

3 September 2018

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

Operations update

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, developer and explorer, is pleased to announce an operations update for its New Luika Gold Mine ("NLGM") and Singida project, in Tanzania.

A presentation to accompany the announcement is available for download from the Company's website: www.shantagold.com.

HIGHLIGHTS

- Ilunga underground decline development has commenced three months ahead of schedule with first ore expected in mid-2019;
- Exploration drilling from underground targeting, at a minimum, the replacement of reserves on an ongoing basis;
- Singida phase two exploration beginning in September with detailed project economics to be announced in Q4;
- Further net annualised saving of US\$1 million ("m") expected from January 2019 following agreement to owner-operate Shanta's HFO power plant at NLGM;
- Commissioning of the third pre-leach tank to start on 12th September, targeting a 1.5-2% increase in recoveries to around 93%;
- Operations continue to run smoothly with further deleveraging expected in H2; and,
- A VAT receivable of \$19 m which, if reimbursed and resolved going forward, Shanta could expect to be net cash after June 2019.

Eric Zurrin, Chief Executive Officer, commented:

"With operations performing well at New Luika, and following the cost cutting initiatives implemented since September 2017, we expect the balance sheet to continue deleveraging."

"We will shortly have three active sources of high-grade ore following the commencement of underground development at Ilunga. With mining flexibility providing operational stability, Shanta is renewing its focus on exploration. Over the next two years Shanta is targeting high priority exploration targets on its mining licences which include down dip extensions at Shanta's high-grade Bauhinia Creek and Ilunga deposits."

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About Shanta Gold Limited

Shanta Gold is an East Africa-focused gold producer. It currently has defined ore resources on the New Luika and Singida projects in Tanzania and holds exploration licenses covering approximately 1,500km² in the country. Shanta's flagship New Luika Gold Mine commenced production in 2012 and produced 79,585 ounces in 2017. The Company has been admitted to trading on London's AIM and has approximately 779 million shares in issue. For further information please visit: www.shantagold.com.

Ilunga

The Company has commenced underground development at the Ilunga underground mine. Ilunga will shortly be the third active source of high-grade ore at NLGM and has a JORC mineral reserve grading 5.56 grams per tonne ("g/t"), which is higher than the Luika deposit.

The current mine design of Ilunga has the potential to contribute up to 25,000 tonnes per month of high grade ore with an estimated average contribution of 20,000 oz per planned level of development. This will enhance the economics at NLGM but not increase overall production.

The underground mining team is 100% owner-managed, ensuring that development costs will be kept to a minimum and resources between the three active underground deposits are shared.

A recording of the portal blast can be downloaded from the Company's website: www.shantagold.com/resources/Ilunga_blast.mp4.

Exploration

With the underground mine at New Luika now fully established, exploration activities are currently being conducted in three distinct areas:

- Targeted locations with the existing mining licences adjacent to the existing reserves at Bauhinia Creek ("BC") and Ilunga;
- Within the economic circle of NLGM, spanning a radius of no more than 20km from the process plant; and,
- Regional exploration, utilizing the 1,560 km² of prospective exploration ground held by the Company within the Lupa Goldfield.

Recent exploration activities at NLGM have focused on high-grade ore at the BC and Ilunga deposits. Drilling results from exploration carried out at BC were announced in July 2018 confirming the extension of high-grade mineralisation to the east of BC and adjacent to the existing underground mine. The exploration programme continues in H2 2018, targeting life of mine extension in BC which remains open at depth.

The Company plans to continue its exploration drilling programme from underground, targeting at a minimum the replacement of reserves on an ongoing basis. Initial focus will be at the high-grade BC and Ilunga deposits from the existing 683,000 oz resource inventory whereby converting the inferred ounces would add two years to the mine life. This target excludes the possibility of adding significant incremental ounces from further downdip extensions at BC and Ilunga as well as the potential for new ounces from other exploration targets on and around our mining licences.

Trenching around New Luika has resumed, targeting new areas of mineralisation within a 20 km economic circle of the process plant. In July the Company prioritised primary targets for further testing within this area.

Further afield, and within the boundaries of the Company's regional licenses, 234 rock chip grab samples have been collected to begin assessing potential targets within the Lupa Goldfield, Tanzania's second largest goldfield outside of the Lake Victoria Goldfield. Rock chip grab samples returned so far have included grades of 27.2 g/t, 19.9 g/t and 17.8 g/t. The Company believes the area around the New Luika Mine has significant upside potential with over 57 known artisanal or colonial gold mining operations having existed on Shanta's licences in the past. Seven privately-owned mining operations are engaged in production within this region together with a number of other aspiring developers and explorers.

Singida

Planning has been completed for ground geophysical work at Singida, which will take place in September. The objective of the work is to evaluate the potential for continuity between Cornpatch and Cornpatch West deposits.

The internal Owners Team established in H1 is developing an advanced-stage estimate of the Singida project's NPV. Further details will be provided once this has been finalised which is estimated to be in Q4.

Cost Savings

Cost efficiency remains a key focus for the Company and since July an additional net annual saving of US\$1 m has been identified and is expected to be realised from January 2019 through internally managing the HFO power plant at New Luika. A six-month handover period is currently taking place to ensure that appropriate knowledge and skillsets are transferred, and this is expected to complete at the end of 2018. This transition is also aligned with the Company's values in respect of local content.

This cost saving is separate to the annualised cost reductions of US\$7.2 m, equivalent to approximately US\$85 /oz, previously announced.

Strategic

Installation of a third pre-leach tank is nearing completion, as part of the previously announced operational improvement program targeting higher recoveries of 93%. The pre-leach tank will increase residency times in the plant by 8 hours and will supplement the 2.6% improvement in recoveries achieved following installation of the previous pre-leach tank. This pre-leach tank will be commissioned on the 12th September and has an expected payback period of 4 months.

Deleveraging

By mid-2020, the Senior Loan facilities with Investec Bank Limited will have been fully repaid. Deleveraging will enhance both net cash flow and profitability. Shanta has an existing VAT receivable at end of August 2018 of \$19 m. In the event the receivable and ongoing VAT payments are reimbursed, Shanta could expect to be net cash after June 2019.

As recently announced, the Company generated a profit after tax of US\$13.4m and EBITDA of US\$39.2m in the 12 months following declaration of commercial production at New Luika. During the same period, gross debt and net debt were reduced by US\$10.1m and US\$5.2m respectively.

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