

17 October 2019

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

Q3 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 30 September 2019 (the "Quarter", "Q3" or the "Period") for its New Luika Gold Mine ("NLGM" or "New Luika"), in South Western Tanzania.

Q3 Highlights

- Gold production of 22,726 ounces ("oz") in Q3 (Q2: 19,856 oz);
- Year-to-date ("YTD") production of 64,956 oz;
- The Company remains on track to meet annual guidance reiterated for 2019 of 80,000–84,000 oz at All In Sustaining Costs ("AISC")¹ of US\$740-780 /oz;
- 126,787 oz of Inferred Resources grading 3.15 g/t was converted into 83,543 oz of Indicated Resources grading 7.85 g/t;
- Net debt decreased 23% to US\$20.7 million ("m") (Q2: US\$26.9 m);
- Gross debt decreased 15% to US\$25.7 m (Q2: US\$30.1 m);
- Forward sales reduced to 43,000 oz (Q2: 45,000 oz);
- Adjusted EBITDA² of US\$16.5 m (Q2: US\$10.5 m);
- AISC¹ of US\$723 /oz (Q2: US\$773 /oz);
- Cash operating costs of US\$474 /oz (Q2: US\$564 /oz);
- Cash, and available liquidity³ of US\$11.6 m (Q2: US\$9.3 m); and,
- Zero Lost Time Injuries ("LTI's"), with no LTI's since Q4 2017.

Operational

- Gold production of 22,726 oz (Q2: 19,856 oz);
- 174,132 t milled (Q2: 177,647 t); processing plant is consistently performing at a premium to its nameplate capacity;
- Average head grade of 4.5 g/t for the quarter (Q2: 3.9 g/t);
- Run of Mine ("ROM") stockpile of 151,177 t of ore grading 1.67 g/t (Q2: 142,213 t grading 1.37 g/t); and,
- Construction of infrastructure to connect to the state power grid has commenced with completion expected by early 2020.

Exploration

- 126,787 oz of Inferred Resources grading 3.15 g/t was converted into 83,543 oz of Indicated Resources grading 7.85 g/t;
- 58,553 oz of new Inferred Resources grading 4.79 g/t added to the Mineral Resource at New Luika; and,
- New orebodies discovered, including the high-potential Bauhinia Creek (“BC”) North and Elizabeth Hill (“EH”) North deposits.

Financial

- Net debt excluding VAT receivable of US\$20.7 m (Q2: US\$26.9 m);
- Gross debt of US\$25.7 m (Q2: US\$30.1 m);
- Unrestricted cash balance of US\$5.0 m (Q2: US\$3.1 m);
- Bullion available for sale at the end of the Period of US\$4.1 m (Q2: US\$3.3 m);
- Liquidity available for draw down from Exim working capital facility of US\$2.5 m (Q2: US\$2.5 m);
- AISC¹ of US\$723 /oz (Q2: US\$773 /oz); and,
- VAT receivable increased to US\$27.4 m (Q2: US\$25.3 m).

Ilunga

- Commenced commercial production at Ilunga during the Period, on schedule and on budget; and,
- Ilunga is now the third source of high-grade underground feed at New Luika alongside BC and Luika underground deposits.

Singida Project (the “Project”)

- Singida Resources Plc (“Singida”) entered into a non-binding term sheet during the Period with a privately-held, East African, multinational conglomerate, for an unsecured, non-recourse loan facility of US\$10 m;
- The Project’s Environmental Impact Assessment (“EIA”) Certificate has now been approved and received; and,
- During the Quarter, the Singida IPO prospectus underwent its second formal submission to the Capital Markets Securities Agency (“CMSA”) with feedback expected in Q4.

Corporate Social Responsibility (“CSR”)

- Enrolment for sesame farming under the Company’s alternative livelihood programme has increased by 168% in 2019;
- Preparations for the coming season are underway, including the provision of financial management training for enrolled farmers in collaboration with NMB Bank;

- Two water boreholes were built during the Period, one of which will service a recently resettled family with over 5,000 litres of water per day;
- A second borehole, which is 80 metres deep, will provide a new source of fresh water for Patamela village, situated in the immediate vicinity of New Luika;
- The Company purchased a Charcoal Briquette Plant for use in a local project for youth groups in Songwe, targeting creation of new employment opportunities in the region;
- “Into-Africa Partnership” with Hazelwood School (charity number 312081 in the UK) continues with the inauguration of a maiden ICT laboratory in Q4 in the Songwe region; and,
- Eton College donated over 500 kg of sports equipment to Shanta’s communities.

Guidance

- Annual guidance reiterated for 2019 of 80,000–84,000 oz at AISC¹ of US\$740-780 /oz.

