

19 January 2016

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

Q4 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 31 December 2015 (the "Quarter" or the "Period") for its New Luika Gold Mine ("NLGM"), in Southwest Tanzania.

Highlights

Operational

- Record quarterly gold production of 29,139 ounces ("oz") (Q3: 24,532 oz);
- Gold production for 2015 of 81,873 oz, beating guidance of 72,000 – 77,000 oz (2014: 84,028 oz);
- Record quarterly gold sales of 29,228 oz at an average price of US\$1,087 per oz ("/oz"), compared to average spot price of US\$1,103 /oz;
- Gold sales for 2015 of 80,622 oz at an average price of US\$1,163 /oz, compared to average spot price of US\$1,160 /oz;
- Cash costs for Q4 of US\$401 /oz (Q3: US\$453 /oz) and All in Sustaining Cost ("AISC") of US\$595 /oz (Q3: US\$608 /oz);
- AISC for 2015 of US\$845 /oz against guidance of US\$850-900 /oz (2014: US\$941 /oz); and
- No lost time injuries for the Quarter.

Financial

- Cash balance of US\$19.1 million ("m") (Q3: US\$11.2 m);
- Cash generated from operations in Q4 of US\$17.3 m (Q3: US\$13.2 m) and US\$34.9 m for FY 2015 (2014: US\$39.0 m);
- Capital expenditure of US\$6.2 m (Q3: US\$7.3 m) excluding an additional US\$3.2 m equipment deposits and an additional US\$2 m in working capital under a new 60 day delay to Tanzania VAT refunds;
- Gross debt of US\$60.2 m (Q3: US\$60.3 m) and net debt reduced to US\$41.1 m (Q3: US\$49.1 m);
- Forward sales from January to June 2016 of 30,000 oz at an average price of US\$1,129 /oz; and
- Financing of US\$5.0 m being finalised for Underground Project equipment purchases.

Development and Exploration

- Underground project - key team members employed and orders placed for long-lead equipment;
- Reserve update work underway for Elizabeth Hill; and
- Drilling program completed for Black Tree Hill exploring underground extensions.

Guidance for 2016

- Annual guidance for 2016 of 82,000 – 87,000 oz at AISC of US\$750 – US\$800 /oz. The Base Case Mine Plan (2016 – 2020) guidance is for five year average production of 84,000 oz at average AISC of US\$695 /oz.

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.

Toby Bradbury, Chief Executive Officer, commented:

“Shanta’s Q4 performance has rounded off a year of sustained operational improvement. Production and cost forecasts set in April 2015 have been exceeded, with more ounces being produced at a greater margin.

“As reported in April, 2015 was to be a year of two halves reflecting a fundamental redesign of operations to deliver maximum and optimised value. It has been immensely satisfying for the Shanta team to achieve such an outstanding result beating both production and cost guidance. New Luika’s true value and potential are becoming increasingly clear and we remain confident of delivering a sustainable, strongly cash generative business with real scope to extend its mine life.

“We continue, as a matter of course, to seek value improvements in our operations while progressing exploration within and surrounding our mining licence. Alongside the New Luika mining operations, development of the underground is the major focus for 2016 and this will provide the foundation for an evolving and increasing mine life.”

Analyst conference call and presentation

Shanta Gold will host an analyst conference call and presentation today, 19 January 2016, at 09:00 GMT. Participants can 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): 0808 237 0030

From the rest of the world: +44 (0) 203 139 4830

Participant PIN code: 87298348#

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

<http://www.anywhereconference.com?UserAudioMode=DATA&Name=&Conference=131666646&PIN=87298348>

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 81,873 ounces in 2015. The Company has been admitted to trading on London's AIM and has approximately 469 million shares in issue. For further information please visit: www.shantagold.com.

Operational

Production Summary

	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Tonnes ore milled	155,622	150,216	119,857	137,924
Grade (g/t)	6.50	5.68	4.27	3.38
Recovery (%)	89.5	89.5	89.3	90.1
Gold (oz)				
Production	29,139	24,532	14,686	13,516
Sales	29,228	26,254	11,590	13,551
Silver production(oz)	39,153	36,107	22,145	24,278

Realised gold price (US\$)	1,087	1,175	1,222	1,252
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Note: quarterly production figures reconciled at year end

The higher levels of gold production for the Quarter are attributed to:

- a balanced and stable mine operation with consistent access to Bauhinia Creek ore;
- improved mining controls reducing dilution;
- improved blending from stockpiles to optimise resources;
- continuing reliable plant operations; and
- higher grades from the Bauhinia Creek Pit.

