Shanta Gold Limited

("Shanta Gold" or the "Company")

Q2 2014 PRODUCTION AND OPERATIONAL UPDATE

Shanta Gold, the East Africa focused gold production and exploration company, is pleased to announce its production and operational results for the quarter ended 30 June 2014 (the "Quarter").

Highlights

Operational

- Record gold production of 21,940 ounces, up 8% from Q1 2014 (20,254 ounces)
- Gold sales of 22,400 ounces at an average price of $1,307 per ounce
- Cash Cost and All in Sustaining Cost of $755 (Q1: $767) and $959 (Q1: $965) per ounce respectively
- Elution/electro-winning plant commissioned in May and operating well – gold recoveries improved to 86% in June and silver recoveries increased significantly
- Installation of crushing and screening circuit is on-going and commissioning scheduled for end of August 2014
- Revised 2014 production guidance of 80,000 to 83,000 ounces with All in Sustaining Cost guidance of $900 to $1,000 unchanged
- Safety performance remained strong with no lost time injuries

Financial

- Cash balance of $15.5 million
- Positive cash flow from operations of $7 million
- Capital expenditure of $3.1 million
- Net debt at Quarter end of $46 million
- Forward sales from July 2014 to March 2015 of 30,000 ounces at an average price of $1,319

Development

- New Luika Life of Mine Extension and Expansion Study on course to be completed during Q3
- Singida Mine Development Feasibility Study progressing
- Positive drill results at New Luika

Corporate

- Signification progress made with potential financiers on funding for the New Luika Life of Mine Extension and Singida Mine Development Projects

Mike Houston, CEO, commented:

"I am pleased with both our production and cost performance for the Quarter. The benefits of the elution/electro winning plant are already apparent even at this early stage and with the commissioning of the new crushing/screening circuit the Company will have a robust plant that can cope with future throughput increases enabling us to change our guidance for gold production to between 80,000 and 83,000 ounces for the full year.

Good progress has been made on the development front with management focusing on progression of the New Luika Life of Mine extension and Singida projects in a manner that will deliver value for shareholders while not compromising our financial stability."

Conference Call

Shanta Gold will be hosting a conference call for analysts at 9.00am to discuss the announcement, please find details below:

Time & Date: 9.00am - 21 July 2014

Dial-In: +44 (0) 1452 569393

Passcode: Shanta Gold

Operational

Production Summary

	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Tonnes ore milled	140,856	132,198	117,278	114,130
Grade (g/t)	5.03	5.40	6.30	5.95
Recovery (%)	85	85	86	91
Gold (ounces)				
Production	21,940	20,254	19,581	18,894
Sales	22,400	22,059	18,800	19,235
Realised Gold price(US$)	1,307	1,297	1,320	1,366

Gold production of 21,940 ounces was 8% up on the previous quarter. This included the recovery of approximately 2,500 ounces from the circuit following the dismantling of the incineration equipment and the reduction in gold in the Carbon in Leach (CIL) circuit with the introduction of the elution/electro-winning plant.

The lower grade is a reflection of the mix of ore from the two pits and with higher than planned milled tonnes, the usage of lower grade ore from the stockpile. Plant recovery was largely affected by higher milled volumes creating shorter leach residence time. With the commissioning of the elution plant we saw an improvement to 86% in gold recovery and silver production tripled to 10,733 ounces in the month of June. Going into the second half of the year, we expect further improvements in the recovery of both gold and silver but at the higher milled volumes it will be necessary to also increase CIL capacity if we are to achieve the targeted 89% recovery.

The 2014 production guidance has been revised to 80,000 to 83,000 ounces.

The Company successfully started the Bauhinia Creek development pushback in the Quarter under review. The voids created by the earlier colonial miners at the Luika pit is making the early phase mining of this pit more challenging than was anticipated.

Plant Upgrade

The elution/electro winning plant was commissioned in late May 2014. This has resulted in an improvement in gold recovery for the latter part of the Quarter and a very material improvement in the recovery of silver as previously reported. The installation of the crushing/screening plant is in progress and is now expected to be commissioned by the end of August 2014 with an expected further reduction in cash costs thereafter.

Power costs – Heavy Fuel Oil (HFO) conversion

The company converted to HFO in April 2014 and although there were a number of teething issues, as of June 2014, the mine was operating at 86% HFO. Diesel generators were kept as back up whilst the HFO process was fully tested. The energy cost per kWh at current levels has dropped by 18% and further improvements are expected as we move to close to 100% HFO usage.

The company continues to look at alternative power options and of immediate interest is the use of more efficient low speed HFO generators which could have a material impact on power costs .The Company has, on a rental basis, installed a small solar power plant to fully test the potential of this process under local conditions.

Safety, Health and Environment

Safety performance has remained strong with no lost time injuries recorded during the Quarter.

Financial

A total of 22,400 ounces, including fulfilment of forward sales commitments, were sold during the Quarter at an average price of $1,307.

As at 30 June, the Company had sold forward to March 2015, of 30,000 ounces at an average price of $1,319. The Company does not have a long term policy to hedge but a prudent hedging strategy is being followed during this period of debt servicing.

Cost control remained a key focus area helped by the higher production and consequently the "Cash Cost" (Note 1) per ounce was $755 and "All in Sustaining Cost" (AISC) (Note 2) at $959 per ounce, were both marginally lower than the previous Quarter.

