

19 April 2018

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

**Q1 2018 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 March 2018 (the "Quarter", "Q1" or the "Period") for its New Luika Gold Mine ("NLGM"), in Southwest Tanzania.

**Highlights**

**Financial**

- Cash balance of US\$11.7 million ("m") (Q4 2017: US\$13.6 m);
- Gross debt of US\$49.2 m (Q4 2017: US\$53.0 m), down US\$3.8 m from Q4;
- Net debt of US\$37.5 m (Q4 2017: US\$39.5 m), down US\$2.0 m from Q4 and the lowest level since ramp up of operations in Q4 2012;
- EBITDA of US\$9.1 m and cashflows from operating activities of US\$7.1 m;
- Forward sales from April to June 2018 reduced to 17,600 oz at an average price of US\$1,287 /oz (Q4 2017: 22,500 oz at US\$1,271 /oz);
- Capital expenditure of US\$3.3 m (Q4 2017: US\$6.3 m); and,
- At the end of Q1, the Company had a VAT receivable balance of US\$16.2 m (Q4 2017: US\$14.5 m).

**Operational**

- Quarterly gold production of 17,663 ounces ("oz") (Q4 2017: 21,288 oz), in line with the Company's Revised Mine Plan ("RMP") and full year guidance of 82,000 – 88,000 oz reiterated;
- During the period, total ore mined from underground production of 124,444 tonnes (Q4 2017: 143,092 tonnes) at an average grade of 4.9 grams per tonne (g/t), as planned with an additional 18,340 tonnes produced from open pit mining at the Jamhuri pit;
- Quarterly gold sales of 17,691 oz at an average price of US\$1,329 /oz, consistent with average spot price of US\$1,329 /oz;
- Cash operating costs of US\$599 /oz (Q4 2017: US\$591 /oz);
- All in Sustaining Cost ("AISC") of US\$776 /oz (Q4 2017: US\$767 /oz), commensurate with reduced gold production during the period. The business has continued to respond very well to cost optimisation initiatives implemented under management's initial US\$5.0 m target, achieved in late 2017;
- Equipment purchased including the successful commissioning of our Cemented Rock Fill plant at NLGM at the end of January which significantly de-risks the underground operation going forward.

## **Exploration and development**

- Targeted drilling took place at Singida in Q1 with encouraging results announced in April 2018;
- Planning completed for geophysics survey and Phase 2 drilling at Singida in Q2;
- Planning completed for underground exploration drilling at Bauhinia Creek in Q2. A modest one thousand metre programme is planned across Q2 and Q3, to test some of the high-grade extensions which are not currently in the reserve and mine plan; and,
- Targeted trenching programmes around NLGM have resumed.

## **CSR and Government engagement**

- Senior management team is dedicating a significant amount of time in the Tanzanian capital, Dodoma, in discussions with government;
- Significant milestone achieved with the final approval by the Government of Tanzania to use the newly constructed tailings storage facility (“TSF2”). Commissioning is taking place in Q2 2018;
- Receipt of TSF2 permit represented a significant milestone in that all major project work required for the NLGM underground mine is now complete and operational;
- A delegation of senior government officials visited NLGM in February and commended Shanta’s approach to Local Content, Tanzanian employment and sustainability programmes; and,
- Additional Livelihood Programs have commenced in the period and several, which were initiated in late 2017, and are now fully rolled out.
- Significant progress in core CSR initiatives for Education, Water, Health and Livelihood during the quarter

## **Corporate and strategic**

- 2018 priorities set out in January are for low-cost operational excellence, balance sheet deleveraging, improved capital allocation and targeted growth;
- Cost saving target increased in January 2018 from US\$5.0 m to US\$7.0 m per annum on an annualised basis (excluding cost saving from new mining method at Luika), with the additional US\$2.0 million expected to be achieved by Q3 2018;
- 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.

## **Guidance for 2018**

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

## **Post Period**

- Singida exploration drilling results announced with encouraging intersections;
- The Company and Investec Bank plc mutually agreed not to proceed with the US\$50 m refinancing announced in Q2 2017; and,
- 2017 financial year audited results published.

**Eric Zurrin, Chief Executive Officer, commented:**

*“The reduction in underground tonnes compared with the previous quarter was in line with the Revised Mine Plan implemented last year. While this resulted in less ounces being produced in the period, the Company remains on track to achieve our previously stated guidance of 82,000 to 88,000 ounces in 2018.*

*Pleasingly, with the government’s approval of the tailings storage facility during the period, all major project work required for the underground mine is now complete and operational. The facility will be commissioned during the second quarter.*

*Continued deleveraging of the balance sheet remains a high priority and, supported by a performing gold price, the production schedule for the remainder of the year puts us on track to make significant headway.”*

**Analyst conference call and presentation**

Shanta Gold will host an analyst conference call and presentation today, 19 April 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.