During the second half of 2015, NLGM stabilised waste and ore mining in proportion to the strip ratio and at a rate that exceeded the plant mill capacity of 50,000 tonnes per month. Closer control of mining and management of plant feed grades on a continuous basis saw production exceed 8,000 oz per month for every month from July to December.

In November, grades from Bauhinia Creek were higher than predicted by the resource model resulting in an overall head grade for the quarter of 6.50 g/t. Shanta continues to tighten grade reconciliation procedures. The recovered grades from Bauhinia Creek have been higher than the resource model grades in six of the last eight months. Bauhinia Creek is open at depth and contains a significant proportion of the new Plan and underground resources.

Stable and sustained production will continue into 2016 with 45,000 tonnes of ore on the run of mine ("ROM") pad at year end. Annual guidance for 2016 is 82,000 – 87,000 oz at AISC of US\$750 – US\$800 /oz. The Base Case Mine Plan (2016 – 2020) guidance is: five year average production of 84,000 oz at average AISC of US\$695 /oz.

Safety, Health and Environment

Safety, Health and Environment issues are a priority for Shanta. There were zero lost time injuries in the Quarter. More information on safety reporting and protocols will be included in the full year results announcement.

Financial

A total of 29,228 oz of gold was sold at an average price of US\$1,087 /oz reflecting the lower gold price environment against an average spot price over the period of US\$1,103 /oz. Nearly 60% of Q4 gold sales were in the last 35 days of the quarter when gold spot prices dipped. The Company has sold forward 30,000 oz to June 2016 at an average price of US\$1,129 /oz.

The strong unit cost performance for the Quarter derived from the lower strip ratios arising from the optimisation of both pits, a higher level of gold production as well as an Efficiency Improvement Program. Cash Cost per ounce amounted to US\$401 /oz (Q3: US\$453 /oz) and AISC amounted to US\$595 /oz (Q3: US\$608 /oz). AISC finished the year at US\$845 /oz against a guidance for 2015 of US\$850 /oz to US\$900 /oz.

Despite lower prevailing gold prices, cash generated from operations was US\$17.3 m (Q3: US\$13.2 m), reflecting higher quarterly gold production. Capital expenditure was US\$6.2 m

(Q3: US\$7.3 m), included advance waste removal, and excluded an additional US\$3.2 m of equipment purchase deposits and approximately US\$2 m of incremental working capital (VAT).

The Company's cash balance at the Quarter end was US\$19.1 m (Q3: US\$11.2 m), US\$7.9 m higher than the previous quarter. This was mainly due to improved cash generation and reduced capital expenditure on waste stripping, offset by deposits paid for underground mining equipment and power alongside an increase in outstanding VAT on new government terms. Gross debt amounted to US\$60.2 m (Q3: US\$60.3 m), while net debt fell to US\$41.1 m (Q3: US\$49.1 m).

The Company maintains a continual program of efficiency improvement initiatives that have contributed substantially to the turn-around in performance this year. These initiatives are constantly updated and on-going improvements can be expected throughout 2016 and beyond. These initiatives form part of the Company-wide risk-managed approach to creating value. Meanwhile capital programmes are continuously reviewed to test for on-going requirement, potential alternatives and efficiency opportunities.

Exploration and Development

The Underground Project made significant progress through the Quarter. Additions to the team include: Underground Manager, Alternate Underground Manager, Mine Captain, Senior Mining Engineer, Senior Underground Surveyor, Electrical Foreman and Ground Support Miners.

Orders have been placed for the underground development equipment which are due to arrive in Q1 and into Q2 2016. Portal support work will be largely complete in Q1 for the start of portal development in Q2 2016.

Earthworks for infrastructure including the surface workshops and stores, process water dams are all underway and geotechnical drilling for the ventilation raise bores will be completed this quarter. All long-lead electrical infrastructure has been ordered. The new island power plant to replace and expand (for the underground) the existing facility has been ordered for delivery later in 2016.

Further exploration work was conducted at the Company's Elizabeth Hill Prospect following the resource update published 17 September 2015. An updated reserve statement is expected for Elizabeth Hill in Q1 2016.

Drilling was completed in the Quarter to carry out down-dip drilling (between 170 – 200 metres depth) at the Black Tree Hill Prospect which currently has a total resource of 1.67 million tonnes at 1.8 g/t for 95,000 oz. An updated resource statement is expected in Q1 2016.

Lastly, first phase drilling started at Hatari with 16 holes completed. The rig was subsequently diverted to geotechnical drilling for the Underground Project as referred to above. Drilling will recommence at Hatari in Q1 2016.

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