



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

Q1 2015 PRODUCTION AND OPERATIONAL UPDATE

Shanta Gold, the East Africa focused gold production and exploration company, announces its production and operational results for the quarter ended 31 March 2015 (the "Quarter").

Overview

Reworked mine plans for the Bauhinia Creek and Luika Pits have resulted in a substantial reduction in forecast strip ratios with long-term benefits for the Company's cost profile. Work is continuing on detailed design but indicative savings are expected to be in excess of US\$20 million over the next two years.

These improvements have been driven by a new management team which has elevated the technical expertise in the Company. Scott Yelland has joined as General Manager at New Luika Gold Mine and a well-respected Head of Exploration is to join on 1 May 2015.

Full year guidance has been revised to 72,000 - 77,000 ounces at an all in Sustaining Cost ("AISC") of US\$850 – US\$900 per ounce. This is on the back of lower production in the first quarter but reflects the strengthened performance expected through the second half of 2015. AISC for the remainder of the year is forecast at US\$760 per ounce driven by materially lower mining costs.

Highlights

Operational

- Gold production of 13,516 oz (Q4: 19,114 oz)
- Ore production impacted by the completion of the Bauhinia Creek access ramp but also by the reduced access from unexpected geotechnical issues in the Luika Pit which meant lower quantity and quality material was processed
- Gold sales of 13,551 oz at an average price of \$1,252 per oz
- Cash Cost and All in Sustaining Cost of US\$1,143 (Q4: US\$779) and US\$1,451 (Q4: \$979) per oz respectively
- Total operating costs well managed but cost/ounce adversely affected by lower grade and lower throughput in the quarter

Financial

- Cash generation from operations of US\$5.8 million (Q4: US\$3 million), adversely affected by low production
- Cash balance of US\$9.2 million (Q4: US\$14.9 million) with US\$1.8 million of period gold sales proceeds received post quarter end
- Capital expenditure of US\$8.1 million including open pit mine development push back
- Gross debt of US\$52.7 million (Q4: US\$55.6 million) and Net debt of US\$43.5 million (Q4: US\$40.7 million)
- Forward sales from April 2015 to September 2015 of 21,342 ounces at an average price of US\$1,251 per ounce



Development

- Incremental analysis of contribution by area leading to re-allocating of resources between surface and underground. Reduction of highest cost mining areas in the open pits. New Luika additional drilling program at depth completed with intersections from directional drilling as expected
- New Luika block model updates underway with latest sample data. Underground feasibility study anticipated in early Q3 2015, followed by the completion of the Life of Mine study also during Q3 2015
- Underground mining engineer appointed to oversee the completion of the feasibility study, take the project through development and subsequently into production.
- Singida Pre-Feasibility Study progressing following the settlement of key community legacy issues.

Corporate

- New loan facilities agreement signed, routine regulatory approvals awaited
- Appointment of Dr. Toby Bradbury as CEO and Patrick Maseva-Shayawabaya to the Board from 1 April 2015

Toby Bradbury, CEO, commented:

“Our newly enhanced management and technical team has identified substantial opportunities to optimise the surface mining operations at New Luika. While production in Q1 was below forecast, operations will recover to full potential from May 2015 on a lower cost profile.

“The focus remains on growing the business by capitalising on the upside potential of our exploration opportunities at New Luika as well as at Singida.”

Conference Call

Shanta Gold will be hosting a conference call for analysts at 9.30am to discuss the quarterly and full year results, please find details below:

Time & Date: 9.30am – 20 April 2015

Dial-In: +44 (0) 1452 556640

Passcode: Shanta Gold

A presentation will be made available on the company's website (<http://www.shantagold.com/>) ahead of the conference call.

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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 84,000 ounces in 2014. 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.

Operational

Production Summary

	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Tonnes ore milled	137,894	154,309	153,301	140,856
Grade (g/t)	3.38	4.37	4.47	5.03
Recovery (%)	90.1	88.2	89.1	85
Gold (ounces)				
Production	13,516	19,114	22,720	21,940
Sales	13,551	24,700	18,600	22,400
Silver production	24,600	34,768	38,999	20,265
Realised Gold price (US)	1,252	1,253	1,306	1,307

A production shortfall from Bauhinia Creek open pit was anticipated in Q1 with production to be supplemented with additional ore from the Luika pit. However, a combination of geotechnical issues and the intersection of mining voids from the historical colonial mining reduced the quantity of ore available in the Quarter leading to lower production than forecast.

