18 January 2018

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

Q4 2017 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 2017 (the "Quarter", "Q4" or the "Period") for its New Luika Gold Mine ("NLGM"), in Southwest Tanzania.

Highlights

Operational

- Quarterly gold production of 21,288 ounces ("oz") (Q3 2017: 18,225 oz), an increase of 17% on Q3;
- Annual gold production for 2017 of 79,585 oz (2016: 87,713 oz), consistent with guidance of approximately 80,000 oz;
- Total ore mined during the period from underground production of 143,092 tonnes (Q3 2017: 75,996 tonnes), an increase of 88% on Q3;
- Quarterly gold sales of 20,217 oz at an average price of US$1,272 /oz, compared to average spot price of US$1,277 /oz;
- Gold sales for 2017 of 79,938 oz (2016: 86,331 oz) at an average price of US$1,263 /oz, compared to average spot price of US$1,258 /oz;
- Q4 cash costs of US$553 /oz (Q3 2017: US$558 /oz);
- Q4 All in Sustaining Cost ("AISC") of US$784 /oz (Q3 2017: US$769 /oz, restated in line with the World Gold Council with the reconciliation provided on page 8);
- Restated 2017 AISC of US$747 /oz in line with World Gold Council compared to guidance of US$781 /oz restated for comparison (2016: US$659 /oz restated for comparison); and,
- Underground operation has produced over 250,000 tonnes of ore at an average grade in excess of 6 g/t and development of over 7 kilometres since commencing in July 2016.

Financial

- Cash balance of US$13.5 million ("m") (Q3: US$8.0 m);
- Gross debt of US$53.4 m (Q3 2017: US$53.5 m) and net debt of US$39.9 m (Q3 2017: US$45.5 m);
- Forward sales from January to May 2018 of 22,500 oz at an average price of US$1,271 /oz;
- Capital expenditure of US$6.3 m (Q3 2017: US$9.5 m); and,

- US$1.9 m drawn down in each of October and November from US$7.5 m 4-year facility agreed with Exim Bank, taking the total amount drawn down to US$5.6 m.

Corporate and strategic

- Cost reductions of US$8.7 m per annum on an annualised basis achieved in November (including US$3.6 m from new mining method at Luika);
- NGLM headcount reduced from 1,075 at the end of H1 2017 to 759;
- Planned installation of additional pre-leach tank expected to increase recoveries by 1.5 –2% with a payback period for the project of 4 months;
- Cost saving target increased in January 2018 from US$5.0 m to US$7.0 m per annum on an annualised basis (excluding impact of new mining method at Luika), expected to be executed by Q3 2018; and,
- Management to evaluate dividend policy in Q4 2018 following ongoing deleveraging of the Company balance sheet.

Exploration and development

- Commenced revaluation of NLGM sequencing with high-grade Ilunga deposit potentially prioritised to increase project NPV;
- Updated JORC compliant Resource at Singida totalling 12.3Mt, grading 1.84g/t and containing 728koz of gold using a cut-off grade of 1.0g/t consisting of;
    - a Measured and Indicated Mineral Resource totalling 5.11Mt, grading 2.09g/t gold and containing 345koz of gold, and;
    - an Inferred Resource of 7.17Mt, grading 1.66g/t gold and containing 383koz of gold.
- MRE incorporates three mining licenses and seven mineralised zones with a combined strike length of 4.9km, with widths ranging from 5-15m and mineralisation extending approximately 500m below the topographical surface;
- New exploration manager, Paul Mbuya, appointed in January 2018 to develop exploration programme, with a focus on initiatives within current mining licences as top priority; and,
- Further exploration is planned at Singida with targeted drilling and IP during H1 2018.

VAT Repayments

- VAT refund received during Q4 of US$3.4 m, comprising a US$1.9 m offset against corporate taxes payable in 2016 and 2017 and a cash payment to the Company of US$1.5 m;
- At the end of Q4, the Company had a VAT receivable balance of US$14.5 m (Q3: US$15.8 m); and,
- Discussions continued in the quarter with the Government of Tanzania to have the outstanding balance repaid.

