5 September 2017

Shanta Gold Limited

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

Operations Update

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, developer and explorer, is pleased to announce an operations update following the results of its business review which was initiated in July 2017 in light of the recent changes to the Tanzanian mining legislation and its senior management team.

A presentation to accompany the announcement is available for download from the Company's website: www.shantagold.com.

Core initiatives:

- Deliver on New Luika Gold Mine ("NLGM") underground production ramp-up in 2017/2018;
- Estimated US$5 million per annum run-rate reduction in costs;
- Internalise core competencies;
- Realign management incentives;
- Refocussed exploration strategy; and,
- Re-evaluate the development of the Singida Project ("Singida") including the financing thereof.

Eric Zurrin, Chief Executive of Shanta commented:

"I am pleased to announce that following the Company's business review, Shanta is now well-structured to deliver long term value for all its shareholders. The new value enhancement and cost saving initiatives will create a stable platform from which the Company can prosper and grow sustainably under the new Tanzanian mining legislation. Shanta will boast a leaner cost structure, have a focus on increased cash generation, develop greater internal Tanzanian leadership and importantly deliver reduced financial risk. This will position the Company favourably to achieve its long term objective of becoming a mid-tier African gold producer."

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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 87,714 ounces in 2016. The Company has been admitted to trading on London's AIM and has approximately 766 million shares in issue. For further information please visit: www.shantagold.com.

Operations update

Following its business review Shanta remains fully committed to Tanzania with its flagship asset, NLGM located in Southwest Tanzania and its development asset, Singida, located in northern central Tanzania. Importantly, the Company remains on track to achieve the lower end of its production guidance for FY2017 of 80,000 – 85,000 ounces ("oz") at an All In Sustaining Cost of US$800 – US$850 per ounce ("/oz"), as stated in the Company's interim results, published 18 August 2017.

A number of initiatives, as detailed below, will be put in place in order to deliver the desired long term value for shareholders, which will be achieved by rightsizing and significantly deleveraging the Company. In order to implement the necessary initiatives, as announced separately today, the Company has made further changes to its management team. Senior, highly qualified Tanzanian representatives have been appointed, alongside Scott Yelland, who has been promoted to Chief Operating Officer. The senior management team have also unanimously agreed to an average 15% salary reduction and their discretionary remuneration is now 100% share-based.

New Luika Gold Mine

The NLGM is an established low-cost gold producer, which boasts high grade resources. Following the publication of the Revised Mine Plan ("RMP") in March 2017, it remains a very sustainable operation, which will produce 514 koz gold to 2023. It also has a 824 koz JORC Compliant Code (2012) resource which sits outside of the RMP. This includes 141 koz of resource at Nkuluwisi which sits outside of the current mining licence. The Company plans to announce an update on its refocused exploration activities in Q4 2017.

Shanta continues to achieve a smooth transition into a predominately underground mining operation at NLGM with underground ore production ramping up as planned since July 2017, and first ore from Luika achieved in August 2017. As a result, the required capital expenditure for NLGM has largely been incurred, with over US$150 million invested to date. This enables strong cash flow generation going forward leading to significant expected deleveraging of the Company over the coming 24 months.

As at the end of August 2017, the underground gold grade remained on track at 7.50 grammes per tonne ("g/t") vs 7.48 g/t for the year to date, with 4.6 km of development taken place, with over 90,000 tonnes of high grade underground ore being mined. Improved stope availability is expected leading into Q4 2017 as a result of the good progress achieved to date.

Singida

During FY2016 a pilot mining project was initiated for the Singida Project. Although orders were placed for the pilot processing plant, in 2017 the project was put on hold with the priority for available cash being placed on completing the capital projects at NLGM. Following completion of the NLGM projects the Company is now assessing asset level financing to fund the development of the Singida Project. The Company will provide an update on Singida's development before the end of 2017.

Value improvements

Shanta is focussed on delivering improvements to its cost structure and is targeting cost savings of up to US$5 million per annum on a run-rate basis (c.US$60 /oz).

The cost improvements are being achieved throughout the Company by a reduction in headcount alongside the positive impact to costs on rightsizing the Company and reducing its ancillary support functions.

The headcount reductions will occur primarily at NLGM where there is a decrease in capital project activity and therefore the number of external contractors required, and also by internalising large functions that are currently outsourced, such as open-pit mining and catering. There are no changes or reductions being made to staffing levels for the underground operation.

As at the end of June 2017, Shanta employed a total of 1,075 people (447 contractors and 628 direct employees). Under the new initiative it plans to reduce this number to between 700-750 by the end of December 2017 (estimate of 125 contractors and 600 direct employees).

Impact of new Tanzanian legislation

Since commencing production at NLGM in 2013, Shanta has made payments to the Tanzanian government totalling US$67 million[1] and employed an increasing number of talented local citizens.

As previously announced, a new Finance Act was approved by the Tanzanian Parliament in June 2017 and a number of new legislative Bills were enacted as Laws in early July 2017 (Written Laws Act, Sovereignty Act and Unconscionable Term Act). These Laws have led to an impact on cash costs, resulting from higher royalties, which, since July 2017 have increased to 6% (up from 4%), with the addition of a 1% Clearing Fee. This equates to an increase of approximately US$3 million per annum in additional costs to Shanta (c.US$39 /oz). The Company has however offset the higher royalty cost and new Clearing Fee by its US$5 million per annum cost savings initiative.

VAT repayments

In terms of the Company's working capital receivables, while VAT remains a cash outflow, VAT per month is reducing as capital expenditure decreases and large contracts are internalised. For example, outflows contracted significantly in June and July 2017 following the decision in April and May 2017 to complete capital intensive project work.

The current impact to the Company remains on the run-rate cash outflow, which is currently US$7 million per annum, down from US$12 million. The VAT receivables remain a current asset to the Company and discussions continue with the Government of Tanzania around the current US$15 million outstanding VAT eligible repayments. Further updates will be provided when appropriate.

[1] Includes employment taxes, statutory contributions, service levies, taxes, royalties. Excludes VAT receivable of US$15 million as at 31 August 2017

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

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