corridor) and on a second grid with north-east south-west oriented lines, to better evaluate the presence of mineralization on north-west trends. The Company awaits final assay results for all drilling to date, to define the next step.

Garaboureya

During the second quarter of 2012 a 200 x 50 metre termite mount sampling program was completed covering the entire permit with approximately 5,500 samples. A high-resolution aeromagnetic and radiometric data set was flown over the entire block for a total of approximately 730 line kilometres. Mapping of outcrop and regolith was completed together with rock chip sampling of potentially mineralized outcrop.

The termite mount samples were analyzed at SGS laboratories, Sabodala using an Aqua Regia digest with AAS finish. The results produced a number of significant surface gold anomalies, many of which can be mapped at the >500ppb Au level (>0.5 g/t Au) with maximum of up to 1.9 g/t Au obtained. The main anomaly is located at the flanks and base of an iron ore hill where it covers a 2000 x 500 metre area at the >0.5 g/t Au level. Interpretation and drill follow-up planning will take place over the wet season.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

TERANGA GOLD CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME / LOSS

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011 Restated	2012	2011 Restated
Revenue	62,010	54,066	122,536	109,133
Cost of sales	(33,083)	(38,517)	(64,988)	(74,155)
Gross profit	**28,927**	**15,549**	**57,548**	**34,978**
Other income	14	351	22	617
Share based compensation	(626)	(2,763)	(2,381)	(6,688)
Finance costs	(1,009)	(559)	(1,947)	(1,488)
Exploration and evaluation expenditures	(4,741)	(8,325)	(11,917)	(11,354)
Administration expenses	(5,948)	(2,982)	(9,297)	(5,750)
Net foreign exchange gains	875	1,494	506	1,290
Realized and unrealized gains/(losses) on gold hedge contracts	12,165	(16,203)	(5,318)	(18,907)
Realized and unrealized (losses)/gains on oil hedge contracts	(1,284)	(1,044)	(669)	999
Impairment of available for sale financial asset	(11,917)	-	(11,917)	-
	(12,471)	**(30,031)**	**(42,918)**	**(41,281)**
Profit/(loss) before income tax	**16,456**	**(14,482)**	**14,630**	**(6,303)**
Income tax expense	-	(127)	-	(139)
Profit/(loss) for the period	**16,456**	**(14,609)**	**14,630**	**(6,442)**
Profit/(loss) attributable to:				
Shareholders	12,590	(14,413)	9,807	(7,956)
Non-controlling interests	3,866	(196)	4,823	1,514
Profit/(loss) for the period	**16,456**	**(14,609)**	**14,630**	**(6,442)**
Other comprehensive income/(loss):				
Exchange differences arising on translation of Teranga corporate entity	-	(451)	(63)	1,998
Change in fair value of available for sale financial asset, net of tax	5,246	(5,540)	1,319	(4,002)
Other comprehensive income/(loss) for the period	**5,246**	**(5,991)**	**1,256**	**(2,004)**
Total comprehensive income/(loss) for the period	**21,702**	**(20,600)**	**15,886**	**(8,446)**
Total comprehensive income/(loss) attributable to:				
Shareholders	17,836	(20,404)	11,063	(9,960)
Non-controlling interests	3,866	(196)	4,823	1,514
Total comprehensive income/(loss) for the period	**21,702**	**(20,600)**	**15,886**	**(8,446)**
Earnings/(losses) per share from operations attributable to the shareholders of the Company during the period				
- basic earnings/(losses) per share	0.05	(0.06)	0.04	(0.03)
- diluted earnings/(losses) per share	0.05	(0.06)	0.04	(0.03)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

TERANGA GOLD CORPORATION

STATEMENTS OF FINANCIAL POSITION

(Unaudited and in US$'000)

	As at June 30, 2012	As at December 31, 2011 Restated
Current assets		
Cash and cash equivalents	35,559	7,470
Short-term investments	-	593
Restricted cash	-	3,004
Trade and other receivables	2,837	20,447
Inventories	76,277	48,365
Financial derivative assets	1,022	2,288
Other assets	7,785	12,751
Available for sale financial assets	9,303	19,800
Total current assets	**132,783**	**114,718**
Non-current assets		
Inventories	32,471	31,942
Financial derivative assets	-	532
Property, plant and equipment	257,556	238,510
Mine development expenditure	102,222	89,825
Intangible assets	1,190	1,085
Total non-current assets	**393,439**	**361,894**
Total assets	**526,222**	**476,612**
Current liabilities		
Trade and other payables	54,771	43,238
Borrowings	17,200	16,468
Financial derivative liabilities	82,880	79,241
Provisions	1,972	1,954
Total current liabilities	**156,823**	**140,901**
Non-current liabilities		
Financial derivative liabilities	12,996	50,318
Provisions	9,369	9,215
Borrowings	60,098	7,509
Total non-current liabilities	**82,463**	**67,042**
Total liabilities	**239,286**	**207,943**
Equity		
Issued capital	305,412	305,412
Foreign currency translation reserve	(998)	(935)
Equity-settled share based compensation reserve	14,980	12,599
Investment revaluation reserve	-	(1,319)
Accumulated losses	(33,568)	(43,375)
Equity attributable to shareholders	**285,826**	**272,382**
Non-controlling interests	1,110	(3,713)
Total equity	**286,936**	**268,669**
Total equity and liabilities	**526,222**	**476,612**

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

TERANGA GOLD CORPORATION

STATEMENTS OF CHANGES IN EQUITY

(Unaudited and in US$'000)

	Six months ended June 30, 2012	Six months ended June 30, 2011 Restated
Issued capital		
At January 1	305,412	305,502
Share issue cost	-	(90)
At June 30	305,412	305,412
Foreign currency translation reserve		
At January 1	(935)	1,011
Exchange difference arising on translation of Teranga corporate entity	(63)	1,998
At June 30	(998)	3,009
Equity-settled share based compensation reserve		
At January 1	12,599	1,733
Equity-settled share based compensation reserve	2,381	6,855
At June 30	14,980	8,588
Investment revaluation reserve		
At January 1	(1,319)	(940)
Change in fair value of available for sale financial asset	-	(4,002)
Impairment	1,319	-
At June 30	-	(4,942)
Accumulated losses		
At January 1	(43,375)	(34,332)
Profit/(loss) attributable to shareholders	9,807	(7,956)
At June 30	(33,568)	(42,288)
Non-controlling interests		
At January 1	(3,713)	(7,637)
Non-controlling interest - portion of profit for the period	4,823	1,514
At June 30	1,110	(6,123)
Total equity at June 30	**286,936**	**263,656**

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

TERANGA GOLD CORPORATION

STATEMENTS OF CASH FLOW

(Unaudited and in US$'000

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Cash flows related to operating activities				
Profit/(loss) for the period	16,456	(14,609)	14,630	(6,442)
Depreciation	8,612	6,436	15,490	14,346
Amortization of capitalized mine development costs	2,307	2,304	4,410	5,177
Amortization of intangibles	151	93	298	237
Amortization of borrowing costs	112	74	219	153
Unwinding of discount	22	-	45	-
Share based compensation	626	2,763	2,381	6,688
Net change in unrealized (gains)/losses on gold hedge	(12,165)	624	5,318	(4,205)
Net change in unrealized (gains)/losses on oil hedge	1,751	1,691	1,798	140
Buyback of gold hedge sales contracts	(39,000)	-	(39,000)	-
Income tax paid		127	-	139
Impairment of available for sale financial asset	11,917	-	11,917	-
Changes in working capital	(3,778)	(9,324)	(1,610)	(6,041)
Net cash (used)/provided by operating activities	**(12,989)**	**(9,821)**	**15,896**	**10,192**
Cash flows related to investing activities				
Decrease in restricted cash	3,352	-	3,004	-
Redemption/(Increase) of short-term investments	-	28,728	592	(2,352)
Payments for purchase of property, plant and equipment	(11,083)	(12,469)	(26,574)	(18,929)
Payments made on mine development	(7,854)	(3,108)	(16,807)	(5,117)
Payments for purchase of intangibles	(401)	(306)	(403)	(612)
Net cash (used)/provided in investing activities	**(15,986)**	**12,845**	**(40,188)**	**(27,010)**
Cash flows related to financing activities				
Proceeds from issuance of capital stock, net of issue costs	-	(90)	-	(491)
Loan facility net of borrowing cost paid	57,977	-	57,977	-
Repayment of borrowings	(4,933)	(1,750)	(7,733)	(3,500)
Drawdown from finance lease facility, net of financing cost paid	-	-	2,862	-
Interest paid on borrowings	(273)	(250)	(552)	(447)
Net cash provided/(used) by financing activities	**52,771**	**(2,090)**	**52,554**	**(4,438)**
Effect of exchange rates on cash holdings in foreign currencies	334	92	(173)	1,122
Net increase / (decrease) in cash and cash equivalents held	**24,130**	**1,026**	**28,089**	**(20,134)**
Cash and cash equivalents at the beginning of financial period	**11,429**	**54,673**	**7,470**	**75,833**
Cash and cash equivalents at the end of financial period	**35,559**	**55,699**	**35,559**	**55,699**

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 & Stakeholder Relations
David Savarie, Vice President, General Counsel & Corporate Secretary
Macoumba Diop, General Manager and Government Relations Manager, SGO
Mark English, Operations Manager, SGO
Martin Pawlitschek, Regional Exploration Manager, SMC
Bruce Van Brunt, Business Development Manager, SGO

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Auditor
Deloitte & Touche LLP

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

Stock Exchange Listings
Toronto Stock Exchange, TSX symbol: TGZ
Australian Securities Exchange, ASX symbol: 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 A.I.F. 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 technical information in this quarterly report that relates to exploration results and mineral resource estimates within the Mining License is based on information compiled by Mr. Bruce Van Brunt, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr. Van Brunt is a full time employee of Teranga and not independent. Mr. Van Brunt has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code of Reporting of exploration Results, Mineral Resources and Ore Reserves". Mr. Van Brunt is a "Qualified Person" in accordance with National Instrument 43-101 and he consents to the inclusion of this information in the form and context in which it appears in this announcement.

The technical information in this quarterly report that relates to the exploration results and targets within the regional exploration program are based on information compiled by Mr. Martin Pawlitschek, who is a member of the Australian Institute of Geoscientists. Mr. Pawlitschek is our full time employee and is not "independent" within the meaning of National Instrument 43-101. Mr. Pawlitschek has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Pawlitschek is a "Qualified Person" in accordance with NI 43-101 and he consents to the inclusion of this information in the form and context in which it appears in this offering memorandum.

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

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E: ksipos@terangagold.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012

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 six months ended June 30, 2012, in comparison to the corresponding prior-year periods. The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements ("Statements") of Teranga Gold Corporation ("Teranga" or the "Company") as at and for the three and six months ended June 30, 2012 as well as with the audited consolidated financial statements of Teranga as at and for the fifteen months ended December 31, 2011. The Company's Statements are presented in United States dollars, unless otherwise specified, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information about Teranga, as well as all other public filings, is available on the Company's website at www.terangagold.com and on the SEDAR website (www.sedar.com).

This report is dated as of August 14, 2012. All references to the Company include its subsidiaries unless the context requires otherwise.

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

OVERVIEW OF THE BUSINESS

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

The Sabodala gold mine, which came into operation in 2009, is located 650 km east of the capital of Senegal, Dakar, within the West African Birimian geological belt in Senegal, and about 90 km from major gold mines in Mali. As of December 31, 2011, the Sabodala gold mine had proven and probable reserves of approximately 1.70 million ounces of gold included in measured and indicated resources of 2.14 million ounces of gold and inferred mineral resources of 1.51 million ounces of gold. In addition to the Sabodala Mine License, the Company holds one of the largest exploration land positions in south-eastern Senegal with a direct or majority controlling joint venture interest in eleven exploration permits currently permitting exploration activity on approximately 1,450km^2. Management believes that the combination of its operations and prospective land position provides the basis for growth in reserves, production, earnings and cash flow as new discoveries are made and processed through the Company's existing mill.

Our Mission

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

Our Vision

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

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

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

GROWTH STRATEGY

The Company's objective is to increase reserves and production, which in turn should increase earnings and cash flow, through both internal exploration discoveries and strategic acquisitions. The Company is devoting significant resources to exploring its land package with a view of leveraging the existing infrastructure and processing plant which was recently expanded from a nominal capacity of 2 million tonnes per annum ("Mtpa") to approximately 4 Mtpa. With the completion of the mill expansion, production for 2012 is expected to increase to between 210,000 to 225,000 ounces, an increase of 65 percent over 2011, while the total cash cost is expected to decline to between $600 to $650 per ounce in line with previous guidance.