Post Period

- Following a detailed review of the exploration portfolio, new targets within the existing mining licences at NLGM were identified including BC North and EH North;
- Exploration drilling at these targets has intersected encouraging mineralisation with sizeable widths, suggesting significant potential for additional resources to add to the mine plan;
- Exploration drilling at these targets intersected mineralisation with sizeable widths, including the following encouraging results;
 - 6.00 metres grading 8.62 g/t Au (BC North);
 - 4.00 metres grading 8.38 g/t Au (BC North);
 - 4.00 metres grading 8.94 g/t Au (BC North);
 - 9.00 metres grading 6.62 g/t Au (EH North);
 - 9.00 metres grading 5.56 g/t Au (EH North);
- Strike lengths of the BC North and EH North mineralised structures are estimated to be 150 metres and 350 metres respectively and remain open at depth. Drilling is continuing at depth and along strike at both targets, with additional results expected in Q4 2019; and,
- The results of this drilling campaign and the second drilling campaign in Q4 2019 will be combined and analysed, with an updated Mineral Resource Estimate and resultant life of mine extension expected in the coming months.

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

Note: 2. EBITDA is earnings before interest, tax, depreciation and amortisation which has been derived as operating profit exclusive of pre-production revenue, depreciation/depletion of tangible assets and amortisation of intangible assets. Adjusted EBITDA has been derived as EBITDA before non-cash loss on unsettled forward contracts.

Note: 3. Available liquidity has been derived as unrestricted cash, restricted cash and the sale value of bullion available for sale at the end of the Period (net of royalties and expected selling costs).

Eric Zurrin, Chief Executive Officer, commented:

“As we rapidly pay down our debt and improve our financial position, New Luika Gold Mine continues to perform operationally. This quarter has seen us produce over 22,000 oz of gold and positions the Company on track to again meet our guidance for the year. Net debt at US\$20.7 m is now the lowest it has been in over six years and has decreased by over 50% since the same period two years ago.

“Our recent exploration results are encouraging as we look to add more ounces to the New Luika mine plan. Key to our current exploration targets is the close proximity to both the existing sources of high-grade ore and the processing plant. We plan to announce a new resource update shortly which will highlight how we can add low cost gold ounces to our future production and extend the mine life of New Luika.”

Analyst conference call and presentation

Shanta Gold will host an analyst conference call and presentation today, 17 October 2019, at 10:00 BST. 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: 71803848#

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=301302161&PIN=71803848&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 / Alamgir Ahmed

+ 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 1,500km² 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.

Q3 2019 PRODUCTION & OPERATIONAL UPDATE

Safety, Health and Environment

There were no Lost Time Injuries during the Quarter and the Company has now reached 3.4 million man-hours without Lost Time Injury. Shanta maintains its track record of operating among the safest gold mining operations of its peers and had a Total Recordable Injury Frequency Rate ("TRIFR") (per 1 million hours worked) of 0.00 for Q3 (Q2: 0.00), significantly below the industry average.

Operational

Production Summary

	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Tonnes ore milled	174,132	177,647	172,644	172,902
Grade (g/t)	4.54	3.91	4.49	4.74
Recovery (%)	89.3	89.4	89.9	90.9
Gold (oz)				
Production	22,726	19,856	22,374	23,942
Sales	22,477	19,760	21,190	24,893
Silver production (oz)	24,744	23,461	23,851	26,916
Realised gold price (US\$/oz)	1,462	1,303	1,309	1,225

Gold production during the period was 22,726 oz. Overall, a total of 166,772 t of ore grading 5.31 g/t was mined in Q3 compared with 155,779 t of ore grading 4.53 g/t in Q2. 174,132 t of

ore was milled during the period (Q2: 177,647 t). The ROM stockpile at the end of Q3 was 151,177 t of ore grading 1.67 g/t (up from 142,213 t grading 1.37 g/t at the end of Q2). Average recoveries of 89.3% were achieved in the plant during the period (Q2: 89.4%).

Construction of infrastructure required to support a connection to the low-cost state ("TANESCO") power grid began at New Luika during the Period and is expected to be ready by early 2020. Once the connection has been commissioned, an initial 10% of New Luika's power requirement is expected to be drawn from the TANESCO grid, with potential for this to increase to 25%. Power supply represents one of the Company's most significant cost inputs and so presents an opportunity to potentially access lower grade ounces by lowering costs.

Exploration

In early Q3 the Company announced a Mine Resource Upgrade following the drilling results from BC Central during the Period. The drilling activities have converted 126,787 oz of Inferred Resources grading 3.15 g/t into 83,543 oz of Indicated Resources grading 7.85 g/t, a suitable level of confidence for these ounces to be incorporated into the Mine Plan.

During the Period, the company continued exploration drilling at selected high priority targets, BC North and EH North, that have been identified on the mining licences at New Luika Gold Mine. Encouraging drilling results were announced following the end of the Quarter. A maiden resource estimate is expected at both targets to a depth of only the first 70 metres below surface, and which will continue to be upgraded through additional drilling which is ongoing.

Financial

During the Quarter, a total of 22,477 oz of gold was sold at an average price of US\$1,462 /oz against the average spot price for the quarter of US\$1,474 /oz. As of 30 September 2019, the Company had sold forward 43,000 oz to June 2020 at an average price of US\$1,235 /oz. The Company has the flexibility to defer settlement of forward sales and, with the exception of delivering into forward sales for 2,000 oz, had full exposure to the spot gold price during the Quarter.

