18 April 2019

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

Q1 2019 PRODUCTION & 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 2019 (the "Quarter", "Q1" or the "Period") for its New Luika Gold Mine ("NLGM" or "New Luika"), in South Western Tanzania.

Q1 Highlights

- Gold production of 22,374 ounces ("oz"), comfortably on track to meet annual guidance of 80,000−84,000 oz;
- All In Sustaining Costs ("AISC")[1] of US$701 /oz, significantly ahead of annual guidance of US$740-780 /oz;
- Cash operating costs of US$500 /oz;
- Net debt, excluding bullion available for sale, down to US$30.3 million ("m") (Q4 2018: US$31.5 m), the strongest position in NLGM's producing history;
- Projected to be in a net cash position by mid-2020;
- Healthy cash balance of US$8.4 m and total liquidity, excluding bullion available for sale, of US$10.9 m;
- Bullion available for sale of US$2.5 m, up from US$1.5 m at the end of Q4 2018;
- Tonnes ("t") milled of 172,644 t, an all-time daily throughput record during the Quarter, continuing from significant step-up in plant throughput during Q4 2018;
- EBITDA of US$11.4 m;
- Underground exploration drilling underway at Bauhinia Creek ("BC") Deep Central with high-grade mineralisation intersected under the existing reserves; results due in May;
- Ilunga underground development ore intersected and mined from March 2019, three months ahead of schedule;
- 5,753 t development ore mined at Ilunga to date, at an average grade of 6.02 g/t;
- Exceptional safety record with zero Lost Time Injuries ("LTI's"); and,
- Singida to proceed with an Initial Public Offering ("IPO") on the Dar es Salaam Stock Exchange ("DSE") targeting a US$20 m minimum equity offering.

Financial

- Unrestricted cash balance of US$8.4 m (Q4 2018: US$9.0 m);
- Gross debt down four per cent ("%") at US$38.7 m (Q4 2018: US$40.5 m);

- Net debt of US$30.3 m (Q4 2018: US$31.5 m);
- EBITDA of US$11.4 m (Q4 2018: US$9.9 m);
- AISC[1] of US$701 /oz (Q4 2018: US$696 /oz);
- US$1.9 m drawn down from Exim Bank loan facility taking total drawn amount to US$7.5 m; and,
- VAT receivable increased to US$23.6 m (Q4 2018: US$21.8 m).

Operational

- Gold production of 22,374 oz in Q1, with high grade ore at BC underground continuing strong momentum from 2018;
- 172,644 t milled in Q1, an all-time daily throughput record during the Quarter and closely aligned with the all-time quarterly record 172,902 t milled in Q4 2018;
- Average head grade of 4.5 g/t for the quarter, 3% higher than average grades processed during 2018;
- ROM stockpile reduced to 139,000 t of ore grading 1.47 g/t following decision to stand-down higher cost open pit mining (Q4 2018: 163,194 t grading 1.48 g/t);
- First development ore from Ilunga reached on 10 March 2019 with first production stope expected in July 2019; and,
- Cost improvements continuing across the business including partial NLGM connection to state-operated ("TANESCO") power grid to be commissioned at the end of 2019 and expected to provide US$7 /oz cost saving.

Exploration

- Phase 1 drilling underway at BC Deep Central with over 350 metres planned for initial phase and completed in Q1, with assay results expected in May;
- Sampling and trenching underway at BC East and BC North targeting surface extensions at BC with results expected in May;
- Phase 2 drilling at BC Central scheduled for completion during Q2 in addition to further trenching at Lambo and Porcupine South targets; and,
- Engagements ongoing with independent consultants to review the Company's substantial regional exploration portfolio.

Ilunga development update

- Ilunga underground development ore intersected in March 2019, three months ahead of schedule;
- Ilunga is now the third active source of high-grade ore at NLGM;
- 5,753 t development ore mined at 6.02 g/t for 1,115 oz contained gold;
- Installation of primary ventilation fan completed post period, with installation works carried out exclusively by 100% owner-managed team;
- Further 641 metres of development completed during Q1, with 1,259 m of development since portal blast; and,

- US$1.9 m spent on development in Q1; totalling US$5.2 m capex at Ilunga to date.

Singida

- Singida to proceed with a targeted US$20 m minimum equity offering via an IPO on the DSE subject to regulatory approval;
- The Company will retain at least 51% ownership of Singida and will operate the Project; and,
- Proposed IPO proceeds would finance the upfront capital required to bring the Project into production and provide additional funds for exploration.

Corporate Social Responsibility ("CSR")

- Excellent progress made in local schools by "Into Africa – Partners in Learning", the Company's partnership providing teacher training in the Songwe region;
- Record exam results achieved by two participating schools within NLGM's locality;
- Farmers enrolled in the Company's agricultural collaboration with ETG Foundation have commenced first sesame harvests of 2019; over 800 farmers now enrolled; and,
- Public praise for Shanta garnered from newly appointed Minister for Minerals, encouraging industry peers to adopt Shanta's practises.

