



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

Q2 2013 PRODUCTION REPORT AND OPERATIONAL UPDATE

Shanta Gold Limited, the East African focused gold producing company, is pleased to provide the following production and operational update.

Highlights

- Excellent safety performance with zero Lost Time Injuries ("LTIs")
- Gold production of 14,448 oz up 22% from Q1
- Successful commissioning of upgraded crushing circuit in early July leading to improved plant throughput
- Targeting lower end of full year 2013 gold production guidance of 63,000 – 70,000 oz
- Key capital items ordered for plant upgrade to enable planned increase to 90,000 oz per annum from 2014 onwards
- Current forward sales totaling 33,000 oz at an average price of US\$1,370 per oz
- Cost saving initiatives underway and maintaining guidance for 'All-in Sustaining Cost'* of US\$1,000 to US\$1,100 per oz for 2013
- Debt restructuring discussions significantly advanced with improved terms
- Early drilling results indicating significant mineralization at depth below Bauhinia Creek and Luika
- Appointment of new Chief Financial Officer

* As defined by World Gold Council metrics (includes cash operating costs, royalties, sustaining capex and corporate G&A)

Safety, Health and Environment

The Company had an excellent safety record for the quarter with zero LTIs and only one since commencement of building the New Luika Gold Mine project in 2011.

Production Summary

	Units	Three Months Ended ⁽¹⁾		Change	1 st Half 2013
		June 30 th	March 31 ^{st (2)}		Total
Tonnes milled	Tonnes	88,966	71,518	+24%	160,484
Tonnes per day	Tpd	978	872	+12%	928
Recovery	%	85.2%	88.4%	-4%	86.8%
Grade	g/t	5.75	7.15 ⁽³⁾	-20%	6.38
Gold					
Production	Oz	14,448	11,888	+22%	26,336
Sales	Oz	10,418	13,424	-22%	23,842



Realised Gold Price	US\$/oz	1,408	1,613	-13%	1,523
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Notes: 1.No comparable period in 2012 as production started in Q4 2012
 2. Revenue and production for quarter March capitalized as part pre-production expenditure
 3. Restated from 7.47 g/t following metallurgical work onsite

Production Update

The Company reported gold production of 14,448 ounces, an improvement of 22% from Q1 2013. Mill throughput totaled 88,966 tonnes at an average grade of 5.75 g/t with mill recoveries of 85.2%. Although the tonnes milled were up 24% on Q1, premature coupling failures hindered production in April and May leading to seven operating days (approximately 1,000oz of production) being lost. The issues leading to the failures are being addressed with no further lost days recorded in June.

The achieved grade reflects the increased use of lower grade stockpile ore as part of an ongoing focus to maximise the project's returns. The life of mine blended grade is targeted at 6.3gt. An opportunity exists to improve recovery rates and management is looking at optimising the feed size distribution and liner design/usage.

Phase two of the planned plant improvements has been successfully completed with the commissioning of the upgraded crushing circuit carried out in early July. The circuit is operating satisfactorily with overall progressive improvement of throughput since the start of the year meaning the Company is on track to meet its H2 target of 1,200 tonnes per day.

	Q1	Q2	June	July (20 days)	H2 2013 (target)
Tonnes per day	872	978	1,127	1,185	1,200

While significant improvements have been achieved in de-bottlenecking various areas of the plant, the incinerating process, as highlighted in earlier reports, remains a constraint in lifting production substantially. As a result of the uncertainty of increasing the volume through the incinerator without further upgrades, the Company expects to achieve the lower end of its previous guidance of 63,000 – 70,000 oz for the full year.

New Luika Plant Upgrade and Project Completion

Capital projects for plant and site development include a new crushing and screening plant from Sandvik ("Crushing Plant"), elution & electrowinning plant from FL Smidth ("Elution Plant") and perimeter security fencing. Total expenditure is estimated at US\$9.6 million of which US\$5.0 million is planned in H2 2013. Vendor financing has been offered on 70% of the Crushing Plant at a very competitive interest rate over a three year period.

In July, orders were placed for the Crushing and Elution Plants. These projects provide sustainability and are crucial in realizing the 2014 production target of 90,000 oz while allowing capacity for future growth opportunities. Operating costs will be reduced primarily from the substitution of the current high cost under-designed crushing circuit and elimination of up to 90% of carbon which is the single largest consumable of the plant. The combined payback from increased production and reduced costs assuming a US\$1,200 per oz gold price is estimated at less than one year. Shipments of the Crushing and Elution Plants from the manufacturers have been agreed for the end of November with penalties in place for delays. Commissioning is expected to be completed in Q1 2014 but importantly there will be minimal disruption to production.

