

19 April 2016

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

**Q1 2016 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 March 2016 (the "Quarter" or the "Period") for its New Luika Gold Mine ("NLGM"), in Southwest Tanzania.

**Highlights**

**Operational**

- Quarterly gold production of 24,341 ounces ("oz") (Q4 2015: 29,139 oz);
- Quarterly gold sales of 21,486 oz at an average price of US\$1,132 per oz ("/oz"), compared to average spot price of US\$1,183 /oz;
- Sales proceeds of US\$6.0 million ("m") after Quarter end, half of which relates to Q1 production;
- Cash costs for Q1 of US\$445 /oz (Q4 2015: US\$401 /oz) and All in Sustaining Cost ("AISC") of US\$600 /oz (Q4 2015: US\$595 /oz); and
- No lost time injuries for the Quarter.

**Financial**

- Cash balance of US\$16.3 m (Q4 2015: US\$19.1 m);
- Cash generated from operations before working capital in Q1 of US\$12.3 m (Q4 2015: US\$16.4 m);
- Capital expenditure of US\$5.6 m (Q4 2015: US\$6.2 m);
- Gross debt of US\$74.7 m (Q4 2015: US\$60.2 m) and net debt of US\$58.4 m (Q4 2015: US\$41.1 m) due to underground equipment and power station financings; and
- Forward sales from April to September 2016 of 32,000 oz at an average price of US\$1,172 /oz.

**Development and Exploration**

- Underground project – remains on schedule and within budget. Preparation work completed and underground equipment deliveries commenced in April;
- Reserve update completed for Elizabeth Hill increasing probable reserves to 28,000 oz (460%);
- Drilling programme completed within the Mining Licence for Ilunga and Black Tree Hill exploring underground extensions; and
- Stage 1 drilling results announced for the Askari mineralised prospect that sits immediately to the west of the New Luika Mining Licence.

## Corporate

- Financings of €4.6 m (US\$5.2 m) for underground equipment purchases and US\$9.1 m for power station equipment completed in February and March, respectively; and
- Following the Quarter-end, drawdown of remaining US\$10 m Investec Facility B, resulting in US\$40 m Investec senior secured debt fully utilised.

## Guidance for 2016

- Annual guidance reiterated for 2016 of 82,000 – 87,000 oz at AISC of US\$750 – US\$800 /oz. The Base Case Mine Plan produces gold at an average AISC of US\$695 /oz with an average production for the next 5 years (2016-2020) of 84,000 oz.

## Toby Bradbury, Chief Executive Officer, commented:

*“Shanta had a very pleasing start to the year in Q1 with more ounces being produced at a greater margin than planned which sets the Company well on track to meet its 2016 guidance of 82-87,000oz at an AISC of US\$750 - 800 / oz.*

*“The commencement of underground production remains on track for Q2 2017 as per the Base Case Mine Plan announced in September 2015. We completed two important equipment financings totalling US\$14 m in the Quarter including US\$9 m for the Power Station project which is a cornerstone capital item for the successful realisation of the Base Case Mine Plan.*

*“We continue to deliver on our exploration commitments to quantify the upside potential from the highly prospective exploration ground in our portfolio, surrounding the New Luika plant. Shanta’s understanding of the deposits is improving and first stage drilling results at Ilunga show considerable promise. We look forward to bringing further updates in the course of the year.”*

## Analyst conference call and presentation

Shanta Gold will host an analyst conference call and presentation today, 19 April 2016, at 09:30 BST. 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: 11649766#

The presentation will be available for download from the Company’s website: [www.shantagold.com](http://www.shantagold.com) or by clicking on the link below:

<http://www.anywhereconference.com?UserAudioMode=DATA&Name=&Conference=131671100&PIN=11649766>

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

**Enquiries:**

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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](http://www.shantagold.com).

