



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

Q1 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 31 March 2014 (the "Quarter").

Highlights

Operational

- Record gold production of 20,254 ounces, up 3.5% from Q4 2013
- Gold sales of 22,059 ounces at an average price of \$1,297 per ounce
- Cash Cost and All in Sustaining Cost of \$767 and \$965 per ounce respectively, both lower than expected for the Quarter
- Installation of both the elution/electro-winning plant and the crushing circuit is ongoing
- Reaffirming FY 2014 production and cost guidance of 80,000 ounces and \$900 to \$1,000 respectively
- Continued excellent safety performance with no lost time injuries

Financial

- Cash balance of \$18.7 million, including \$2.4 million of bullion
- Generated positive cash flow from operations of \$10.1 million
- Capital expenditure of \$5.5 million
- Recommended loan repayments with \$2.8 million repaid
- Net debt of \$45.1 million, including \$25.0 million convertible loan notes
- Forward sales to October 2014 of 24,000 ounces at an average price of \$1,324

Development

- Good progress on the New Luika Life of Mine plan and the Singida Project with both Bankable Feasibility Studies to be completed by the end of Q2 2014 with publication expected in early Q3 2014

Corporate

- Non-Executive Board changes with Paul Heber, Nick Davis and Jonathan Leslie (strategic advisor) stepping down at the AGM on the 30th May 2014

Mike Houston, CEO, commented:

"Performance for the quarter was ahead of expectations with record gold production on the back of higher throughput resulting from increased plant availability. The higher gold production has helped in managing costs and offsetting some delays being experienced at our plant improvement projects.



We have had encouraging results to date from the studies on the Life of Mine plan at New Luika and the Singida Project, which, once completed, could materially change the growth profile of the Company.

Lastly, I want to personally thank Paul, Nick and Jonathan for their contribution to Shanta Gold over the years.”

Operational

Production Summary

	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Tonnes ore milled	132,198	117,278	114,130	88,966
Tonnes per day	1,369	1,275	1,241	967
Recovery (%)	85.2	85.9	91.3	85.2
Grade (g/t)	5.40	6.30	5.95	5.75
Gold (ounces)				
Production	20,254	19,581	18,894	14,439
Sales	22,059	18,800	19,235	10,418
Realised Gold Price (US\$)	1,297	1,320	1,366	1,408

Production for the Quarter was 20,254 ounces, an increase of 3.5% over Q4 2013. This solid production performance was a result of high plant availability coupled with the processing of softer ore, albeit at lower grade, from the Luika open pit which enabled 132,198 tonnes of ore to be milled. The high plant throughput provided an opportunity to also utilize lower grade ore from the stock pile. Recovery rate of 85.2% in the Quarter was largely influenced by the necessity to load high levels of gold on carbon to maximize throughput through the incinerator. This current bottle neck will be removed with the introduction of the elution and electro-winning plant. It is anticipated that recovery will improve from the middle of Q3.

Mining performance for the Quarter was satisfactory despite very high rainfall received which adversely affected the Bauhinia Creek operation. Focus remains on improvement of mining efficiencies as the tonnage demand increases.

Plant Upgrade

Installation of both the elution/electro-winning and the crushing/screening plants is on-going. The elution/electro-winning plant is scheduled for commissioning by the end of May 2014 whilst the crushing/screening plant is now expected to be commissioned by the end of July 2014. Both projects are expected to be completed within the total budget of \$9.4 million, of which \$2.9 million is export financed. Expenditure on the projects to end of Quarter was \$6 million, with the balance to be spent in Q2.

The mine converted from diesel to Heavy Fuel Oil (“HFO”) during the second half of April which will provide savings on power costs going forward.

Safety, Health and Environment

Safety performance has remained good with no lost time injuries recorded during the quarter.



Financial

A total of 22,059 ounces were sold during the Quarter at an average price of \$1,297.

Bullion in stock at 31 March 2014 was 1,842 ounces. As at 31 March, the Company had forward sales contracts to October 2014, in respect of a total of 24,000 ounces at an average price of \$1,324. The Company remains committed to a prudent hedging policy.

Cost control was good and unit cost performance also benefitted from the higher production volume. Consequently, Cash Cost (Note 1) at \$767 per ounce and All in Sustaining Cost (AISC) (Note 2) at \$965 per ounce, were both lower than expected for the Quarter. The Company generated positive cash flow from operations of \$10.1 million.

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

Repayment of the bank loan commenced during the Quarter and a total of \$2.8 million was repaid. Net debt at Quarter end amounted to \$45.1 million

Capital expenditure amounted to \$5.5 million including the elution/electro-winning, crusher/screening plants and mine infrastructure.

Cash balance at Quarter end amounted to \$18.7 million, including US\$2.4 million of bullion.

Development

New Luika Life of Mine and Underground mining study

The New Luika Life of Mine and Underground mining study, using both internal resources and external independent mining consultants (the "Project Team"), is progressing well. The total resource was evaluated and a number of underground mining methods reviewed to establish technical and commercial viability. At the same time the Project Team assessed plant expansion opportunities to best utilise the overall resource.

The findings presented to the Board indicate that underground mining should be viable at New Luika and in conjunction with a plant expansion offer exciting prospects to extend the Life of Mine. The Board has therefore approved that a Bankable Feasibility Study be completed, with suitable third party reviews particularly with regard to the underground mining methodology and associated costs. It is envisaged that this will be published in early Q3 2014.

With the confidence level achieved through the study above, the transition depth from open cast to underground at Bauhinia Creek has been established allowing the new pit design to be completed. With this information, it is necessary to embark on an accelerated waste development programme ("push back") commencing in the second half of 2014, to ensure continued access at planned levels to this high grade resource.



Singida

A project team was appointed in late 2013, consisting of internal resources and external independent consultants. Having recently presented their findings to the Board, a decision has now been taken to advance the Singida Project to Bankable Feasibility level, with the study to be published in early Q3 2014.

Corporate

Board Changes

With effect from 30 May 2014, the following Board changes should be noted.

Paul Heber, after three and half years of service on the board has decided to retire. Nick Davis, due to work commitments, has also decided not to stand for re-election at the Company's forthcoming AGM. Nick has been closely involved with the company since its inception and will continue to advise the Company in his legal capacity. In addition, Jonathan Leslie, currently Strategic Adviser to the Board, will relinquish that position but will continue to be available to the Board as a consultant. The Board thanks Paul, Nick and Jonathan for their considerable contribution to the growth of the Company and wishes them well for the future.

Conference Call

The Company will be hosting a call at 08:45am today to discuss the Q1 Operational Update, please find details below:

Time & Date: 08:45am - Monday 28 April 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.