Exploration results in 2011, as well as in the first half of 2012, support management's belief of the potential to expand upon existing gold mineralization by an additional 20 to 30 million tonnes at grades between 1.5 and 2.0 grams per tonne ("gpt") for a total inventory of 2.5 to 3.5 million ounces from the Company's 33km^2 Mining License ("ML") by mid-year 2013[1]. This would increase the mine life to approximately 15 years at a production rate of about 200,000 ounces of gold produced annually and provide a solid production base to build on through the ML and Regional Exploration Program.

The larger gold inventory base is expected to result from the success of deepening the Sabodala pit to the north along the Main Flat Extension ("MFE") and now to the south-west, extension of the Masato pit onto the ML, and conversion of Niakafiri resources to reserves. On the ML alone a minimum of 7 drill rigs are expected to be testing targets at an estimated cost of $20 million in 2012 to expedite reserve definition drilling and resource expansion.

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

There are currently 40 drill targets that have been identified on the Company's approximately 1,450km^2 RLP, all within trucking distance of the mill. All 40 targets are expected to be drill tested in 2012-2013. A further 20 targets have been evaluated with surface sampling or trenching. There were 3 drill rigs on RLP during the quarter ended June 30, 2012.

Beyond the current RLP, 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.

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

CONSOLIDATED RESULTS

(US$000's)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Current	Current	Restated (i)		Restated (i)
Revenue	62,010	54,066	122,536	109,133
Cost of sales	(33,083)	(38,517)	(64,988)	(74,155)
	28,927	**15,549**	**57,548**	**34,978**
Other income	14	351	22	617
Share based compensation	(626)	(2,763)	(2,381)	(6,688)
Finance costs	(1,009)	(559)	(1,947)	(1,488)
Exploration and evaluation expenditures	(4,741)	(8,325)	(11,917)	(11,354)
Administration expenses	(5,948)	(2,982)	(9,297)	(5,750)
Net foreign echange gains	875	1,494	506	1,290
Impairment of available for sale financial asset	(11,917)	-	(11,917)	-
Realized and unrealized gains/losses on gold hedge contracts	12,165	(16,203)	(5,318)	(18,907)
Realized and unrealizeds gains/losses on oil hedge contracts	(1,284)	(1,044)	(669)	999
Profit/(loss) before income tax	**16,456**	**(14,482)**	**14,630**	**(6,303)**
Income tax expense	-	(127)	-	(139)
Profit/(loss) for the period	**16,456**	**(14,609)**	**14,630**	**(6,442)**
Profit attributable to non-controlling interest	3,866	(196)	4,823	1,514
Profit/(loss) attributable to shareholders of Teranga	**12,590**	**(14,413)**	**9,807**	**(7,956)**
Basic earnings/(losses) per share	0.05	(0.06)	0.04	(0.03)

(i) The Company adopted changes to the accounting policies as at January 1, 2012 that have been retrospectively applied to the three and six months ended June 30, 2011. See "Interim Condensed Consolidated Financial Statements – Change in Accounting Policies"

Review of Financial Results

Profit for the Period

Profit for the three and six months ended June 30, 2012 was $12.6 million and $9.8 million, respectively, compared to losses of $14.4 million and $8.0 million in the same prior year periods. The earnings per share for the three and six months ended June 30, 2012 was $0.05 and $0.04 per share, compared to losses of $0.06 and $0.03 per share in the same periods last year. The increase in profit and earnings per share was due to an increase in gross profit from higher revenues and lower cost of sales, as well as from the impact of unrealized gold hedge gains, partially offset by higher administration expenses and investment impairment.

Revenue

Gold revenue for the three and six month periods ended June 30, 2012 was $62.0 million and $122.5 million, respectively, compared to gold revenue of $54.1 million and $109.1 million for the same prior year periods. The increase in gold revenue was driven by higher gold prices.

Revenues do not reflect the impact of gold hedges, as realized losses on ounces delivered into gold hedge contracts are classified in realized and unrealized gains/losses on gold hedge contracts.

Cost of Sales

(US$000's)	Three months ended June 30,		Six months ended June 30,	
	2012	2011 restated	2012	2011 restated
Mine production costs	33,584	30,292	66,155	55,205
Depreciation and amortization	10,821	8,752	19,767	19,258
Royalties	1,859	1,567	3,681	3,149
Rehabilitation	-	120	4	259
Inventory movements	(13,181)	(2,214)	(24,619)	(3,716)
Total cost of sales	**33,083**	**38,517**	**64,988**	**74,155**

Cost of sales for the three and six months ended June 30, 2012 were $33.1 million and $65.0 million, respectively, compared to $38.5 million and $74.2 million for the same prior year periods. Lower costs of sales were due to higher grade ore stockpiled during the period, partially offset by higher mining costs.

Mine production costs totaled $33.6 million and $66.2 million for the three and six months ended June 30, 2012, respectively, compared to $30.3 million and $55.2 million for the same prior year periods. Mine production costs increased due to more tonnes mined as well as higher fuel and blasting costs.

Depreciation and amortization for the three and six months ended June 30, 2012 totaled $10.8 million or $281 per ounce sold and $19.8 million or $268 per ounce sold, respectively, in comparison with $8.8 million or $247 per ounce sold and $19.3 million or $257 per ounce sold for the same periods last year. The increase is due to more ounces sold in the June 2012 quarter compared to the year earlier period and due to an increase in depreciation for the new mobile equipment purchased at the end of 2011 and the completed mill expansion. Depreciation and amortization expense for the remainder of 2012 is expected to decrease to approximately $200 to $225 per ounce sold due to the increase in production with the completion of the mill expansion.

Royalties for the three and six months ended June 30, 2012 increased to $1.9 million and $3.7 million, respectively, compared to $1.6 million and $3.1 million in the same periods of 2011 due to higher gold spot prices. Royalties are calculated at 3 percent of the average spot price of gold during the periods.

Administrative Expenses

Administrative expenses for the three and six months ended June 30, 2012 totaled $5.9 million and $9.3 million, respectively, compared to $3.0 million and $5.8 million in the same prior year periods. The increase in administrative expenses was due to higher employee costs, higher legal fees and corporate social responsibility costs. Administration expense, which includes costs of the corporate and Dakar offices as well as community and social responsibility expenses are expected to total approximately $16 million for 2012.

Share Based Compensation

During the three and six months ended June 30, 2012 a total of 50,000 and 1,920,000 common share options, respectively, were granted to directors and employees while 2,562,778 and 2,841,666 stock options were forfeited during the same periods. During the three and six months ended June 30, 2011 a total of 760,000 and 1,485,000 common share options, respectively, were granted to directors and employees while 64,444 and 224,444 stock options were forfeited during the same periods. No share options were exercised during the three and six months ended June 30, 2012 and 2011.

During the second quarter of 2012, 2,440,000 options originally granted to certain employees and consultants were forfeited due to negative personal tax consequences in their respective country of residence. Management continuously refines employee compensation packages to ensure that the Company is able to hire and retain the best employees available.

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Share option compensation - expensed	626	2,763	2,381	6,688

Under IFRS the accelerated method of amortization is applied to share based compensation which results in about 70 percent of the cost of share 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.

As at June 30, 2012, 16,695,556 common share options were issued and outstanding, of which 16,520,556 vest over a three-year period and 175,000 vest based on the 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 $0.9 million and $0.5 million for the three and six months ended June 30, 2012 compared to $1.5 million and $1.3 million in the same periods of 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.

Realized and Unrealized Gains/Losses on Gold Hedge Contracts

The realized and unrealized gain on gold hedge contracts totaled $12.2 million for the second quarter of 2012 compared to a loss of $16.2 million for the second quarter of 2011. For the six months ended June 30, 2012 and 2011 the realized and unrealized loss on gold hedge contracts totaled $5.3 million and $18.9 million, respectively. The increase in realized and unrealized gains for the three months and a decrease in losses for the six months ended June 30, 2012 compared to the same prior year periods is due to a decrease in the spot price of gold. During the quarter ended June 30, 2012, the Company bought back certain "out of the money" gold forward sales contracts totalling 52,105 ounces. The total mark-to-market loss of the remaining 122,395 ounces of gold under gold hedge contracts recorded as a financial derivative liability decreased to $95.9 million at quarter end as the average forward price of the remaining contracts at $818 per ounce is marked to the quarter end spot price of $1,599 per ounce.

Realized and Unrealized Gains/Losses on Oil Hedge Contracts

Realized and unrealized losses on oil hedge contracts for the three and six months ended June 30, 2012 totaled $1.3 million and $0.7 million, respectively, compared to a loss of $1.0 million and a gain of $1.0 million in the same prior year periods. The realized and unrealized loss on oil hedge contracts is due to a decrease in fuel price.

The Company's oil hedge contracts are based on West Texas Intermediate spot oil prices; however site fuel costs are based on Brent crude spot oil prices. During 2011 and continuing into the second quarter of 2012, a historic gap in spot prices developed between the two exchanges, resulting in our oil hedges being less effective. The difference in the average spot prices of $15.2 per barrel for the second quarter of 2012 negatively impacted our cash cost per ounce.

Finance Costs

Finance costs reflect interest costs related to the mobile equipment loan outstanding, amortization of capitalized borrowing costs, facility fees for the loan arrangement, political risk insurance relating to the project finance facility, bank charges and interest related to amounts payable to the government of Senegal in connection with our mining license.

Finance costs for the three and six months ended June 30, 2012 totaled $1.0 million and $1.9 million, respectively, compared to $0.6 million and $1.5 million in the same prior year periods. The increase in finance costs was due to higher interest costs.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures totaled $4.7 million and $11.9 million for the three and six months ended June 30, 2012 compared to $8.3 million and $11.4 million in the same periods last year reflecting regional exploration costs incurred during the period related to drill programs as well as target identification work underway. Exploration and evaluation expenditures for 2012 are expected to total approximately $20 million.

Impairment of available for sale financial asset

As of June 30, 2012 Oromin share price traded 56 percent lower than the share price at the date of acquisition and 52 percent lower than at the beginning of the year. As a result of the continuous decline in the share price, the Company recognized a non cash impairment loss of $11.9 million on the Oromin shares during the second quarter.

Outlook

With the completion of the Sabodala mill expansion, production for 2012 is expected to increase to between 210,000 to 225,000 ounces, an increase of 65 percent over 2011, while the total cash cost per ounce sold is expected to decline to between $600 to $650 per ounce in line with previous guidance. This production target is based on proven and probable reserves only.

At June 30, 2012 the gold forward sales program declined by 52,105 ounces to 122,395 ounces from the previous quarter end. The reduction of 52,105 ounces from the gold forward sales program was a result of a buy-back of "out of the money" gold forward sales contracts as part of the recent $60 million 2-Year Loan Facility with Macquarie Bank Limited by way of an amendment to the existing Facility Agreement. Forward sales contracts are expected to total 66,000 ounces at year end and are scheduled to be fully extinguished by August 2013, at which time the Company would be hedge free.

In total, between capitalized mine site exploration and regional exploration expenditures, the Company expects to spend approximately $40 million in calendar 2012.

Capital expenditures for 2012 are expected to total $40 million, an increase of $10 million over previous guidance, due to higher costs to complete the mill expansion. In addition, management continues to evaluate the merits of purchasing additional mining equipment to increase the mining rate at Sabodala. The additional mining equipment is expected to cost between $10 million to $15 million.

Review of Operations

Gold sold for the three months ended June 30, 2012 totaled 38,503 ounces at a total cash cost of $645 per ounce sold compared to 35,407 ounces sold at a total cash cost of $802 per ounce in the same quarter of 2011. Ounces sold during the second quarter of 2012 were lower than ounces produced due to the reduced ability to pour gold during the tie-ins for the mill expansion. As a result, at June 30, 2012, gold in circuit and gold bullion inventory increased by 7,121 ounces to 20,383 ounces. The majority of gold inventory will be sold in the second half of the year. Gold sold for the six months ended June 30, 2012 totaled 73,771 ounces at a total cash cost of $658 per ounce was comparable to 74,897 ounces sold at a cash cost of $716 per ounce during the same period last year.