Sales, Prices and Hedging



Total gold sales of 10,418 oz in Q2 were realised at an average price of US\$1,408 per oz. The sales exclude a shipment of 3,232 oz in early April which has, in conjunction with the associated costs, been capitalised in period to March. A progressive hedging programme to protect margins and reduce exposure to recent gold price volatility in a key period of capital investment and debt management commenced in Q2. The Company has entered into forward sale contracts for gold delivery in the period July 2013 through to March 2014 and will continue to look at protecting its position in 2014 through prudent hedging.

Delivery Period	Gold Delivery		Weighted Average Price (US\$/oz)
	Monthly (oz)	Total (oz)	
Q3 and Q4 2013	4,000	24,000	1401
Q1 2014	3,000	9,000	1286
Total		33,000	1370

Costs

The unaudited 'Adjusted Operating Cash' cost (as defined by the World Gold Council's metrics) was US\$920 per ounce (including government royalties of 4%) and is in line with the Company's forecasts for a progressive improvement as volumes increase. A thorough review of the cost structure was initiated in Q1 and cost saving initiatives have been achieved to date with actions underway now for further improvements in the second half of the year. Specific areas of focus include the restructuring of major service and supply agreements and the introduction of a lower cost fuel in the generation of power.

Finance

Debt Restructuring – Secured loans outstanding of \$32.5 million with FBN Bank (UK) Ltd are due for full repayment by the end of 2014. While this could be met out of the Company's projected cash flow the preference is to extend the tenure reflecting a longer repayment profile over much of the existing mine plan. Significant progress has been made with 'Credit Committee Approved' term sheets from lenders having been received and an update will be provided when a definitive outcome is available.

Cash and cash equivalent at June 30th was US\$16.6 million. In Q2, the Company generated positive cash flow from operations, repaid US\$3.75 million of debt and paid US\$2.4 million related to the consolidation of Shield Resource Limited.

Exploration

The Company has a conservative exploration program in place focused on increasing the indicated resource at the current operations through a drilling program aimed at establishing the depth and strike extent of mineralisation. In addition, low cost evaluation of targets has been completed within the Lupa goldfields exploration licenses, of which the Company recently took 100% control. The Company believes that it is critical that adequate information is received as early as possible to plan beyond the current 5 year mine plan. Although the majority of assays are still awaited, initial encouraging results from holes drilled to date have been received. Thus far, 12 diamond drill holes have been drilled at the high grade Bauhinia Creek deposit, with 8 diamond holes drilled at the adjacent Luika deposit. Geological logging has shown that robust mineralization persists well below the currently planned Bauhinia Creek pit depth of 200 meters down to approximately 350 meters below surface and remains open at depth. The Company has also defined a significant extension of the Bauhinia Creek ore body to the West. Evidence of robust mineralisation at depth has also been defined to a vertical depth of approximately 250 meters at the adjacent Luika deposit. Further updates will be furnished as new assay results become available. The majority of the planned drilling program for 2013 has been completed.



In the context of the increased volatility and decline of the gold price, the Company has delayed all non-essential exploration activity indefinitely, estimated to be approximately US\$1.5 million in the H2 2013. The Company will review this in parallel with results from existing exploration activities.

The Company continues to advance the feasibility study for Singida Mine Project mindful of cash constraints.

Board and Management Changes

Edward Johnstone has decided to, by agreement with the Board, resign as a Director and CFO as of 31 July 2013. Edward will continue working with the Company in a consulting capacity with a focus on growth and cost saving initiatives through a power and water project. The Board thanks Edward for his contribution to date and is pleased to be working with him on this important assignment, given his knowledge of the Company and the East Africa Region.

The Company is pleased to announce that the CFO role will be immediately taken up by Patrick Maseva-Shayawabaya, a Chartered Accountant who has been CFO of ASX listed Zimplats Holdings Limited for the past 11 years. Patrick brings a wealth of experience to Shanta which is critical at a time when cash and cost management are fundamental to the ongoing success of the Company.

Commenting on the recent developments Mike Houston, CEO, said:

“The second half of 2013, although still a period of stabilisation, has upside potential as we now have increased crushing capacity in place. Further improvements, notably around the incinerating process where it has been established certain aspects are under-designed, are on-going. The confirmation that we will have both the new crusher and incinerator commissioned in Q1 2014 will allow growth and see the New Luika Gold mine progress towards steady state, low-cost gold producer..

It is important we finalise our debt restructuring to provide the Company with additional comfort in what is a difficult market environment.

I am excited with initial drill results at Bauhinia Creek which are confirming that the ore body is open at depth and extends to the west. The improved strike length further enhances the potential of a high-grade underground mine. Obviously the assay results are critical to justify the commercial viability and we look forward to reporting to shareholders on the outcome later this year.

On behalf of the Board, I am pleased to welcome Patrick with whom I worked with for many years in the past and look forward to working with Edward in his new role and thank him for the contribution he has made to the Company thus far.”

Note: Wally Channon has reviewed and approved the technical information contained within this announcement in his capacity as a qualified person, as required under the AIM rules.

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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.