Guidance for 2018

- Annual guidance for 2018 of 82,000−88,000 oz at AISC of US$680-730 /oz.

Change in All-In Sustaining Costs Measure

- All-In Sustaining Costs (AISC) now being calculated on an updated basis, aligning the Company's measure with that stipulated by the World Gold Council; and,
- Exploration costs included in AISC calculation and financing costs (ie interest expense) removed from the AISC calculation.

Post Period

- Luke Leslie appointed as Chief Financial Officer on a permanent basis effective 1 January 2018; and,
- Numis Securities Limited appointed as Nominated Advisor and Sole Broker.

Eric Zurrin, Chief Executive Officer, commented:

"We are pleased to report a strong final quarter of 2017. The Company expects to continue reducing its net debt and restructuring the business to deliver improved, sustainable cash flows going forward. With this in mind, we have increased our annual cost saving target to $7.0 m from the previous $5 m target.

These initiatives are expected to result in another year of deleveraging and management expects to be in a position to evaluate the dividend policy during the fourth quarter of 2018 in preparation for subsequent financial periods."

Analyst conference call and presentation

Shanta Gold will host an analyst conference call and presentation today, 18 January 2018, 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.

United Kingdom Toll: +44 (0)2031394830
United Kingdom Toll-Free: 08082370030
PIN: 50996233#

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=131694618&PIN=50996233

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

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
Jos Simson / Charles Vivian / Barnaby Hayward +44 (0)20 7920 3150

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 project in Tanzania and holds exploration licences covering approximately 1,500km^2 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 769 m 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.

Operational

Production Summary

	FY 2017	**Q4 2017**	**Q3 2017**	**Q2 2017**	**Q1 2017**
Tonnes ore milled	**632,287**	162,233	163,109	155,567	151,378
Grade (g/t)	**4.28**	4.48	3.83	4.28	4.57
Recovery (%)	**91.2**	91.1	90.9	90.9	92.0
Gold (oz)					
Production	**79,585**	21,288	18,225	19,657	20,416
Sales	**79,938**	20,217	18,487	17,982	23,252
Silver production (oz)	**106,238**	30,049	22,915	24,524	28,750
Realised gold price (US$)	1,263	1,271	1,267	1,265	1,249

Gold production increased significantly during the period to 21,288 oz (from 18,225 oz in Q3) due primarily to higher mill head grade of 4.48 g/t (3.83 g/t in Q3) with Q4 being the highest production quarter of 2017. During this period the number of stopes available for production increased to two and is planned to increase to three on a stable basis, further improving production flexibility. This improvement contributed to the plant reaching a new daily production record of 510 oz in December, exceeding the previous record of 457 oz.

Underground production continued to perform in line with plan during the period with the decline in the Bauhinia Creek deposit at 1,266 m by the end of December. Overall, a total of 143,092 tonnes of underground ore grading 4.7 g/t was mined in Q4 compared with 75,996 tonnes of ore grading 5.83 g/t in Q3.

The Run of Mine ("ROM") stockpile at 31 December 2017 was 108,842 tonnes of ore grading 1.5 g/t (down from 123,200 tonnes grading 1.6g/t at the end of Q3). The ROM stockpile continues to be blended with high grade ore from the underground.

Since commencing in July 2016, the NLGM underground operation has completed four vertical shafts, two return airway set ups and secondary emergency egress's in addition to the wider team commissioning and completing the CRF plant ahead of schedule. This has enabled the NLGM workforce to produce in excess of 250,000 tonnes of ore at an average grade exceeding 6 g/t within the same timeframe.

Safety, Health and Environment

Safety, Health and the Environment remains the top priority for Shanta. There was one Lost Time Injury during the quarter. Notwithstanding Shanta maintains its track record of operating one of the safest gold mining operations among its peers.

Financial

During the Quarter a total of 20,217 oz of gold was sold at an average price of US$1,271 /oz. This was below the average spot price of US$1,277 /oz over the period. As of 31 December 2017, the Company had sold forward 22,500 oz to May 2018 at an average price of US$1,271 /oz.

