

7 October 2020

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

Shanta Gold starts construction of the Singida Project, Tanzania

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, is pleased to announce the beginning of construction work together with updated Project Economics for the Singida Gold Mining Project ("Singida" or "the Project") in central Tanzania.

Highlights

- Construction of Singida is underway;
- Reserve-based mine plan gives post-tax NPV_{8%} of US\$73 m and IRR of 59% at US\$1,900 /oz (approximate current gold spot price);
- Average annual Life of Mine ("LOM") gold production of 32,000 ounces ("oz") at an All In Sustaining Cost ("AISC") of US\$869 /oz;
- Increases Shanta's group production to c.110,000 oz in the first full year of operation;
- Total capital investment of US\$26 m over a 24-month construction period, excluding pre-stripping;
- Investment funded from internally generated cash flow;
- Over 90% of existing reserves are only 120 metres below surface;
- Resources of 9.8 Mt grading 2.11 g/t for 664,000 oz currently sit outside the project economics (but within the Mining Licences), giving significant upside potential; and,
- Expected transformation of the Ikungi region in central Tanzania to benefit local communities.

Early Work Construction Activities

- Tanesco grid power connected to site;
- Camp upgrade underway to accommodate 70 people for the initial construction team;
- Working group in place and discussions to be initiated with Tanroads to upgrade local bridges for the movement of plant and equipment;
- Investment in water security advanced with access to wholly-owned boreholes;
- Tender for sterilization drilling contract in progress;
- Tender for TSF facility design contract in progress;
- Front end engineering design ("FEED") commenced in early Q3 2020; vendors selected and work is underway; and,
- Concurrent with onsite activities, Shanta's engineering team continues to complete detailed designs for Elution Circuit, Water and Sewer Treatment Plants in preparation for procuring these long lead items.

Project Highlights

Economics

Using a Life of Mine ("LOM") gold price of US\$1,700 /oz:

- LOM free cash flow of US\$94 m;
- Post-tax NPV_{8%} of US\$56 m, an increase of US\$25 m since the previous published estimate of US\$31 m¹ (December 2018), which was prior to the reserve-based mine plan and revised capital costs;
- Unlevered IRR of 49% and return on investment multiple of 2.5x;

- Project payback period of 40 months; and,
- Average annual EBITDA of US\$27 m over the LOM.

Using a LOM gold price of US\$1,900 /oz, these financial metrics improve to:

- LOM free cash flow of US\$119 m;
- Post-tax NPV_{8%} of US\$73 m, an increase of US\$42 m since the previous published estimate;
- Unlevered IRR of 59% and return on investment multiple of 3.2x;
- Project payback period of 37 months; and,
- Average annual EBITDA of US\$33 m over the LOM.

Production and Upside Potential

- LOM gold production from open pit mining of 221,000 oz with average annual gold production of 32,000 oz for an initial seven-year mine life through to at least 2029;
- 91% of contained ounces in the LOM Plan are within 120 metres of surface;
- All gold resources at Singida sit within existing mining licenses; and,
- Significant further upside potential from substantial resources (9.8 Mt grading 2.11 g/t for 664,000 oz) currently sitting outside the reserve-based project economics.

Costs

- LOM cash costs of US\$843 /oz and AISC of US\$869 /oz (AISC of US\$885 /oz at US\$1,900 /oz gold price); and,
- Average cash costs of US\$820 /oz and average AISC of US\$837 /oz during first three years of production.

Development Capital

- Estimated pre-production capital cost of US\$26 m for mine construction, including mining, processing infrastructure, TSF, and all civils but excluding pre-production stripping;
- Estimated pre-production stripping cost of US\$10 m resulting in approximately 10,000 oz of contained gold in Run Of Mine (“ROM”) inventory prior to the commencement of ore processing;
- Conventional CIL processing plant with annual processing rate of 365,000 tonnes (“t”); and,
- Anticipated 24-month construction period; first gold pour expected at the end of 2022.

