



TERANGA GOLD CORPORATION

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PRESS RELEASE

For Immediate Release

TSX Trading Symbol: TGZ
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Definitive Global Agreement with the Republic of Senegal

Toronto, Canada: May 31, 2013 – Teranga is pleased to announce the execution of the definitive agreements contemplated under the Agreement in Principle with the Republic of Senegal previously announced on April 2, 2013.

The definitive documentation includes amendments to the Company's 90% held Sabodala Mining Convention, certain of its exploration permits, and also includes a financial settlement agreement that addresses most of the outstanding tax assessments as well as future royalty and other payments to the Republic of Senegal as outlined on April 2nd. Collectively, the definitive documentation constitutes a global agreement that sets out a predictable and stable fiscal operating environment for the Company's future investment in exploration, acquisitions and development to increase reserves and production in Senegal.

"I am delighted with this long-term global agreement as its expeditious conclusion demonstrates the level of partnership and trust established between the Canadian management team of Teranga and this Government. In addition, it shows the importance of the mining industry in Senegal and this Government's commitment to work towards growing domestic gold production as quickly as possible," said President Macky Sall of Senegal.

"The Government's efforts to conclude the documentation contemplated by the Agreement in Principal within the 60 day commitment demonstrate the strong partnership we have established with this Government. We see this as an investment agreement with a mandate to grow gold production in Senegal, and with a fiscal framework to address the State's additional participation rights, we believe a major constraint on acquisitions has now been resolved for Teranga" said Alan R. Hill, Chairman of Teranga.

The global agreement supports Teranga's plans for further growth in Senegal by:

- Setting a price and formula to allow for the acquisition of the Republic's additional participation option on deposits not on the Company's Mine License and to incorporate these into the Company's existing Mining Convention and fiscal regime;
- Supporting drilling of the Niakafiri deposit on the Mine License;
- Extending the term of our renewable Mine License by five years to 2022 and extending five key exploration licences by a further 18 months beyond current expiry periods;
- Working with the Company to ensure full access to exploration targets currently occupied by artisanal miners; and
- Resolving the Special Contribution Tax of 5% by increasing the royalty rate from 3 to 5%, effective January 1, 2013 and prepaying \$13.3 million in dividends, that are otherwise payable under our mining convention, based on expected performance over the period 2013 to 2015.

“Our ability to leverage off our existing mill and infrastructure to process satellite deposits through our mill should allow us to increase reserves, production, earnings, cash flow and free cash flow in the coming years” said Richard S. Young, President and CEO of Teranga.

In addition, the Company and the Government have reached a settlement of \$3.8 million, payable in two equal instalments in 2013 and 2014, to resolve approximately \$30 million of the \$36 million in tax assessments relating to the financial years 2007 through 2010. Approximately \$6 million remains under negotiation and relates to the applicability of a dual tax treaty between Mauritius and Senegal on the taxability of intercompany interest payments from 2007 to 2010.

In addition, the Company has agreed to establish a social development fund payable at mine closure. The fund is targeted at \$15 million based on gold price performance over the next three years.

After several months of negotiations with the Government of Senegal resulting in the execution of the definitive agreements, Teranga Management received a letter from the Minister of Energy and Mines in appreciation of the new partnership that has developed between Teranga Management and Senegal. The official English translation of this letter is below, and the original letter in French follows.

Official English translation prepared by the law offices of Stikeman Elliot LLP:

*Republic of Senegal
One People – One Goal – One Faith
Ministry of Energy and Mines*

The Minister's Office

Dakar, May 31, 2013

Re: Acknowledgements

*Attention Mr. Alan Hill
Executive Chairman
Teranga Gold Corporation
121 King Street West 2600
Toronto, Ontario, M5H 3T9*

Mr. Chairman,

Firstly, I wish to tell you on behalf of the Government of Senegal how pleased we are that the definitive documentation has now been signed to give full effect to the Agreement in Principle entered into between Senegal and Teranga in Washington this last March 29.

These agreements have been entered into in a win-win frame of mind and are particularly important to the economic and social development of Senegal, and will without a doubt, contribute to making it a privileged destination for private foreign investment.

I wish to emphasize that the success of these agreements is in large part the result of the close working relationships that have been established between yourself and the senior Canadian management of Teranga and the Government of Senegal as well as by the considerable improvement in relations between the population of the village of Sabadola and the Company since Teranga acquired control of the Project.

Therefore, I would like to emphasize that as far as it is concerned, the Government of Senegal shall spare no effort to further enhance this close working relationship, and the Senegal-Canada partnership as a symbol of exemplary cooperation between our two countries.

Yours respectfully,

Aly Ngouille Ndiaye

Minister of Energy and Mines

About TERANGA

Teranga 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.

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

Forward-Looking Statements

This news release 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. The words "poised", "gives", "expect", "its vision", "plan", "support", "assist", "commit to", "will not", "intend", "intends to" and similar expressions identify forward looking statements. 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. There is no guarantee that definitive amendments to the Company's mining and exploration licenses will be agreed to in accordance with the terms of this news release. 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 news release should be construed as either an offer to sell or a solicitation to buy or sell Teranga securities.

For further information please contact:

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Ministère de l'Énergie
et des Mines

Le Ministre,

Dakar, le 31 MAI 2013

OBJET : Remerciements

Monsieur le Président,

Je voudrais tout d'abord vous exprimer la pleine satisfaction du Gouvernement du Sénégal après la signature de la documentation définitive qui donne plein effet à l'Accord de Principe conclu entre le Sénégal et le Groupe Teranga à Washington le 29 mars dernier.

Ces accords intervenus dans un esprit gagnant-gagnant sont particulièrement importants pour le développement économique et social du Sénégal et vont, sans nul doute, contribuer au rayonnement de notre pays en tant que destination privilégiée pour les investissements privés étrangers.

Je tiens à souligner à cette occasion que le succès de ces accords est en grande partie le résultat des relations de travail étroites qui ont été établies par vous et la haute direction canadienne de Teranga et le Gouvernement du Sénégal et de l'amélioration sensible des relations entre la population du village de Sabodala et votre entreprise depuis que Teranga a acquis le contrôle du projet.

C'est pourquoi, je voudrais souligner qu'en ce qui le concerne, le Gouvernement du Sénégal ne ménagera aucun effort pour inscrire dans la continuité cette relation de travail étroite et de partenariat sénégal-canadien comme symbole de la coopération exemplaire entre nos deux pays.

Veuillez agréer, **Monsieur le Président**, l'assurance de ma considération distinguée.

A
Monsieur Alan HILL
Président du conseil d'Administration
Teranga Gold Corporation
121 King Street West 2600
Toronto, Ontario
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Aly Ngouille NDIAYE