



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

Q3 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 September 2014 (the "Quarter").

Highlights

Operational

- Record gold production of 22,720 ounces, up 4% from Q2 2014 (21,940 ounces)
- Gold sales of 18,600 ounces at an average price of \$1,306 per ounce (with a further 3,800 ounces in transit at the end of the quarter)
- Cash Cost and All in Sustaining Cost of \$671 (Q2: \$755) and \$873 (Q2: \$959) per ounce respectively
- Crushing and screening circuit commissioned in mid-October 2014
- Production guidance for FY 2014 of 80,000 to 83,000 ounces reaffirmed and All in Sustaining Cost guidance revised to \$900 to \$950 per ounce (versus \$900 - \$1,000)
- Safety performance remained good with no lost time injuries

Financial

- Cash balance of \$18.7 million (Q2: \$15.5 million)
- Strong cash flow from operations of \$14.8 million (Q2: \$7.0 million)
- Capital expenditure of \$8.0 million including Open Cast mine development push back
- Ongoing reduction in net debt to \$40 million at quarter end (Q2: \$46 million)
- Forward sales from October 2014 to March 2015 of 21,000 ounces at an average price of \$1,316 per ounce

Development

- New Luika Life of Mine Extension and Expansion Study completed, 3rd party review ongoing
- Singida Mine Development Feasibility Study progressing

Corporate

- Good progress made with potential debt financiers on funding for the New Luika Life of Mine Extension



Mike Houston, CEO, commented:

“I am pleased that production and cost performances continue to trend positively. Although the fourth quarter is unlikely to exceed 19,000 ounces with the Bauhinia Creek and Luika Pit development impacting on ore availability over this period resulting in a lower grade profile, we remain confident of achieving the 2014 production guidance at a lower cost than previously expected.

We are very encouraged by the resource and reserve upgrade announced today which clearly highlights that Shanta has a minimum life beyond 2014 of seven years. We look forward to providing the market with a more detailed Life of Mine (LOM) Plan on completion of the 3rd Party Review which is expected by mid-November.”

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 - 20 October 2014

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Operational

Production Summary

	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Tonnes ore milled	153,301	140,856	132,198	111,278
Grade (g/t)	4.47	5.03	5.40	6.30
Recovery (%)	89.1	85	85	86
Gold (ounces)				
Production	22,720	21,940	20,254	19,581
Sales	18,600	22,400	22,059	18,800
Realised Gold price(US\$)	1,306	1,307	1,297	1,320

Gold production at 22,720 ounces was 4% up on the previous quarter driven by an improved tonnes milled, recovery and additional ounces recovered from the CIL circuit. The lower grade reflects the need to utilize higher volumes of lower grade ore from the Luika pit and stockpile to meet the higher than anticipated plant demand. We expect plant throughput to stabilize at 50,000 tonnes per month with recoveries broadly in line with the current quarter now that the elution plant has been completed.

The higher gold recovery is a reflection of the first full quarter of operation of the elution plant which also includes a threefold increase in silver production.

Given the year to date production, we forecast 2014 production will be at the top end of our guidance of 80,000 to 83,000 ounces. However the on-going pushback at Bauhinia Creek and the early stage development of the Luika Pit is likely to influence production during the next two quarters as a result of limited quantities of high grade ore being available and we are therefore anticipating a maximum production of 19,000 ounces in Quarter 4. It is forecast that the grade will improve in 2015 but will be influenced if plant throughput exceeds mine plans and lower grade gravels or stockpile ore are used to make up the shortfall.

The Bauhinia Creek push back based on the 160 metre pit design commenced in Quarter 2 and is scheduled to be largely completed at the end of 2015. The cost of the development capital for Bauhinia Creek and Luika (opened in March 14) for 2014 is anticipated at \$7 million with a further \$8 million forecast in 2015. The Bauhinia Creek push back will enable access to the high grade open pit ore reserves and provide considerable operational flexibility at a time when the underground mining will be ramping up to full capacity. The average LOM strip ratio for all opencast operations is forecast to be 12.8.



