19 January 2017

# Shanta Gold Limited

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

## Q4 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 31 December 2016 ("Q4", the "Quarter" or the "Period") for its New Luika Gold Mine ("NLGM"), in Southwest Tanzania.

### Highlights

### Operational

- Quarterly gold production of 18,897 ounces ("oz") (Q3: 20,580 oz);
- Record annual gold production for 2016 of 87,713 oz, beating guidance of 82,000 – 87,000 oz (2015: 81,873 oz);
- Quarterly gold sales of 15,285 oz at an average price of US$1,187 per oz ("/oz"), compared to average spot price of US$1,217, closing at US$ 1,148 /oz;
- Gold sales for 2016 of 86,331 oz (2015: 80,622 oz) at an average price of US$1,232 /oz, compared to average spot price of US$1,249 /oz;
- Cash costs for Q4 of US$486 /oz (Q3: US$387 /oz) and All in Sustaining Cost ("AISC") of US$747 /oz (Q3: US$621 /oz);
- AISC for 2016 of US$661 /oz against guidance of US$690-740 /oz (2015: US$845 /oz); and
- No lost time injuries for the Quarter.

### Financial

- Cash balance of US$15.0 million ("m") (Q3: US$25.8 m);
- Cash used in operating activities of US$0.1 m in Q4, compared to US$11.1 m of cash generated from operating activities in Q3, reflecting lower gold price on lower sales at higher cost but also with increased working capital in supplier prepayments and VAT on all capital and operating expenditure;
- Cash generated in operations of US$45.9 m in FY 2016 (2015: US$31.8 m);
- Capital expenditure of US$12.9 m (Q3: US$14.2 m);
- Retirement of US$9.1 m Letter of Credit with all payments (for the ISI power station) made from cashflow;
- Gross debt of US$57.9 m (Q3: US$70.5 m) and net debt of US$42.9 m (Q3: US$38.4 m);
- US$5.25 m proceeds for silver stream was received in the quarter; and

- Forward sales from January to August 2017 of 21,000 oz at an average price of US$1,318 /oz.

**Development and Exploration**

- New Luika Underground project is on time and within budget, with 1,260 metres of tunnel development completed at year end. First development ore was delivered in December as scheduled and the first raise bore ventilation shaft was 97% complete;
- Underground high grade ore production on target for Q2 2017;
- Feasibility study underway for New Luika's Ilunga deposit as a new high grade underground operation (utilising existing NLGM infrastructure) with an updated Mine Plan incorporating this and Elizabeth Hill to be completed at the end of Q1 2017;
- Infill drilling program completed at Singida's Gold Tree 2 and Gold Tree 3 deposits; and
- Singida Pilot Mining Project scheduled to start operations in Q2 2017.

**Guidance for 2017**

- Annual guidance for 2017 of 80,000 – 85,000 oz at AISC of US$800 – US$850 /oz;
- The transition from surface to underground operations will require processing of lower grade ores during H1 2017 as access to higher grade underground ore is established. This will result in production being weighted to the second half of the year;
- 2016 costs benefited significantly from an accelerated mining program for the remaining lives of both the Luika and Bauhinia Creek open pits. This innovative approach significantly reduced the mining costs but is confined to the 2016 year. It should be noted that the initial guidance for AISC in 2016 was US$750 - US$800/ oz; and
- The Base Case Mine Plan 2016 – 2020 guidance is for five year average production of 84,000 oz with a life of mine average AISC of US$695 /oz.

Note 1: Cash Cost - Back of mine operating and administrative costs excluding royalty.
Note 2: AISC - Cash cost plus royalty, stay in business capital expenditure, interest and G&A.

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

*"I'm pleased to report that Shanta's Q4 2016 performance has rounded off an excellent year for the Company. We achieved record gold production of 87,713 oz at a very competitive, and Company record, AISC of US$661/oz. Shanta has beaten full year guidance on both cost and volume. This is a fantastic accomplishment and I would like to extend my thanks*

*and appreciation to all of our hardworking and dedicated employees and contractors who have made this success possible."*

*"In 2017, Shanta will continue to deliver high margin ounces and to generate strong operational cash flows. Shanta is now 15 months into New Luika's Base Case Mine Plan, as presented in September 2015, and since then the Company has consistently delivered to meet its annual guidance, both in 2015 and 2016. The underground project is significantly de-risked with initial access already developed within the Bauhinia Creek orebody. High grade ore production from underground operations is scheduled to start within six months and I look forward to keeping the market updated on our progress."*

*"Shanta's improved financial position is particularly satisfying with a reduction in gross debt from a peak at the end of H1 2016 of US$75 m to US$57.9 m at year end. Debt is projected to continue to reduce in 2017 despite the scheduled completion of the underground development program in the first half of 2017."*

**Analyst conference call and presentation**
Shanta Gold will host an analyst conference call and presentation today, 19 January 2017, 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: 0808 2370030
UK Toll Number: +44 (0) 2031394830
PIN: 63802503#

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=131682118&PIN=63802503

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

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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 87,713 ounces in 2016. 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

| | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 |
|---|---|---|---|---|
| Tonnes ore milled | 151,827 | 144,930 | 151,698 | 149,128 |
| Grade (g/t) | 4.26 | 4.90 | 5.48 | 5.69 |
| Recovery (%) | 90.8 | 90.2 | 89.5 | 89.3 |
| Gold (oz) | | | | |
| Production | 18,897 | 20,580 | 23,896 | 24,341 |
| Sales | 15,285 | 23,426 | 26,134 | 21,486 |
| Silver production(oz) | 24,731 | 30,381 | 36,316 | 35,144 |
| Realised gold price (US$) | 1,187 | 1,301 | 1,246 | 1,132 |

Note: quarterly production figures reconciled at year end

Production from the quarter maintained the reducing trend for the year which was planned as a key element of maintaining consistent production during the transition into the underground operations. Importantly, annual guidance for production was beaten and a new annual record for production at 87,713 oz was achieved. The year-end ROM stocks were 90,000 tonnes at an average grade of 4.6 g/t for a contained 13,000 oz which, with on-going surface mining and a contribution of high grade underground development ore, will ensure continuity of ore supply to the mills into 2017. The first half of 2017 anticipates lower average grade until high-grade ore is accessed from the Bauhinia Creek underground. Gold production, consequently, will be biased to the second half.

