

## SABODALA GOLD OPERATION

### KEY POINTS

- ▶ Sabodala gold mine produced 36,695 ounces of gold during the December quarter at total cash cost per ounce sold of \$902.
- ▶ Gold production for the calendar year totalled 131,461 ounces, while gold sales totalled 137,136 ounces at total cash cost per ounce sold of \$900, in line with revised guidance for the year.
- ▶ Mill expansion remains on schedule for completion in the first quarter of 2012 – production is expected to increase to 210,000 to 225,000 ounces of gold and cash costs are expected to decline to \$600 to \$650 per ounce.<sup>1</sup>
- ▶ Exploration at the Sabodala Pit continues to confirm the potential for higher grades in an expanded pit to the north and to depth.

### OPERATIONAL OVERVIEW

#### Sabodala Gold Operation

- Gold production for the three months ended December 31, 2011 was 36,695 ounces. While it was the highest quarterly production of calendar 2011, it was 18 percent lower than plan due to a delay in accessing higher grade zones. Access to the higher grade zones scheduled for December occurred later in the month than anticipated, resulting in approximately 17,000 ounces of gold at 2.37 grams per tonne being stockpiled rather than processed before the end of 2011. The high grade stockpiles are expected to be processed in the first quarter of 2012.
- Gold sold for the three months ended December 31, 2011 totalled 34,665 ounces at a total cash cost of \$902 per ounce sold. Total cash costs were higher than plan due to lower than planned production for the December quarter and higher operating costs.
- Total tonnes mined for the quarter was 14 percent lower than plan due to a 15 percent decrease in waste tonnes mined, partially offset by an increase in ore tonnes mined. The decrease in tonnes mined was mainly due to lower than planned drilling and loading availability in the quarter.
- To improve drilling availability three new drill rigs were ordered. Two drill rigs arrived on site at the beginning of January 2012 with a third scheduled to arrive in February 2012. To improve loading and hauling rates, management has increased the capital spares inventory to improve availability of the mobile equipment fleet.
- Mill throughput for the December quarter was higher than plan by 11 percent benefiting from better blasting procedures that are resulting in increased fragmentation of ore delivered to the mill. Higher throughput partially offset lower grades processed than planned due to the delayed access to higher grade zones in the quarter.
- Gold production for the calendar year totalled 131,461 ounces, 6 percent lower than the budget of 140,000 ounces but in line with the revised guidance of 130,000 to 135,000 ounces.
- For calendar 2011, Sabodala sold 137,136 ounces of gold at total cash costs of \$900 per ounce sold. Cash costs were 13 percent higher than originally planned but in line with revised guidance as a result of lower than planned production and higher costs at the mine site (fuel, labour, maintenance and royalty costs).
- Gold production for 2012 is expected to total between 210,000 to 225,000 ounces.
- For 2012 onward, the Company will report cash costs of sales after adjusting for inventory movement, in line with its accounting policies and reported cost of sales in the Statement of Comprehensive Loss and in line with industry standard. As a result, total cash costs for 2012 are expected to be between \$600 to \$650 per ounce or \$675 to \$725 under the previous calculation.
- The decline in cash costs expected in 2012 is largely due to lower mining cost per ounce, which is expected to decline from \$450 per ounce in 2011 to approximately \$300 per ounce in 2012 and to lower per ounce processing and administration costs, due to the higher production rate.
- During the December quarter the Company finalized the expansion of the mobile equipment loan with Société Générale by an additional \$12.8 million. The facility is currently drawn down to \$24.4 million as at December 31, 2011.
- During the quarter ended December 31, 2011, 7,385 ounces were delivered into gold hedge contracts at \$846 per ounce, representing 21 percent of gold sales for the quarter, and 27,280 ounces of gold were sold into the spot market at an average price of \$1,654 per ounce resulting in an average realized price for the quarter of \$1,482 per ounce.
- In December 2011, the Company reached an agreement with Macquarie Bank Limited to defer 28,000 ounces that were due for delivery on February 17, 2012 to ensure it is sufficiently funded to complete the mill expansion and ongoing mine licence and regional exploration programs. The deferral of scheduled first quarter deliveries into hedge contracts, until later in 2012, allows the Company to sell all of its first quarter gold production at higher spot gold prices, allowing the Company to replenish its cash balance.
- Once the mill expansion is complete, the production rate is expected to rise and cash costs of production are expected to decline, improving cash margins. The improved cash margins combined with higher production should allow the Company to increase its cash balance through the year.

(1) Cash costs of sales are now being calculated after adjusting for inventory movement, in line with its accounting policies and reported cost of sales in the Statement of Comprehensive Loss and in line with industry standard.

