

5 December 2018

Shanta Gold Limited

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

Singida NPV and Project Update

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, developer and explorer, is pleased to announce project economics for the Singida Gold Mining Project ("the Project") in central Tanzania.

Project highlights

- Average annual production from open pit mining of 26,000 oz for an initial six year period;
- Expected to increase Shanta Gold's total gold production to over 100,000 oz pa from first full year of production;
- Pre-production capex requirement of US\$16 million ("m") and US\$3 m for working capital;
- Net Present Value ("NPV") of US\$31 m and IRR of 67%, at an 8% discount rate and using the current gold forward curve;
- Life of Project Cash Cost of US\$794 /oz;
- Project economics are based on internally prepared management estimates using the Singida Internal Owners Team and have not been independently verified;
- Significant further upside potential through the inclusion of substantial resources currently sitting outside the project economics;
- Geophysics to test continuity between Corn Patch and Corn Patch West targets recently completed, results currently being interpreted;
- Most key infrastructure requirements in place including water, Tanesco grid power, resettlement and an operating camp;
- Singida ESIA expected by Q1 2019, completing the Project's permitting process; and,
- Financing expected to be completed at the Singida asset level with various options being considered.

Exploration and Future Potential at Singida

- Total inferred resources outside of the project economics amount to 6.57 Mt at 1.63 g/t for 344,000 oz;
- Inferred ounces have been prioritised for evaluation, with conversion potential through further drilling;
- All gold resources at Singida sit within Shanta's existing mining licenses; and,
- Ongoing resource exploration and optimisation work will target extension of the longevity of the project beyond six years and improvement of the Project's NPV.

Shanta Gold updates

- Production in October and November have been the strongest two months of 2018;
- November production included a daily record at New Luika Gold Mine of 2,631 tonnes ore mined at a grade of 6.9 g/t for 584 oz contained gold, from the underground;
- Shanta remains on track to achieve full year guidance for 2018 of approximately 80,000 oz at an AISC US\$750 /oz; and
- Exploration drilling at Quartzberg, 45km east of NLGM, is underway.

Eric Zurrin, Chief Executive Officer, commented:

“Singida has always been an exciting project for the Company and has the potential to propel Shanta to a gold producer with over 100,000 oz per year by 2020. The development of Singida unlocks value for us, with very attractive economics including an IRR of 67%.”

“We are making steady progress with the Singida funding plan, which as we have stated previously, will be completed at the asset level and not through Shanta Gold shareholders. I look forward to providing a more detailed update in Q1 2019, with a target to complete the funding during the course of 2019.”

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 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.

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

Singida Project Economics

The strategy for Singida is to unlock value from existing resources within the Company's mining licenses. The project economics are based on internally prepared management estimates using the Singida Internal Owners Team, formed of professionals from New Luika Gold Mine across all disciplines. The project economics have not been independently verified.

Internally estimated project economics provide for the processing of 2.4 million tonnes of ore from surface mining at an average grade of 2.3 g/t for the production of 158,000 oz of recovered gold, over an initial six-year mine life.

The Singida project economics include the following key metrics:

Singida project economics summary	
Projected mine life	Six years (excluding construction)
NPV (post-tax) at 8%	US\$31 m
Pre-production working capital requirement	US\$3 m
Pre-production capital requirement	US\$16 m
Total capital expenditure over project life	US\$27 m
Life of Project cash cost	US\$794 /oz
Project IRR	67%

Key Assumptions	
Gold price	Current gold forward curve ¹
Processing recovery - Gold	91%
Mill throughput capacity	438,000 tonnes pa
Plant availability	94%
Plant utilisation	98%

¹ Gold Price (US\$/oz)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
	1,296	1,331	1,366	1,401	1,437	1,472

The current gold forward curve is based on a spot gold price of US\$1,225 /oz and gold prices in future years reflecting the current interest rate differential. Year 1 in the above table represents the year 2020. Source: CME Group

Pre-production capital expenditure of US\$16.0 m is comprised of US\$7.2 m for construction and installation of a processing plant, US\$4.4 m for key infrastructure, US\$3.2 m for construction of a tailings storage facility and US\$1.2 m for initial open pit development.