The on-going Bauhinia Creek push back access ramp took longer than expected with no ore being available from the pit during the Quarter. The final pit access ramp will be completed in April 2015, providing permanent access to the higher grade ore in the Bauhinia Creek pit.

The recently strengthened operational management team has already completed an optimisation with regards to the mine plan for both the Bauhinia Creek and Luika pits resulting in lower life of mine strip ratios and quicker access to the higher grade ore which will enable full mill throughput to be achieved



from May 2015. The optimisation is also expected to have long-term benefits for the Company's cost profile. Work is continuing on detailed design but indicative savings are forecast to be in excess of \$20million over the next two years.

As a result of the factors outlined above, for the first quarter of 2015 gold production has been approximately 8,500 oz lower than planned. Remedial actions taken will return production to budgeted levels from May 2015. Production guidance for 2015 has accordingly been revised to 72,000 - 77,000 oz.

Operational Management Changes

There have been key management appointments during the quarter focused on reinforcing the mining capabilities at New Luika including Scott Yelland as General Manager, a Chief Mining Engineer and a Mine Planning Engineer.

Safety, Health and Environment

As previously announced, there was a fire incident within the crushing plant at the New Luika Gold Mine in January 2015. The fire was contained within the screening section of the crushing circuit. The crushing plant was restarted in late January and a replacement screen is due to be commissioned in Q3 2015. There were no loss time injuries during the period.

Financial

Gold sales for the period were 13,551 ounces and were mostly in fulfillment of forward sales commitments, at an average price of \$1,252 per oz.

As at 31 March 2015, the Company had hedged to September 2015, 21,342 ounces at an average price of \$1,251 per oz.

Cost performance was impacted by the low production and the processing of low grade ore due to the limited availability of high grade ore. As a result, Cash Cost per ounce amounted to US\$1,143 per oz (Q4: US\$773) and All in Sustaining Cost amounted to US\$1,451 per oz (Q4: US\$979).

AISC guidance for the year has been revised to US\$850 - US\$900 per oz. The recovery of full mill throughput from May and lower mining costs (due to a reduced strip ratio on the revised mine plan) will help offset the high production costs in Q1 2015. AISC for the remainder of 2015 will average US\$760 per oz as a result.

Cash generated from operations of US\$5.8 million reflected the lower than expected gold production as well as the positive impact of a net reduction of receivables.

FBN loan repayments continued in the quarter with US\$2.8 million repaid.

As a result of the low cash generation from operations together with capital expenditure of US\$8.1 million including the Bauhinia Creek push back, the cash balance at quarter end was US\$9.2 million, US\$5.7 million lower than the previous quarter. Gross debt at quarter end amounted to US\$52.7 million (Q4: US\$55.6 million). The lower cash balance resulted in net debt at quarter end of US\$43.5 million (Q4: US\$40.7 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



Development

New Luika Life of Mine Study

Throughout Q1 progress has been made on the underground feasibility study. The additional drill programme has been completed along with the sample analysis. Independent consultants have been appointed to complete this work including geotechnical and hydrological studies. The underground feasibility study is expected to be completed in Q3 2015.

Singida

Legacy community issues (pre-dating Shanta) were resolved during the quarter. This paved the way for bulk sampling for metallurgical testing to be performed and this is currently underway. Results of the metallurgical test work are expected at the end of Q2 2015.

Corporate

Funding

On 30 March 2013, the operating subsidiary, Shanta Mining Company Limited signed a facilities agreement with Investec Bank Limited for 2 five year loan facilities totalling US\$40 million at an interest rate of LIBOR+4.9% per annum. Normal regulatory approvals from the Bank of Tanzania are still awaited.

Management

As previously reported, Mike Houston retired from the position of Chief Executive Officer on 31 March 2015. Dr. Toby Bradbury was appointed Chief Operating Officer of the Company with effect from 1 January 2015 and to the Board and as Chief Executive Officer on 1 April 2015. Patrick Maseva-Shayawabaya, Chief Finance Officer, was also appointed to the board on the same day.