2019 Guidance

- Annual guidance reiterated for 2018 of 80,000−84,000 oz at AISC[1] of US$740-780 /oz.

Post Period

- The Company announced on 10 April 2019 that it is proceeding with the buyback of approximately 33.33% of the outstanding convertible loan notes held by third parties. Following this the Company expects to have reduced the outstanding convertible loan note balance to US$9.8 m.

Note: 1. Development costs at the BC, Luika and Ilunga underground operations are not included in AISC.

Eric Zurrin, Chief Executive Officer, commented:

"I'm pleased to report on an exceptionally strong start to 2019. In terms of production we have had our best opening quarter in three years, achieved at costs well below our full year guidance whilst also remaining focused on our exploration objectives at New Luika to increase mine life."

"Several milestones were achieved by the Company in the last three months. We produced our first development ore from Ilunga and are now mining from three active high-grade sources at New Luika. We also announced our intention to fund development of our second asset, Singida, through an IPO on the DSE. We have received encouraging initial feedback from institutional investors across East Africa to fund development of our second project and are confident in this strategy to bring the Project into production and provide additional funds for exploration."

"This strong start to the year puts us in an excellent position to achieve full year guidance on both costs and production as well as to be in a net cash position midway through next year."

Analyst conference call and presentation

Shanta Gold will host an analyst conference call and presentation today, 18 April 2019, at 09:30 GMT. Participants can access the call by dialling one of the following numbers below approximately 10 minutes prior to the start of the call.

UK Toll-Free Number: 08003589473
UK Toll Number: +44 3333000804
PIN: 27912935#

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

https://www.anywhereconference.com?Conference=301285209&PIN=27912935&UserAudioMode=DATA

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

Enquiries:

Shanta Gold Limited
Eric Zurrin (CEO) +255 (0) 22 292 5148
Luke Leslie (CFO)

Nominated Adviser and Broker
Numis Securities Limited
Paul Gillam / John Prior / James Black + 44 (0)20 7260 0000

Financial Public Relations
Tavistock
Charles Vivian / Barnaby Hayward / Gareth Tredway +44 (0)20 7920 3150

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 project in Tanzania and holds exploration licenses covering approximately 1,500km^2 in the country. Shanta's flagship New Luika Gold Mine commenced production in 2012 and produced 81,872 ounces in 2018. The Company has been admitted to trading on London's AIM and has approximately 787 m shares in issue. For further information please visit: www.shantagold.com.

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014.

Q1 2019 PRODUCTION & OPERATIONAL UPDATE

Safety, Health and Environment

There were no Lost Time Injuries during the Quarter and the Company has now surpassed 2.4 million man-hours without Lost Time Injury. Shanta maintains its track record of operating among the safest gold mining operations of its peers and at the end of Q1 had a Total Recordable Injury Frequency Rate ("TRIFR") (per 1 million hours worked) of 2.09, significantly below the industry average.

Financial

During the Quarter, a total of 21,190 oz of gold was sold at an average price of US$1,305 /oz. As of 31 March 2019, the Company had sold forward 45,020 oz to August 2019 at an average price of US$1,223 /oz against the average spot price for the quarter of US$1,304 /oz. The Company has the flexibility to defer settlement of forward sales and had full exposure to the spot gold price during the Quarter having deferred settlement of all forward contracts in place. The Company has also benefited from the gold price forward curve during the Quarter, resulting in a slightly favourable average forward contract price on deferred contracts versus the position at the end of Q4 2018. Short-term cashflow remains protected against gold spot price volatility with US$9.7 m of contractual debt payments falling due during the Q2.

Cash operating costs and AISC for Q1 of US$500 /oz (Q4 2018: US$514 /oz) and US$701 /oz (Q4 2018: US$696 /oz), respectively, were achieved in the Quarter. Of note, development costs at the BC, Luika and Ilunga underground operations are not included in AISC.

Working capital in the Quarter increased by US$2.5 m, accounted for by a decrease in trade and other payables (US$0.1 m), a decrease in inventories (US$0.3 m) and an increase in trade and other receivables (US$2.7 m). The decrease in inventories includes Run of Mine ("ROM") stockpile which decreased by US$1.9 m, largely offset by an increase in gold bullion of US$1.0 m and an increase in consumable inventories. The increase in trade and other receivables includes the VAT receivable which increased by US$1.8 m to US$23.6 m.

Capital expenditure was US$4.0 m (Q4 2018: US$5.1 m) for the Quarter, which was predominantly related to underground development, inclusive of Ilunga pre-production capital.

As at 31 March 2019 the Company had an unrestricted cash balance of US$8.4 m (Q4 2018: US$9.0 m). This follows a 4% reduction in gross debt from US$40.5 m to US$38.7 m at the end of the Quarter. Net debt decreased by US$1.2 m to US$30.3 m (Q4 2018: US$31.5 m), its lowest in Shanta's producing history. During the Quarter the Company completed a draw down of US$1.9 m from its Exim Bank 4-year loan facility, taking the total drawn amount back to US$7.5 m.

