Shanta Gold Limited

("Shanta Gold" or the "Company")

Q4 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 December 2014 (the "Quarter").

Highlights

Operational

- Gold production of 19,097 ounces (Q3: 22,721 ounces), in line with guidance
- Gold production for 2014 of 84,028 ounces, ahead of guidance of 80,000 to 83,000 ounces and up 31% on 2013 production of 64,000 ounces
- Record gold sales of 24,700 ounces at an average price of $1,253 per ounce, compared to average spot price of $1,201 per ounce
- Unit costs adversely affected as expected by lower gold production driven by the mining/processing of lower grade ore. Cash Cost and All in Sustaining Cost of $773 (Q3: $671) and $979 (Q3: $873) per ounce respectively
- FY 2014 All in Sustaining Cost of $941 per ounce was however within guidance of $900 to $950 per ounce
- 2015 production guidance of 82,000 to 85,000 ounces and All in Sustaining Cost guidance of $830 to $880 per ounce maintained
- Safety performance remained good with no lost time injuries

Financial

- Cash balance of $14.9 million (Q3: $18.7 million) with $5.1 million of period gold sales proceeds received post quarter end
- Net debt of $40 million at quarter end (Q3: $40 million)
- Cash generated from operations of $3 million (Q3: $14.8 million), healthy FY 2014 cash generated from operations of $34.5 million
- Capital expenditure of $2.5 million including Open Cast mine development push back
- Forward sales from January 2015 to September 2015 of 31,500 ounces at an average price of $1,240 per ounce

Development

- New Luika Life of Mine Extension additional drilling program in progress
- Updated Resource and Reserve for New Luika published underpinning the Company's development in the highly prospective Lupa Goldfield
- Singida Mine Development Feasibility Study progressing

Corporate

- Good progress made on finalising new loan facilities
- Appointment of Dr. Toby Bradbury as Chief Operating Officer/ Chief Executive Officer

Mike Houston, CEO, commented:

"The Company has delivered a very positive operating performance over the past year enabling us to report full year production ahead of guidance. Alongside this, there have been a number of important developments progressed which will have a significant impact on the future of Shanta Gold. The plant has been largely de-bottlenecked and the higher plant throughput has provided the flexibility to process increased volumes of ore. In addition, following the review of the viability of underground mining, a decision was made on the final Bauhinia Creek pit design and the pushback was commenced in April 2014. The Bauhinia Creek pushback will remain a key operational challenge and focus during 2015 as the Company looks to implement the life of mine extension project.

Cash generation during the year was healthy, despite the lower gold prices, and enabled the Company to fund its capital expenditure program and service debt obligations whilst maintaining a cash balance of $14.9 million at year end. The new loan facilities agreed with Investec Bank, which are expected to be concluded in Q1 2015, will give the Company greater financial flexibility during the next phase of Shanta Gold's development and lower debt servicing costs as we look to deliver value to shareholders through balancing capital growth and potential for dividends.

I am pleased to welcome Toby Bradbury to the senior management team from 1 January 2015. He has made an immediate impact through his enthusiasm and knowledge base and will add significant value to Shanta as the company moves into the next phase of its development."

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

Time & Date: 9.00am – Tuesday 20 January 2015
Dial-In: +44 (0)1452 569 393
Passcode: Shanta Gold

Operational

Production Summary

	Q4 2014	**Q3 2014**	**Q2 2014**	**Q1 2014**
Tonnes ore milled	154,309	153,301	140,856	132,198
Grade (g/t)	4.37	5.17	5.71	5.57
Recovery (%)	88.2	89.1	88.2	85.5
Gold (ounces)				
Production	19,097	22,721	21,996	20,214
Sales	24,700	18,600	22,400	22,059
Silver production	34,768	38,999	20,265	7,315
Realised Gold price(US$)	1,253	1,306	1,307	1,297

Note: Following a review of what is considered a more acceptable methodology of measuring production statistics, the company has reverted to a 'Reconciled Head Grade' and the 4 quarters have been amended accordingly to reflect this process.

Gold production of 19,097 ounces was, as per guidance, significantly lower than the previous quarter. This reflects the impact of the pushback in terms of the availability of higher grade ore, and the stabilisation of CIL inventory following the completion of the plant improvements. The 15% reduction in ore grade was a result of the utilisation of higher volumes of lower grade ore from both the Luika pit and stockpile during the on-going Bauhinia Creek pushback. Gold production for the year totaled 84,028 ounces, ahead of the guidance of 80,000 to 83,000 ounces and 31% above 2013 production of 64,054 ounces reflecting a combination of a 48% increase in ore milled and 16% reduction in ore grade.

The commissioning of the new elution/electro-winning plant in May 2014 resulted in a 5% increase in gold recovery. Silver recovery also increased from 22% to 65% with 101,347 ounces produced for the year, up 307% from the 2013 production. The crusher/screening circuit was commissioned in October 2014 and although operating at materially higher volumes than the old circuit, does require some modifications. These modifications will now be completed by the supplier during H1 2015.

