



**Shanta Gold Limited**  
**("Shanta Gold" or the "Company")**

**Q3 2013 PRODUCTION AND OPERATIONAL UPDATE**

Shanta Gold, the East Africa focussed gold production and exploration company, is pleased to provide the following operational update.

**Highlights**

**Operational**

- Gold production in Q3 2013 of 18,914 ounces up 31% from Q2 2013
- Gold sales in Q3 2013 of 19,235 ounces at an average price of US\$1,366 per ounce
- On track to deliver full year gold production of circa 63,000 ounces
- Maintaining full year guidance of an All-in Sustaining Cost of US\$1,000 to US\$1,100 per ounce
- Full effect of successful cost saving initiatives to be seen in 2014
- Excellent safety performance

**Development**

- Drilling at depth below Bauhinia Creek and Luika completed confirming potential for underground mining with resource upgrade expected in Q4 2013
- Maiden reserve of 479,000 ounces declared at New Luika's Bauhinia Creek and Luika deposits
- Evaluation of potential for extension to New Luika life of mine
- Evaluation of Singida progressing

**Financial**

- Debt successfully restructured significantly strengthening working capital position
- Current forward sales of 25,500 ounces at an average price of US\$1,344 per ounce
- Cash and equivalents (including bullion) at 30 September 2013 was US\$20 million, up from US\$16.6 million at the end of June 2013

**Commenting on the Q3 production and operational performance Mike Houston, CEO, said:**

"This quarter has seen two important milestones in Shanta Gold's ongoing development.

Firstly, one can say with a certain degree of confidence that, with four consecutive months in excess of 6,000 ounces, gold production at New Luika has stabilized and the Company is well positioned to increase production with the commissioning of the new crusher and elution/electro-winning plant in Q2 2014. This, supported by our debt restructuring and cost reduction initiatives, has given the Company a solid platform to not only ride out the current volatile gold market but also drive returns for shareholders.



Secondly, the announcements of our maiden reserve and the positive drilling results, have provided the Company with an opportunity to review the total resource with potential increasing production and extending the life of mine at New Luika”.

### **Production Summary**

|                     | <b>Units</b> | <b>Q1 2013</b> | <b>Q2 2013</b> | <b>Q3 2013</b> | <b>Change Q3 v Q2</b> |
|---------------------|--------------|----------------|----------------|----------------|-----------------------|
| Tonnes milled       | Tonnes       | 71,518         | 88,966         | 114,130        | +28%                  |
| Tonnes per day      | Tpd          | 872            | 978            | 1,241          | +27%                  |
| Recovery            | %            | 88.7%          | 85.2%          | 91.3%          | +6%                   |
| Grade               | g/t          | 7.47           | 5.75           | 5.95           | +3%                   |
| Gold Production     | Oz           | 11,888         | 14,448         | 18,914         | +31%                  |
| Gold Sales          | Oz           | 13,424         | 10,418         | 19,235         | +85%                  |
| Realised Gold Price | US\$/oz      | 1,613          | 1,408          | 1,366          | -3%                   |

### **Production Update**

A total of 18,914 ounces of gold was produced in Q3 2013, an increase of 31% from Q2 2013, with year to date production of 45,250 ounces. Production is now at a consistent level, with in excess of 6,000 ounces having been achieved in each of the three months of the most recent quarter. 114,130 tonnes were milled in Q3 2013 at an average grade of 5.95 g/t with mill recoveries of 91.3%. Tonnes milled were up 28% on Q2 2013 as a result of the improvement in throughput arising from the upgraded crushing circuit commissioned in July 2013.

The Company remains on course to achieve the previously communicated production guidance of circa 63,000 ounces for the full year.

### **New Luika Plant Upgrade / 2014 Outlook**

The commissioning of the crushing and elution/electro-winning plants to provide life of mine facilities and higher throughput are targeted for end of April 2014. With delays in concluding the contract and a concern that most equipment will arrive around the year end holiday period, management felt it prudent to allow an additional month for installation and commissioning. The Company has secured debt financing for a high percentage of the capital cost of the crushing plant, at an attractive interest rate and repayable over a three year period via EKN (Swedish Export Trade Fund).