Funding

- The Company has advanced a number of financing discussions, including an IPO on the Dar es Salaam Stock Exchange and local debt financing; and,
- Management has taken into account the strength of the Company’s balance sheet together with other considerations and concluded that the best option is to finance the construction of Singida from operating cash flow.

Attractive geology and opportunities for further value accretion

- Singida orebodies open along strike and at depth with numerous previously identified parallel structures;
- The mineral resource estimate is hosted in a greenstone deposit that incorporates three mining licenses and seven mineralised zones with a combined strike length of 4.9 km;
- Widths range from 5-15 metres and mineralisation extends approximately 500 metres below the topographical surface;
- Historical drilling announced in April 2018 indicates high grade intersections which will

be explored further once Singida is in production, including 10 metres @ 20.82 g/t gold from 138 metres in hole SC702 at Gold Tree, including 3 metres @ 57.13 g/t gold from 138 metres;

- Total resources outside of the project economics of 664,000 oz grading 2.11 g/t, with the potential to assess underground mining;
- Pit shell designs have been developed based on a long-term gold price of US\$1,350 /oz, providing gold price optionality to bring additional ounces into the mine plan; and,
- Designing pit shells using a long-term gold price of US\$1,750 /oz results in a 12% increase in mineable reserves.

Community Benefit

- The Singida Project currently employs 60 people, expected to increase to 300 at steady state production;
- The Company is targeting a workforce comprising 100% of Tanzanian nationals;
- Shanta's local content plan will directly benefit an estimated 100 local suppliers and indirectly benefit hundreds more; and,
- Shanta's CSR program will focus on improving economic livelihoods, education, health and water for the communities surrounding the mine.

¹ Avg LOM gold price of US\$1,700 /oz (Sep 2020) vs. US\$1,384 /oz (Dec 2018, using forward curve)

Eric Zurrin, Chief Executive Officer, commented:

"The Singida project has very attractive economics for Shanta with considerable upside through potential conversion of mineral resources currently outside of the reserve-based mine plan. The project will increase Group production to over 110,000 oz per year while maintaining our attractive cost base."

Singida is hosted in a greenstone deposit lending itself well to upside exploration potential. Future exploration will target the extension of reserves and will be funded by cash flow from production at Singida. Successful future exploration could justify an increase in the size of the plant to increase both throughput and production."

Singida will have a major positive impact on the Ikungi region. Shanta intends to roll out its well-regarded CSR program into the surrounding villages which will lead to improvements in livelihoods, water, health and education."

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About Shanta Gold Limited

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 1,200km² in the country. Shanta Gold also owns the West Kenya Project in Kenya with defined ore resources of 1.2Mt grading 12.6 g/t. 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 849 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.

Singida Project Economics

The strategy for Singida is to mine existing reserves within the Company's mining licenses and to fund Singida's future growth through project cashflow. The project economics are based on internally prepared management estimates using the Singida Internal Owners Team, formed of professionals from New Luika and Singida across all disciplines. The project economics have not been independently verified but consist of third-party quotes from well-known vendors, some of which already supply the company, for major capital items.

Internally estimated project economics provide for the processing of 2.5 Mt of ore from surface mining at an average grade of 3.0 g/t for the production of 221,000 oz of recovered gold, over an initial seven-year mine life. Mineable ounces incorporated into the mine plan are based on the Project's JORC 2012 Reserve reported on 26 May 2020.

This assessment of Singida's economics, using the base case assumptions outlined in Table 1 below, demonstrates the economic viability of the Project. Using a projected gold price of US\$1,700/oz, a post-tax NPV of US\$56.3 m has been determined at an 8% discount rate (NPV_{8%}), alongside an unlevered IRR of 49%. This represents a compelling business case and a significant value lever for Shanta.

The Singida project economics include the below key metrics.