The Bauhinia Creek pushback based on the 160 metre pit design remains on course to be largely complete by the end of 2015. This pushback will enable access to the high grade open pit ore reserves during 2015 and provide considerable operational flexibility when the underground mining comes on stream in H2 2016.

Poor availability of open cast mining equipment which was exacerbated by a fuel contamination problem experienced in December 2014 had a negative effect on mining operations and waste mining fell behind schedule. This will impact on Q1 2015 ore production. At the time of writing, open cast mining equipment availability remains a concern and therefore Q1 2015 production is expected to be at a similar level to Q4 2014. However, the guidance of 82,000 to 85,000 oz is maintained, albeit with H1 2015 production expected to be slightly lower than H2 2015. Management is working closely with the open cast mining contractor to address the equipment availability issues.

Mining and Power Costs

The Company uses approximately 500,000 litres of diesel per month in mining operations and a similar quantity of HFO to generate power. We saw a marginal benefit of the lower oil prices in Q4 2014 but with the time lag, we anticipate a material cost improvement in Q1 2015. The Company has been able to hedge approximately 6 months' supply of HFO at a competitive price and if oil prices remain at current levels, this will have a material impact on operational costs both directly and indirectly.

Crusher Fire Update

As previously reported, on 8 January 2015 there was a fire in the recently commissioned crushing circuit which rendered the screen inoperable. The fire damage is currently being evaluated in conjunction with the supplier in terms of warranties/final sign-off and the insurers. The Company will report back to the market once this assessment has been concluded. The standby crusher has been used since the fire incident and can continue to be used if deemed necessary until such time as the new crusher is back on line, resulting in no material loss of production. The additional operating costs arising from the hire of the standby crusher will be covered by the Company's insurance policy.

Safety, Health and Environment

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

Financial

A record 24,700 ounces of gold, including fulfillment of forward sales commitments, were sold during the Quarter at an average price of $1,253 per ounce, compared to an average spot price of $1,201 per ounce. Total gold sales for the year were 87,758 ounces at an average price of $1,289 per ounce. As at 31 December 2014, the Company had hedged to September 2015, 31,500 ounces at an average price of $1,240 per ounce.

Cost performance for the Quarter was adversely affected by the lower gold production and the mining/processing of lower grade ore. “Cash Cost” (Note 1) per ounce amounted to $773 (Q3: $671) and “All in Sustaining Cost” (AISC) (Note 2) amounted to $979 per ounce (Q3: $873). However, the 2014 All in Sustaining Cost of $941 was within the Company guidance of $900 to $950. Capital expenditure in the Quarter amounted to $2.5 million of which $1.6 million was in respect of the on-going Bauhinia Creek open pit development.

$3 million cash generated from operations was lower than for the previous quarter due to the lower gold price and also the fact that $5 million of gold sales proceeds were received post quarter end. However, in view of the low and volatile gold price, full year cash generation was an encouraging $34.5 million. Repayment of the FBN loan continued in the quarter as scheduled with a total of $11.25 million repaid during the year leaving a balance of $22.5 million at 31 December 2014. Net debt at quarter end amounted to $40 million, including the $25 million Convertible Loan Notes redeemable in 2017. Cash balance at quarter end was $14.9 million, a decrease of $3.8 million from the previous quarter.

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

As previously advised, the initial report from the third party review carried out by AMC recommended that in view of the nature of the ore body, additional drilling should be undertaken to further decrease the risk profile of the planned life of mine extension associated with the underground mining. The drilling program has commenced and is on schedule to be completed during Q2 2015.

Resource Update

During the Quarter the Company announced an updated resource and reserve statement, for the Bauhinia Creek, Luika and Ilunga targets which demonstrated the on-going potential of these targets to support both opencast and underground mining. In addition to these results, off mine exploration work continues in the prospective Lupa Goldfields and the Company remains confident that with the knowledge gained to date, it will discover new resources.

Singida

Progress continues to be made on upgrading the current feasibility study.

Corporate

Funding

As previously reported, the Company has signed a term sheet with Investec Bank for two loan facilities on improved terms totaling $40 million. Commercial and legal due diligence is currently in progress and financial closure is expected by the end of Q1 2015. $22.5 million of the facility will be used to refinance the existing FBN bank loan whilst the balance will be a ‘standby facility’ to be drawn if and when needed during the implementation of the New Luika Gold Mine Life of Mine Extension Project.

Management

As previously reported, Mike Houston retires from the position of Chief Executive Officer on 31 March 2015. Dr. Toby Bradbury has been appointed Chief Operating Officer of the Company with effect from 1 January 2015 and will be appointed to the Board and as Chief Executive Officer on 1 April 2015. Dr. Bradbury has over 30 years of mining experience and will considerably strengthen the management team.

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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 84,028 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.