Cash costs for Q4 were US$553 /oz (Q3 2017: US$558 /oz) and AISC were US$784 /oz (Q3 2017: US$822 /oz).

There was a US$1.9 m increase in working capital in the Quarter accounted for by an increase in payables (US$1.0 m), no change in inventories and an increase in trade and other receivables (US$2.9 m). The increase in trade and other receivables includes VAT receivable which decreased by US$1.3 m to US$14.5 m following the US$3.4 m refund received during the quarter. Capital expenditure was US$6.3 m (Q3: US$6.7 m) which was predominantly related to underground development and equipment.

As at 31 December 2017 the Company had a cash balance of US$13.5 m (Q3 2017: US$8.0 m) and access to the remaining undrawn unrestricted Exim Bank facility of US$1.9 m. The higher cash position was achieved despite significant one-off payments made in the quarter of over US$3 m in relation to termination costs.

The Company is reducing its debt and restructuring the business to deliver improved cash flows going forward. Gross debt decreased to US$53.4 m (Q3: US$53.5 m) following repayments including US$2.7 m to Investec. These were offset by drawdowns of US$3.8 m from Exim Bank where the Company had a further US$1.9 m of unrestricted cash available to draw at the end of December 2017. Nevertheless, net debt decreased significantly to US$39.9 m (Q3: US$45.5 m).

Corporate and strategic

On 5th September 2017 the Company announced a plan to reduce costs by US$5m per annum on an annualised basis and this was achieved in the quarter with cost reductions of US$5.1m per annum executed. These reductions were exclusive of the significant standalone saving generated through replacement of the Mining Contractor resulting from planned decline in open pit production. Run-rate savings are expected to be fully realised by the end of Q1 2018 and will have a direct bearing on free cash flow generation moving forwards.

An operational improvement program was also initiated which includes targeting higher recoveries of over 93%, an improvement of 1.5-2% by H2 2018. This follows laboratory scale extended leach test work on increasing residency time through the installation of an additional pre-leach tank and will cost approximately US$0.5m. This pre-leach tank will increase residency times in the plant by 8 hours and will supplement the 2.6% improvement in recoveries achieved following installation of the previous pre-leach tank, with an expected payback period of 4 months. Assembly and installation is planned for April 2018 with commissioning by the end of June 2018.

At the end of Q4 the Company’s headcount had reduced to 759 people (127 contractors and 632 direct employees), a 32% reduction from the beginning of Q1, closely aligned to the optimal organisational structure targeted by management as part of the value improvement initiatives rolled out by new management in early Q3 2017. 98% of the Company’s workforce are Tanzanian nationals, with over 40% of these individuals hired from the local communities surrounding NLGM. This is a direct outcome of Shanta’s commitment to and investment in the livelihood of the local area.

Management is committed to further reducing the Company’s cost structure and has increased its cost savings target from US$5 million to US$7 million per annum on a run-rate basis. These savings exclude the lower costs of changing mining method at Luika and are expected to be identified and executed by the end of Q3 2018.

During the quarter, the Company also revised its mining method for the Luika underground from Cut and Fill to Long Hole Open Stoping (“LHOS”). This removes the requirement for backfilling with cement, lowering mining costs by an estimated US$3.6m in 2018, with backfill costs having declined to $1.1m per annum on an annualised basis (RMP: $4.7m). This approach has been assumed for the top panel and, if successful, the rest of Luika will be changed to LHOS.

In late Q2 the Company announced an agreement with Investec Bank plc (“Investec”) to implement a new US$50 m facility to replace the current $40 m facility (“New Investec Facility”), subject to due diligence, delivery of certain Conditions Precedent, and documentation satisfactory to Investec. The Company also announced its intention to repurchase the outstanding unsecured subordinated convertible loan notes due April 2019 (“Loan Notes”). The Company’s authority to buy back the Loan Notes expired on 20 October 2017. As previously announced, the Company expects to provide a further update on the debt restructuring to shareholders and the holders of the Loan Notes by the end of Q1 2018.

