

15 July 2016

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

Pilot-scale production to commence at Singida Gold Project in 2017

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, developer and explorer, is pleased to announce an update on its Singida Gold Project ("Singida" or the "Project"), which is located in northern central Tanzania.

Singida is an advanced stage project with a mining licence in place. The Project has had in excess of 80,000 metres of drilling and a feasibility study was completed in 2011. As previously announced in the 2011 feasibility study, Singida has nine ore bodies named Gold Tree 1, 2, 3, Jem, Vivian, Corn Patch, Corn Patch West, Gustav and Kaiser Chief. The nine ore bodies have a combined resource of 858,000 ounces (at a 1 gramme per tonne ("g/t") cut-off).

The Company continues to operate steadily at the New Luika Gold Mine ("NLGM") with stable production and robust cashflows and intends to update the market on Q2 2016 production and operations on or around 19 July 2016. This continued operational success at NLGM has allowed the Company an opportunity to advance its second project, Singida where significant progress on the relocation programme has been made in recent months.

Highlights

- Singida now fully supported by communities and authorities;
- Pilot-scale production to start in Q1 2017, on Gold Tree 1 Prospect, building up to a milling rate of 10 tonnes per hour ("tph") for gold production of approximately 800 ounces ("oz") per month;
- Development capital of approximately US\$4 million to be funded from Company cashflow;
- Pilot production programme expected to be cashflow positive and complements exploration for the new feasibility study and work programme required as part of the Mining Licence;
- Philbert Rweyemamu appointed as General Manager to lead the development;
- Existing Environmental and Social Impact Assessment ("ESIA") being reviewed and updated;
- In parallel, Shanta is commencing work on a feasibility study on the broader resource as well as carrying out further exploration in the project area; and,
- 5,000 metres of reverse circulation ("RC") drilling planned from surface to approximately 100 metres to commence in H2 2016.

Toby Bradbury, Chief Executive Officer, commented:

"Shanta is very optimistic about the prospects for Singida. Following an extensive consultation programme, the Company is now able to progress development at Singida with the full support and enthusiasm from both the local communities and authorities. A new mine in this region of Tanzania has the potential to make a positive impact on the lives of many and Shanta intends to ensure that the economic benefit is extended beyond that of the mine

itself. The Company looks forward to working with our partners in Tanzania to bring this exciting project to life.”

Singida Gold Project

Three mining licences for Singida were issued in January 2012. In the more than four year intervening period while the formal relocation exercise was on-going, the gold market has changed considerably, with prices having fallen from circa US\$1,650 per ounce (“/oz”) to US\$1,350 /oz. The authorisations granted at that time, such as the ESIA, are in need of review although the mining licences remain valid until 2022 and may be renewed at that time.

Recognising the potential at Singida and as reported in April 2016, Shanta engaged Philbert Rweyemamu, a highly regarded Tanzanian mining industry professional to lead the Project as its General Manager. Philbert was formerly with Acacia Mining from 2007 to 2015 where he held roles as General Manager of Buzwagi and Tulawaka Gold Mines as well as Government Relations Manager and leader of major community projects. Prior to this, he was with De Beers where he gained experience in South Africa, Botswana as well as in Tanzania. Philbert has a Mining Diploma from the Haileybury School of Mines, Ontario, Canada, and BEng and MSc degrees in Mining Engineering from the Cambourne School of Mines, UK. His knowledge of and connections into the mining industry in Tanzania are immensely valuable to the Company as it seeks to take Singida and other projects forward.

While an updated feasibility study is conducted on the broader Singida resource to reflect current market conditions, the intention is to promptly update the ESIA that will enable a small scale pilot gold mining operation to commence in Q1 2017. This operation is intended to generate cashflow from a very low capital base and demonstrate the Company’s commitment to the development of this Project.

Singida is now receiving strong support from the communities and authorities and it is the Company’s intention to start producing gold, building up to a milling rate of 10 tph for gold production of approximately 800 oz per month. The pilot operation is expected to run for at least two years subject to further resources being identified and a larger scale operation being initiated. The capital cost is not expected to exceed US\$4 million. Development funding will be provided from the Company’s existing cashflow.

Based on previous exploration drilling results, as well as numerous gold deportment and metallurgical tests conducted, the Company is confident that a significant quantity of gravity recoverable gold can be realised from near-surface sources, down to a depth of approximately 10 metres below surface.

Existing resource block models for the Gold Tree 1 Prospect suggest average grades of approximately 6 g/t to be prevalent in its near-surface expression which is to be the initial target. In the meanwhile, the Singida resource models are currently under review to confirm earlier resource estimation findings.

Previous exploration at Singida was budget-constrained and as a result the prospect was not drilled to its full potential. The prospect is made up of a series of greenstone formations that comprise an intercalated sedimentary and volcanic sequence with similarities to the Nyanzian Archaean metasediments and metavolcanics of the Lake Victoria Goldfields.

There is potential for the scale of the Singida resource to extend considerably on strike and at depth.

Accordingly, in parallel with the pilot mining and processing operations, some exploration to assess the broader potential of the resources will be conducted. Shanta's in-house exploration team is very familiar with the assets and has put a programme together to test the upside involving 5,000 metres of RC drilling from surface to 100 metres below surface targeting en-echelon mineralised structures identified in the hanging wall of the main Gold Tree 1 Prospect. Should favourable results be achieved with this drilling, the Company may opt to extend the drilling programme to test mineralisation at depth. The budget for this first phase of drilling is included in the Company's capital programme for 2016 and will commence in H2 2016.

Work that has been achieved since April 2016 has included:

- procurement of additional land (outside of the mining licence) to expand the existing (exploration) camp;
- establishment of formal security arrangements;
- demarcation of licence boundaries;
- registration of land valuations which enables the mining project to commence;
- construction and upgrade of camp facilities to prepare for the greater activity;
- consolidation of the existing drilling database and re-modelling of the ore wireframes; and
- regolith characterisation test work undertaken for which results are awaited.

All of the above work has been performed with extensive engagement of the local communities including employment of local people on short term contracts to assist in the development work. At a District and Regional level, the authorities have been involved in the mine development plans and TANROADS, the state roads authority, has already upgraded the 35 kilometre gravel road from the main road at Ikungi to the mine site. There are also plans to extend grid power to the area in the medium term.

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

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About Shanta Gold

Shanta 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. For further information please visit: www.shantagold.com.

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