Quotations for capital expenditure have been procured and received in 2018, with a substantial planned input from local suppliers in line with Shanta's philosophy of local content. The pre-production capital estimate has significantly benefited from previous capital spend at the Project, including:

- Construction of the mine camp;
- Resettlement, including financial compensation and re-housing of families from the project site; and
- Drilling and testing of water supply boreholes.

Project economics are based on externally validated assumptions including metallurgical test work, mineral resource estimates, and capex and opex quotations.

The Project is expected to enter commercial production within 15 months of becoming fully funded. As a result, Project IRR stands at 67%.

There remains considerable scope to optimise the project economics through further review of operating parameters as well as through the definition of additional resources.

NPV (post-tax) sensitivity to Discount Rate (US\$ m):

Gold price	Discount rates		
	5%	8%	10%
US\$1,200 /oz	22	18	16
US\$1,300 /oz	30	26	23
Forward Curve	36	31	28

US\$1,400 /oz	38	33	31
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It is anticipated that the first corporate tax charge for the Project under the newly-incorporated Singida Resources Plc will become payable in 2021. Payments are expected to be partially offset by accumulated tax losses until 2023.

IRR sensitivity to Gold Price (%):

Gold price	IRR (%)
US\$1,200 /oz	47
US\$1,300 /oz	62
Forward Curve	67
US\$1,400 /oz	77

Annual production for the first six years is expected to average 26,000 oz. A cut-off grade of 0.7 g/t has been utilised for each of the deposits. There are lower grade areas that currently fall outside the mine plan, but which could be mined with no additional development, thereby providing gold price optionality. Engineered pit shell designs have been developed based on a long-term gold price of US\$1,300 /oz.

PRODUCTION		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	TOTAL
Open Pits									
Material Mined	Tonnes	5,767,726	4,594,025	3,182,814	7,418,607	3,475,293	1,353,799	-	25,792,264
Ore Mined	Tonnes	370,849	365,759	371,782	585,204	333,211	360,320	-	2,387,123
Strip Ratio	x	14.55	11.56	7.56	11.68	9.43	2.76	-	9.59
Grade	g/t	2.48	2.63	2.82	2.18	1.95	1.42	-	2.25
Contained Gold	oz	29,616	30,915	33,727	41,013	20,855	16,403	-	172,530
Processing									
Tonnes Milled	Tonnes	370,849	365,759	371,782	403,486	403,486	403,486	68,277	2,387,123
Head Grade	g/t	2.48	2.63	2.82	2.18	2.05	1.59	1.59	2.25
Recovery	%	91%	91%	91%	91%	91%	91%	91%	91%
Total Gold Produced	oz	26,950	28,133	30,692	25,732	24,220	18,788	3,179	157,695

A summary of operating costs is provided below.

COSTS		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	TOTAL
Open Pit Mining	\$/oz	346	355	289	371	460	309	0	353
Processing	\$/oz	225	213	198	257	273	352	352	248
G&A	\$/oz	85	82	76	89	95	120	84	89
Royalty & Selling	\$/oz	97	100	103	105	108	111	113	104
Cash Operating Cost	\$/oz	754	750	666	822	935	892	549	794

Exploration and Future Potential at Singida

Total inferred resources that presently sit outside of the project economics amount to 6.57 Mt at 1.63 g/t for 344,000 oz.

These resources can potentially benefit from further exploration, have been prioritised for further evaluation and have the advantage of sitting within the current mining license areas with close proximity to the proposed processing plant.

The project economics are currently designed to maximize mill throughput during the first five years of production and as such any resource conversion has the potential to extend the mine life beyond the initially anticipated six-year period.

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