Production Statistics

		Three months ended June 30,		Six months ended June 30,	
		2012	2011 restated	2012	2011 restated
Operating results					
Ore mined	('000t)	2,105	759	3,222	1,250
Waste mined	('000t)	5,130	5,538	11,446	11,997
Total mined	('000t)	7,235	6,297	14,668	13,247
Strip ratio	waste/ore	2.4	7.3	3.6	9.6
Ore milled	('000t)	491	650	1,064	1,258
Head grade	(g/t)	3.22	1.81	2.85	1.86
Recovery rate	%	89.6	89.2	89.8	89.8
Gold produced (1)	(oz)	45,495	33,388	87,399	67,684
Gold sold	(oz)	38,503	35,407	73,771	74,897
Average price received	$/oz	1,608	1,083	1,658	1,144
Total cash cost (incl. royalties)(2)	$/oz sold	645	802	658	716
Mining (cost/t mined)		2.5	2.4	2.5	2.1
Milling (cost/t milled)		22.9	16.6	19.8	15.9
G&A (cost/t milled)		7.0	5.4	6.2	5.1

Note (1): Gold produced is change in gold in circuit inventory plus gold recovered during the period.
Note (2): Total cash costs per ounce sold for three and six months ended June 30, 2011 were restated to comply with the Company's new accounting policy for measuring and recording ore stockpile costs, as well as reporting total cash costs after inventory movement, in line with the Company's accounting policies and with industry standards.

Mining

Total tonnes mined for the three and six months ended June 30, 2012 were 15 and 11 percent higher compared to the same periods of 2011 due to improved productivity and efficiency in the mining operation. Drilling and loading availabilities benefited from the addition of three new blast hole drill rigs and four new haul trucks. The implementation of better maintenance practices resulted in improved loading and hauling efficiencies from an improved availability of the mobile equipment fleet.

Unit mining costs for the three and six months ended June 30, 2012 were on plan but higher compared to the same periods of 2011 mainly due to higher fuel and blasting costs.

Milling

Mill throughput for the three and six months ended June 30, 2012 was 25 and 15 percent lower than the same periods of 2011 mainly due to harder ore in 2012 compared to the softer material that was available in 2011 as well as the shutdowns relating to tie-ins for the mill expansion.

Unit processing costs for the three and six months ended June 30, 2012 were 38 and 24 percent higher compared to the same periods of 2011 primarily due to lower throughput rates and higher reagent costs.

General and Administration

General and administration costs for the three and six months ended June 30, 2012 totaled $3.8 million and $7.7 million, respectively, compared to $3.5 million and $7.3 million in the same prior year periods. The marginal increase in general and administration costs was due to higher insurance costs.

Gold Production

Gold production for the second quarter of 2012 was 45,495 ounces, 36 percent higher than the same quarter of 2011, despite down time as part of mill expansion tie-ins and commissioning activities. Gold production for the six months ended June 30, 2012 was 87,399 ounces, 29 percent higher than the same period last year. The increase in production was due to higher grade ore processed in the first half of 2012.

Average Realized Gold Price

During the second quarter of 2012, 38,503 ounces were sold into the spot market at an average price of $1,608 per ounce while during the same quarter in 2011, 35,407 ounces were sold at an average realized price of $1,083 per ounce including 23,000 ounces delivered into gold hedge contracts at $846 per ounce and 12,407 ounces of gold sold into the spot market at an average price of $1,522 per ounce. During the six months ended June 30, 2012, 73,771 ounces were sold into the spot market at an average price of $1,658 while during the same period of 2011, 74,897 ounces were sold at an average realized price of $1,144 per ounce including 37,000 ounces delivered into gold hedge contracts at $846 per ounce and 37,897 ounces of gold sold into the spot market at an average price of $1,435 per ounce.

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.

"Average realized price" is a financial measure with no standard meaning under IFRS. Management uses this measure to better understand the price realized in each reporting period for gold and silver sales. Average realized price excludes from revenues unrealized gains and losses on non-hedge derivative contracts. The average realized price is intended to provide additional information only and does not have any standardized definition under IFRS; it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate this measure differently.

"Total cash costs of sales per ounce sold" is a common financial performance measure in the gold mining industry but has no standard meaning under IFRS. The Company reports total cash costs on a sales basis. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure, along with sales, is considered to be a key indicator of a Company's ability to generate operating earnings and cash flow from its mining operations.

Total cash costs figures are calculated in accordance with a standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is the accepted standard of reporting cash cost of production in North America. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measure of other companies. The total cash cost per ounce sold is calculated as follows:

		Three months ended June 30,		Six months ended June 30,	
		2012	2011 restated	2012	2011 restated
Gold produced	oz	45,495	33,388	87,399	67,684
Gold sold	oz	38,503	35,407	73,771	74,897
Cost of sales (1)	($'000)	33,083	38,517	64,988	74,155
Less: depreciation and amortization	($'000)	(10,821)	(8,752)	(19,767)	(19,258)
Less: realized oil hedge gain	($'000)	(467)	(647)	(1,128)	(1,137)
Add: non-cash inventory movement	($'000)	3,119	(279)	4,577	(78)
Less: other adjustments	($'000)	(80)	(441)	(117)	(65)
		24,834	28,398	48,553	53,617
Total cash cost of sales per ounce sold	**$/oz**	**645**	**802**	**658**	**716**

Note (1): Cost of sales include 3 percent royalty payable to the Government of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date.

Total Cash Costs

Total cash costs for the second quarter of 2012 were $24.8 million compared to $28.4 million in the same quarter last year. Total cash costs were $645 per ounce sold in the second quarter 2012, a decrease of 20 percent compared to $802 per ounce in the second quarter 2011. Total cash costs for the six months ended June 30, 2012 were $48.6 million or $658 per ounce sold compared to $53.6 million or $716 per ounce sold in the same period last year. The decrease in cash costs is due to lower cost of sales.

PLANT EXPANSION

Construction of the mill expansion to double capacity is finished, though some fine tuning will continue through the third quarter. In the third quarter the mill is expected to be operating at full capacity. With the higher throughput rate in the second half of the year, the Company is on track to meet its full year production guidance of 210,000 to 225,000 ounces of gold at total cash costs of $600 to $650 per ounce.[2]

MINE LICENSE EXPLORATION

The primary objective of the $20 million 2012 drill program on the Sabodala Mine License is to expand the Sabodala Mine open pit reserves. Pit optimization work completed in February 2012 defined a $1,550 per ounce pit shell containing over 2 million ounces that serves as a guide to our current drill program (2011 proven and probable reserves in the Sabodala pit contained approximately 1 million ounces).[3] The ultimate pit limits at Sabodala are driven laterally by the extent of the Main Flat zone which dips gently away from the centre of the deposit to both the east and west. To the east, the Main Flat dips into Sambaya Hill towards the Masato deposit. To the north, the economic limit to mine the plunging Main Flat and sub parallel Lower Flat Zones is defined by the strip ratio.

The 2012 drill program is designed to take the ultimate pit about 150 metres deeper to about 480 metres in depth and, if successful, to add upwards of 500,000 to 1 million ounces, based on drilling intercepts to date, at grades of between 1.5 gpt and 2 gpt this year.[4] Recent results in the second quarter of 2012 advance the mineralized extents at Sabodala to the NE in

[2] This production target is based on proven and probable reserves only.
[3] Pit optimization work, which included a Lerchs-Grossman (Whittle) run resulting in a shell containing 2 million ounces based on Measured, Indicated and Inferred resource material using comparable costs as reported in the December 31, 2011 Sabodala Technical Report.
[4] This exploration target is not a Mineral Resource. The potential quality and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

drill hole SBDH291 and SE in drill hole SBDH259DD. In-fill drilling under the main haulage ramp on the north end of the pit is ongoing with a high grade intercept down dip at depth from drill hole SBDH254D which intersected a series of higher grade zones including 31 metres of 6.0 grams per tonne ("gpt") from 385 metres. Vertical drilling from the north end of the pit on the 20850N section returned 95 metres of 1.3 gpt from 358 metres in SBDH262D including internal dilution between mineralized zones.

As a result of the mine planning work completed in the first quarter of 2012, we have focused the majority of the drilling effort this year into expanding the Sabodala open pit reserves. During the second quarter of 2012, Reverse Circulation ("RC") and Diamond drilling ("DD") on the ML totalled 34,000 metres at cost of $7.0 million. Year to date, a total of $14.2 million has been spent on just over 60,000 metres of drilling. A minimum of 7 drill rigs are expected to be testing targets at an estimated cost of $20 million in 2012 with the expectation of drilling approximately 90,000 metres of RC and DD, about 15 percent higher than budget. There are 7 drills operating on the ML at the present time (5 DD and 2 RC).

Main Flat Extension ("MFE")

The MFE is one of the principal gold hosts in the Sabodala deposit.

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

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

The goal of the MFE/LFZ programs is to add 500,000 to 1,000,000 ounces of gold to the open pit mineable gold inventory at an average grade between 1.5 – 2.0 gpt, by mid-year 2013.[5]

During the second quarter 23,800 metres of drilling were completed at Sabodala primarily on the MFE but also testing the down dip potential of the Main Flat to the west of the current ultimate pit limit; both areas have returned good results.

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

The latest results from June quarter 2012 include:

HOLE ID(1)	FROM (m)	INTERSECTION(2)
SBDH166DD	536	6.9m @ 1.6 g/t
SBDH207DD	230	2m @ 2.5 g/t
	236	4m @ 2.3 g/t
SBDH211D	262	10m @ 2.7 g/t
SBDH225D	515	6m @ 2.5 g/t
	527	18m @ 2.4 g/t
SBDH239D	307	2m @ 3.8 g/t
SBDH240D	273	4m @ 2.5 g/t
	287	4m @ 1.7 g/t
	377	2m @ 3 g/t
SBDH245	116	12m @ 2.3 g/t
	162	8m @ 3.6 g/t
SBDH246	298	1m @ 7.9 g/t
SBDH248	153	5m @ 1.1 g/t
	161	15m @ 3.2 g/t
	183	4m @ 1.7 g/t
SBDH259DD	139	16m @ 4.2 g/t
SBDH263DD	89	9m @ 5.4 g/t
SBDH264DD	95	18m @ 2.3 g/t
	119	17m @ 1.7 g/t
SBDH291	164	20m @ 3.2 g/t

(1) Drill hole results are disclosed as they are received and due to location and depth of holes, not all results are available at the same time nor are they processed sequentially.
(2) True widths to be determined.

Corridor and Ayoub's Target Area

Drilling along the Corridor northeast of the Sabodala pit intersected mineralization along the Ayoub's portion of the target area. The system, although low grade, is continuous and shows Sabodala style alteration. The position of the Ayoub's mineralization in the Corridor lends itself to sharing stripping allowing for the inclusion of deeper MFE mineralization into the ultimate pit. In the second quarter of 2012, 4,800 metres of drilling was completed, while no additional drilling is currently planned.

Masato

Drilling in 2011 confirmed a mineralized strike length of 500 metres and a dip extent of 200 metres on the ML. In the first quarter of 2012 the deposit extents were expanded to 300 metres down dip and a strike length of 1,600 metres. The Masato deposit remains open to depth and along strike.

The objectives for Masato for 2012 include in-filling the 200 metre by 500 metre zone identified in the first pass 2011 drill program in preparation for a resource estimate, further definition drilling on the high-grade pod of gold mineralization located on the north end of the deposit, as well as to locate the southern extension of Masato that strikes towards the ML. In the second quarter, 6,310 metres of drilling were completed. Assays are presently being compiled and geologic interpretation is in progress. Management expects the continued positive drilling results to lead to the defining of a resource at Masato on the ML by year end.

Drill programs scheduled for the second half of the year in the southern portion of the ML at Niakafiri, Niakafiri West, Soukhoto and Dinkokhono will be deferred into 2013 as we continue to focus on the expanded drill program at Sabodala.

REGIONAL EXPLORATION

There are currently 40 drill targets that have been identified on the Company's approximately 1,450km² RLP, all within trucking distance of the mill. All 40 targets are expected to be drill tested in 2012-2013. A further 20 targets have been evaluated with surface sampling or trenching.