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### Production Statistics

		December 2011 Quarter	September 2011 Quarter	June 2011 Quarter	March 2011 Quarter
Ore mined	('000t)	1,715	1,008	759	491
Waste mined	('000t)	4,736	5,085	5,538	6,460
Total mined	('000t)	6,451	6,093	6,297	6,951
Strip ratio	waste/ore	2.8	5.0	7.3	13.2
Ore processed	('000t)	604	582	650	608
Head grade	(g/t)	2.10	1.64	1.81	1.93
Gold recovery	(%)	89.8	88.3	89.2	89.8
Gold produced <sup>(1)</sup>	(oz)	36,695	27,082	33,388	34,296
Gold sold	(oz)	34,665	27,574	35,407	39,490
Average price received	US\$/oz	1,482	1,174	1,083	1,199
Total cash costs per ounce sold	US\$/oz	902	1,156	879	655

Notes:

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

### Mine License ("ML") Exploration

Exploration results in 2011 support management's belief of the potential to expand upon existing gold mineralization by an additional 20M to 30M tonnes at grades of between 1.5 and 1.9 gpt for a total inventory of 2.5 to 3.5Moz from the Sabodala ML over the next 12 to 18 months<sup>2</sup>. This would increase the mine life to approximately 15 years at a run rate of about 200,000 ounces of gold produced annually and provide a solid production base to build on through the Regional Exploration Program<sup>3</sup>.

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"), extension of the Masato pit onto the ML, potential conversion of Niakafiri resources to reserves as well as adding to the gold mineralization inventory below these three large open pits. A minimum of 6 drill rigs are expected to be testing new targets at an estimated cost of \$20 million in 2012. There are 7 drills operating on the ML at the present time (6 DD and 1 RC) and pending rig availability this number may increase to expedite resource expansion and reserve definition drilling in 2012.

<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.

<sup>3</sup> This exploration/production 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. Reaching this level of production is based on achieving success associated with the exploration target set out above and reflects existing mill capacity as well as Management's confidence in upside potential of exploration results on the ML based on drilling results to date.

ML exploration expenditures for the three months ended December 31, 2011 totalled \$4.6 million. For full drill results from our ML exploration program please see the Company's website.

### Main Flat Extension ("MFE")

Latest results from December quarter include drill hole SBDH160DD, a vertical diamond hole collared on section 20650N at Sabodala which intersected 70m of 3.0 gpt from 175m down the hole. Drill hole SBDH157D, a vertical hole collared on section 20630N at Sabodala has intersected 53m of 4.5 gpt from 125m down the hole. Both holes were collared on the 650RL bench within the Sabodala pit. These results continue to in-fill and extend a broad zone of mineralization related to the MFE part of which is classified as Indicated in the current Sabodala resource.

A 70m 3.0 gpt intercept cut by SBDH160DD lies immediately west of the ultimate pit on section 20650N and extends 45m below the pit on that section, 40m to the north a similar size intersection was cut by SBDH147DD (49m at 2.2 gpt from 249m).

Recent results also include vertical drill holes SBDH170DD and SBDH171DD which were collared on the north haul ramp into the Sabodala pit on section 20750N. SBDH170DD returned 50m at 2.2 gpt from 252m and 23m at 1.4 gpt from 324m in a part of the deposit that contains a significant quantity of Inferred Resource. The intersection connects mineralization between holes SBRC747D (33m at 1.2 gpt from 360m) 65m to the west and SBRC308D (80m at 1.3 gpt from 334m) 40m to the east. Hole SBDH171DD intersected 32m at 1.45 gpt from 263m in three mineralized zones down to 312m.

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### Lower Flat Zone ("LFZ")

Further to depth, hole SBDH171DD cut 46m at 9.8 gpt beginning 420m down the hole in the LFZ including 20m at 20.0 gpt from 430m. Also further to depth, hole SBDH160DD cut 27m at 3.6 gpt beginning 420m down the hole and hole SBDH170DD cut 34m at 6.3 gpt beginning 415m down the hole including 12m at 9.9 gpt. The same hole also cut 24m at 2.8 gpt beginning at 459m down the hole. These intersections confirm the interpretation that multiple flat zones exist and that there is potential for significant mineralization immediately beneath the Sabodala ultimate pit in what is currently referred to as the LFZ that sits outside the current Sabodala resource. (See Diagram on Company website- Homepage "Sabodala Cross Section") The depth of this deeper intercept coincides with a similar intercept (24m at 3.2 gpt from 431m) cut by SBDH141D 70m to the north. In what is interpreted to be the same deep zone SBDH157D intersected 20m averaging 1.7 gpt at 353m down the hole. No drilling has tested this zone to the south to date.