Plant efficiencies have improved through the year with record recoveries of 90.8% achieved in Q4 2016. Q4 2016 was the first full quarter to benefit from the completion of the new 1,000 $m^3$ leach tank increasing leach residence times in circuit. Recovery rates of 90% are expected to be maintained.

Safety, Health and Environment

Safety, Health and Environment issues remain a constant priority for Shanta. The Company is pleased to report that were zero lost time injuries or environmental incidents in the Quarter. More information on the safety reporting and protocols will be included in the full year results announcement.

**Financial**

A total of 15,285 oz of gold was sold at an average price of US$1,187 /oz against an average spot price over the period of US$1,217 /oz. The Company has sold forward 21,000 oz to August 2017 at an average price of US$1,318 /oz.

The strong unit cost performance was maintained for the Quarter delivering a cash cost per ounce of US$486 /oz (Q3: US$387 /oz) and AISC of US$747 /oz (Q3: US$621 /oz). AISC finished the year at US$661 /oz against a twice-improved guidance for 2016 of US$690 /oz to US$740 /oz.

New Luika has now operated for six quarters with AISC below US$750 /oz reflecting the high quality of its mineral resources and efficient, continually improving operations. The anticipated increase in costs for 2017 is the result of expected lower gold production due to the lower average grade for the year. However, Shanta's 2017 production guidance of 80,000-85,000 oz is in line with the projections contained in the 2015 Base Case Mine Plan, released in September 2015.

Cash used in operations was US$0.1 m compared to cash generated from operations of US$11.1 m in Q3, reflecting lower gold price on lower sales at higher cost but also with increased working capital in supplier prepayments (US$2m) and VAT on all capital and operating expenditure (US$3m). Capital expenditure was US$12.9 m (Q3: US$14.2 m), which was predominantly on the New Luika underground development and TSF 2 construction.

Cash generated for the year was US$45.9m (2015: US$31.8m) reflecting higher sales and lower costs overall.

The Company's cash balance at the Quarter end was US$15.0 m (Q3: US$25.8 m). This lower cash balance is due predominantly to the capital spend on the underground and surface development (US$ 8.1 m), and capitalised waste development at Ilunga – (US$ 4.8 m). In the case of the Ilunga waste development, the full benefit of this will be realised in 2017. There were further scheduled repayments of the long term debt to [interest on Convertible Loan Note holders (US$1.0 m),] Sandvik for mobile equipment (US$ 0.5 m) and Investec Bank Limited (US$ 1.7 m). There was also payment to suppliers of VAT which the Company awaits reimbursement from the Tanzanian Revenue Authority ("TRA") of approximately US$3 m in Q4 2016. It is anticipated that the prepayment requirements to suppliers will reduce as the Company builds up a steady track record and also move to consignment stock in 2017. Shanta continues to engage with the TRA on the refund of its outstanding VAT claims. Gross debt amounted to US$57.9 m reflecting the repayment of debt facilities (Q3: US$70.5 m), while net debt increased slightly to US$42.9 m (Q3: US$38.4 m) due to the lower cash balances as the power station has now been fully funded from internal cash in 2016.

Of real significance and benefit for Shanta was the retirement of US$9.1 m Letter of Credit for the new power plant which has been funded and paid for entirely from cash available within the business. The Letter of Credit was to have been converted to a US$9.1 m term loan.  Shanta believes it may no longer require this finance but is in the final stages of securing a Line of Credit (overdraft) facility which can be drawn down if the need arises. This has been the major impact on the gross debt reduction in the Quarter and will assist in reducing one of the more expensive debt servicing obligations going forward.

The Company maintains a continual program of efficiency improvement initiatives that have again contributed to an improved performance for the year. These initiatives are constantly updated and on-going improvements can be expected throughout 2017 and beyond. The initiatives form part of the Company-wide risk-managed approach to value creation. In addition, capital programmes are continuously reviewed to test for on-going requirement, potential alternatives and efficiency opportunities.

**Exploration and Development**

Further exploration work was conducted at Singida with in-fill drilling at Singida's Gold Tree 2 and Gold Tree 3 deposits and a targeted reverse circulation ("RC") drilling programme at Nkuluwisi, a prospect in the Lupa Gold field close to the New Luika mining licence.  Further exploration will be performed throughout 2017 with ongoing announcements and resource updates in due course.

The Singida Pilot Mining Project development continues with commissioning scheduled to commence towards the end of Q2 2017.

An update to the New Luika Gold Mine Base Case Mine Plan is also anticipated before the end of Q1 2017 and will incorporate the updated Ilunga underground resource from the feasibility study which is underway and the upgraded Elizabeth Hill reserve which are expected to add a tangible extension to New Luika's mine life.

**ENDS**