During the second quarter of 2012, the Company completed 41,000 metres of Rotary Air Blast ("RAB") drilling over 14 anomalies and prospects and 18,000 metres of RC drilling. There were 3 drill rigs on the RLP. RC drilling during the second quarter focused on Toumboumba, Tourokhoto, Saiensoutou, Jam, KB and testing of IP anomalies at Gora. In addition, several RAB programs where completed. RLP exploration expenditures for the second quarter totaled $5.3 million (including $0.5 million for Gora). Year to date, a total of $13.9 million has been spent, including $2.1 million capitalized for Gora. The exploration budget for the Regional Exploration Program is estimated at $20 million for 2012. The Company removed the three drill rigs for the rainy season and intends to use the time to catch up on the back log of assay results, analyse the exploration results to date and plan its drill programs for the final quarter of 2012 and 2013.

For full drill results from our regional exploration program please see the Company's website.

Toumboumba (Sabodala NW)

Toumboumba is a shear vein system hosted in the Falombou granite and has the potential for a small, shallow, oxide deposit, located 10 km from the Sabodala mill. This prospect consists of 18 north-south to north-east trending gold anomalous zones identified from RAB drilling during 2011.

During the second quarter of 2012 a program of 129 reverse circulation ("RC") holes for 12,000 metres was completed on a systematic 25 x 25 metre grid over the oxide resource area, targeting the main mineralized trends. The mineralization was confirmed as consisting of three principal, sub-parallel NS trending shallowly - east dipping shear veins hosted in granite. The upper portions of the granite are oxidized to a depth of approximately 50 metres. The mineralized system continues down dip into the fresh rock. Assays are pending for eight holes. Interpretation and three-dimensional modelling of the mineralization has commenced, with the objective of calculating an updated mineral resource estimate and determining the mining potential of this deposit by year end.

Tourokhoto

The bulk of the results for the previous RC program completed at Tourokhoto were received during the second quarter 2012, with assays only pending for one remaining hole. The RC drilling program at Tourokhoto comprised 27 holes for a total of 14,000 metres, which commenced in December 2011 and was completed during the first quarter of 2012. The drilling over Tourokhoto can be grouped into six geographically/geologically distinct areas, comprising the Main Trend Central Area, Northern Area, NE Area, and Southern Area as well as the Marougou and Segoto Areas.

The most promising drill results were returned from the Marougou area. This area is located south-east of the Tourokhoto Main Trend Central area. RC holes were drilled on three lines spaced 600 metres apart for a total of 3,000 metres. The drilling identified significant widths and grades of mineralization on each line, with best results of 14 metres @ 3.25 g/t Au from 31 metres in DBRC0149, 12 metres @ 13.2 g/t Au from 6 metres in DBRC0138 and 8 metres @ 3.6 g/t Au from 144 metres in DBRC0143. The full listing of intersections can be found on the Company's website. The mineralization highlights a trend of at least 1,200 metres in length, extending across the lines in a north-east direction with a westerly dip and represents the discovery of a new prospect. This prospect is open to the north and south and some extension of the trend in both directions is supported by surface gold anomalism along strike of the existing drilling. A new drill program to infill and extend the zone along strike is expected to begin in the fourth quarter, after the rainy season, to further evaluate this discovery.

Diegoun North ("the Donut")

Cinnamon

The first quarter drill testing of auriferous bedrock gold trends identified from 2011 RAB drilling consisted of 14 RC holes for 2,500 metres. The samples from this program were sent in two batches with five holes going to SGS Kayes for Fire Assay determinations of gold and nine holes going to SGS Sabodala for ARE 155 (Aqua Regia) gold analysis. Results to date returned up to 8 metres @ 1.9 g/t Au (from 115 metres in hole DBRC0227), 15 metres @ 0.5 g/t Au (from 41metres in DBRC0224) and 6 metres @ 2.8 g/t Au (from surface in DBRC00221) from the eastern portion of the prospect which falls into the Dembala Berola permit. See the company's website for a full listing of results. The remainder of the results are expected to become available during the coming quarter.

Jam

A further 15 RC holes for 2,900 metres and nine DD holes for 2,100 metres were completed at Jam. This program was designed to test two north-west trending structures defined in this area as well as follow-up on previous anomalous RC holes with hole orientations at different angles. Results from this program returned wide, but low grade mineralized intersections, related to albite-carbonate-silica-pyrite altered felsic intrusive rocks and it is evident from the work completed to date that the Jam area is a large-scale, gold-bearing, hydrothermal alteration system.

Other diamond holes returned similar geology and gold results. The 28 km^2 Diegoun north area with its three prospects Jam, Cinnamon and Honey is being recognized as a very large auriferous alteration system and the company believes there is potential to find economic grade mineralization within the large complex. The company continues to evaluate the results to date over the wet season to determine the next course of action.

An additional 13,000 metres of RAB drilling have been completed in the Jam area. This work was designed to complete coverage over the main north-east trending structural trends between Cinnamon and Jam (JC corridor) and on a second grid with north-east south-west oriented lines, to better evaluate the presence of mineralization on north-west trends. The Company awaits final assay results for all drilling to date, to define the next step.

Garaboureya

During the second quarter of 2012 a 200 x 50 metre termite mount sampling program was completed covering the entire permit with approximately 5,500 samples. A high-resolution aeromagnetic and radiometric data set was flown over the entire block for a total of approximately 730 line kilometres. Mapping of outcrop and regolith was completed together with rock chip sampling of potentially mineralized outcrop.

The termite mount samples were analyzed at SGS laboratories, Sabodala using an Aqua Regia digest with AAS finish. The results produced a number of significant surface gold anomalies, many of which can be mapped at the >500ppb Au level (>0.5 g/t Au) with maximum of up to 1.9 g/t Au obtained. The main anomaly is located at the flanks and base of an iron ore hill where it covers a 2000 x 500 metre area at the >0.5 g/t Au level. Interpretation and drill follow-up planning will take place over the wet season.

CASH FLOW

(US$000's)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Cash flow				
Operating activities	(12,989)	(9,821)	15,896	10,192
Investing activities	(15,986)	12,845	(40,188)	(27,010)
Financing activities	52,771	(2,090)	52,554	(4,438)
Effect on exchange rates on holdings	334	92	(173)	1,122
Change in cash and cash equivalents during period	**24,130**	**1,026**	**28,089**	**(20,134)**
Cash and cash equivalents - beginning of period	11,429	54,673	7,470	75,833
Cash and cash equivalents - end of period (1)	**35,559**	**55,699**	**35,559**	**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 second quarter of 2012 was $13.0 million compared to $9.8 million from the same period last year. The increase in net cash used by operating activities is due to the buy-back of "out of the money" gold forward sales contracts during the quarter, partially offset by an increase in gross profit. Net cash provided by operating activities during the six months ended June 30, 2012 was $15.9 million compared to $10.2 million for the same prior year period. The increase is due to the increase in gross profit.

Net cash used in investing activities during the second quarter of 2012 totaled $16.0 million compared to $12.8 million of net cash provided in the same quarter of 2011. The decrease reflects cash was provided by liquidating government bonds last year and higher mine development and exploration costs this year. Net cash used in investing activities during the six months ended June 30, 2012 was $40.2 million compared to $27 million in the same period last year. The increase is due to higher mill expansion costs as well as higher mine development and exploration costs.

Net cash provided by financing activities for second quarter of 2012 was $52.8 million compared to $2.0 million used for financing activities in the same quarter of 2011. Net cash provided by financing activities for the six months ended June 30, 2012 was $52.6 million compared to $4.4 million used for financing activities in the same period last year. Net cash from financing activities increased due to the 2-Year Loan Facility of $60 million received at the end of the second quarter, partially offset by repayment of the finance lease facility of $4.9 million.

LIQUIDITY AND CAPITAL RESOURCES

The recent $60 million 2-Year Loan Facility with Macquarie Bank Limited by way of an amendment to the existing Facility Agreement increased the quarter end cash balance to $35.6 million, and will increase operating cash flow in the second half of 2012 as a higher percentage of production can now be sold at higher spot gold prices. Management believes that the cash and cash equivalents at June 30, 2012, together with expected future cash flows from operations and our ability to modify hedge deliveries as required from time to time, is sufficient to support the Company's minimum liquidity requirements. As a result of the amended Facility Agreement, the gold forward sales program declined by 52,105 ounces to 122,395 ounces from the previous quarter end. Forward sales contracts are expected to total 66,000 ounces at year end and are scheduled to be fully extinguished by August 2013, at which time the Company would be hedge free.

The Company's total planned capital expenditures for the calendar 2012, with a focus on completion of the plant expansion at the Sabodala mine site, capitalized exploration costs, as well as construction of the new tailings disposal facility, are expected to total $60 million, with approximately $15 million to be spent for the remainder part of the year. The increase is due to higher costs to complete the mill expansion. In addition, management continues to evaluate the merits of purchasing additional mining equipment to increase the mining rate at Sabodala. The additional mining equipment is expected to cost between $10 million to $15 million.

The Company has counterparty risk relating to advances provided to suppliers as well as to receivables from the sale of gold bullion. The cash and cash equivalents are invested in short-term Term Deposits issued by Canadian banks. A minimal cash amount is held with the Senegal banks.

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

Following a restructure late in 2008, a total of 399,000 ounces of gold was committed forward for delivery between May 2009 and August 2013 at an average delivery price of $826 per ounce. Deliveries into the hedge position to date of 224,500 as well as closing of 52,105 ounces of hedges during the second quarter of 2012 have reduced the hedge balance to 122,395 ounces at June 30, 2012. The mark-to-market at the reporting date spot price of $1,599 was negative $96 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, 2012, the remaining 60,000 barrels were hedged with a mark-to-market gain of $1.0 million at the reporting date spot price of $84.96 per barrel.

CONTRACTUAL OBLIGATIONS AND COMMITTMENTS

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, 2012, the Company had the following payments due on contractual obligations and commitments:

Contractual Obligation and Commitments	Payments Due By Period (US$Millions) Total	< 1 year	1-3 years	4-5 years	>5 years
Mining Fleet Lease Facility[1]	19.6	17.4	2.1	—	—
2 -Year Loan Facility[2]	60.0	—	60.0	—	—
Exploration commitments[3]	8.0	3.0	5.0	—	—
Government of Senegal payments[4]	4.7	4.7	—	—	—
Plant expansion[5]	11.0	11.0	—	—	—
Mining equipment supply contract	0.3	0.3			
Total	**103.6**	**36.4**	**67.1**	**—**	**—**

(1) In 2010, an amended facility was concluded with a new limit of $27.8 million to provide for the acquisition of additional mining equipment associated with the Sabodala expansion ($15.1 million) and the re-gearing of existing equipment ($2.2 million). During the year ended December 31, 2011, the Company finalized the expansion of the mobile equipment loan with Société Générale by an additional $12.8 million. The amended facility contains a quarterly repayment schedule concluding with the final payment on September 30, 2013. The facility is currently drawn down to $19.6 million.
(2) Reflects 2-Year Loan Facility concluded with Macquarie Bank Limited during June 2012. The Loan Facility bears interest of LIBOR plus a margin of 10 percent and shall be repaid on or before June 30, 2014.
(3) Reflects the required expenditures under the work plan included in the exploration permits.
(4) Comprises $4.0 million, to which an annual interest rate of 6.0 percent applies, payable to the Government of Senegal relating to the historical cost of acquiring the Mine License. The Company anticipates paying this amount along with the accrued interest within the next 3 months.
(5) Represents amounts to be paid for the Sabodala mill expansion over the next 6 months.

Sabodala Operating Commitments

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

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

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

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

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

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

CONTINGENT LIABILITIES

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

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

In January 2012 the Official Journal of the Republic of Senegal issued notice of a new financial act that would impose a 5 percent "contribution" which the Company views as a tax on the sale of products from mines and quarries. In April SGO received an official request by the tax authorities in Senegal, followed by a follow-up request in May for payment of 5 percent of gold sales completed in March pursuant to this new financial act. SGO has challenged the assessment of the new 5 percent tax under the fiscal stability provisions included in its Sabodala Mining Convention, based on the opinions received from both national and international counsel. Should this issue not be resolved with the Government of Senegal, we can appeal the government's decision to the International Chamber of Commerce of Paris pursuant to our rights under the Sabodala Mining Convention. The potential tax exposure of $2.8 million as at June 30, 2012 is not recognized in the Company's Interim Condensed Consolidated Financial Statements as management believes that the special contribution tax should not apply to SGO given the fiscal stability provision in its mining convention. If the tax is not abolished, the Company intends to challenge the application of the law through international arbitration. Subsequent to the June quarter end the Company paid $630,000 to the Government of Senegal in respect of 5 percent of gold sales completed in March 2012.

