VANCOUVER, BRITISH COLUMBIA--(Marketwired - May 16, 2016) - Terraco Gold Corp. (TSX VENTURE:TEN) ("Terraco" or the "Company") is pleased to announce that it has entered into definitive agreements with Solidus Resources, LLC, a wholly-owned subsidiary of Waterton Precious Metals Fund II Cayman, LP (collectively, "Waterton"), pursuant to which Waterton will acquire 100% of the Company's claims, leases, title and mineral rights proximate to Waterton's Spring Valley gold project in Pershing County, Nevada ("Spring Valley"), including the Company's Moonlight Project located adjacent to the north of Spring Valley but excluding certain royalties held by the Company, (collectively, the "SV Proximal Assets") in exchange for US$7,000,000 in cash (the "Cash Consideration") and a 2% NSR on the SV Proximal Assets (the "Asset Purchase"). Concurrently with the Asset Purchase, Waterton will subscribe for a senior unsecured convertible debenture in the aggregate principal amount of US$12,030,000 (the "Debenture") in TGC Holdings, Ltd. ("TGC Holdings"), a wholly-owned subsidiary of the Company, (the "Debenture Transaction" and together with the Asset Purchase, the "Transactions"). The Debenture will bear 0.05% (five hundredths of one percent) interest per annum, will have a term of five years and may be converted into either common shares of Terraco ("Terraco Shares") at a price of C$0.18 per share, representing a 57% premium to the Company's twenty-day volume weighted average price of $0.1149 as at May 13, 2016, or into shares of TGC Holdings ("TGC Shares").

The Debenture proceeds of US$12,030,000 and US$4,053,211 of the Cash Consideration will be used by TGC Holdings to exercise certain options it holds (the "Spring Valley Royalty Options") to acquire royalties over Spring Valley including a 3.0% net smelter returns royalty ("NSR") covering a majority of the current Spring Valley resource area and a 0.5% NSR covering the balance of the current Spring Valley resource area (refer to the Company's press releases of December 2011, March, 2012 as well as April and July of 2013 for Terraco's royalty transaction details on Spring Valley).

*"We are pleased to welcome Waterton as a strategic investor, and wish to thank our existing shareholders for their continued support. The exercise of our royalty options will see Terraco own outright, two royalties on a Nevada-based gold development asset which Waterton acquired from Barrick Gold Corp. and Midway Gold Corp. in 2015."* stated Todd Hilditch, President and CEO of Terraco. *"We believe that Spring Valley is a great undeveloped North American gold asset and we look forward to observing Waterton's development activities unfold."*

Asset Purchase

In consideration for the SV Proximal Assets, upon completion of the Asset Purchase, Terraco will receive gross proceeds of US$7,000,000 and a 2% NSR on the Moonlight Project.

Upon completion of the Asset Purchase and the exercise of the Spring Valley Royalty Options, Terraco will, directly or indirectly, hold 100% of the following core assets:

1. a 3% NSR on a majority of the current resources of Spring Valley ("Schmidt claims");
2. a 1% NSR on an additional portion of Spring Valley;
3. a right of first refusal relating to a 1% NSR on certain lands within one-half (1/2) mile of the Schmidt claims;
4. a 2% NSR on the Moonlight Project (the "Moonlight Royalty");
5. the Almaden-Nutmeg Mountain Gold Project located in Western Idaho; and
6. approximately CDN$3,800,000 million in cash.

The NSR's on Spring Valley will be held in TGC Holdings and the Moonlight Royalty will be held in a new wholly-owned Terraco subsidiary.

Debenture Terms

The Debenture will mature five years after issuance (the "Maturity Date"). At Waterton's election, the Debenture may be converted into:

1. Terraco Shares at a conversion price of C$0.18 per share, being a 57% premium to the twenty-day volume weighted average price of the Terraco Shares as at May 13, 2016 (the "Parent Conversion Option");
2. TGC Shares based on the following formula: (amount to be converted) multiplied by (45) divided by US$12,030,000 (the "Subsidiary Conversion Option"). Assuming full conversion, Waterton can own up to a maximum of 45% of TGC Holdings; or
3. any combination of the Parent Conversion Option or the Subsidiary Conversion Option.

The Debenture will constitute a senior unsecured obligation of TGC Holdings, and will bear interest at a rate of 0.05% (five hundredths of one percent) per annum. Terraco will guarantee all amounts owing under the Debenture.

At maturity, TGC Holdings, at its election, will repay the outstanding amount due on the Debenture in cash and/or Terraco Shares using a conversion price based on the Company's twenty-day volume weighted average trading price prior to the Maturity Date.

Upon a change of control, Waterton may, in its sole discretion, require TGC to repay the outstanding amount on the Debenture in full.

*Conversion and Redemption Restrictions*

From the closing date of the Debenture Transaction (the "Closing") to the fourth anniversary of Closing, Waterton will be prohibited from owning greater than 19.99% of the Terraco Shares (the "Ownership Limit"). During the term of the Debenture, Terraco shareholder approval will be required should Waterton wish to exercise the Parent Conversion Option to acquire 20% or more of the outstanding Terraco Shares.

During the first three years following Closing, Waterton will be prohibited from making any purchases or any unsolicited offers to acquire Terraco Shares, except with respect to the Parent Conversion Option and the Equity Participation Right described below.

Waterton shall not be permitted to exercise the Parent Conversion Option or the Subsidiary Conversion Option until the second anniversary of Closing unless the Terraco Shares trade at or above C$0.40 for twenty consecutive days prior to the second anniversary.

Further, commencing on the third anniversary of Closing provided the Terraco Shares trade at or above C$0.40 for twenty consecutive days, TGC Holdings shall be permitted to redeem all or any portion of the Debenture in exchange for Terraco Shares.

TGC Holdings will have the right to prepay the amount outstanding under the Debenture (subject to the conversion rights of Waterton), at any time after the second anniversary of Closing. If TGC Holdings elects to prepay the Debenture, the Ownership Limit shall not apply.

*Equity Participation Right & Voting Trusts*

Commencing on Closing and ending on the later of the Maturity Date and the date upon which Waterton owns (or can convert into) less than 5% of the outstanding Terraco Shares, Waterton will have the right to participate in any future equity or convertible debt offerings of Terraco to maintain its pro-rata ownership.

Waterton additionally agrees for a period of three years to vote all Terraco Shares held by Waterton at any meeting of Terraco shareholders in accordance with the recommendations of the Terraco Board of Directors except in the event that: (i) an event of default under the Debenture has occurred; or (ii) a change of control of Terraco has been proposed or announced.

Transaction Conditions

The Transactions are expected to close on or before the week of May 30, 2016. Closing of the Transactions are conditional on the satisfaction of customary closing conditions and deliveries and the receipt of all required regulatory approvals.

Advisors

Haywood Securities Inc. is acting as financial advisor to Terraco. Gowling WLG (Canada) LLP is acting as Canadian legal counsel, and Erwin & Thompson LLP and Dorsey & Whitney LLP are acting as US legal counsel to Terraco.

About Terraco

Terraco is a junior mining company with a gold royalty and asset portfolio, currently focused largely on or around Spring Valley.

The Company is listed on the TSX Venture Exchange under the symbol "TEN". Please visit the Company's website at www.terracogold.com for additional information.

*Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

Forward-Looking Statements

This news release contains forward-looking statements. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them because the Company can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

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