**Operational**

Production Summary

	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Tonnes ore milled	149,128	155,622	150,216	119,857
Grade (g/t)	5.69	6.50	5.68	4.27
Recovery (%)	89.3	89.5	89.5	89.3
Gold (oz)				
Production	24,341	29,139	24,532	14,686
Sales	21,486	29,228	26,254	11,590
Silver production(oz)	35,144	39,153	36,107	22,145
Realised gold price (US\$)	1,132	1,087	1,175	1,222

The sustained and targeted levels of gold production for the Quarter are attributed to:

- a balanced and stable mine operation with regular 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.

Stable and sustained production is set to continue through 2016 with around 80,000 tonnes of ore on the run of mine ("ROM") pad at 31 March 2016.

### Safety, Health and Environment

Safety, Health and Environmental issues remain an ongoing priority for Shanta with zero lost time injuries or environmental incidents in the Quarter.

### **Financial**

A total of 21,486 oz of gold was sold at an average price of US\$1,132 /oz. The average realised price was below the average spot price of US\$1,183 /oz for the Quarter reflecting a lag effect from the Company's forward sales positions that trailed the subsequent increase in spot gold price. As of 31 March 2016, the Company had sold forward 32,000 oz to September 2016 at an average price of US\$1,172 /oz.

The strong unit cost performance for the Quarter was partially derived from a higher level of gold production due in part to higher than expected gold grades as well the Company's focus on efficiency improvement. Cash Cost per ounce amounted to US\$445 /oz (Q4: US\$401 /oz) and AISC amounted to US\$600 /oz (Q4: US\$595 /oz).

There was a US\$10 m increase in working capital in the Quarter accounted for by increases in ROM inventory (US\$2.8 m), receivables and prepayments for underground capital items (US\$4.5 m), increases in VAT receipts (US\$1 m) and gold doré in transit (US\$2.7 m). The cash flow impact of the increased ROM inventory will be contained within the financial year and will enable a saving in operating costs over the course of 2016. As a result of the increase in working capital, cash generated from operations after working capital was US\$2.3 m (Q4: US\$18.6 m). It is important to note that Q4 2015 was an exceptional period for gold production and sales at 29,229 oz. Comparing Q1 2016 to Q4 2015, there is a variance of US\$8 m in gold sales alone. Capital expenditure was US\$5.6 m (Q4: US\$6.2 m) which included advance waste removal of US\$1.5 m.

The Company's cash balance at the Quarter end was US\$16.3 m (Q4: US\$19.1 m). The decrease is due primarily to an increase in working capital. Gross debt increased to US\$74.7 m (Q4: US\$60.2 m) following two equipment financings totaling US\$14.3 m, while net debt increased to US\$58.4 m (Q4: US\$41.1 m). Subsequent to the Quarter end, US\$10 m was drawn from the Investec Facility B resulting in the full US\$40 m being drawn.

The Company continued to identify and implement efficiency improvements across the business. These improvements serve two key purposes including cost savings and risk mitigation against unproductive inefficiencies. Separately, capital programmes are

continuously reviewed to test for on-going requirement, potential alternatives and efficiency opportunities.

## **Exploration and Development**

An updated reserve statement was announced for Elizabeth Hill in January 2016 following further exploration work subsequent to the resource update published 17 September 2015. The new reserve increased probable reserves at Elizabeth Hill by 23,000 oz to 28,000 oz (460%).

Ongoing exploration results from satellite deposits are encouraging with updates on Ilunga and Black Tree Hill announced on 12 April 2016. Outside of the mining licence but within an economic haul distance of the plant, first stage drilling results were announced for the Askari mineralized target.

The exploration commitment continues with on-going priorities adjusted according to the results of the respective drilling campaigns. In light of the success at Ilunga, a second stage of drilling will be undertaken in Q2 2016 to extend our understanding of this exciting resource at depth and along strike

The exploration and development campaign continues to form a key component of the Company's ongoing strategy, as newly proven reserve ounces will be duly incorporated into the NLGM mine plan extending the project's life and further improving the project economics.

**ENDS**