It is management's intention to work with the Senegalese authorities in order to find a mutually agreeable solution that respects our overall fiscal stability rights included in our Mining Convention. Teranga's vision is to grow its business in Senegal and as a partner with the Government, the Company plans to work in partnership to help address some of Senegal's immediate financial needs. Management has met with all of the Ministers of the new Government that are most involved with the permitting and operating of Sabodala, all of which were welcoming and very supportive of the mining industry.

CRITICAL ACCOUNTING POLICIES

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 all entities within the group is the United States dollar. The consolidated financial statements are presented in the United States Dollars, which is the Company's presentation currency.

The Company's corporate entity changed its functional currency from the Canadian dollar to the United States dollar as of January 1, 2012. Per IAS 21, an entity's functional currency should reflect the underlying transactions, events, and conditions relevant to the entity. Based on management's evaluation taking into consideration the currency of the main sources of income, intercompany charges, significant capital projects, the currency in which cash and cash deposits are maintained as well as the currency of corporate office expenditures, the functional currency of the corporate entity is determined to be the United States dollar. The change in functional currency has been accounted for prospectively.

CHANGE IN ACCOUNTING POLICIES

Inventory valuation

With effect from January 1, 2012 the Company changed the method of measuring and recording the cost of stockpile, gold in circuit and gold bullion inventory. The new policy measures and records the costs associated with stockpile, gold in circuit and gold bullion inventory based on recovered ounces of gold. Under the previous policy, stockpile, gold in circuit and gold bullion costs were measured and recorded based on tonnes. The new policy better matches revenue and expenses as compared to the former policy because it attaches higher costs to the higher grade ore and charges more costs to the income statement during periods that higher grade ore is processed and sold. Management believes that the change in accounting policy for inventory valuation better matches the income statement and provides a more reliable measurement of the stockpile, gold in circuit and gold bullion inventory.

The change in accounting policy has been applied retroactively as it is shown in the Note 3 to the Company's Interim Condensed Consolidated Financial Statements.

Depreciation

In line with the change in the method of measuring and recording inventory, the Company changed its accounting policy regarding units of production depreciation as of January 1, 2012. Under the previous method, units of production fixed assets were amortized over life of mine tonnes processed. The new policy is based on recovered ounces of gold. Management believes that the change in accounting policy for units of production depreciation better matches revenue and costs.

The change in accounting policy has been applied retroactively as it is shown in the note 3 to the Company's Interim Condensed Consolidated Financial Statements.

OUTSTANDING SHARE DATA

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

	Outstanding
Ordinary shares	245,618,000
Stock options	16,695,556
Fully diluted share capital	262,313,556

Of the 16,695,556 common share stock options outstanding 8,094,996 are exercisable as of June 30, 2012.

TRANSACTION WITH RELATED PARTIES

Equity interests in related parties

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 31 to the Audited Consolidated Financial Statements.

Transactions with key management personnel

Details of key management personnel compensation are disclosed in the Note 28 to the Company's Unaudited Interim Condensed Consolidated Financial Statements.

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

Transactions with other related parties

There was zero balance outstanding to related parties as at June 30, 2012.

Shareholdings

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

CEO/CFO CERTIFICATION

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

The Company's CEO and CFO certify that, as June 30, 2012, 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, 2012 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 & Stakeholder Relations
David Savarie, Vice President, General Counsel & Corporate Secretary
Macoumba Diop, General Manager and Government Relations Manager, SGO
Mark English, Operations Manager, SGO
Martin Pawlitschek, Regional Exploration Manager, SMC
Bruce Van Brunt, Business Development Manager, SGO

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Auditor
Deloitte & Touche LLP

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

Stock Exchange Listings
Toronto Stock Exchange, TSX symbol: TGZ
Australian Securities Exchange, ASX symbol: 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 A.I.F. 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 technical information in this quarterly report that relates to exploration results and mineral resource estimates within the Mining License is based on information compiled by Mr. Bruce Van Brunt, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr. Van Brunt is a full time employee of Teranga and not independent. Mr. Van Brunt has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code of Reporting of exploration Results, Mineral Resources and Ore Reserves". Mr. Van Brunt is a "Qualified Person" in accordance with National Instrument 43-101 and he consents to the inclusion of this information in the form and context in which it appears in this announcement.

The technical information in this quarterly report that relates to the exploration results and targets within the regional exploration program are based on information compiled by Mr. Martin Pawlitschek, who is a member of the Australian Institute of Geoscientists. Mr. Pawlitschek is our full time employee and is not "independent" within the meaning of National Instrument 43-101. Mr. Pawlitschek has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Pawlitschek is a "Qualified Person" in accordance with NI 43-101 and he consents to the inclusion of this information in the form and context in which it appears in this offering memorandum.

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

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Interim Condensed Consolidated Financial Statements of

TERANGA GOLD CORPORATION

For the three and six months ended June 30, 2012

(unaudited)

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(unaudited, in $000's of United States dollars, except share amounts)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME / (LOSS)

	Note	Three months ended June 30, 2012	Three months ended June 30, 2011 (Note 3)	Six months ended June 30, 2012	Six months ended June 30, 2011 (Note 3)
Revenue	4	62,010	54,066	122,536	109,133
Cost of sales	5	(33,083)	(38,517)	(64,988)	(74,155)
Gross profit		**28,927**	**15,549**	**57,548**	**34,978**
Other income		14	351	22	617
Share based compensation	27	(626)	(2,763)	(2,381)	(6,688)
Finance costs	6	(1,009)	(559)	(1,947)	(1,488)
Exploration and evaluation expenditures		(4,741)	(8,325)	(11,917)	(11,354)
Administration expenses		(5,948)	(2,982)	(9,297)	(5,750)
Net foreign exchange gains		875	1,494	506	1,290
Realized and unrealized gains/(losses) on gold hedge contracts	16	12,165	(16,203)	(5,318)	(18,907)
Realized and unrealized (losses)/gains on oil hedge contracts		(1,284)	(1,044)	(669)	999
Impairment of available for sale financial asset		(11,917)	-	(11,917)	-
		(12,471)	**(30,031)**	**(42,918)**	**(41,281)**
Profit/(loss) before income tax		**16,456**	**(14,482)**	**14,630**	**(6,303)**
Income tax expense		-	(127)	-	(139)
Profit/(loss) for the period		**16,456**	**(14,609)**	**14,630**	**(6,442)**
Profit/(loss) attributable to:					
Shareholders		12,590	(14,413)	9,807	(7,956)
Non-controlling interests		3,866	(196)	4,823	1,514
Profit/(loss) for the period		**16,456**	**(14,609)**	**14,630**	**(6,442)**
Other comprehensive income/(loss):					
Exchange differences arising on translation of Teranga corporate entity	20	-	(451)	(63)	1,998
Change in fair value of available for sale financial asset, net of tax	19	5,246	(5,540)	1,319	(4,002)
Other comprehensive income/(loss) for the period		**5,246**	**(5,991)**	**1,256**	**(2,004)**
Total comprehensive income/(loss) for the period		**21,702**	**(20,600)**	**15,886**	**(8,446)**
Total comprehensive income/(loss) attributable to:					
Shareholders		17,836	(20,404)	11,063	(9,960)
Non-controlling interests		3,866	(196)	4,823	1,514
Total comprehensive income/(loss) for the period		**21,702**	**(20,600)**	**15,886**	**(8,446)**
Earnings/(losses) per share from operations attributable to the shareholders of the Company during the period					
- basic earnings/(losses) per share		0.05	(0.06)	0.04	(0.03)
- diluted earnings/(losses) per share		0.05	(0.06)	0.04	(0.03)

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
TERANGA GOLD CORPORATION
SECOND QUARTER 2012
(unaudited, in $000's of United States dollars, except share amounts)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at June 30, 2012	As at December 31, 2011 (Note 3)
Current assets			
Cash and cash equivalents	26	35,559	7,470
Short-term investments		-	593
Restricted cash		-	3,004
Trade and other receivables	7	2,837	20,447
Inventories	8	76,277	48,365
Financial derivative assets	9	1,022	2,288
Other assets	10	7,785	12,751
Available for sale financial assets	19	9,303	19,800
Total current assets		**132,783**	**114,718**
Non-current assets			
Inventories	8	32,471	31,942
Financial derivative assets	9	-	532
Property, plant and equipment	11	257,556	238,510
Mine development expenditure	12	102,222	89,825
Intangible assets	13	1,190	1,085
Total non-current assets		**393,439**	**361,894**
Total assets		**526,222**	**476,612**
Current liabilities			
Trade and other payables	14	54,771	43,238
Borrowings	15	17,200	16,468
Financial derivative liabilities	16	82,880	79,241
Provisions	17	1,972	1,954
Total current liabilities		**156,823**	**140,901**
Non-current liabilities			
Financial derivative liabilities	16	12,996	50,318
Provisions	17	9,369	9,215
Borrowings	15	60,098	7,509
Total non-current liabilities		**82,463**	**67,042**
Total liabilities		**239,286**	**207,943**
Equity			
Issued capital	18	305,412	305,412
Foreign currency translation reserve	20	(998)	(935)
Equity-settled share based compensation reserve		14,980	12,599
Investment revaluation reserve		-	(1,319)
Accumulated losses		(33,568)	(43,375)
Equity attributable to shareholders		**285,826**	**272,382**
Non-controlling interests		1,110	(3,713)
Total equity		**286,936**	**268,669**
Total equity and liabilities		**526,222**	**476,612**

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

(unaudited, in $000's of United States dollars, except share amounts)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Six months ended June 30, 2012	Six months ended June 30, 2011 (Note 3)
Issued capital			
At January 1	18	305,412	305,502
Share issue cost		-	(90)
At June 30		305,412	305,412
Foreign currency translation reserve			
At January 1		(935)	1,011
Exchange difference arising on translation of Teranga corporate entity	20	(63)	1,998
At June 30		(998)	3,009
Equity-settled share based compensation reserve			
At January 1		12,599	1,733
Equity-settled share based compensation reserve		2,381	6,855
At June 30		14,980	8,588
Investment revaluation reserve			
At January 1		(1,319)	(940)
Change in fair value of available for sale financial asset	19	-	(4,002)
Impairment		1,319	-
At June 30		-	(4,942)
Accumulated losses			
At January 1		(43,375)	(34,332)
Profit/(loss) attributable to shareholders		9,807	(7,956)
At June 30		(33,568)	(42,288)
Non-controlling interests			
At January 1		(3,713)	(7,637)
Non-controlling interest - portion of profit for the period		4,823	1,514
At June 30		1,110	(6,123)
Total equity at June 30		**286,936**	**263,656**

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

(unaudited, in $000's of United States dollars, except share amounts)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Cash flows related to operating activities					
Profit/(loss) for the period		16,456	(14,609)	14,630	(6,442)
Depreciation	11	8,612	6,436	15,490	14,346
Amortization of capitalized mine development costs	12	2,307	2,304	4,410	5,177
Amortization of intangibles	13	151	93	298	237
Amortization of borrowing costs	6	112	74	219	153
Unwinding of discount	17	22	-	45	-
Share based compensation	27	626	2,763	2,381	6,688
Net change in unrealized (gains)/losses on gold hedge		(12,165)	624	5,318	(4,205)
Net change in unrealized (gains)/losses on oil hedge		1,751	1,691	1,798	140
Buyback of gold hedge sales contracts		(39,000)	-	(39,000)	-
Income tax paid			127	-	139
Impairment of available for sale financial asset		11,917	-	11,917	-
Changes in working capital	26	(3,778)	(9,324)	(1,610)	(6,041)
Net cash (used)/provided by operating activities		**(12,989)**	**(9,821)**	**15,896**	**10,192**
Cash flows related to investing activities					
Decrease in restricted cash		3,352	-	3,004	-
Redemption/(Increase) of short-term investments		-	28,728	592	(2,352)
Payments for purchase of property, plant and equipment	11	(11,083)	(12,469)	(26,574)	(18,929)
Payments made on mine development	12	(7,854)	(3,108)	(16,807)	(5,117)
Payments for purchase of intangibles	13	(401)	(306)	(403)	(612)
Net cash (used)/provided in investing activities		**(15,986)**	**12,845**	**(40,188)**	**(27,010)**
Cash flows related to financing activities					
Proceeds from issuance of capital stock, net of issue costs		-	(90)	-	(491)
Loan facility net of borrowing cost paid		57,977	-	57,977	-
Repayment of borrowings		(4,933)	(1,750)	(7,733)	(3,500)
Drawdown from finance lease facility, net of financing cost paid		-	-	2,862	-
Interest paid on borrowings		(273)	(250)	(552)	(447)
Net cash provided/(used) by financing activities		**52,771**	**(2,090)**	**52,554**	**(4,438)**
Effect of exchange rates on cash holdings in foreign currencies		334	92	(173)	1,122
Net increase / (decrease) in cash and cash equivalents held		**24,130**	**1,026**	**28,089**	**(20,134)**
Cash and cash equivalents at the beginning of financial period		**11,429**	**54,673**	**7,470**	**75,833**
Cash and cash equivalents at the end of financial period		**35,559**	**55,699**	**35,559**	**55,699**

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

NOTES TO THE 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. The Company was incorporated in Canada on October 1, 2010.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS34") as issued by the International Accounting Standards Board ("IASB").

