18 October 2018

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

Q3 2018 PRODUCTION & 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 2018 (the “Quarter”, “Q3” or the “Period”) for its New Luika Gold Mine ("NLGM" or “New Luika”), in South Western Tanzania.

Q3 Highlights

- Exceptional safety record with Total Recordable Injury Frequency Rate (“TRIFR”) of 0.74 and zero Lost Time Injuries;
- Gold production of 19,723 ounces (“oz”) at a cash cost of US$553 / oz;
- Capital expenditure of US$5.3 million which includes US$1.6 million for the development of the Ilunga underground mine;
- Net debt decreased to US$35.1 million (Q2: US$38.1 m), despite stockpiles increasing by a further US$2.5 m and the VAT receivable increasing by US$2.0 m over the Quarter;
- An additional 21,081 oz added to the mine plan, exceeding pre-drilling expectations for Bauhinia Creek (“BC”) East and replacing gold depletion from the Quarter;
- Drilling ongoing at BC West in Q4, targeting the conversion of Inferred Resources to Indicated Resources;
- Significant trenching results from regional work 6.6km from NLGM, including 2.1 metres at 47.12 g/t Au and 3.15 metres at 32.73 g/t Au;
- High priority exploration targets identified at Quartzberg (45 km from NLGM), ongoing fieldwork has produced numerous surface samples between 15 - 36 g/t; and,
- 2018 guidance revised to approximately 80,000 oz at an AISC of US$750 /oz.

Financial

- Cash balance of US$8.5 m (Q2: US$8.9 m);
- Gross debt of US$43.6 m (Q2: US$47.0 m);
- Net debt of US$35.1 m (Q2: US$38.1 m);
- Gold inventory (excluding stockpiles) increased to US$3.3 m (Q2: US$3.0 m);
- EBITDA of US$12.8 m (Q2: US$13.9 m);
- Cash operating costs of US$553 /oz (Q2: US$505 /oz);
- AISC of US$769 /oz (Q2: US$748 /oz);

- Forward sales to April 2019 of 25,546 oz at an average price of US$1,225 /oz (Q2 2018: 12,000 oz at US$1,264 /oz); and,
- At the end of the Quarter, the Company's VAT receivable stood at US$19.9 m (Q2: US$17.9 m).

Operational

- 2018 guidance updated to be approximately 80,000 oz at an AISC of US$750 /oz, from 82,000 – 88,000 oz at an AISC of US$680 – 730 /oz;
- Gold production of 19,723 oz, with mine grades lower than expected;
- Quarterly gold sales of 19,737 oz at an average price of US$1,218 /oz;
- Open-pit mining fleet stood-down in August for 6 months as planned, following completion of targeted stockpiling; and,
- Additional pre-leach tank commissioned in September 2018.

Exploration

- Drilling at BC East in the Quarter converted 27,240 ounces into Indicated Resources from 33,746 ounces of Inferred Resources;
- Implied conversion cost of US$8 /oz with an 81% conversion rate from Inferred to Indicated resources;
- Drilling has commenced at BC West, targeting a small conversion of Inferred resources; and,
- In July 2018, a campaign to evaluate the Company's regional license potential across the Lupa Goldfields was commenced resulting in excellent rock chips samples and trenching results.

Ilunga development update

- Portal blast carried out in August with underground development on schedule;
- Ilunga underground mine will be the third active source of high-grade ore at NLGM;
- 109 metres of development completed at end of September 2018;
- Capex of US$1.6 m spent on development in Q3; with a further US$7.1 m planned over the next three quarters prior to reaching development ore in mid-2019; and,
- Final Environmental and Social Impact Assessment ("ESIA") permit for Ilunga received post-period end in early October 2018.

Singida

- Planning for geophysics at Singida completed in Q3 and expected to commence at the end of October; and,
- Project economics and development plan expected to be announced in Q4.

Eric Zurrin, Chief Executive Officer, commented:

"Shanta continues to deleverage its balance sheet despite not receiving the long-awaited VAT refund. This has been achieved through disciplined cost control and better capital allocation decisions.

Exploration is a key focus for Shanta and it is therefore a positive development for us that our preliminary drilling has already replaced mined ounces during the Quarter. Trenching at the new Lambo target only 6.6km from our plant has yielded excellent grades and warrants further exploration. Further afield at the Quartzberg deposit, we have prioritised 8 new high-grade targets and look forward to providing updates on these targets going forward."

Analyst conference call and presentation

Shanta Gold will host an analyst conference call and presentation today, 18 October 2018, at 10:30 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: 08082370030
UK Toll Number: +44 (0)2031394830
PIN: 92830248#

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=131699874&PIN=92830248

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 project in Tanzania and holds exploration licenses 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 779 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.

Q3 2018 PRODUCTION & OPERATIONAL UPDATE

Safety, Health and Environment

There were no Lost Time Injuries during the Quarter. Shanta maintains its track record of operating among the safest gold mining operations of its peers and for Q3 had a total recordable injury case rate (per 1 million hours worked) of 0.74, significantly below industry average. The Company has now surpassed 1.5 million man-hours without a Lost Time Injury.