UK Toll-Free Number: 08082370030  
 UK Toll Number: +44 (0)2031394830  
 PIN: 46241277#

The presentation will be available for download from the Company’s website: [www.shantagold.com](http://www.shantagold.com) or by clicking on the link below:

<http://www.anywhereconference.com?UserAudioMode=DATA&Name=&Conference=131696663&PIN=46241277>

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<sup>2</sup> 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 778 m shares in issue. For further information please visit: [www.shantagold.com](http://www.shantagold.com).

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

## Financial

During the Quarter a total of 17,691 oz of gold was sold at an average price of US\$1,329 /oz. This was consistent with the average spot price of US\$1,329 /oz over the period. As of 31 March 2018, the Company had sold forward 17,600 oz to June 2018 at an average price of US\$1,287 /oz, many of which were rolled forward from previous financial quarters allowing the Company to realise higher spot prices.

Cash operating costs for Q1 was US\$599 /oz (Q4 2017: US\$591 /oz) and AISC was US\$776 /oz (Q4 2017: US\$767 /oz).

There was a US\$1.7 m increase in working capital in the Quarter accounted for by a decrease in trade and other payables (US\$0.7 m), a decrease in inventories (US\$1.7 m) and an increase in trade and other receivables (US\$2.7 m). The increase in trade and other receivables includes VAT receivable which increased by US\$1.5 m to US\$16.2 m.

Capital expenditure was US\$3.3 m (Q4 2017: US\$6.3 m) which was predominantly related to underground development and equipment. Following the permitting of TSF2 all major capital project work at NLGM required to support the underground operation has now been completed.

As at 31 March 2018 the Company had a cash balance of US\$11.7 m (Q4 2017: US\$13.6 m) and access to the remaining undrawn unrestricted Exim Bank facility of US\$1.9 m.

The Company is continuing with its drive to reduce its debt to increase financial flexibility and higher free cash flow going forward. Gross debt decreased to US\$49.2 m (Q4 2017: US\$53.0 m) following repayments including US\$2.7 m to Investec. Net debt decreased to US\$37.5 m (Q4 2017: US\$39.5m).

## Operational

### Production Summary

	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Tonnes ore milled	149,711	162,233	163,109	155,567

Grade (g/t)	4.14	4.48	3.83	4.28
Recovery (%)	91.2	91.1	90.9	90.9
Gold (oz)				
Production	17,663	21,288	18,225	19,657
Sales	17,691	20,217	18,487	17,982
Silver production (oz)	25,556	30,049	22,915	24,524
Realised gold price (US\$/oz)	1,329	1,271	1,267	1,265

---

Gold production during the period amounted to 17,663 oz (from 21,288 oz in Q4 2017) due to a reduction in mining profile in line with the RMP. Overall, a total of 142,784 tonnes of ore grading 4.4 g/t was mined in Q1 compared with 143,092 tonnes of ore grading 4.7 g/t in Q4 2017.

The Run of Mine (“ROM”) stockpile at the end of Q1 was 101,639 tonnes of ore grading 1.5 g/t (down from 108,842 tonnes grading 1.5 g/t at the end of Q4 2017). The ROM stockpile continues to be blended with high grade ore from the underground.

The business has continued to respond well to cost optimisation initiatives implemented under management’s initial US\$5.0 m target, achieved in late 2017, and this is reflected by AISC delivered in Q1 of \$776 /oz (Q4 2017: \$767 /oz).

Several key initiatives relating to the underground operation have been completed during Q1 which will optimise ongoing production. These include the successful commissioning of the Cemented Rock Fill plant at NLGM which eliminates the dependency on just-in-time cement deliveries for Bauhinia Creek backfilling. Delivery has also been taken of a Centralised Blasting System that will increase the production rate by up to two hours per day (potential for up to 10% improvement).

Steps have been taken to reduce operational risk at NLGM, including the purchase of an additional underground truck which will in turn increase productivity. Planned mid-life maintenance of key underground equipment has also been undertaken. Furthermore, the restart of open-pit mining in March has taken place as planned to supplement the underground operation and increase production flexibility.

