

20 July 2020

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

Q2 2020 PRODUCTION & OPERATIONAL UPDATE

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, announces its production and operational results for the quarter ended 30 June 2020 (the "Quarter", "Q2" or the "Period") for its New Luika Gold Mine ("NLGM" or "New Luika"), in South Western Tanzania.

Q2 Highlights

- Quarterly gold production of 22,216 ounces ("oz") (Q1: 20,167 oz);
- Adjusted EBITDA¹ of US\$19.4 million ("m") (Q1: US\$15.0 m) based on an average realised gold price of US\$1,663 /oz;
- Free cash flow ("FCF")² of US\$15.5 m (Q1: US\$3.9 m);
- Record quarterly deleveraging of US\$17.2 m, taking Shanta into net cash for the first time in its producing history;
- Net cash³ of US\$2.1 m (Q1: net debt of US\$15.1 m);
- Cash, and available liquidity⁴ of US\$21.6 m (Q1: US\$15.7 m);
- Gross debt down 34% to US\$13.4 m (Q1: US\$20.4 m);
- US\$40 million Investec Senior Secured loan facilities fully repaid;
- Forward sale commitments of 27,000 oz (Q1: 31,265 oz) reduced post period to 23,048 oz, a 42% reduction from the end of 2019; on track to be unhedged by end of 2020;
- All In Sustaining Costs ("AISC")⁵ of US\$771 /oz (Q1: US\$883 /oz);
- Cash Operating Costs of US\$512 /oz (Q1: US\$630 /oz);
- Acquisition of the West Kenya Project on track for closure in Q3; major completion conditions now satisfied;
- JORC 2012 compliant gold reserve of 243 koz announced at Singida grading 3.0 g/t, with potential for reserve expansion, including at depth;
- Zero Lost Time Injuries ("LTI's"), with no LTI's since Q4 2017; and,
- Precautionary measures remain in place to reduce the risks posed by COVID-19; operational productivity remains unaffected.

Operational Summary

- 176,415 tonnes ("t") milled (Q1: 174,069 t); processing plant continues to perform above nameplate capacity;
- Average head grade of 4.4 g/t for the quarter (Q1: 4.0 g/t);
- Average recoveries of 89.7% (Q1: 89.1%);

- State (“TANESCO”) grid contributed 14% of NLGM’s power requirements, expected to increase to 25% within 12 months; and,
- Run of Mine (“ROM”) stockpile of 97,986 t of ore grading 1.46 g/t (Q1: 123,500 t grading 1.45 g/t).

Financial Summary

- Net cash of US\$2.1 m (Q1: net debt of US\$15.1 m), excluding US\$3.6 m of doré in the gold room at the end of the Period;
- Unrestricted cash balance of US\$12.9 m (Q1: US\$5.3 m);
- Liquidity available for draw down from Exim working capital facility of US\$2.5 m (Q1: US\$2.5 m);
- AISC⁵ of US\$771 /oz (Q1: US\$833 /oz);
- VAT receivable increased to US\$23.2 m (Q1: US\$22.9 m) following US\$1.0 m offset against corporation taxes falling due (Q1: US\$0.9 m); and,
- Remaining VAT receivable is subject to verification audit by the Tanzanian Revenue Authority (“TRA”) before being available for further offsets.

Singida

- JORC 2012 compliant gold reserve announced totalling 243 koz at 3.0 g/t;
- Over 90% of contained gold within the reserve is between 0-120 metres from surface, highlighting the potential for reserve expansion at depth;
- Updated JORC compliant Mineral Resource Estimate (“MRE”) announced totalling 11.8 Mt at 2.38 g/t for 904 koz contained gold, using a cut-off grade of 1.0 g/t;
- MRE has been independently estimated and verified by a third-party Competent Person; and,
- Financing discussions for its development are advanced and an announcement is expected during Q3.

West Kenya Project

- Major completion conditions now satisfied, including approval from the Competition Authority of Kenya; transaction anticipated to close in Q3; and,
- Scoping Study expected to be released following acquisition completion.

Exploration

- Underground exploration drilling to replace depleted ounces is ongoing at Bauhinia Creek (“BC”) and Ilunga;
- Recent underground drilling on the BC Deep West and Ilunga targets have generated encouraging results;

- Surface exploration drilling has commenced to test the continuity of mineralization at depth at the Luika deposit, targeting conversion of Inferred resources; and,
- Results of the latest drilling campaigns will be announced once completed.

Corporate Social Responsibility (“CSR”)

- Shanta has helped to install infrastructure for a new District Coronavirus Patient Treatment Centre in Songwe;
- Shanta has distributed over 2,000 “learn to read” English books to local schools;
- Taps have been installed in nearby Patamela to improve water availability for the entire village;
- Over 4,800 acres cultivated in latest sesame harvest under Shanta’s farming initiative, with 1,418 participating farmers expected to earn in the region of US\$1.0 m; and,
- 250 modern beehives donated by Shanta being used in local villages by newly-trained beekeepers.