Table 1 – Singida Project economics summary

Metrics	Units	Results
Gold price	US\$/oz	1,700
LOM (excluding construction)	years	7.0
Total material mined	t	36,711,000
Contained gold mined	oz	243,000
Strip ratio	w:o	14.2:1
Mill throughput	tpy	365,000
Head grade	g/t	3.0
Processing recovery – Gold	%	91.0
Gold production	oz	221,000
Mining costs	US\$/oz	430
Processing costs	US\$/oz	224
Royalties & selling expenses	US\$/oz	128
G&A and other operating costs	US\$/oz	61
Total cash costs	US\$/oz	843
Total pre-production capital expenditure	US\$m	36.8

Sustaining capital expenditure	US\$m	2.9
NPV _{8%} (post-tax)	US\$m	56.3
Unlevered IRR (post-tax)	%	49%
Average annual EBITDA over LOM	US\$m	27.0

At the current prevailing gold price of c.US\$1,900 /oz, the key financial metrics improve to:

Metrics	Units	Results
Gold price	US\$/oz	1,900
NPV _{8%} (post-tax)	US\$m	73.3
Unlevered IRR (post-tax)	%	59%
Average annual EBITDA over LOM	US\$m	32.8

Pre-production capital expenditure required to develop Singida through to first gold pour is estimated to be US\$26.4 m with an additional US\$10.4 m for pre-production stripping. Estimated pre-production construction costs are listed within Table 2. An estimated US\$2.9 m of sustaining capital is expected to be incurred over the seven-year mine life.

Table 2 – Pre-Production Construction Capex

Capital item	Estimated Capex (US\$m)
Processing plant	14.3
Support services, labour and equipment	2.9
Standalone power supply	2.8
Tailings storage facility	2.5
Mining infrastructure	1.4
Other infrastructure	1.3
Commissioning stock	1.1
Total	26.4

Processing plant capital relates to a plant with a nominal annual throughput of 365,000 t. The processing plant will be conventional CIL with gravity concentrator. The estimated cost is based on third-party procurement and an internally managed construction and installation schedule led by in-house expertise.

External quotations for capital expenditure have been procured and received, with a substantial planned input from local suppliers in line with Shanta's philosophy of local content. The pre-production capital estimate has significantly benefited from previous capital spend at the Project, including:

- Construction of the mine camp;
- Resettlement, including financial compensation and re-housing of families from the project site; and,
- Drilling and testing of water supply boreholes.

Capitalised pre-production stripping relates to mining activities prior to first ore being delivered to the processing plant, of which 135,000 t of ore and 4,300,000 t of waste will be mined to establish a reasonable stockpile (equivalent to 4.5 months) ahead of operations commencing. Waste rock will be used for the construction of the tailings storage facility (TSF). All contractor mobilization and setup costs are included in the pre-production capital allowance.

Project economics are based on externally validated assumptions including metallurgical test work, mineral resource estimates, and capex and opex quotations. The Project is expected to

enter commercial production within 24 months of becoming fully funded. As a result, Project IRR stands at 49%.

Table 3 – Key Financial Estimates¹

	Units	LOM Total
Gold Revenue		
Gold Price	US\$/oz	1,700
Gold Sales	koz	221
Gold Sales Revenue	US\$m	376
Operating Costs		
Mining	US\$m	95
Processing	US\$m	49
Royalties & Selling	US\$m	28
G&A and Other	US\$m	14
Total Operating Costs	US\$m	187
EBITDA	US\$m	189
Capital		
Pre-production construction	US\$m	26
Pre-production stripping	US\$m	10
Sustaining capital	US\$m	3
Total Capital (LOM)	US\$m	39
Project Valuation		
Project Net Cash Flow, pre-tax	US\$m	160
Project Net Cash Flow, post-tax	US\$m	94
Post-tax NPV_{8%}	US\$m	56
IRR	%	49
Payback Period	yrs	3

