

## SABODALA GOLD OPERATION

### KEY POINTS

- ▶ Third quarter 2012 production totalled 55,107 ounces of gold, a Company record, and a 103 percent increase over the same quarter in 2011.
- ▶ Third quarter 2012 total cash costs of \$594 per ounce were 36 percent lower than the same quarter in 2011.
- ▶ The Company remains on track to meet its full year production guidance of 210,000 to 225,000 ounces at total cash costs of \$600 to \$650 per ounce.<sup>1</sup>
- ▶ During the third quarter 2012, the Company delivered 29,000 ounces of production into forward sales contracts, reducing the balance outstanding to 93,395 ounces. The balance is expected to decline to 66,000 ounces at year end and be fully extinguished by August 2013.
- ▶ Exploration at the Sabodala Mine Increases Measured and Indicated Resources to 2.0 million ounces, an increase of approximately 670,000 ounces or 43 percent, before production (500,000 ounces net of production).
- ▶ Measured and Indicated Resources at Gora also increased to 374,000 ounces, an increase of approximately 160,000 ounces or 74 percent.

### OPERATIONAL OVERVIEW

#### Sabodala Gold Operation

(All amounts are in US\$ unless otherwise stated)

- Gold production for the third quarter 2012 was 55,107 ounces, 103 percent higher than the same prior year period due to higher grade ore processed combined with higher mill throughput as a result of the completion of the mill expansion.
- Gold sold for the three months ended September 30, 2012 totalled 62,439 ounces compared to 27,574 ounces sold in the same prior year period, an increase of 126 percent. Ounces sold during the third quarter of 2012 were higher than produced due to the drawdown of gold in circuit from the previous quarter when the mill had reduced ability to pour gold during the tie-ins for the mill expansion. As a result, at September 30, 2012, gold in circuit and gold bullion inventory decreased by 7,337 ounces to 13,046 ounces.
- Total cash costs for the three months ended September 30, 2012 were \$594 per ounce sold compared to \$928 per ounce in the same prior year period, a reduction of 36 percent.
- Total tonnes mined for the three months ended September 30, 2012 were more than 10 percent higher compared to the same prior year period due to increased fleet capacity and improved productivity in the mining operation. Drilling and loading availabilities benefited from the addition of three new blast hole drill rigs and four new haul trucks and implementation of better maintenance practices.
- During the last few weeks of the third quarter 2012, mining activities were negatively impacted by lower haul truck availability due to delays in delivery of tires. This issue was remediated subsequent to the period end with the delivery of tires by the Mine's existing supplier and the sourcing of additional tires via a new supplier. This may be an ongoing issue for the Company and the industry over the next several quarters.
- Year to date, fewer ore tonnes have been mined than planned but at better grades resulting in an increase in ounces mined compared to plan. In calculating 2011 year end reserves, Management lowered the capping level on high grade intersections, resulting in an underestimation of grade in this area of the ore body.
- Ore tonnes milled for the three months ended September 30, 2012 were 12 percent higher than the same prior year period mainly due to an increase in mill capacity as a result of the completion of the mill expansion. Mill throughput for the third quarter was about 20 percent lower than plan mainly due to the delay in completion and commissioning of the crushing circuit as part of the mill expansion. Throughput for the fourth quarter is expected to increase with commissioning now complete and the end of the wet season which will allow for better flow rates in the crushing circuit.
- Year to date, the average grade processed is higher than plan, mainly due to better than planned mined grades and lower throughput as a result of the delay in completion and commissioning of the crushing circuit (highest grade material processed first). As well, in preparing the annual budget for the year, Management reduced the planned grade processed for 2012 by a 10 percent call factor.
- The Company remains on track to produce between 210,000 – 225,000 ounces in 2012, an increase of approximately 65 percent over 2011, while total cash costs are expected to decline approximately 20 percent to between \$600 to \$650 per ounce, in line with guidance for the year. As a result of the delay in completion and commissioning of the mill expansion production is expected to be at the lower end of the range of our production guidance for the year.<sup>1</sup>
- During the third quarter 2012, 62,439 ounces were sold at an average realized price of \$1,290 per ounce with 29,000 ounces delivered into gold hedge contracts at an average price of \$831 per ounce and 33,439 ounces sold at an average spot price of \$1,688 per ounce. During the same prior year period, 27,574 ounces were sold at an average realized price of \$1,174 per ounce

<sup>1</sup> This production target is based on existing proven and probable reserves only.

with 16,615 ounces delivered into gold hedge contracts at \$846 per ounce and 10,959 ounces sold into the spot market at an average spot price of \$1,673 per ounce.

