20 October 2015

Shanta Gold Limited

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

Q3 2015 PRODUCTION AND OPERATIONAL UPDATE

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, developer and explorer, announces its production and operational results for the quarter ended 30 September 2015 (the "Quarter" or the "Period") for its New Luika Gold Mine ("NLGM"), in Southwest Tanzania.

Highlights

Operational

- Record quarterly gold production of 24,552 ounces ("oz") (Q2: 14,664 oz);
- Gold sales of 26,254 oz at an average price of US$1,175 per oz ("/oz") (Q2: 11,590 oz at US$1,222 /oz);
- Cash Cost of US$453 /oz (Q2: US$834 /oz) and All in Sustaining Cost ("AISC") of US$608 /oz (Q2: US$1,157 /oz);
- AISC 2015 guidance on track to achieve US$850 /oz to US$900 /oz; and
- 2015 annual production guidance on track to achieve 72,000-77,000 oz.

Financial

- Cash generated from operations of US$13.2 million ("m") (Q2: loss of US$3.0 m);
- Capital expenditure of US$7.3 m (Q2: US$6.6 m) including open pit development expenditure;
- Cash balance of US$11.2 m (Q2: US$5.9 m). US$5.4 m of period sales received post quarter end;
- Gross debt of US$60.3 m (Q2: US$60.4 m) and net debt of US$49.1 m (Q2: US$54.5 m); and
- Forward sales from October 2015 to April 2016 of 25,000 oz at an average price of US$1,176 /oz.

Exploration and Development

- Underground feasibility study, base case mine plan ("the Plan"), updated reserves statement for NLGM completed and released to market in Q3 2015;
- The underground mine is planned to produce 310,000 oz with a project Net Present Value[1] ("NPV") of US$72 m, at a gold price of US$1,200 /oz, and with a pre-tax Internal Rate of Return ("IRR") of 56%;

- The Plan, incorporating underground operations, will enable NLGM to maintain average production of 84,000 oz over five years, offering post-tax NPV[1] from January 2016 of US$110.4 m at a gold price of US$1,200 /oz;
- Total resources that sit outside of the Plan, but within Shanta's mining license, amount to 6.64 million tonnes ("Mt") at 2.41 grams per tonne ("g/t") for 514,000 oz. These resources are being prioritised for further exploration with a view to inclusion in the Plan to provide the opportunity to further extend the life of the high grade underground resources, push out capital expenditure, extend the life of the operation and further improve the NPV; and
- Singida project relocation process continues.

Toby Bradbury, Chief Executive Officer, commented:

"Both the production and cost performance for the Quarter further derisks our AISC and production guidance for 2015. The operating platform we have established at NLGM underpins the value accretive base case mine plan, the underground feasibility study and updated reserves statement released to the market last month.

"The Quarter reported marks an important point at which our initiatives targeting operational efficiencies, senior operational appointments and value improvement programmes are taking measurable effect. Our costs have reduced, production has stabilised and our base case mine plan clearly maps out the future of the NLGM operations. I remain confident that Shanta will achieve its 2015 annual production and AISC guidance of 72,000-77,000 oz at US$850 /oz to US$900 /oz, respectively.*"*

Analyst conference call and presentation

Shanta Gold will be hosting an analyst conference call and presentation today, 20 October 2015, at 09:30 BST. Participants may access the call by dialling one of the following numbers below approximately 10 minutes prior to the start of the call.

From UK (toll free): 080 8237 0030
From the rest of the world: +44 (0)20 3139 4830
Participant PIN code: 90562655#

The presentation is available for download from the Company's website: www.shantagold.com or by clicking on the link below:

https://www.anywhereconference.com/?UserAudioMode=DATA&Name=&Conference=131663147&PIN=90562655

A recording of the conference call will subsequently be available on the Company's website.

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About Shanta Gold

Shanta Gold is an East Africa-focused gold producer, developer and explorer. 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 in the country. Shanta's flagship New Luika Gold Mine commenced production in 2012 and produced 84,000 ounces in 2014. The Company has been admitted to trading on London's AIM and has approximately 468 million shares in issue. For further information please visit: www.shantagold.com.

[1]NPV calculated at an 8% discount rate.

Operational

Production Summary

Production guidance for 2015 maintained at 72,000-77,000 oz.

	Q3 2015	**Q2 2015**	**Q1 2015**	**Q4 2014**
Tonnes ore milled	150,216	119,857	137,894	154,309
Grade (g/t)	5.68	4.27	3.38	4.37
Recovery (%)	89.5	89.3	90.1	88.2
Gold (oz)				
Production	24,552	14,664	13,516	19,114

Sales	26,254	11,590	13,551	24,700
Silver production(oz)	36,043	24,398	24,600	34,768
Realised gold price (US$)	1,175	1,222	1,252	1,253

Tonnes ore milled were 25% higher than the previous quarter, in line with increased ore available following the re-design and re-optimisation of the Bauhinia Creek ("BC") and Luika Pits. Production from the pits will, for the remainder of the year, enable Shanta to operate the plant at full capacity as well as to rebuild ore inventories. Ore head grades were 33% higher than the previous quarter, also due to the availability of higher-grade ore from the two pits. The combination of a higher volume of ore processed and improvement in ore grade resulted in a record quarterly gold production of 24,552 oz.