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

b. Basis of presentation

The interim condensed consolidated financial statements have been presented in United States dollars unless otherwise stated. The interim condensed 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 certain other financial assets and liabilities that are measured at fair value. The interim condensed consolidated financial statements have been prepared based on the Company's accounting policies set out in Note 3 of the audited annual consolidated financial statements for the period ended December 31, 2011 except for the changes described below in Note 3.

c. Change in presentation of realized gains and losses on hedge contracts

The Company has changed the presentation of the realized gains and losses on the gold and oil hedge contracts effective January 1, 2012. Instead of revenue, the realized gains and losses on the gold hedge contracts are now disclosed as realized and unrealized gains and losses on gold hedge contracts below gross profit. The realized gains and losses on the oil hedge contracts are now classified as realized and unrealized gains and losses on oil hedge contracts below gross profit instead of disclosing it as part of the cost of sales.

d. 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 all entities within the group is the United States dollar. The interim condensed consolidated financial statements are presented in United States dollars, which is the Company's presentation currency.

The Company's corporate entity changed its functional currency from the Canadian dollar to the United States dollar as of January 1, 2012. Per IAS 21, an entity's functional currency should reflect the underlying transactions, events, and conditions relevant to the entity. Based on management's evaluation taking into consideration the currency of the main sources of income, intercompany charges, significant capital projects, the currency in which cash and cash deposits are maintained as well as the currency of corporate office expenditures, management has decided the functional currency of the corporate entity to be the United States dollar. The change in functional currency has been accounted for prospectively.

3. CHANGE IN ACCOUNTING POLICIES

a. Inventory valuation

With effect from January 1, 2012 the Company changed the method of measuring and recording the cost of stockpile, gold in circuit and gold bullion inventory. The new policy measures and records the costs associated with stockpile, gold in circuit and gold bullion inventory based on recovered ounces of gold. Under the previous policy, stockpile, gold in circuit and gold bullion costs were measured and recorded based on tonnes. The new policy better matches revenue and expenses as compared to the former policy because it attaches higher costs to the higher grade ore and charges more costs to the income statement during periods that higher grade ore is processed and sold. Management believes that the change in accounting policy for inventory valuation better matches the income statement and provides a more reliable measurement of stockpile, gold in circuit and gold bullion inventory.

The change in accounting policy has been applied retroactively with restatement reducing the value of inventory acquired on November 23, 2010 by $22.7 million and increasing the value of inventory as at December 31, 2011 by $5.2 million.

The impact of the change in accounting policy for the three and six months ended June 30, 2012 was a reduction in the inventory value of $7.3 million and $12 million, respectively.

b. Depreciation based on unit of production

In line with the change in the method of measuring and recording inventory, the Company changed its accounting policy regarding units of production depreciation as of January 1, 2012. Under the previous method, units of production fixed assets were amortized over the life of mine tonnes processed. The new policy is based on recovered ounces of gold. Management believes that the change in accounting policy for units of production depreciation better matches revenue and costs.

The change in accounting policy has been applied retroactively with restatement reducing the value of property, plant and equipment and mine development expenditures acquired on November 23, 2010 by $16.7 million and $9.8 million, respectively. The value of property, plant and equipment and mine development expenditures as at December 31, 2011 were further reduced by $1.3 million and $0.8 million, respectively.

The impact of the change in accounting policy for the three months ended June 30, 2012 was an increase in the value of property, plant and equipment and mine development expenditures of $2.3 million and

(unaudited, in $000's of United States dollars, except share amounts)

$1.3 million, respectively. The impact for the six months ended June 30, 2012 was an increase by $3.9 million for the value of property, plant and equipment, and $2.2 million for mine development expenditures.

The impact of the change in accounting policies on the value of net assets acquired as at November 23, 2010, the statement of financial position as at December 31, 2011, the statement of comprehensive income for the three and six months ended June 30, 2011 and the statement of cash flows as at June 30, 2011 is set out below:

Impact on Net Assets Acquired on November 23, 2010

	November 23, 2010 As previously reported	Impact of change in accounting policies	November 23, 2010 Restated
Current assets			
Inventories	70,575	(22,652)	47,923
Total current assets	**348,459**	**(22,652)**	**325,807**
Non-current assets			
Property, plant and equipment	217,450	(16,683)	200,767
Mine development expenditure	112,710	(9,767)	102,943
Total non-current assets	**349,033**	**(26,450)**	**322,583**
Total assets	**697,492**	**(49,102)**	**648,390**
Non-controlling interest	(1,947)	(5,089)	(7,036)
Net assets	**279,909**	**(44,013)**	**235,896**

	November 23, 2010 As previously reported	Impact of change in accounting policies	November 23, 2010 Restated
Net assets acquired	279,909	(44,013)	235,896
Less deferred compensation (C$50 million)	(49,231)	-	(49,231)
Value of shares issued on acquisition	**230,678**	**(44,013)**	**186,665**

(unaudited, in $000's of United States dollars, except share amounts)

Impact on Statement of Financial Position

	December 31, 2011 As previously reported	Impact of change in accounting policies	December 31, 2011 Restated
Current assets			
Inventories	46,927	1,438	48,365
Total current assets	**113,280**	**1,438**	**114,718**
Non-current assets			
Inventories	50,786	(18,844)	31,942
Property, plant and equipment	256,539	(18,029)	238,510
Mine development expenditure	100,359	(10,534)	89,825
Total non-current assets	**409,301**	**(47,407)**	**361,894**
Total assets	**522,581**	**(45,969)**	**476,612**
Equity			
Issued capital	349,425	(44,013)	305,412
Accumulated losses	(46,208)	2,833	(43,375)
Equity attributable to shareholders	**313,562**	**(41,180)**	**272,382**
Non-controlling interests	1,076	(4,789)	(3,713)
Total equity	**314,638**	**(45,969)**	**268,669**
Total equity and liabilities	**522,581**	**(45,969)**	**476,612**

(unaudited, in $000's of United States dollars, except share amounts)

Impact on Statement of Comprehensive Income

	Three months ended June 30, 2011 as previously reported	Impact of change in accounting policies (Note 3)	Restatement [1]	Reclassifications (Note 2)	Three months ended June 30, 2011 Restated
Revenue	38,487	-	-	15,579	54,066
Cost of sales	(33,234)	(6,706)	1,827	(404)	(38,517)
Gross profit	**5,253**	**(6,706)**	**1,827**	**15,175**	**15,549**
Administration expenses	(2,739)			(243)	(2,982)
Net change in realized and unrealized losses on gold hedge contracts	(624)	-	-	(15,579)	(16,203)
Net change in realized and unrealized (losses)/gains on oil hedge contracts	(1,691)	-	-	647	(1,044)
	(14,856)	**-**	**-**	**(15,175)**	**(30,031)**
Loss before income tax	**(9,603)**	**(6,706)**	**1,827**	**-**	**(14,482)**
Loss for the period	**(9,730)**	**(6,706)**	**1,827**	**-**	**(14,609)**
Total comprehensive income for the period	**(15,721)**	**(6,706)**	**1,827**	**-**	**(20,600)**
Loss attributable to:					
Shareholders	(10,057)	(6,036)	1,680	-	(14,413)
Non-controlling interests	327	(670)	147		(196)
Loss for the period	**(9,730)**	**(6,706)**	**1,827**	**-**	**(14,609)**

	Six months ended June 30, 2011 as previously reported	Impact of change in accounting policies (Note 3)	Restatement [1]	Reclassifications (Note 2)	Six months ended June 30, 2011 Restated
Revenue	86,021	-	-	23,112	109,133
Cost of sales	(66,053)	(11,243)	3,833	(692)	(74,155)
Gross profit	**19,968**	**(11,243)**	**3,833**	**22,420**	**34,978**
Administration expenses	(5,303)	-	-	(447)	(5,750)
Net change in realized and unrealized gains / (losses) on gold hedge contracts	4,205	-	-	(23,112)	(18,907)
Net change in realized and unrealized (losses)/gains on oil hedge contracts	(140)	-	-	1,139	999
	(18,861)	**-**	**-**	**(22,420)**	**(41,281)**
Profit/(loss) before income tax	**1,107**	**(11,243)**	**3,833**	**-**	**(6,303)**
Profit/(loss) for the period	**968**	**(11,243)**	**3,833**	**-**	**(6,442)**
Total comprehensive income for the period	**(1,036)**	**(11,243)**	**3,833**	**-**	**(8,446)**
Profit/(loss) attributable to:					
Shareholders	(1,371)	(10,118)	3,533	-	(7,956)
Non-controlling interests	2,339	(1,125)	300	-	1,514
Profit/(loss) for the period	**968**	**(11,243)**	**3,833**	**-**	**(6,442)**

(1) In addition to the impact of the change in accounting policies and reclassifications, the Consolidated Statement of Comprehensive Income for the three and six months ended June 30, 2011 has been adjusted to reflect the impact of an adjustment recorded at the end of 2011 regarding the depreciation of the mobile equipment.

(unaudited, in $000's of United States dollars, except share amounts)

Impact on Statement of Cash Flows

	Three months ended Jun 30, 2011 As previously reported	Impact of change in accounting policies	Three months ended June 30, 2011 Restated
Cash flows related to operating activities			
Profit for the period	(9,730)	(4,879)	(14,609)
Depreciation	8,236	(1,800)	6,436
Amortization of capitalized mine development costs	2,664	(360)	2,304
Changes in working capital	(16,613)	7,289	(9,324)
Net cash used by operating activities	**(10,071)**	**250**	**(9,821)**
Cash flows related to investing activities			
Net cash provided in investing activities	**12,845**	**-**	**12,845**
Cash flows related to financing activities			
Interest paid on borrowings	-	(250)	(250)
Net cash used by financing activities	**(1,840)**	**(250)**	**(2,090)**
Effect of exchange rates on cash holdings in foreign currencies	92	-	92
Net Increase in cash and cash equivalents held	**1,026**	**-**	**1,026**
Cash and cash equivalents at the beginning of financial period	**54,673**	**-**	**54,673**
Cash and cash equivalents at the end of financial period	**55,699**	**-**	**55,699**

	Six months ended Jun 30, 2011 As previously reported	Impact of change in accounting policies	Six months ended June 30, 2011 Restated
Cash flows related to operating activities			
Profit for the period	968	(7,410)	(6,442)
Depreciation	16,675	(2,329)	14,346
Amortization of capitalized mine development costs	5,346	(169)	5,177
Changes in working capital	(16,396)	10,355	(6,041)
Net cash provided by operating activities	**9,745**	**447**	**10,192**
Cash flows related to investing activities			
Net cash used in investing activities	**(27,010)**	**-**	**(27,010)**
Cash flows related to financing activities			
Interest paid on borrowings	-	(447)	(447)
Net cash used by financing activities	**(3,991)**	**(447)**	**(4,438)**
Effect of exchange rates on cash holdings in foreign currencies	1,122	-	1,122
Net decrease in cash and cash equivalents held	**(20,134)**	**-**	**(20,134)**
Cash and cash equivalents at the beginning of financial period	**75,833**		**75,833**
Cash and cash equivalents at the end of financial period	**55,699**	**-**	**55,699**

(unaudited, in $000's of United States dollars, except share amounts)

4. REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Gold sales at spot price	61,917	53,920	122,280	108,802
Silver sales	93	146	256	331
Total revenue	**62,010**	**54,066**	**122,536**	**109,133**
Interest revenue from bank deposits and short-term investments	14	351	22	617
Total other income	**14**	**351**	**22**	**617**

During the three months ended June 30, 2012, 38,503 ounces were sold into the spot market at an average price of $1,608 per ounce. In total 73,771 ounces were sold into the spot market at an average price of $1,658 per ounce during the first half year of 2012. No deliveries were made into gold hedge contracts.

