18 October 2016

**Shanta Gold Limited**
("Shanta Gold", “Shanta” or the "Company")

## Q3 2016 PRODUCTION AND 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 2016 (“Q3”, the “Quarter” or the “Period”) for its New Luika Gold Mine ("NLGM"), in Tanzania.

### Highlights

### Operational

- Quarterly gold production of 20,580 ounces (“oz”) (Q2 2016: 23,896 oz);
- Quarterly gold sales of 23,426 oz at an average price of US$1,301 per oz (“/oz”), compared to average spot price of US$1,335 /oz (Q2 2016: 26,134 oz at an average price of US$1,246 /oz);
- Cash costs for Q3 of US$387 /oz (Q2 2016: US$429 /oz) and All in Sustaining Cost (“AISC”) of US$621 /oz (Q2 2016: US$664 /oz); and
- No lost time injuries for the Quarter.

### Financial

- Cash balance of US$25.8 million (“m”) (Q2 2016: US$30.5 m);
- Pre-payments from cash reserves of US$6.3 m for the Power Plant;
- Cash generated from operations of US$11.1 m (Q2 2016: US$13.1 m);
- Capital expenditure of US$14.2 m (Q2 2016: US$7.0 m);
- Gross debt of US$70.5 m (Q2 2016: US$75.0 m);
- Net debt of US$38.4 m (Q2 2016: US$44.5 m) after taking account of pre-payments for the Power Plant;
- Additional access to Silver Stream funds (US$5.25 m) and Power Station Funding (US$9.1 m) yet to be drawn down; and
- Forward sales from October 2016 to February 2017 of 20,000 oz at an average price of US$1,275 /oz.

### Development and Exploration

- Underground project development on track and within budget for first production of underground ore in Q2 2017;
- Works continue on the second Tailings Storage Facility (“TSF2”);
- Updated resources statement published for the Ilunga satellite deposit for a total Indicated and Inferred resource of 1.7Mt at 4.55g/t for 257,965 oz at 1 g/t cu-off;

- An additional 184,000oz at Ilunga (165,000oz Indicated) being evaluated for additional reserves to add to mine life in a high grade underground operation;
- First stage drilling results at Singida reveal high grade intersections in Gold Tree 2 and Gold Tree 3; and
- Installation of Singida Pilot Mining Project targeting gold production in Q2 2017.

**Corporate**

- Options being considered for lower cost debt on the Power Station Financing;
- The US$5.25 m silver stream to close in Q4 when the final registration of the security has been effected.

**Guidance for 2016**

- Annual production guidance maintained for 2016 of 82,000 – 87,000 oz;
- Lowered AISC guidance to US$690 – 740 /oz, from US$730 – 780 /oz; and
- A revised Mine Plan is being generated to incorporate the Elizabeth Hill Reserve and the recently upgraded Ilunga Resource which will extend mine life and is targeted for completion in Q1 2017.

**Toby Bradbury, Chief Executive Officer, commented:**

*"Q3 has been another solid quarter for Shanta setting the Company up to deliver at the top end of production guidance for the year and once again improving its position on costs with a further reduction in target AISC to US$690 – 740 /oz, from US$730 – 780 /oz.*

*On our projects, the underground development progressed well during the quarter and remains on schedule for first ore production in Q2 2017. We are also now actively working on the Ilunga reserve evaluation which we expect to add significant life to New Luika with its additional high grade resources. Outside of New Luika, our advanced stage Singida project delivered exciting drilling results in the quarter and is progressing well towards commissioning the pilot plant in Q2 2017.*

*On our financial performance, it is very satisfying to see our debt reducing whilst we also fund such a significant capital program. This is reflective of the strong cash generative capacity of our business."*

**Analyst conference call and presentation**

Shanta Gold will host an analyst conference call and presentation today, 18 October 2016, at 09:30 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: 0808 237 0030
UK Toll Number: 0203 139 4830
PIN: 82215216

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

http://www.anywhereconference.com?UserAudioMode=DATA&Name=&Conference=131677798&PIN=82215216

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

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

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**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 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. The Company is admitted to trading on London's AIM and has approximately 583 million shares in issue.