¹ Figures may not total exactly due to rounding

Table 4 – Updated Project Economics Comparison^{1,2}

Metrics	Units	Dec 2018	Sep 2020	% Change
Measured & Indicated Resource	koz	382	484	+27%
Probable Reserve	kt	-	2,514	N/a
	g/t	-	3.00	N/a
	koz	-	243	N/a
LOM production	koz	158	221	+40%
Average annual production	koz	26	32	+23%
LOM	yrs	6	7	+17%
Pre-production construction capex (including stripping)	US\$m	19	37	+US\$18m
Average annual EBITDA	US\$m	13	27	+108%
NPV _{8%} (post-tax)	US\$m	31	56	+81%
Unlevered IRR	%	67	49	-27%

¹ June 2020 economics based on reserves; Dec 2018 economics based on mineable resources

² Avg LOM gold price of US\$1,700 /oz (Sep 2020) and US\$1,384 /oz (Dec 2018, using forward curve)

Total Gold Produced	oz	-	34,902	34,439	43,073	37,552	23,730	28,310	18,819	220,826
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Table 8 – Material Mined by Deposit

MATERIAL MINED		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	TOTAL
Deposit										
Compatch	t	-	-	-	-	-	-	134,353	-	134,353
Compatch West	t	-	-	-	-	278,080	16,283	-	-	294,363
Gold Tree	t	135,209	326,289	367,735	364,202	172,303	-	-	-	1,365,738
Gustav	t	-	-	-	-	-	-	124,011	4,857	128,868
Jem	t	-	-	-	-	-	168,649	155,503	-	324,152
Kaizer Chief	t	-	-	-	-	-	-	33,692	108,602	142,294
Vivian	t	-	-	-	-	-	-	-	124,654	124,654
Tonnes Mined	t	135,209	326,289	367,735	364,202	450,383	184,932	447,559	238,113	2,514,422
Deposit										
Compatch	oz	-	-	-	-	-	-	8,112	-	8,112
Compatch West	oz	-	-	-	-	31,525	1,188	-	-	32,713
Gold Tree	oz	9,972	35,519	38,185	47,299	16,888	-	-	-	147,863
Gustav	oz	-	-	-	-	-	-	6,715	345	7,060
Jem	oz	-	-	-	-	-	11,052	18,791	-	29,843
Kaizer Chief	oz	-	-	-	-	-	-	1,214	6,329	7,543
Vivian	oz	-	-	-	-	-	-	-	9,532	9,532
Contained Gold	oz	9,972	35,519	38,185	47,299	48,413	12,240	34,832	16,206	242,666

A summary of operating costs is provided below.

Cost / tonne ore milled		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	TOTAL
Open Pit Mining	US\$/t	-	46	44	47	43	31	42	27	38
Processing	US\$/t	-	20	20	20	20	20	20	20	20
Royalty & Selling	US\$/t	-	12	12	15	13	9	10	7	11
G&A	US\$/t	-	6	6	6	6	6	5	4	5
Cash Operating Cost	US\$/t	-	83	81	87	81	65	77	57	74

Cost / oz produced		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	TOTAL
Open Pit Mining	US\$/oz	-	481	468	399	413	463	539	472	430
Processing	US\$/oz	-	206	208	167	191	293	253	350	224
Royalty & Selling	US\$/oz	-	128	128	128	128	128	128	128	128
G&A	US\$/oz	-	59	59	49	55	82	69	72	61
Cash Operating Cost	US\$/oz	-	873	863	743	787	965	989	1,022	843

Future upside potential at Singida

Total resources that presently sit outside of the reserves-based project economics amount to 9.8 Mt grading 2.11 g/t for 664,000 oz and these will be explored following the commencement of gold production, expected in late 2022. Pit shell designs have been developed based on a

long-term gold price of US\$1,350 /oz. In the current gold price environment, these factors provide significant scope for additional ounces to be brought into the mine plan in the future.

ENDS