- The gold forward sales contracts declined during the third quarter 2012 by 29,000 ounces to 93,395 ounces at September 30, 2012. Forward sales contracts are expected to decline to 66,000 ounces at December 31, 2012 and are scheduled to be fully extinguished by August 2013.
- During the third quarter 2012, the Company finalized a contract to purchase additional mining equipment to increase the mining rate in the Sabodala pit in the amount of \$13.4 million, of which approximately \$9 million is expected to be spent this year. The equipment is intended to be financed by a new equipment lease facility with Macquarie Bank Limited ("Macquarie") which is expected to be finalized before year end. The new facility will provide \$50 million of equipment financing and will be used to refinance the existing Société Générale lease facility.
- In addition, the Company continues to review the merits of various debt facilities to provide additional flexibility to execute its growth strategy. Such incurrence of debt may be in the form of one or more borrowings of bank or other similar loans. There can, however, be no

assurance that the Company will find the terms on such debt reasonable and therefore may not put a new facility in place.

## CORPORATE

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

### Finance

At September 30, 2012:

- Cash and cash equivalents - \$14.8 million
- Project Finance Facility (balance outstanding) - \$60.0 million
- Mining Fleet Lease Facility (balance outstanding) - \$15 million
- Hedge Facility = 93,395 oz remaining to be delivered at an average price of \$814/oz

### Production Statistics

		September 2012 Quarter	June 2012 Quarter	March 2012 Quarter	December 2011 Quarter	September 2011 Quarter
Ore mined	('000t)	655	2,105	1,117	1,715	1,008
Waste mined	('000t)	6,242	5,130	6,316	4,736	5,085
Total mined	('000t)	6,897	7,235	7,433	6,451	6,093
Strip ratio	waste/ore	9.5	2.4	5.7	2.8	5.0
Ore processed	('000t)	650	491	573	604	582
Head grade	(g/t)	3.11	3.22	2.52	2.10	1.64
Gold recovery	(%)	84.6	89.6	90.0	89.8	88.3
Gold produced <sup>(1)</sup>	(oz)	55,107	45,495	41,904	36,695	27,082
Gold sold	(oz)	62,439	38,503	35,268	34,665	27,574
Average price received	\$/oz	1,290	1,608	1,712	1,482	1,174
Total cash costs per ounce sold (including royalties) <sup>(2)</sup>	\$/oz	594	645	673	809	928

Notes:

(1) Gold produced includes change in gold in circuit inventory plus gold recovered during the period.

(2) Total cash costs per ounce sold for 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 industry standards.

### Mine License ("ML") Exploration

The primary objective of the 2012 drill program on the Sabodala ML is to expand the Sabodala Mine open pit reserves. Pit optimization work completed earlier this year defined a larger pit shell that serves as a guide to our current drill program.

The 2012 drill program is designed to deepen the ultimate pit and, if successful, to add upwards of 500,000 to 1 million ounces, based on drilling intercepts to date, at grades

between 1.5 gpt and 2 gpt.<sup>2</sup> Recent results in the third quarter of 2012 advanced the mineralized extents at Sabodala to the NE, SE, SW and to depth in the north. As at September 1, 2012, Measured and Indicated Resources at the Sabodala pit have increased by approximately 0.7 million ounces to 2.0 million ounces, a 43 percent increase over Measured and Indicated Resources reported as at December 31, 2011, before production (500,000 ounces net of production).

<sup>2</sup> 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.

Measured Resources at the Sabodala pit total 27.1 million tonnes grading 1.25 gpt and Indicated Resources total 31.5 million tonnes grading 0.96 gpt. Inferred Resources total 12.4 million tonnes grading 0.87 gpt.

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 third quarter 2012, Reverse Circulation ("RC") and Diamond drilling ("DD") on the ML totalled 22,000 metres at a cost of \$7.0 million. Year to date, a total of \$20 million has been spent on just over 85,000 metres of drilling. Based on the results to date, the budget for the ML has been increased from \$20 million to approximately \$25 million to continue with the resource expansion and conversion program at the Sabodala pit.

#### Regional Exploration ("RLP")

There are currently 40 drill targets that have been identified on the Company's approximately 1,330 km<sup>2</sup> RLP, subject to the ultimate renewal of Sabodala North West permit, 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.