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

**Operational**

Production Summary

| | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 |
|---|---|---|---|---|
| Tonnes ore milled | 144,930 | 151,698 | 149,128 | 155,622 |
| Grade (g/t) | 4.90 | 5.48 | 5.69 | 6.50 |
| Recovery (%) | 90.2 | 89.5 | 89.3 | 89.5 |
| Gold (oz) | | | | |
| Production | 20,580 | 23,896 | 24,341 | 29,139 |
| Sales | 23,426 | 26,134 | 21,486 | 29,228 |
| Silver production(oz)[1] | 30,381 | 36,316 | 35,144 | 39,153 |
| Realised gold price (US$) | 1,301 | 1,246 | 1,132 | 1,087 |

1. *Note that the full production figures included pending closure of the silver stream.*

Shanta has had another robust quarter of operational performance that places the Company to deliver at the upper end of its production guidance of 82-87,000 oz for the year. The slight reduction in gold production was anticipated and as reported at the end of H1 which had benefited from an acceleration of the mining program with earlier access to higher grade ore.

Lower production in Q3 also brought into account planned maintenance on the mills which were stood down for a total of 3.5 days. The ROM stockpile at the end of September stood at 159,000 tonnes at an average grade of 5.41 g/t for a contained 27,600 oz. The ROM stocks have been established as part of the accelerated mining program and in anticipation of the transition to underground production in Q2 2017.

During the quarter, mining was completed in the Bauhinia Creek Pit following the completion of surface mining at Luika in June. A new pit was established at the Ilunga satellite deposit and production commenced in July. Ilunga will provide an average of 20,000 tonnes of ore per month for the next 10 months. Additional material will be sourced from the established pit at Jamhuri as required.

Given the change in surface mining that has occurred at New Luika, the mining contract with BC Mining, centred around the Bauhinia Creek and Luika Pits, was terminated during the quarter. This was in favour of a plant hire agreement with BC Mining that provides greater flexibility as New Luika mines its surface satellite deposits. BC Mining has been associated with New Luika since 2009.

<u>Underground Project</u>

The underground development at Bauhinia Creek continues on budget and on schedule, with production of high grade ore due in Q2 2017.

The surface infrastructure is largely all in place and the focus is on development of the decline. Development equipment on site now comprises two twin boom jumbos, two 50 tonne trucks, two loaders and associated ancillary machines and vehicles. All the equipment is new which is having a favourable impact on availabilities and costs. 80 people have now been employed with all the senior roles filled. There are just three expatriates (Underground Manager, Electrical Engineer and Drill Rig Operator Trainer) thus reflecting a 96% local workforce.

As at the end of September, the Bauhinia Creek decline had advanced 270 metres, the turn out and cross drive to Luika had advanced 79 metres and there was a further 53 metres of non-decline development for a total of 402 metres. This is slightly ahead of the schedule. There are no material issues with ground conditions.

During Q4, raise boring of the first pair of ventilation shafts for the Bauhinia Creek underground mine will commence for which the surface platforms have already been established.

Major Projects

Construction of TSF2 continues with all essential earthworks scheduled to be completed before the arrival of the rainy season in November. Commissioning is likely to be in Q1 2017 which has no bearing on our capacity to continue operations.

The delivery to site of the 6 new HFO powered generator sets is expected early in Q4 2016 with foundations and bench testing already completed. Commissioning of these new units is as scheduled for Q1 2017 and will save around 20% of unit costs for electrical power.

Safety, Health and Environment

Safety, Health and Environmental issues remain an ongoing priority for Shanta with zero lost time injuries or environmental incidents in the Quarter.

**Financial**

A total of 23,426 oz of gold was sold at an average price of US$1,301 /oz vs an average spot price of US$1,335/oz for the Quarter. As of 14 October 2016, the Company had sold forward 20,000 oz to February 2017 at an average price of US$1,275 /oz. Shanta's hedging policy is aimed at securing cashflow in a year of major capital and debt servicing commitments.