2020 Guidance

- Annual guidance of 80,000 – 85,000 oz at AISC⁵ of US\$830 – 880 /oz reiterated for 2020.

Note: 1. EBITDA is earnings before interest, tax, depreciation and amortisation which has been derived as operating profit exclusive of depreciation/depletion of tangible assets and amortisation of intangible assets. Adjusted EBITDA has been derived as EBITDA before non-cash loss on unsettled forward contracts.

Note: 2. FCF has been derived as EBITDA adjusted for working capital movements, capital expenditure, corporate income tax payments and other non-cash items.

Note: 3. Net cash includes liquidity available from 1,425 oz in transit to the refinery at 30 June 2020.

Note: 4. Available liquidity has been derived as unrestricted cash, restricted cash and the sale value of doré available for sale at the end of the Period (net of royalties and expected selling costs).

Note: 5. Development costs at the BC, Luika and Ilunga underground operations are not included in AISC.

Eric Zurrin, Chief Executive Officer, commented:

“Shanta enters a new chapter with a net cash position, completing a period of enormous deleveraging. Annualised Q2 EBITDA at spot gold is just under \$100m per annum from the New Luika mine with margins expanded from lower costs and a rising gold price. Future production at Singida is expected to significantly increase the company’s cashflow.

Shanta expects to shortly conclude the acquisition of Barrick’s Kenya assets whereupon Shanta will own three projects with 3 million oz of high quality gold resources. Shanta’s near-term focus is on replacing reserves at New Luika, financing and commencing Singida’s construction, and expanding the resource base at the West Kenya Project. We remain committed to rigorous capital allocation, growth of underlying shareholder value and to managing a sustainable and responsible mining company.”

Analyst conference call and presentation

Shanta Gold will host an analyst webinar and presentation today, 20 July 2020, at 09:30 BST. Participants can access the webinar by dialling the following number below approximately 10 minutes prior to the start of the call.

UK Toll Number: +44 2080806591

Webinar ID: 939 7697 3982

International numbers available: <https://zoom.us/j/93976973982>

Participants can also access the webinar by clicking here: <https://zoom.us/j/93976973982>

The presentation will be available for download from the Company's website: www.shantagold.com. A recording of the webinar 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

+ 44 (0)20 7260 1000

About Shanta Gold

Shanta Gold is an East Africa-focused gold producer. It currently has defined ore resources on the New Luika and Singida projects in Tanzania and holds exploration licenses covering approximately 1,500km² in the country. In February 2020, Shanta Gold entered into an agreement to acquire the West Kenya Project in Kenya from subsidiaries of Barrick Gold Corporation. Shanta's flagship New Luika Gold Mine commenced production in 2012 and produced 84,506 ounces in 2019. The Company has been admitted to trading on London's AIM and has approximately 794 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.

Q2 2020 PRODUCTION & OPERATIONAL UPDATE

Safety, Health and Environment

There were no Lost Time Injuries during the Quarter and the Company has now reached over 4.9 million man-hours without a Lost Time Injury. Shanta maintains its track record of operating among the safest gold mining operations of its peers and had a Total Recordable Injury

Frequency Rate (“TRIFR”) (per 1 million hours worked) of 2.00 for Q2 (Q1: 0.00), significantly below the industry average.

Shanta was an early adopter of several best practices designed to prevent the COVID-19 pandemic from entering NLGM and these measures remain in force. The safety and wellbeing of our employees continues to be the Company’s highest priority and precautionary safeguards in place at the mine are appropriately robust. The Company is educating communities locally within Songwe, where Health remains one of the core pillars to Shanta’s social responsibilities strategy, to help protect them from contracting the virus.

Operational

Production Summary

	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Tonnes ore milled	176,415	174,069	177,913	174,132
Grade (g/t)	4.36	4.03	3.83	4.54
Recovery (%)	89.7	89.1	89.2	89.3
Gold (oz)				
Production	22,216	20,167	19,550	22,726
Sales	23,932	20,086	17,311	22,477
Silver production (oz)	21,378	19,294	18,485	24,744
Realised gold price (US\$/oz)	1,633	1,414	1,440	1,462

Gold production during the period was 22,216 oz. Overall, a total of 141,687 t of ore grading 5.3 g/t was mined in Q2 compared with 150,842 t of ore grading 4.7 g/t in Q1. 176,415 t of ore was milled during the period (Q1: 174,069 t). The ROM stockpile at the end of Q2 was 97,986 t of ore grading 1.46 g/t (down from 123,500 t grading 1.45 g/t at the end of Q1). Average recoveries of 89.7% were achieved in the plant during the period (Q1: 89.1%).