During the second quarter of 2012, 38,503 ounces were sold into the spot market at an average price of $1,608 per ounce while during the same quarter in 2011, 35,407 ounces were sold at an average realized price of $1,083 per ounce including 23,000 ounces delivered into gold hedge contracts at $846 per ounce and 12,407 ounces of gold sold into the spot market at an average price of $1,522 per ounce. During the six months ended June 30, 2012, 73,771 ounces were sold into the spot market at an average price of $1,658 while during the same period of 2011, 74,897 ounces were sold at an average realized price of $1,144 per ounce including 37,000 ounces delivered into gold hedge contracts at $846 per ounce and 37,897 ounces of gold sold into the spot market at an average price of $1,435 per ounce.

Revenues do not reflect the impact of gold hedges as realized losses on ounces delivered into gold hedge contracts are classified in realized and unrealized losses on gold hedge contracts.

5. COST OF SALES

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Mine production costs	33,584	30,292	66,155	55,205
Depreciation and amortization	10,821	8,752	19,767	19,258
Royalties	1,859	1,567	3,681	3,149
Rehabilitation	-	120	4	259
Inventory movements	(13,181)	(2,214)	(24,619)	(3,716)
Total cost of sales	**33,083**	**38,517**	**64,988**	**74,155**

(unaudited, in $000's of United States dollars, except share amounts)

6. FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
	2012	**2011**	**2012**	**2011**
Interest on borrowings	326	250	661	744
Amortization of borrowing costs	112	74	219	153
Unwinding of discount	22	10	45	24
Political risk insurance	316	224	501	530
Stocking fee	144	-	278	-
Bank charges	89	1	243	37
Total finance costs	**1,009**	**559**	**1,947**	**1,488**

7. TRADE AND OTHER RECEIVABLES

	June 30, 2012	December 31, 2011
Current		
Trade receivable (i)	13	17,120
Other receivables (ii)	2,824	3,327
Total trade and other receivables	**2,837**	**20,447**

(i) Trade receivable relates to gold and silver shipments made prior to period end that were settled after period end.

(ii) Other receivables primarily include receivables from suppliers for services provided, materials and utilities used at Sabodala gold mine. It also includes a receivable from oil hedge contract settlement.

(unaudited, in $000's of United States dollars, except share amounts)

8. INVENTORIES

	June 30, 2012	December 31, 2011
Current		
Gold bullion	6,903	2,509
Gold in circuit	8,417	2,970
Ore stockpile	32,336	18,087
Total gold inventories	**47,656**	**23,566**
Diesel fuel	2,707	1,371
Materials and supplies	23,025	21,687
Goods in transit	2,889	1,741
Total other inventories	**28,621**	**24,799**
Total current inventories	**76,277**	**48,365**
Non-Current		
Ore stockpile	32,471	31,942
Total inventories	**108,748**	**80,307**

9. FINANCIAL DERIVATIVE ASSETS

	June 30, 2012	December 31, 2011
Current		
Oil hedge contracts	1,022	2,288
Non-Current		
Oil hedge contracts	-	532
Total financial derivative assets	**1,022**	**2,820**

The Company has a hedge agreement with respect to the oil price in order to manage its exposure to commodity risk. The Company hedged 80,000 barrels per annum for four years commencing April 1, 2009 at a flat forward price of $70 per barrel (West Texas Intermediate price). At June 30, 2012, the remaining 60,000 barrels hedged have a mark-to-market value of $1 million at the reporting date spot price of $84.96 per barrel.

(unaudited, in $000's of United States dollars, except share amounts)

10. OTHER ASSETS

	June 30, 2012	December 31, 2011
Current		
Prepayments (i)	6,285	11,251
Security deposit (ii)	1,500	1,500
Total other assets	**7,785**	**12,751**

(i) Prepayments include $3.1 million in advances to vendors and contractors.
(ii) The security deposit represents mainly a guarantee in respect of the finance lease facility for the mining fleet.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings & property improvement	Plant and equipment	Office furniture and equipment	Motor vehicles	Plant and equipment under finance lease	Capital work in progress	Total (Note 3)
Cost							
Balance at October 1, 2010	-	-	-	-	-	-	**-**
Property, plant and equipment arising from demerger - Nov 23, 2010	30,838	172,424	575	1,774	25,787	26,344	**257,742**
Additions	-	-	-	-	-	60,825	**60,825**
Capitalized mine rehabilitation	-	6,459	-	-	-	-	**6,459**
Transfer	1,378	11,514	704	707	16,308	(30,611)	**-**
Balance at December 31, 2011	**32,216**	**190,397**	**1,279**	**2,481**	**42,095**	**56,558**	**325,026**
Additions	-	-	-	-	-	34,427	**34,427**
Capitalized mine rehabilitation	-	109	-	-	-	-	**109**
Transfer	10,151	10,554	358	118	322	(21,503)	**-**
Balance at June 30, 2012	**42,367**	**201,060**	**1,637**	**2,599**	**42,417**	**69,482**	**359,562**
Accumulated depreciation							
Balance at 1 October, 2010	-	-	-	-	-	-	-
Accumulated depreciation arising from demerger - Nov 23, 2010	4,102	25,853	399	913	9,025	-	**40,292**
Impact on accumulated depreciation arising from demerger (Note 3)	2,750	13,933	-	-	-	-	**16,683**
Impact on accumulated depreciation regarding fiscal year 2011 (Note 3)	216	1,130	-	-	-	-	**1,346**
Depreciation expense	2,701	15,973	272	466	8,783	-	**28,195**
Balance at December 31, 2011 (Note 3)	**9,769**	**56,889**	**671**	**1,379**	**17,808**	**-**	**86,516**
Depreciation expense	1,665	9,400	151	255	4,019	-	**15,490**
Balance at June 30, 2012	**11,434**	**66,289**	**822**	**1,634**	**21,827**	**-**	**102,006**
Net book value							
Balance at December 31, 2011	**22,447**	**133,508**	**608**	**1,102**	**24,287**	**56,558**	**238,510**
Balance at June 30, 2012	**30,933**	**134,771**	**815**	**965**	**20,590**	**69,482**	**257,556**

(unaudited, in $000's of United States dollars, except share amounts)

Additions made to property, plant and equipment during the six months ended June 30, 2012 relate mainly to the mill expansion and additional mining equipment acquired.

The Company has updated its estimate regarding the expected life of mine effective January 1, 2012 based on the proven and probable reserves at December 31, 2011 resulting in $1.4 million and $2.6 million lower depreciation cost for property, plant and equipment depreciated using the unit of production method for the three and six months ended June 30, 2012, respectively.

Depreciation of property, plant and equipment of $15.4 million and $14.3 million was expensed as cost of sales for the six months ended June 30, 2012 and 2011, respectively.

12. MINE DEVELOPMENT EXPENDITURE

	Amount (Note 3)
Cost	
Balance at October 1, 2010	-
Mine development expenditure arising from demerger - Nov 23, 2010	127,336
Change in accounting policy (i)	(17,277)
Expenditures incurred during the period	14,359
Balance at December 31, 2011	**124,418**
Expenditures incurred during the period	16,807
Balance at June 30, 2012	**141,225**
Accumulated depreciation	
Balance at October 1, 2010	-
Accumulated depreciation arising from demerger - Nov 23, 2010	14,626
Impact on depreciation expense arising from demerger (Note 3)	9,767
Impact on depreciation expense for fiscal year 2011 (Note 3)	767
Depreciation expense	9,433
Balance at December 31, 2011	**34,593**
Depreciation expense	4,410
Balance at June 30, 2012	**39,003**
Carrying amount	
At December 31, 2011	**89,825**
At June 30, 2012	**102,222**

(i) Change in accounting policy effective October 1, 2010

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

The capitalized mine development expenditures incurred during 2012 include $2.1 million relating to the Gora project that was moved from the exploration stage to the development stage effective January 1, 2012 after the technical feasibility and commercial viability studies had been completed.

(unaudited, in $000's of United States dollars, except share amounts)

The Company has updated its estimate regarding the expected life of mine effective January 1, 2012 based on the proven and probable reserves at December 31, 2011 resulting in $3.2 million lower depreciation cost for mine development expenditure for the six months ended June 30, 2012.

Depreciation regarding capitalized mine development expenditure of $4.4 million and $5.2 million was expensed as cost of sales for the six months ended June 30, 2012 and 2011, respectively.

13. INTANGIBLE ASSETS

	Amount
Cost	
Balance at October 1, 2010	-
Intangible assets arising from demerger - Nov 23, 2010	707
Additions	1,208
Balance at December 31, 2011	**1,915**
Additions	403
Balance at June 30, 2012	**2,318**
Accumulated amortization	
Balance at October 1, 2010	-
Accumulated amortization arising from demerger - Nov 23, 2010	340
Amortization expense	490
Balance at December 31, 2011	**830**
Amortization expense	298
Balance at June 30, 2012	**1,128**
Carying amount	
At December 31, 2011	**1,085**
At June 30, 2012	**1,190**

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

14. TRADE AND OTHER PAYABLES

	June 30, 2012	December 31, 2011
Current		
Unsecured liabilities:		
Trade payables (i)	31,399	18,860
Sundry creditors and accrued expenses	9,616	13,733
Government royalties (ii)	9,066	5,887
Amounts payable to Government of Senegal (iii)	4,690	4,758
Total trade and other payables	**54,771**	**43,238**

(unaudited, in $000's of United States dollars, except share amounts)

(i) Trade payables comprise obligations by the Company to suppliers of goods and services to the Company. Terms are generally 30 days.

(ii) Government royalties are payable annually based on the mine head value of the gold and related substances produced.

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

15. BORROWINGS

	June 30, 2012	December 31, 2011
Current		
Finance lease liabilities	17,438	16,799
Borrowing costs	(238)	(331)
Total current borrowings	**17,200**	**16,468**
Non-Current		
Loan facility	60,000	-
Finance lease liabilities	2,133	7,573
Borrowing costs	(2,035)	(64)
Total non-current borrowings	**60,098**	**7,509**
Total borrowings	**77,298**	**23,977**

During the quarter ended June 30, 2012, the Company entered into a $60 million 2-year loan facility with Macquarie Bank Limited by way of an amendment to its existing Facility Agreement. The Loan Facility bears interest of LIBOR plus a margin of 10 percent and shall be repaid on or before June 30, 2014.

During the year ended December 31, 2011, the Company expanded the mobile equipment loan with Société Générale by an additional $12.8 million. The amended facility contains a quarterly repayment schedule concluding with the final payment on September 30, 2013. The facility is currently drawn down to $19.6 million.

(unaudited, in $000's of United States dollars, except share amounts)

16. FINANCIAL DERIVATIVE LIABILITIES

	June 30, 2012	December 31, 2011
Gold hedge contracts	**95,876**	**129,559**
Disclosed as:		
Current	82,880	79,241
Non-current	12,996	50,318
Total financial derivative liabilities	**95,876**	**129,559**

During the quarter ended June 30, 2012, the Company bought back certain "out of the money" gold forward sales contracts totalling 52,105 ounces. This will allow the Company to sell more production in 2012 at spot gold prices. At June 30, 2012, the hedge position comprised 122,395 ounces of forward sales at an average price of $818 per ounce. At June 30, 2012, the mark-to-market gold hedge position at reporting date spot price of $1,599 per ounce was in a liability position of $95.9 million.

17. PROVISIONS

	June 30, 2012	December 31, 2011
Current		
Employee benefits (i)	1,972	1,954
Non-Current		
Mine restoration and rehabilitation (ii)	9,369	9,215
Total provisions	**11,341**	**11,169**

(i) The current provisions for employee benefits include $1.1 million accrued vacation and $0.4 million long service leave entitlements, respectively.

(ii) Mine restoration and rehabilitation provision represents a constructive obligation to rehabilitate the Sabodala gold mine based on the mining concession. The majority of the reclamation activities will occur at the completion of the active mining and processing (expected completion is 2019) but a limited amount of concurrent rehabilitation will occur through the mine life.