The production outlook for 2014 is dependent on successfully commissioning the crushing and elution/electro-winning plants and the ongoing work on optimizing the milling capacity. The Company is therefore, at this juncture, targeting production of circa 80,000 ounces for 2014.



### **Sales, Prices and Hedging**

Total gold sales of 19,235 ounces were realised in Q3 2013 at an average price of US\$1,366 per ounce. The Company has continued its prudent hedging programme to protect both margins and cash flows and as at 18 October 2013 has sold forward circa 25,000 ounces at an average price of US\$1,344.

### **Costs**

The unaudited Adjusted Operating Cash Cost (as defined by the World Gold Council's metrics) for Q3 2013 amounted to US\$810 per ounce (Q2 US\$920). The Company remains on course to achieve the previously advised All-in Sustaining Cost of US\$1,000 to US\$1,100 per ounce for the year.

Cost saving initiatives have been successfully implemented with an anticipated saving of US\$80 per oz achieved to date. The impacts of the initiatives have partially been reflected in the Q3 results and will continue to do so in Q4 but will largely benefit the Company from early 2014 onwards.

### **Debt Restructuring**

As previously advised, the Company successfully completed the restructuring of its FBN loans during Q3 2013, significantly strengthening the Company's working capital position. The restructuring involved a six month loan repayment holiday to December 2013, a reduction in borrowing costs as well as a three year repayment period. Repayment of the restructured loan of US\$33.75 million commences at the end of January 2014.

Cash and equivalents (including bullion) on the balance sheet at 30 September 2013 was US\$20 million, up from US\$16.6 million at the end of June 2013. The Company remained cash flow positive during the quarter, aided by the deferral of loan repayments as a result of the debt restructuring.

### **Developments**

The Company has today announced a conversion of resource to reserve has been completed and at a gold price of US\$1,300 per ounce, reserves of 479,000 ounces have been confirmed. The economic assessment is largely in line with what was assumed could be extracted in the five year mine plan.

The drilling programme targeting depth extensions at both Bauhinia Creek and Luika has been completed with assays results for the final two holes outstanding. It is the Company's intention to announce a resource update in Q4 2013.

With the latest drilling results indicating that the Bauhinia Creek and Luika deposits have underground mine development potential, an initial investigation suggests that with the new crushing and elution/electro-winning plants, the Company could increase milling capacity at a relatively low capital cost. A project team has been put in place to fully evaluate the plant expansion and the opencast / underground potential of the known resource in proximity to the New Luika operation.

The Company continues to evaluate prospective targets on the recently acquired Shield ground (Lupa Goldfields).

Good progress has been made on the upgrading of the Singida feasibility and the Company is targeting first half 2014 for completion.



### **Safety, Health and Environment**

Safety performance remained good with no lost time incident recorded during the quarter. The Company has systems in place to monitor both health and environmental requirements and constantly reviews these to meet international standards.

### **Corporate Social Responsibility (CSR)**

The Company has engaged suitably qualified consultants to complete a base line study of the community in close proximity to the mine. This will enable Shanta Gold to draw up a CSR strategy that is correctly focused, in line with Government guidelines and will allow partnerships to be developed with various stakeholders. The Company views a correctly structured CSR programme as essential for the long term sustainability of the operation.

### **Conference Call Details**

Management will be hosting a conference call for analysts at 9.15am UK time this morning. Please find the dial in details below:

**Time & Date: 9.15am - Monday 21 October 2013**

**Dial In Details: +44 (0) 1452 542303**

### **Enquiries:**

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### ***About Shanta Gold Limited***

Shanta Gold is an East African focused gold producing company. It currently has defined ore resources on the New Luika and Singida projects in Tanzania and holds exploration licences over a number of additional properties. The Company's flagship New Luika Gold Mine commenced production in 2012. The Company is admitted to trading on AIM and has approximately 462 million shares in issue. For further information visit the Company's website: [www.shantagold.com](http://www.shantagold.com).