#### Safety, Health and Environment

Safety, Health and the Environment continue to be the top priority for Shanta and there were no Lost Time Injuries during the quarter. Shanta maintains its track record of operating among the safest gold mining operations among its peers and in Q1 had a total recordable injury case rate (per 1 million hours worked) of 4.69, below industry average.

#### **Exploration and Development**

Targeted drilling took place at Singida in Q1 focused on the Gold Tree and Jem deposits in February and March 2018, during which 15 holes representing 1,603 metres were completed. The aim was to test the down-dip and down plunge continuity of the high grade mineralized shoots that will facilitate upgrading of resources immediately below the current designed pits from the Inferred to the Measured and Indicated (M&I) categories. Assay results for the 15 holes have been received and are currently being modelled.

Planning for additional exploration work at Singida has been completed and implementation is expected in Q2 2018.

Further to activities at Singida, planning is underway for targeting drilling at NLGM with targeted low-cost trenching programmes now resumed across the Company's 1,500 km<sup>2</sup> landholding. Planning has now also been completed for underground exploration drilling at Bauhinia Creek across Q2 and Q3 2018, totalling 1,000 metres, to test high grade extensions that are not currently in reserves or the RMP.

### **CSR and Government engagement**

Senior management understands the importance of engaging with local and national government and continues to dedicate substantial time in constructive dialogue. Many of these discussions take place in Tanzania's capital, Dodoma, particularly in relation to the reimbursement and/or ongoing offset of the Company's outstanding VAT receivable.

Following an assessment of the Company's plans for a second Tailings Storage Facility ("TSF2") alongside the government, the Company is pleased to announce that TSF2 was approved for use in mid-March, allowing for TSF1 to be decommissioned in Q2. The permitting of this facility was a symbolic milestone for Shanta as it represented the completion of all major project work required for the NLGM underground mine.

A delegation of senior government officials including the Deputy Minister of Mines visited NLGM in February who commended Shanta's approach to Local Content, Tanzanian employment and sustainability programmes. The Company will continue to respect local expectations by striving to operate as a model corporate citizen.

Several Livelihood Programs were initiated in the period as the Company continues to invest in the wellbeing of its local communities. Beekeeping workshops were conducted in Saza Village, close to NLGM, and the skills in which attendees were trained are intended to help provide a reliable income source. Food crops for resettled families were harvested for the first time. The construction of a new primary school in Maleza village was completed and it has since entered into use.

### **Corporate and strategic**

In January, the Company outlined its 2018 priorities as follows:

- Continued low-cost operational excellence
- Balance sheet deleveraging
- Targeted growth

Performance against these priorities throughout Q1 has been on track.

To help deliver these targets the Company announced an increased cost savings target (from supplier contracts, G&A costs and redundancies unrelated to the underground operation) in January 2018. This target was increased from US\$5.0 m achieved in Q4 2017 to US\$7.0 m per annum on an annualised basis and is exclusive of the impact of a new mining method at the Luika orebody. This increased target is expected to be executed by Q3 2018 and the Company remains on track to achieve this.

Luke Leslie accepted the appointment as Chief Financial Officer on a permanent basis effective 1 January 2018 and will remain a Director of the Company.

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

### **Post Period**

The Company has announced results from its exploration and resource infill Reverse Circulation (“RC”) drilling, conducted at Singida during Q1 2018. Highly encouraging assay results for the 15 holes drilled included:

- 10 m @ 20.82 g/t gold from 138 m in hole SC702, including 3 m @ 57.13 g/t gold from 138 m
- 5 m @ 10.35 g/t gold from 120 m in hole SC713
- 5 m @ 8.06 g/t gold from 62 m in hole SC709
- 8 m @ 5.96 g/t gold from 117 m in hole SC708
- 8 m @ 3.86 g/t gold from 123 m in hole SC705
- 7 m @ 4.69 g/t gold from 124 m in hole SC706
- 4 m @ 5.48 g/t gold from 61 m in hole SC712

These positive results have the potential to enhance the current project economics at Singida as well as improve the prospects of expanding the project beyond the current scope of construction.

In Q2 2017 the Company announced an agreement with Investec Bank plc to implement a new US\$50 m facility to replace the current \$40 m facility (“New Investec Facility”). Shanta and Investec Bank plc mutually agreed to not proceed with this refinancing agreement.

The 2017 financial year audited results have been published which show the initial effect of efforts made by management to optimise the Company’s recurring cost base. Considerable inroads have been made toward reducing the Company’s net debt position. An annual profit after taxation of US\$4.2 million was also recorded for the first time following a successful transition to underground mining in the year.

**ENDS**