Financial

During the Quarter, a total of 19,737 oz of gold was sold at an average price of US$1,218 /oz, compared to an average spot price of US$1,212 /oz. As of 30 September 2018, the Company had sold forward 25,546 oz to April 2019 at an average price of US$1,225 /oz.

Cash operating costs for Q3 of US$553 /oz (Q2: US$505 /oz). AISC for Q3 of US$769 /oz (Q2: US$748 /oz). Development costs at the BC and Luika underground operations are not included in AISC.

Working capital in the Quarter increased by US$2.0 m, accounted for by an increase in trade and other payables (US$3.5 m), an increase in inventories (US$3.1 m) and an increase in trade and other receivables (US$2.4 m). The increase in trade and other payables includes deferred income for US$2.1 m of cash proceeds received for ounces sold in advance of shipment during the Period. Shipment of these ounces that were produced in September took place in early October. The increase in inventories includes Run of Mine ("ROM") stockpile which increased by US$2.5 m. The increase in trade and other receivables includes VAT receivable which increased by US$2.0 m to US$19.9 m.

Capital expenditure was US$5.3 m (Q2: US$4.5 m) for the Quarter, which was predominantly related to underground development and equipment, inclusive of Ilunga pre-production capital.

As at 30 September 2018 the Company had a cash balance of US$8.5 m (Q2: US$8.9 m). This decrease follows a reduction in gross debt from US$47.0 m to US$43.6 m at the end of the Quarter. Net debt decreased by US$3.0 m to US$35.1 m (Q2: US$38.1 m).

Operational

Production Summary

	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Tonnes ore milled	159,640	157,426	149,710	162,233
Grade (g/t)	4.26	4.44	3.94	4.48
Recovery (%)	90.3	91.5	90.9	91.1
Gold (oz)				
Production	19,723	20,544	17,663	21,288
Sales	19,737	19,475	16,943	20,217
Silver production (oz)	27,234	20,170	25,556	30,049
Realised gold price (US$/oz)	1,218	1,302	1,308	1,271

Gold production during the period was 19,723 oz. Overall, a total of 184,929 tonnes of ore grading 4.32 g/t was mined in Q3 compared with 197,020 tonnes of ore grading 4.15 g/t in Q2.

The ROM stockpile at the end of Q3 was 167,698 tonnes of ore grading 1.55 g/t (up from 143,123 tonnes grading 1.54 g/t at the end of Q2). Following increased stockpiling, open pit mining has been temporarily halted as planned, from August 2018, which has allowed for a reduction in fixed costs.

2018 guidance has been updated to be approximately 80,000 oz at an AISC of US$750 /oz, from 82,000 – 88,000 oz at an AISC of US$680 – 730 /oz. This is as a result of mine grades being lower than expected, which has impacted production and increased the per unit cost.

Exploration

During the Quarter, drilling took place at BC East with the objective of converting Inferred resources to Indicated resources. This drilling at BC East has converted 27,240 ounces into Indicated Resources from 33,746 ounces of Inferred Resources. This implies a conversion cost of US$8 per ounce with an 81% conversion rate of Inferred ounces to Indicated ounces. A total of 21,081 ounces of Indicated Resources have been added to the life of mine plan at 3.43g/t.

Phase 1 drilling commenced in late September at BC West, targeting a small conversion of Inferred resources, which has intersected mineralisation with assay results expected in November 2018.

In July, a campaign to evaluate the Company's regional license potential across the Lupa Goldfields was commenced. Some of the rock chip grab sample results taken include 27.22 g/t Au, 19.28 g/t Au, 17.82 g/t Au, 16.98 g/t Au, 15.28 g/t Au and 14.68 g/t Au from quartz veins and country rocks. Further exploration has been planned for Q4 2018 to test continuity of the mineralisation at depth.

Ilunga development update

The Company has commenced underground development at the Ilunga underground mine, following a successful portal blast conducted in August. During the Quarter, a total of 109 metres of development at Ilunga took place. Ilunga will be the third active source of high-grade ore at NLGM and has a JORC mineral reserve grading 5.56 grams per tonne ("g/t"), higher than the Luika deposit.

The current mine design of Ilunga assumes the contribution of up to 25,000 tonnes per month of high-grade ore with an estimated average contribution of 20,000 oz per planned level of development. This will enhance the economics at NLGM but not increase overall production.

Singida

Work is ongoing to update the internally estimated Project NPV at Singida following re-optimisation of the mine plan and improvement in forecasted energy costs and is expected to be announced once finalised during Q4. Geophysics at Singida is expected to commence in October 2018 targeting the potential connection of the Cornpatch and Cornpatch West targets.

VAT and Corporate

The VAT receivable at the end of Q3 stood at US$19.9 m, which when received will be transformational for the Company's balance sheet.

Encouraging communication has been received from the Tanzania Revenue Authority and Treasury regarding preparations for VAT refunds to resume. Monthly VAT outflow has now been reduced to an average of US$600,000 per month, compared to US$1.1 million per month in 2016, prior to internalisation of contracts and renegotiation of supplier agreements.

An update on the Company's dividend policy will be announced in the Q4 Operational and Financial update in January 2019.

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