Operational

Production Summary

	Q1 2019	Q4 2018	Q3 2018	Q2 2018

Tonnes ore milled	172,644	172,902	159,640	157,426
Grade (g/t)	4.49	4.74	4.26	4.44
Recovery (%)	89.9	90.9	90.3	91.5
Gold (oz)				
Production	22,374	23,942	19,723	20,544
Sales	21,190	24,893	19,737	19,475
Silver production (oz)	23,851	26,916	27,234	27,145
Realised gold price (US$/oz)	1,305	1,225	1,218	1,302

Gold production during the period was 22,374 oz. Overall, a total of 136,616 t of ore grading 5.72 g/t was mined in Q1 compared with 157,952 t of ore grading 5.55 g/t in Q4 2018. 172,644 t of ore was milled during the period (Q4 2018: 172,902 t), an all-time daily throughput record during the Quarter. The ROM stockpile at the end of Q1 was 139,000 t of ore grading 1.47 g/t (down from 163,194 t grading 1.48 g/t at the end of Q4). No open pit mining was carried out in Q1 in line with the Company's mine plan.

Average recoveries of 89.9% were achieved in the plant during the period (Q4 2018: 90.9%). This reduction is in line with a strategic decision to prioritise throughput over recoveries, following a trade-off study concluding this approach will generate higher value returns and hence be beneficial to project net present value.

The Company is continuing to identify cost reduction opportunities. A connection to the state-operated ("TANESCO") power grid has been approved and scheduled for commissioning in Q4. This connection is intended to power the mine camp at NLGM and will generate approximately US$7 /oz ongoing cost savings (US$0.6 m annualised), with a 12-month payback period on capital expenditure and no additional operational risk to NLGM's overall power supply.

Exploration

Phase 1 underground drilling at BC Deep Central commenced during the period following the completion of underground exploration drives. Three drill holes totalling 357 metres are planned for Phase 1 and the second of these was in progress at the end of the quarter. Assay results are expected during Q2.

Sampling and trenching are underway at BC North and BC East. Ten trenches representing 817 metres were excavated at the BC North target, generating 892 samples which are undergoing analysis. A further 190 samples have been generated from trenching works at BC East.

Phase 2 underground drilling at BC Central is scheduled to commence in Q2, with three holes planned totalling 398 metres. Follow up trenching on the Lambo and Porcupine South targets, both within NLGM's economic circle, is also planned for Q2 to test extensions of previous encouraging intersection results.

Ilunga development update

During the quarter the Company intersected Ilunga underground development ore, three months ahead of schedule, making Ilunga the third active source of high-grade ore at NLGM. The intersect occurred as predicted in the geological model and 5,753 t of development ore has been since been mined from Ilunga, at 6.02 g/t for 1,115 oz contained gold.

Development progress at Ilunga has now reached 1,259 metres and since the end of the Quarter, the Company's 100% owner-managed team have successfully installed a primary ventilation fan for the underground mine which is now operational. A total of US$1.9 m development capex was spent at Ilunga in the Quarter, totalling US$5.2 m since first portal blast in August 2018.

Singida

Singida Resources Plc ("Singida"), a wholly-owned subsidiary of the Company, is proceeding with a targeted US$20 m minimum equity offering via an IPO on the DSE. This process is expected to take 6-12 months to complete and is the result of encouraging feedback from recent investor roadshows by management in Tanzania, Uganda and Kenya.

An IPO prospectus has been submitted to the Tanzanian Capital Markets and Securities Authority ("CMSA") and the DSE, and proposed IPO proceeds would finance the upfront capital required to bring the Project into production plus provide additional funds for exploration, targeting resource expansion. IPO submissions have been prepared on the basis that the Company will retain at least 51% ownership of Singida and will operate the Project.

Corporate Social Responsibility

The Company's partnership with Hazelwood School (charity number 312081), a UK based charity providing teacher training in the Songwe region, has continued to demonstrate tangible results amongst participating schools. Two schools have recently achieved record exam results and significant additional volunteer hours were spent on the ground during the period. The partnership is focussed on transferring skills across the English, Maths and Sports disciplines into four selected schools and has recently included lessons taught in Swahili.

Farmers enrolled in the Company's agricultural collaboration with Export Trading Group ("ETG") have commenced the first sesame harvests of 2019. The programme has grown exponentially since commencement in late 2017, with over 800 farmers now enrolled and an abundance of practical skills transferred to these newly-established farming communities.

The Company is committed to its CSR portfolio and these initiatives have recently generated public praise from the newly appointed Minister for Minerals. The Company is encouraged that its efforts to operate as an exemplary corporate citizen are being recognised across Tanzania.

Post period

Following the end of the Quarter the Company confirmed that it is proceeding with the buyback of approximately 33.33% of the convertible loan notes ("notes") held by third parties (US$4.9 million of the notes). Notes that remain outstanding with third parties will be redeemable on 10 April 2020.

ENDS