(unaudited, in $000's of United States dollars, except share amounts)

	Amount
Transfer of provision from demerger - November 23, 2010	2,284
Additional provisions recognized	425
Capitalized mine rehabilitation	6,459
Unwinding of discount	47
Balance at December 31, 2011	**9,215**
Capitalized mine rehabilitation	109
Unwinding of discount	45
Balance at June 30, 2012	**9,369**

18. ISSUED CAPITAL

	Number of shares	Amount (Note 3)
Common shares issued and outstanding		
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 (Note 3)	200,000,000	186,665
Balance at June 30, 2012	**245,618,000**	**305,412**

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.

19. 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 ("OEL"), classified as available for sale in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

As of June 30, 2012, OEL shares traded 56 percent lower than the share price at the date of acquisition and 50 percent lower than at the beginning of the year. As a result of the continuous and extended decline in the share price, the Company recognized during the second quarter a non-cash impairment loss of $11.9 million on the OEL shares.

(unaudited, in $000's of United States dollars, except share amounts)

For the three and six months ended June 30, 2012, the net gain of $5.2 million and $1.3 million, respectively in Other Comprehensive Income for the change in fair value of available for sale financial assets represents the reclassification of this amount to impairment loss.

The following table outlines the change in fair value of the investment in Oromin:

	Amount
Balance at October 1, 2010	-
Acquisition of Oromin arising from demerger - Nov 23, 2010	21,109
Change in fair value during the period	(1,319)
Foreign exchange gain	10
Balance at December 31, 2011	**19,800**
Change in fair value during the period	(10,598)
Foreign exchange gain	101
Balance at June 30, 2012	**9,303**

20. RESERVE

The foreign currency translation reserve represents historical exchange differences of $0.9 million which arose on translation from the functional currency of the Company's corporate entity into United States dollars during 2011, which were recorded directly to the foreign currency translation reserve within the consolidated statement of equity. The remaining balance of $0.1 million represents foreign exchange difference resulting from change of functional currency from Canadian to United States dollars as at January 1, 2012.

21. EARNINGS/(LOSS) PER SHARE ((EPS/(LPS))

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Basic EPS/(LPS) (US$)	0.05	(0.06)	0.04	(0.03)
Diluted EPS/(LPS) (US$)	0.05	(0.06)	0.04	(0.03)
Basic EPS/(LPS):				
Net profit/(loss) used in the calculation of basic EPS/(LPS)	12,590	(14,413)	9,807	(7,956)
Weighted average number of common shares for the purposes of basic EPS/(LPS) ('000)	245,618	245,618	245,618	245,618
Weighted average number of common shares for the purpose of diluted EPS/(LPS) ('000)	245,618	245,618	245,618	245,618

The determination of weighted average number of common shares for the purpose of diluted EPS/(LPS) excludes 16.7 million shares relating to share options that were anti-dilutive at June 30, 2012.

22. DIVIDENDS

(unaudited, in $000's of United States dollars, except share amounts)

During the period ended June 30, 2012 and 2011, no dividends were paid.

23. COMMITMENTS FOR EXPENDITURE

a. Capital Expenditure Commitments

	June 30, 2012
Sabodala Gold Mine - expansion	11,120
Mining equipment	0.3
Total payments due within one year	**11,120**

b. Exploration Commitments

The Company has committed to spend a total of $3.6 million over the next year in respect of the Sabodala regional exploration programme.

c. Sabodala Operating Commitments

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

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

24. LEASES

a. Operating Lease Commitments

The Company has entered into an agreement to lease premises until February 28, 2019. 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.

During the year ended December 31, 2011 the Company entered into an agreement to lease an office space in Dakar, Senegal expiring April 30, 2014 with an option to renew for an additional three years. In accordance with the lease agreement the amount of $109,000 is payable within a year and remaining $146,000 payable in 2013 and 2014.

The Company recognized $0.1 million and $0.2 million as rental expense in the Statement of Comprehensive Income/Loss for the three and six month ended June 30, 2012.

(unaudited, in $000's of United States dollars, except share amounts)

b. Finance Lease Liabilities

	June 30, 2012		December 31, 2011	
	Minimum future lease payments	Present value of minimum future lease payments	Minimum future lease payments	Present value of minimum future lease payments
No later than one year	17,438	17,200	16,799	16,468
Later than one year and not later than five years	2,133	2,121	7,573	7,509
Total finanace lease liabilities	**19,571**	**19,321**	**24,372**	**23,977**
Included in the financial statements as:				
Current	17,438	17,200	16,799	16,468
Non-current	2,133	2,121	7,573	7,509

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

25. CONTINGENT LIABILITIES

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

In January 2012 the Official Journal of the Republic of Senegal issued notice of a new financial act that would impose a 5 percent "contribution" which the Company views as a tax on the sale of products from mines and quarries. In April SGO received an official request by the tax authorities in Senegal, followed by a follow-up request in May for payment of 5 percent of gold sales completed in March pursuant to this new financial act. SGO has challenged the assessment of the new 5 percent tax under the fiscal stability provisions included in its Sabodala Mining Convention, based on the opinions received from both national and international counsel. Should this issue not be resolved with the Government of Senegal, we can appeal the government's decision to the International Chamber of Commerce of Paris pursuant to our rights under the Sabodala Mining Convention. The potential tax exposure of $2.8 million as at June 30, 2012 is not recognized in the Company's Interim Condensed Consolidated Financial Statements as management believes that the special contribution tax should not apply to SGO given the fiscal stability provision in its mining convention. If the tax is not abolished, the Company intends to challenge the application of the law through international arbitration. Subsequent to the June quarter end the Company paid $630,000 to the Government of Senegal in respect of 5 percent of gold sales completed in March 2012.

(unaudited, in $000's of United States dollars, except share amounts)

26. 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:

	June 30, 2012	December 31, 2011
Cash at bank	35,559	5,780
Short-term investments with maturity less than 90 days	-	1,690
Total cash and cash equivalents	**35,559**	**7,470**

b. Reconciliation of change in working capital

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Changes in working capital				
Decrease/(increase) in trade and other receivables	8,158	(6,470)	17,610	(5,298)
Decrease/(increase) in other assets	(4,382)	2,524	(2,888)	186
Increase in inventories	(14,736)	(549)	(28,441)	(5,252)
Increase/(decrease) in trade and other payables	7,206	(4,869)	12,091	3,747
Increase/(decrease) in provisions	(24)	178	18	683
Decrease in income tax	-	(138)	-	(107)
Net change in working capital	**(3,778)**	**(9,324)**	**(1,610)**	**(6,041)**

c. Cash balances restricted for use

During the quarter ended June 30, 2012, the Company amended its existing Facility Agreement with Macquarie Bank Limited. As part of the amendment, Macquarie Bank Limited has agreed to recognize Project Completion as occurring and to remove the restricted cash. As at June 30, 2012, the Company had no restrictions on cash balances.

27. SHARE BASED COMPENSATION

The Incentive Stock Option Plan (the "Plan") authorizes the Directors to grant options to purchase shares of the Company to directors, officers, employees and consultants of the Company and its subsidiaries. The exercise price of the options is determined by the board of directors at the date of grant but in no event shall be less than the five-day weighted average closing price of the common shares as reported on TSX for the period ended on the business day immediately preceding the day on which the option was granted.

The vesting of options is determined by the board of directors at the date of grant. The term of options granted under the Plan is at the discretion of the board of directors, provided that such term cannot exceed ten years from the date of the option is granted.

Each employee share option is convertible into one ordinary share of Teranga on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry subject to the terms of the plan.

(unaudited, in $000's of United States dollars, except share amounts)

During the three months ended June 30, 2012 and 2011, a total of 50,000 and 760,000 common share options respectively were granted to employees. For the six months ended June 30, 2012 and 2011 a total of 1,920,000 and 1,485,000, respectively, common share options were granted to directors and employees. During the three months ended June 30, 2012 and 2011, a total of 2,562,778 and 64,444 options were forfeited. For the six months ended June 30, 2012 and 2011 a total of 2,841,666 and 224,444 options were forfeited, respectively. The options forfeited during the three and six months ended June 30, 2012 include 2,440,000 options originally granted to certain employees and consultants which were forfeited due to negative personal tax consequences in their respective country of residence. Management continuously refines employee compensation packages to ensure that the Company is able to hire and retain the best employees available. No stock options were exercised during the six months ended June 30, 2012 and 2011.

The following stock options were outstanding as at June 30, 2012:

Option series	Number	Grant date	Expiry date	Exercise price (C$)	FV at grant date (C$)
Granted on November 26, 2010	9,200,000	26-Nov-10	26-Nov-20	3.00	1.19
Granted on December 3, 2010	2,225,000	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	225,000	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
Granted on August 13, 2011	370,000	13-Aug-11	13-Aug-21	3.00	0.82
Granted on December 20, 2011	1,951,112	20-Dec-11	20-Dec-21	3.00	0.61
Granted on February 24, 2012	1,194,444	24-Feb-12	24-Feb-22	3.00	0.37
Granted on February 24, 2012	300,000	24-Feb-12	24-Feb-22	3.00	1.26
Granted on June 5, 2012	50,000	05-Jun-12	05-Jun-22	3.00	0.17

As at June 30, 2012, approximately 7.9 million options were available for issuance under the Plan.

The share based compensation expense for the three months ended June 30, 2012 and 2011 total $0.6 million and $2.8 million, respectively. For the six months ended June 30, 2012 and 2011, share based compensation total $2.4 million and $6.7 million, respectively.

The estimated fair value of share 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 16,695,556 common share options issued 16,520,556 vest evenly over a three-year period and 175,000 vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized as milestones are achieved and the value can be reasonably measured.

As at June 30, 2012 all outstanding share options have a contractual life of ten years.

Fair value of stock options granted

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

(unaudited, in $000's of United States dollars, except share amounts)

	3 months ended		6 months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Grant date share price	C$2.1	C$2.54	C$2.1-C$2.58	C$2.40-C$2.69
Exercise price	C$3	C$3.00	C$3	C$3.00
Range of risk-free interest rate	0.99%	2.03%	0.99%-1.43%	1.90%-2.22%
Volatility of the expected market price of share	43.7%	53%	43.7%-61.62%	53%
Expected life of options	1.25	3.44	1.25-5.00	3.44
Dividend yield	0%	0%	0%	0%
Forfeiture rate	30%	6.39%	0%-30%	6.39%

Due to lack of sufficient historical information for the Company, volatility was determined using the existing historical volatility information of the Company's share combined with the industry average for comparable-size mining companies.

Movements in shares options during the period

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

	Number of options	Weighted average exercise price
Balance at beginning of the period - October 1, 2010	-	-
Granted during the period	17,980,000	C$3.00
Forfeited during the period	(362,778)	C$3.00
Exercised during the period	-	-
Expired during the period	-	-
Balance at end of the period - December 31, 2011	**17,617,222**	**C$3.00**
Granted during the period	1,920,000	C$3.00
Forfeited during the period	(2,841,666)	C$3.00
Exercised during the period	-	-
Expired during the period	-	-
Balance at end of the period - June 30, 2012	**16,695,556**	**C$3.00**
Number of options exercisable - June 30, 2012	8,094,996	

Stock options exercised during the period

There were no options exercised during the three month period ended June 30, 2012.

28. KEY MANAGEMENT PERSONNEL COMPENSATION

Key members of management are disclosed in Note 36 to the audited annual consolidated financial statements of the Company.

The remuneration of the key members of management during the three and six months ended June 30, 2012 and 2011 is as follows:

(unaudited, in $000's of United States dollars, except share amounts)

	Short term benefits			Equity settled share based payments - value vested during the period	
	Salary and Fees	Non-Cash Benefits	Cash Bonus	Options	Total
For three months ended June 30, 2012					
Compensation	820	-	-	917	**1,737**
For three months ended June 30, 2011					
Compensation	728	-	-	1,886	**2,614**

	Short term benefits			Equity settled share based payments - value vested during the period	
	Salary and Fees	Non-Cash Benefits	Cash Bonus	Options	Total
For six months ended June 30, 2012					
Compensation	1,647	-	-	2,145	**3,792**
For six months ended June 30, 2011					
Compensation	1,372	-	-	4,585	**5,957**

29. 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 audited annual consolidated financial statements of the Company.

b. Transactions with key management personnel

Details of key management personnel compensation are disclosed in Note 28 and Note 36 to the audited annual consolidated financial statements of the Company.

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

c. Transactions with other related parties

The Company has no payable to or receivable from other related parties as at June 30, 2012.

30. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors on August 14, 2012.