Shanta produced strong unit cost performance in Q3 2016 predominantly as a result of continued cost efficiencies. Cash cost per ounce amounted to US$387 /oz (Q2 2016: US$429 /oz) and AISC amounted to US$621 /oz (Q2 2016: US$664 /oz). The first nine months of 2016 has benefited from an accelerated mining program in a below average strip ratio environment which has reduced the fixed cost component of mining and enabled very beneficial cash costs to be achieved. With the completion of Luika Pit in June and Bauhinia Creek Pit in September, together with the revised mining contract, the Company expects cash costs to remain low despite a lower ounce production profile for the remainder of the year. Consequently, cost guidance for the year has been revised down to US$690 – 740 /oz.

A further investment was made in working capital in the quarter receivables and prepayments for underground and power project capital items (US$5.0 m). During the Period there was an overall US$0.7 m increase in working capital (Q2 2016: US$13.4 m), importantly cash generated from operations before working capital for the Period was US$11.1 m (Q2 2016: US$13.1 m). Capital expenditure was US$14.2 m (Q2: US$7.0 m). This was made up of: UG mining equipment (US$7.8 m); capitalised deferred stripping at Ilunga Pit (US$1.9 m); TSF2 (US$1.3 m); Singida, including exploration (US$0.9 m); and Luika River Dam (US$0.4 m)

The Company's cash balance at the Quarter end was US$25.8 m (Q2: US$30.5 m). Gross debt decreased to US$70.5 m (Q2 2016: US$75.0 m) after commencement of the repayment of the Investec facility while net debt, after taking account of US$6.34 m cash prepayments for the power plant, reduced to US$38.4 m (Q2 2016: US$44.5 m). Importantly, the silver stream proceeds which have yet to be received (US$5.25 m) are awaiting final registration of security. The loan for the power plant of US$9.1 m has yet to be drawn down although it is included in the gross debt. Funding for the power plant has thus far been made from internal cash resources (as above) backed up by a letter of credit. The Company is using this opportunity to source lower cost finance.

The Company continues to identify and implement efficiency improvements across the entire business as well as improving its performance management reporting and business process optimisation. These changes serve two key purposes including cost savings and risk mitigation against operational or financial inefficiencies. Separately, capital programmes are continuously reviewed to test for on-going requirement, potential alternatives and efficiency opportunities.

**Exploration and Development**

As advised in the Base Case Mine Plan in September 2015, at New Luika, 514,000 oz of resources sit outside the mine plan and further drilling programs are planned to generate replacement and expansion oz as part of the business strategy. A revised Mine Plan is being generated to incorporate the Elizabeth Hill Reserve and the recently upgraded Ilunga Resource which will extend mine life and is targeted for completion in Q1 2017.

During the quarter, a resource update was announced for the Ilunga deposit based on drilling conducted in H1 2016 which added a net increase in total resources of 184,000 oz (at 1 g/t cut off) of which 165,000 oz is in the indicated category. These are ounces over and above the 514,000 oz that sit outside the mine plan.

The Ilunga deposit is a high priority opportunity and is now in the process of mine design to create a reserve which is expected to significantly extend the life of New Luika with its high grade resources.

Further work will continue at Luika within the mining licence and in the surrounding Prospecting Licences held by the Company. To assist in the process of target generation, the Company arranged for a Lidar and Hyperspectral survey over 700km$^2$ of its tenements in the Lupa gold field for which the data has just been received.

Singida is now gaining greater traction on the back of stable operations and cashflow at New Luika. A pilot plant is planned to take advantage of the existing mining licence at Singida. In addition, as announced at the end of Q3 2016, an exploration program has highlighted the potential to extend the resource bases at Singida in the same manner as at New Luika. Singida has significant exploration upside potential which will be evaluated in the coming quarters while an updated full scale feasibility study is conducted.

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**ENDS**