Following connection to the state (“TANESCO”) power grid towards the end of 2019, low-cost grid power is now contributing 14% of New Luika’s power requirements. This is expected to increase to a 25% contribution within 12 months which will help further optimise New Luika’s sustaining costs. These reduced costs will make some lower grade ore economical to mine, which may add further ounces to the mine plan in the future. Utilising grid power at New Luika has also helped to diversify operational risk.

Financial

During the Quarter, a total of 23,932 oz of gold was sold at an average price of US\$1,633 /oz against the average spot price for the quarter of US\$1,714 /oz. This included the settlement of 4,265 oz of forward sales commitments. As of 30 June 2020, the Company had sold forward 27,000 oz to January 2021 at an average price of US\$1,251 /oz. Since the end of the Quarter, total forward sales commitments have been further reduced to 23,048 oz, representing a 42% reduction from forward sales commitments in place at the end of 2019.

Cash Operating Costs and AISC of US\$512 /oz (Q1: US\$630 /oz) and US\$771 /oz (Q1: US\$833 /oz), respectively, were achieved in the Quarter. Of note, development costs at the BC, Luika and Ilunga underground operations are not included in AISC.

Working capital in the Quarter decreased by US\$2.9 m, accounted for by an increase in trade and other receivables (US\$0.1 m), a decrease in trade and other payables (US\$0.7 m) and a decrease in inventories (US\$3.7 m). The increase in trade and other receivables includes the VAT receivable which increased by US\$0.3 m to US\$23.2 m, with US\$1.0 m of VAT receivable offset against corporate taxes falling due in the Period. The remaining VAT receivable is subject to verification audit by the TRA before being available for further offsets.

The decrease in inventories includes ROM stockpile which decreased by US\$2.3 m.

Capital expenditure was US\$3.9 m (Q1: US\$3.5 m) for the Quarter, which predominantly related to underground development at BC and Ilunga.

As at 30 June 2020 the Company had an unrestricted cash balance of US\$12.9 m (Q1: US\$5.3 m). This follows a 34% reduction in gross debt from US\$20.4 m to US\$13.4 m at the end of the Quarter. The balance sheet was deleveraged by US\$17.2 m during the Period resulting in net cash of US\$2.1 m at the end of the Quarter (Q1: net debt of US\$15.1 m), excluding US\$3.6 m of liquidity from doré available for sale in the gold room at New Luika.

Singida

A JORC 2012 Reserve for the Singida Project was announced during the Quarter, totalling 2.51 Mt, grading 3.00 g/t and containing 243,000 oz of gold at a cut-off grade of 0.75 g/t. This Reserve is being incorporated into an updated mine plan for the Project and, of the total Reserve estimate, 91% of contained gold is within 120 metres from surface, highlighting the potential for Reserve expansion at depth.

An updated, independently verified, JORC compliant MRE was also announced during the Quarter totalling 11.8 Mt at 2.38 g/t for 904 koz contained gold, using a cut-off grade of 1.0 g/t. The Project's newly announced Reserve represents an estimated 50% conversion of Measured and Indicated ounces within this updated MRE.

The Singida Project is fully permitted and financing discussions for its development are advanced.

West Kenya Project

The Company's acquisition of the West Kenya Project is progressing with major completion conditions now satisfied, including approval from the Competition Authority of Kenya. The transaction is anticipated to close in Q3.

Following completion of the transaction, the Company plans to proceed by progressing a scoping study in advance of a drilling campaign. Subject to the exploration results this would likely be followed by a Pre-feasibility study and a Definitive Feasibility Study.

Exploration

Recent underground drilling at New Luika has been designed to test the continuity of mineralisation between previously identified intersects at depth, with encouraging results generated in the Period, most notably at the BC Deep West and Ilunga targets.

Surface exploration drilling has also been ongoing during the Quarter, testing the continuity of mineralization at depth at the Luika deposit and targeting conversion of Inferred resources.

Results from these initial 2020 drilling campaigns will be announced once completed.

Corporate Social Responsibility ("CSR")

Shanta has been working closely with local authorities for the construction of a proposed District Coronavirus Patient Treatment Centre, installing windows and completing electrical wiring throughout the proposed building. Work remains ongoing, with the wiring being completed in collaboration with TANESCO.

New solar-powered water taps have been installed by Shanta in nearby Patamela village during the Quarter. Residents previously relied on three distant hand-held pumps for their water supply. Each home now has direct water access and the use of solar power avoids reliance on any additional electricity supply. This initiative has directly benefited approximately 2,000 people.

The latest sesame harvest has now taken place under Shanta's farming initiative, in collaboration with Export Trading Group ("ETG"). Over 4,800 acres were cultivated during this harvest, with 1,418 participating farmers expected to earn in the region of US\$1.0 m. This farming initiative continues to expand with optimised farming practices being adopted regionally.

Shanta's beekeeping initiative has been progressing in nearby villages Mbangala and Saza, with 250 modern beehives now in use, alongside several protective clothing outfits and beehive huts, all donated by New Luika.

ENDS