Plant Upgrade

The crushing/screening circuit was commissioned mid-October on budget but slightly behind schedule. The current crushing circuit including rented equipment will now remain in place until the end of November as a backup until management are completely comfortable with the new circuit. Cost savings and subject to ore availability, higher throughput are forecast from 2015.

Power Costs

The effectiveness of the Heavy Fuel Oil (“HFO”) plant continues to improve with the mine now operating at 94% HFO. The Company continues to evaluate longer term power solutions with encouraging outcomes.

Safety, Health and Environment

Safety performance has remained good and no lost time injuries have been recorded for the year to date.

Financial

18,600 ounces of gold, including fulfillment of forward sales commitments, were sold during the Quarter at an average price of \$1,306 per ounce. At the end of the quarter, 3,800 ounces were in transit and were thus sold in early October.

As at 30 September, the Company had hedged to March 2015, 21,000 ounces at an average price of \$1,316 per ounce.

Cost performance for the Quarter was good with “Cash Cost” (Note 1) of \$671 per ounce and “All in Sustaining Cost” (AISC) (Note 2) of \$873 per ounce, both lower than the previous quarter.

Capital expenditure in the Quarter amounted to \$8.0 million. Of this, \$3.9 million was on the on-going Bauhinia Creek open pit development whilst \$1.5 million was on the Crushing and Screening Circuit and \$0.5 million on the Elution/electro-winning plant.

Cash generation in the Quarter was strong with \$14.8 million generated from operations. This was applied mainly to fund the capital expenditure of \$8.0 million as well as loan and interest repayments of \$3.2 million. As a result, the cash balance at quarter end was \$18.7 million, an increase of \$3.2 million from the previous quarter. The Company has repaid \$8.4 million of the bank loan since the beginning of the year. Net debt at quarter end amounted to \$40 million, including the \$25 million Convertible Loan Notes redeemable in 2017.

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

The Company has completed the LOM extension study based on the upgraded reserve and is awaiting completion of a 3rd party Review of the Bankable Feasibility Study.

The reserve upgrade announced today highlights an increase from 456 koz (2.5 mt at 5.6 g/t) to 690 koz (4.9 mt at 4.3 g/t) versus the January 2014 Reserve announcement. These figures include the depletion of ore mined to date and support the work done on the LOM extension

The Resource Statement has highlighted the opportunity to upgrade further ounces from inferred to indicated and several ore bodies remain open at depth. In addition with New Luika centered in what is highly prospective ground, the Company is confident that it will continue to discover new resources both in the current mining license and within an economic trucking distance from the processing plant.

The Company has focused on the following four key aspects in deciding on the base case LOM model:

- (i) Ensure the Company remains in top quartile grade wise and in the lower quartile of the cost curve through on-going cost improvements
- (ii) Financial flexibility – continued reduction of debt profile
- (iii) Growth Flexibility – internally and through acquisitions
- (iv) Deliver value to shareholders through balancing capital growth and potential for dividends

The Company is considering two possible scenarios - firstly a fast track growth option and secondly a mine optimization option that allows growth to be introduced when market conditions are more attractive. Management and the Board are extremely conscious of ensuring financial stability and reduction of debt in what are volatile market conditions.

A final decision on which development scenario will be undertaken by the Company will be made upon conclusion of the 3rd party review and prevailing market conditions.

It is the Company's intention to provide the market with a detailed outcome of the LOM plan during Quarter 4 once the 3rd party review has been completed.

Singida

Singida remains an important project and good progress is being made on upgrading the current feasibility study. 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.



Corporate

Funding

In tandem with the bankable feasibility studies, good progress has been made on discussions with potential debt financiers on raising funds required to implement the New Luika LOM extension and these remain on course to be concluded by end of Quarter 4 2014.

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.