Due to the heavy wet season no drilling took place during the third quarter of 2012. The drill rigs were shut down for servicing or deployed to the ML program and this allowed the large backlog of gold assays to be reduced.

#### Gora

The feasibility study is scheduled to be completed in the fourth quarter 2012 for submission before year end as part of the Environmental and Social Impact Assessment. Optimization work during the third quarter increased Measured and Indicated Resources to 373,717 ounces of gold, an increase of approximately 160,000 ounces or 74 percent over the previous estimate. Measured Resources at the Gora deposit total 0.487 million tonnes grading 5.27 gpt and Indicated Resources total 1.84 million tonnes grading 4.93 gpt. Inferred Resources total 0.21 million tonnes grading 3.38 gpt. The increase in resources reflects the inclusion of all outstanding assays and continued refinement of the resource model.

#### Saiensoutou

During the third quarter 2012 results were received for the infill Rotary Air Blast ("RAB") drilling program completed at Saiensoutou during the second quarter. This program returned a number of mineralized intercepts (>0.2 gpt cut-off, Aqua Regia Assays), which includes 20 metres at 1 gpt, 18 metres at 1.5 gpt, and 20 metres at 2.3 gpt. These gold intersections broadly cluster into three sub-parallel NS trends, which extend for at least 1.2 km in strike length. A program of 6,000 metres of RC drilling is scheduled for later this year or early next year to allow first pass testing of these gold bearing trends.

#### 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 third quarter 2012, the exploration permit reached its natural expiration, and as of the date hereof has not yet been renewed by the Senegalese Ministry of Mines. During the third quarter, Sabodala Mining Company, along with its joint venture partner, applied for an extraordinary extension, pursuant to its rights under the Senegalese Mining Code, for an additional renewal based on discoveries made to date (most notably Toumboumba) and in order to complete drilling on targets within the perimeter to determine whether an economically feasible deposit exists within its boundaries. The Company remains optimistic that a renewal will be issued by the Ministry of Mines in due course.

For full drill results from our ML and Regional Exploration Program please see the Company's website.

## Corporate Directory

### Directors

**Alan Hill**, Executive Chairman  
**Richard Young**, President and CEO  
**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**, Executive Chairman  
**Richard Young**, President and CEO  
**Mark English**, Vice President, Sabodala Operations  
**Paul Chawrun**, Vice President, Technical Services  
**Navin Dyal**, Vice President and CFO  
**David Savarie**, Vice President, General Counsel & Corporate Secretary  
**Kathy Sipos**, Vice President, Investor & Stakeholder Relations  
**Macoumba Diop**, General Manager and Government Relations Manager, SGO  
**Martin Pawlitschek**, Regional Exploration Manager, SMC  
**Bruce Van Brunt**, Business Development Manager, SGO

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### Auditor

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### Share Registries

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T: 1 300 850 505

## SABODALA GOLD OPERATION

### Stock Exchange Listings

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

### Issued Capital

Issued Capital	
Issued shares	245,618,000
Stock options	16,546,666

### Stock Options – Exercise Profile

Exercise Price (C\$)	Options
\$3.00	16,546,666

### About TERANGA

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

Teranga was created to acquire the Sabodala gold mine and a large regional exploration land package, located in Senegal, West Africa, within the West African Birimian geological belt. Management believes the mine operation, together with the Company's prospective 1,330 km<sup>2</sup> land package, provides the basis for growth in reserves, production, earnings and cash flow as new discoveries are made and processed through the Company's existing mill. The Company is focused on growth - growth in reserves, growth in production - while building a strong balance sheet to facilitate its actions.

### Forward Looking Statements

This report contains certain statements that constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Teranga, or developments in Teranga's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include all disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. Teranga cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements relate to, among other things, the expected use of proceeds of the offering and the expected closing date of the offering. The risks and uncertainties that may affect forward-looking statements include, among others: economic market conditions; and other risks detailed from time to time in Teranga's filings with Canadian provincial securities regulators. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and, except as required by law, Teranga does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change.

Nothing in this report should be construed as either an offer to sell or a solicitation to buy or sell Teranga securities.

### Competent Persons Statement

The technical information in this 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 report.

The technical information in this 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 report.

For further information please contact: **Kathy Sipos**, Vice-President of Investor & Stakeholder Relations T: +1 416-594-0000 | E: [ksipos@terangagold.com](mailto:ksipos@terangagold.com)