Safety, Health and Environment

One lost time injury recorded in the Quarter, the first such incident since production commenced in late 2012.

Financial

A total of 26,254 oz of gold were sold at an average price of US$1,175 /oz. 12,858 oz were sold under forward sales contracts at an average price of US$1,242 /oz.

The Company has hedged, to April 2016, 25,000 oz at an average price of US$1,176 /oz.

Strong unit cost performance for the Quarter derived mainly from the lower strip ratios arising from the optimisation of both pits as well as the higher level of gold production. Cash Cost per ounce amounted to US$453 (Q2: US$834 /oz) and AISC amounted to US$608 /oz (Q2: US$1,157 /oz). AISC guidance for 2015 therefore remains on track to achieve US$850 /oz to US$900 /oz.

Despite lower prevailing gold prices, cash generated from operations was US$13.2 m (Q2: loss of US$3.0 m), reflecting higher quarterly gold production. US$5.4 m of gold proceeds in respect of September sales were received post-quarter end.

Capital expenditure was US$7.3 m (Q2: US$6.6 m), mostly capitalised waste removal at BC and completion of plant upgrade projects.

The Company's cash balance at Quarter end was US$11.2 m (Q2: US$5.9 m) US$5.3 m higher than the previous quarter, mainly due to the improved cash generation. Gross debt amounted to US$60.3 m (Q2: US$60.4 m), while net debt fell to US$49.1 m (Q2: US$54.5 m).

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

Exploration and Development

On 29 September 2015, the Company announced its underground feasibility study, base case mine plan and updated reserves statement for NLGM.

The underground feasibility study provides for the extraction of 1.57 Mt over six years at a grade of 6.5 g/t gold. It will produce 310,000 oz with NPV[1] at a gold price of US$1,200 /oz of US$72 m, and a pre-tax IRR of 56%. The underground feasibility study presents life of mine average Cash Cost and AISC of US$499 /oz and US$640 /oz respectively.

The underground feasibility study is incorporated into the Plan which also includes ongoing surface mining and a tailings recovery project. In combination, the Plan provides for extraction from mining of 2.79 Mt for the production of 443,000 oz from January 2016 to 2022 (133,000 oz from open pit and 310,000 oz from underground). It provides a post-tax NPV[1] from January 2016 of US$110.4 m at a gold price of US$1,200 /oz, delivering average Cash Cost and AISC are US$532 /oz and US$695 /oz.

As part of the new exploration strategy devised in May 2015, a successful drill optimisation of near-surface resources at the Company's Elizabeth Hill Prospect was completed in the Quarter which increased the total resources of that prospect by 46% to 2.3 Mt at 1.7 g/t for 128,000 oz.

Subsequently, Shanta has extended its on-mine resource optimisation program to other known mineralised prospects within the permitted NLGM area. Drilling equipment was deployed at the end of September 2015 to carry out down-dip upgrade drilling at the Black Tree Hill Prospect which currently has a total resource of 1.67 Mt at 1.8 g/t for 95,000 oz. The programme is aimed at testing mineralisation below available drilling data, to a vertical depth of between 170 metres and 200 metres. Shanta is moving towards the establishment of underground mining operations at its BC and Luika deposits and additional underground ore sources from satellite deposits in the vicinity may add to the sustainability of underground mining operations.

In addition to the Elizabeth Hill and Black Tree Hill satellite prospects, the Company is considering optimisation work at the Luika South and Ilunga mineralised prospects, all within the mining licence and in close proximity to the NLGM processing facility.

Concurrent with the above on-mine optimisation drilling, the exploration team has progressed regional exploration on the extensive portfolio of tenements within a 20 km radius from the NLGM central processing hub. Large areas have been targeted with regional soil geochemistry grids, geological mapping and grab-and-chip sampling of identified targets.

Exploration of the wider mineral licences is ongoing and the Company plans to drill-test Nkuluwisi and Hatari Prospects during Q4, 2015.

Singida

Good progress achieved during the Quarter with the resettlement programme, which is expected to be substantially completed for implementation by end Q1 2016.

Corporate

On the 14 October 2015, Shanta announced Patrick Maseva-Shayawabaya, Executive Director and CFO, had resigned and will leave the Company on 31 October 2015 in order to pursue an opportunity in his home country, Zimbabwe. The Company is actively seeking a replacement and will update the market in due course.

In the interim, Mr. Eric Zurrin will assume the CFO responsibilities whilst the board reviews a suitable appointment. Eric Zurrin, has 12 years' experience in mining and investment banking, previously with UBS Investment Bank in London. He re-joins Shanta having spent much of 2013 in Tanzania as a commercial analyst advising Shanta's former Chief Executive Officer, Mike Houston.

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