The goal of the MFE/LFZ programs is to add 250,000 to 500,000 ounces of gold to the open pit mineable gold inventory at an average grade between 1.5 - 2.0 gpt, as well as potentially a similar amount to lower/underground at an average grade between 3.0 and 4.0 gpt, in 2012<sup>4</sup>.

### Regional Exploration

The Company recently acquired an interest in the Garaboueya North exploration permit increasing its regional land holdings to 1,500km<sup>2</sup>. There are currently 36 targets that have been identified on the Company's Regional Land Package, excluding the newly acquired Garaboueya permit, all within trucking distance of the mill. In total, fourteen of the targets, highlighted for RC and DD drilling in early 2011 have been drill tested with RC or Diamond holes. The balance is expected to be drill tested through the end of 2012. A further 15 targets have been evaluated with RAB drilling or trenching. The current list of targets highlighted for follow up work during 2012 stands at 36.

In 2011, the Company completed approximately 151,000 metres of Rotary Air Blast (RAB) drilling, 86,000 metres of RC and 29,000 metres of Diamond drilling. There were 11 drill rigs on the Regional Land Package during the December quarter of 2011. The estimated cost for the regional exploration program is estimated at \$20 million for 2012. There will be however a reduction in diamond drills in favour of more RAB and RC rigs, as the resource drilling at Gora is completed and more first pass testing of targets takes place during the first half of 2012.

Regional land package exploration expenditures for the three months ended December 31, 2011 totalled \$8.5 million. For full drill results from our regional exploration program please see the Company's website.

<sup>4</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.

## 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 December 31, 2011:

- Cash and cash equivalents - US\$11 million (US\$26.5 million at January 30, 2012)
- Project Finance Facility - nil<sup>1</sup>
- Mining Fleet Lease Facility - US\$24.4 million
- Hedge Facility = 174,500 oz remaining to be delivered at an average price of US\$826/oz.

<sup>1</sup>All debt owing under the Macquarie Project Facility was fully repaid as of September 30, 2010, however, the Company remains under covenant restrictions pursuant to the gold hedging commitments.

## SABODALA GOLD OPERATION

### Corporate Directory

#### Directors

**Alan Hill**, Chairman and CEO  
**Richard Young**, President and CFO  
**Christopher Lattanzi**, Non-Executive Director  
**Oliver Lennox-King**, Non-Executive Director  
**Alan Thomas**, Non-Executive Director  
**Frank Wheatley**, Non-Executive Director

#### Senior Management

**Alan Hill**, Chairman and CEO  
**Richard Young**, President and CFO  
**Yani Roditis**, Vice President, Operations  
**Kathy Sipos**, Vice President, Investor Relations  
**David Savarie**, 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

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

#### Stock Exchange Listings

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

#### Issued Capital

Issued shares	245,618,000
Stock options	17,617,222

#### Stock Options – Exercise Profile

Exercise Price (C\$)	Options
\$3.00	17,617,222

## SABODALA GOLD OPERATION

### 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 1,488 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

Certain information contained in this report, including any information on Teranga's plans or anticipated future results, future financial or operating performance and other statements that express management's expectations or estimates of future performance constitute forward-looking statements. Such statements are based on a number of estimates and assumptions that, while considered reasonable by management at the time, are subject to significant business, economic and competitive uncertainties. Teranga cautions that such statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of Teranga to be materially different from the company's estimated future results, performance or achievements expressed or implied by those forward-looking statements. These factors include the inherent risks involved in exploration, development and operations of mineral properties, changes in economic conditions, changes in the worldwide price of gold, silver fuel, electricity and other key inputs, changes in mine plans and other factors, such as project execution delays, many of which are beyond the control of Teranga.

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 contained in this release relating to exploration activities within the mining license is based on information compiled by Mr. Bruce Van Brunt, who is a Fellow of The Australasian Institute of Mining and Metallurgy and is also a registered professional geologist in the State of Washington, USA. He is qualified as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and as defined in NI43-101. Mr. Van Brunt has consented to the inclusion of this information in the form and context in which it appears in this release. Mr. Van Brunt is a full-time employee of Teranga and is therefore not independent.

The technical information contained in this release relating to the regional exploration is based on information compiled by Mr. Martin Pawlitschek, who is qualified as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and as defined in NI43-101. Mr. Pawlitschek has consented to the inclusion of this information in the form and context in which it appears in this release. Pawlitschek is a full-time employee of Teranga is therefore not independent.

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