2018 is expected to be a year of deleveraging and management expects to evaluate the Company dividend policy during Q4 2018 in preparation for subsequent financial periods.

Exploration and Development

During the quarter the Company commenced a programme to evaluate the potential resequencing of the Revised Mine Plan to maximise project net present value. The probable reserve at Ilunga averages a grade of 5.56g/t in high tonnage stopes and therefore may be prioritised as part of this process.

A JORC compliant resource of 0.727 Moz was declared in the quarter for Singida, increasing group gold resources to 2.1 Moz.

Singida’s Measured and Indicated Resource at 14 November 2017 is an estimated 5.11 Mt, grading 2.09 g/t and containing 0.345 Moz of gold at a cut-off grade of 1.0g/t, with the majority of the measured and indicated resources close to surface or not more than 120 m from the surface.

Estimated Inferred Resources total over 7.17 Mt, grading 1.66 g/t and containing 0.383 Moz of gold at a cut-off grade of 1.0 g/t.

The Singida Mineral Resource is based on seven-shear zone related gold deposits with a combined strike length of 4.9km. Historical drilling has identified mineralisation extending down to 500m from the surface in the Gold Tree One deposit.

Management are pleased to announce the appointment of a new exploration manager, Paul Mbuya, a Tanzanian national, recruited in Q4 2017 to further develop the exploration programme, with a focus on initiatives within current mining licences. Paul is a qualified exploration geologist and a former Alternate General Manager with Banro and brings with him nearly 20 years of experience in comparable roles.

Further exploration is planned at Singida with targeted drilling and IP during H1 2018. Prior to mining, a Phase 2 drilling programme may be necessary to infill the drill density within the pit shell.

VAT Repayments

During Q4 the Company received a VAT refund of US$3.4 m, comprising US$1.9 m offset against corporate taxes payable in 2016 and 2017 and a cash payment to the Company of US$1.5 m. This refund was the largest returned to any miner operating in Tanzania during the period.

Accumulated VAT receivables had decreased by the end of Q4 to $14.5 m from US$15.8 m at the end of Q3. The positive impact of this refund was mitigated by ongoing VAT payments incurred in the ordinary course of business.

Discussions between the Company and the Government of Tanzania continue, with the aim that the outstanding balance is repaid.

Change in All-In Sustaining Costs Measure

The Company has revised its measure of AISC to align itself with common practice. The revised calculation includes the impact of exploration and study costs (sustaining) and excludes interest costs. This is now in line with the method used by the World Gold Council in its published Guidance Note on Non-GAAP Metrics.

Restated AISC for the 2015 and 2016 financial years, Q1 – Q4 2017 and 2017 guidance have been outlined alongside previously published comparatives as follows on a per ounce (oz) basis:

Methodology	**FY 2017 Actual**	**Q4 2017**	**Q3 2017**	**Q2 2017**	**Q1 2017**
Previous Shanta calculation ($/oz)	793	837	822	735	768
+ exploration costs	21	19	21	30	20
- finance costs	(67)	(72)	(74)	(32)	(91)
As restated ($/oz)	**747**	**784**	**769**	**733**	**697**

Methodology	**FY 2017 Guidance**	**FY 2016**	**FY 2015**
Previous Shanta calculation ($/oz)	800	661	834
+ exploration costs ($/oz)	37	53	29
- finance costs ($/oz)	(56)	(55)	(65)
As restated ($/oz)	**781**	**659**	**798**

Post Period

Luke Leslie has accepted the appointment as Chief Financial Officer on a permanent basis effective 1 January 2018 and will remain a Director of the Company. Luke was appointed Interim CFO on 11 September 2017, having served as a Non-Executive Director of the

Company since 2012. The Board is extremely pleased that Luke has agreed to become Shanta's CFO on a permanent basis.

Numis Securities Limited have been appointed as Nominated Advisor and Broker.

ENDS