Cash operating costs and AISC for Q3 of US\$474 /oz (Q2: US\$564 /oz) and US\$723 /oz (Q2: US\$773 /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\$4.3 m, accounted for by a decrease in trade and other payables (US\$1.1 m), an increase in inventories (US\$1.2 m) and an increase in trade and other receivables (US\$2.0 m). The increase in inventories includes ROM stockpile which increased by US\$0.7m. The increase in trade and other receivables includes the VAT receivable which increased by US\$2.1 m to US\$27.4 m.

Capital expenditure was US\$5.0 m (Q2: US\$5.4 m) for the Quarter, which was predominantly related to underground development.

As at 30 September 2019 the Company had an unrestricted cash balance of US\$5.0 m (Q2: US\$3.1 m). This follows a 15% reduction in gross debt from US\$30.1 m to US\$25.7 m at the end of the Quarter. Net debt decreased by US\$6.2 m to US\$20.7 m (Q2: US\$26.9 m), its

lowest in Shanta's producing history. This reduction in net debt was predominantly driven by strong quarterly gold production, prudent cost containment and a strong quarterly gold price.

Ilunga

The Company achieved commercial production at Ilunga during the Period, on schedule and on budget. Commercial production was achieved following gross pre-production capital investment of only US\$7.9 million (US\$5.0 million after netting off pre-production revenue) and less than 12 months after the underground portal blast at Ilunga was carried out in August 2018.

Ilunga is now the third source of high-grade underground feed at New Luika alongside the BC and Luika underground deposits.

Year to date, the Company has benefited from positive reserve reconciliation at Bauhinia Creek of 3,745 oz which partly offset negative reserve reconciliation at Ilunga of 6,617 oz. The average orebody widths and gold grades at the Ilunga underground deposit in the first three sublevels were lower than estimated in the ore reserves. Year to date, reserve reconciliation of mined ore from stopes and development at Bauhinia Creek and Ilunga is negative 2,872 ounces on a consolidated basis. An updated reserve and resource statement is expected over the coming months following ongoing grade control drilling.

Singida Project (the "Project")

In connection with the planned Initial Public Offering ("IPO") on the Dar es Salaam Stock Exchange ("DSE") previously announced on 29 March 2019, Singida has entered into a non-binding term sheet with a privately-held, East African, multinational conglomerate, for an unsecured, non-recourse loan facility of US\$10 m ("Facility"). The Facility is conditional on a minimum equity raise of US\$15 million at the IPO. The Facility will be repaid over a period of three years from cash flows generated by the Project and bears an annual interest rate of 10%.

The Project's EIA Certificate was received from the Minister of State in the Vice President's Office for Union Affairs and Environment during the Period, marking an important milestone for the future construction and operation of the Project.

During the Quarter, the Singida IPO prospectus underwent its second formal submission to the Capital Markets Securities Agency ("CMSA") which regulates the DSE. Feedback is expected in Q4 ahead of the planned IPO in 2020.

Corporate Social Responsibility ("CSR")

The number of sesame farmers enrolled in the Company's agricultural collaboration with ETG has now grown by 168% since 2018, in readiness for the forthcoming harvest season. During the previous harvest participants generated US\$0.5 m of income from almost half a tonne of this crop and these figures are expected to grow significantly.

The Company has been working to ensure that participants in the scheme are suitably equipped with the skills required to continue this work independently. This work has included a recent collaboration with NMB Bank to provide training to enrolled farmers on financial management.

Ensuring ready access to fresh water for the communities around New Luika remains a core focus of the Company's CSR strategy. Two new water boreholes were constructed during the Period, including one in the nearby Patamela village which extends 80 metres below ground level. This is in addition to a shallow borehole installed in the Period for a family recently resettled from the Elizabeth Hill area, which can produce over 5,000 litres of water per day to ensure that the family's needs are met.

During the Period, the Company purchased a Charcoal Briquette Plant for use in a local project for youth groups in Songwe. This will be commissioned shortly and will assist the project in creating new employment opportunities across the region.

During the Period, the Company completed construction of one of the first ever primary school Information and Communication Technology ("ICT") laboratories in the Songwe region, in partnership with the primary school at Mbangala village. Teaching professionals from the "Into Africa – Partners in Learning" programme with UK-based Hazelwood School (charity number 312081) will inaugurate the ICT laboratory in Q4, which marks a transformational long-term outcome for the Company's stakeholders in Mbangala village and Songwe region.

Post period

Exploration drilling at BC North and EH North has intersected encouraging mineralisation with sizeable widths, suggesting significant potential for additional resources to add to the mine plan. Drilling is continuing at depth and along strike at both targets and additional results are expected in Q4 2019.

The results of this drilling campaign and the second drilling campaign in Q4 2019 will be combined and analysed, with an updated Mineral Resource Estimate and resultant life of mine extension expected by Q1 2020.

ENDS