Cash generation in the Quarter was satisfactory with $8 million generated from operations. This was applied to fund capital expenditure of $3.1 million, loan repayments of $2.8 million and interest payments of $1.6 million. Net debt at Quarter end amounted to $46 million, including the $25 million Convertible Loan Notes redeemable in 2017. The cash balance at Quarter end amounted to $15.5 million. During the first half of 2014, the Company paid off $5.6 million of its primary loan.

Note 1: Cash Cost - Back of mine operating and administrative costs excluding royalty

Note 2: AISC - Cash cost plus royalty, stay in business capital expenditure, interest and G & A

Development

New Luika Life of Mine and Expansion Project

This remains the Company's priority project and is progressing well. The main areas of focus are:

- a drilling program to further upgrade the underground resource is progressing well with +/- 2,906 metres drilled during June and first half of July. Encouraging sections of mineralisation have been encountered at Luika and Bauhinia Creek with assay results expected to be published during Q3 2014;
- the underground mine design and capital expenditure and operating cost parameters;
- the evaluation and finalisation of the open pit designs for Bauhinia Creek, Luika and the smaller satellite pits;
- the plant upgrade which involves a 3rd mill, an increased CIL tankage plus a circuit to recover the high grade tailings.
- Evaluation of longer term water supply to meet LOM needs.

The early indications are encouraging with a potential of 20-25% increase in gold production and an increase in life of mine from the original five years to life in excess of eight years. With New Luika centered in what is highly prospective ground, the Company is confident that it will continue to discover resources both in the current mining license (as shown by the Ilunga drilling results outlined below) or within an economic trucking distance from the processing plant.

Singida

Singida remains an important project and good progress is being made on the feasibility study. It is at this juncture thought that this project will be deferred to first allow the relocation exercise to be completed and also to establish if the mine life can be extended. Key areas of focus include:

- The relocation has progressed well with the mine foot print approved and the Company now entering into negotiations with the authorities on the movement of 15 households;

- Evaluation of the current resource was completed in 2009 and is based on standards stipulated in JORC Code (2004 edition). The Company is in the process of making the Singida Resource compliant with the current 2012 edition of the JORC code, in line with all of New Luika Resource;

- With a large near surface tonnage of lower grade material not in the mine plan, management is testing the suitability of this ore for heap leaching;

- The water supply situation has improved significantly with high volume boreholes found but more work is needed to accurately measure the sustainable capacity;

- The plant design has been completed and is being reviewed.

Exploration

The Company has continued to focus on upgrading the on-mine resource with encouraging results.

Luika

Four Reverse Circulation (RC) holes were drilled in the South Western extreme of the ore body. Although all four holes intersected the mineralised Luika structure, mineralisation was disappointing and confirmed the South Western limit of the Luika ore body.

In addition, three diamond drill holes were targeted to intersect the high grade inferred block model +/- 200 metres to upgrade the resource to an indicated category. Hole CSD 049 intersected mineralisation and quartz veining of 8.5 metres down the hole at 200 metres below surface. Hole CSD050 intersected mineralisation and quartz veining of 8.0 metres down the hole at 240 metres below surface. Hole CSD051 intersected mineralisation and quartz veining of 6.0 meters down the hole at 290 metres below surface. This deeper hole suggests that this high grade ore body is potentially open at depth. The core for these holes is currently being prepared for assaying with an independent geotechnical review as part of the process to assist in the underground mining data base.

Bauhinia Creek

Four diamond drill holes were planned of which three were targeted to intersect the inferred block model to upgrade resource to indicated category. Hole CSD053 hit a 'fault loss' and CSD054 had 3 metres of mineralisation and quartz veining at 310 metres below surface. The 3rd hole, CSD055, will be completed shortly.

Hole CSD052 was drilled to test the ore plunge to west and at depth and intersected 2 metres of mineralisation and quartz veins at 350 metres below surface.

The core for these holes is currently being prepared for assaying and an independent geotechnical review is being undertaken as part of the process to assist in the underground mining data base.

Ilunga

This target is a brittle ductile deformation similar to Bauhinia Creek and had been drilled earlier to a depth of 40 metres and demonstrated a higher grade profile as it plunged in a westerly direction.

Four new exploratory RC holes were drilled to 80 metres vertical to test continuity down dip and test the plunge to the west. Hole CSR394 which was directly under the higher grade block model intersected 1 metre at 2.05 g/t and 5 metres at 0.48 g/t at 80 metres depth. Hole CSR395 drilled to 80meters vertical and 50 meters west had 2 metres at 1.46 g/t and 7 metres at 2.08 g/t. Hole CSR 396 drilled to 80 metres vertical and 100 metres west had 2 metres at 0.78 g/t and 6 metres at 8.74 g/t. Hole CSR397 drilled to 80 metres vertical and 150 metres west interesected2 metres at 2.67 g/t and 5 meters at 5.9 g/t. All of these holes are outside of the existing Ilunga block model and have demonstrated that the ore body is open at depth and that there is a plunge to the west with exciting grades.

The Company is currently planning a drilling program to test the extension of the ore body to the west and at depth.

The Company continues with its regional exploration with encouraging targets being developed close to the New Luika operation and intends to drill test certain of these in the second half of the year

Corporate

Funding

In tandem with the Bankable Feasibility Studies, discussions have been on-going with potential financiers on raising funds required to implement both the New Luika Life of Mine extension and Singida Mine Development Projects. These discussions have been positive and are expected to be concluded during Q4 2014.

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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 and produced 64,000 ounces in 2013. The Company is admitted to trading on AIM and has approximately 464 million shares in issue. For further information visit the Company's website: www.shantagold.com.