19 July 2018

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

Q2 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 June 2018 (the "Quarter", "Q2" or the "Period") for its New Luika Gold Mine ("NLGM" or "Luika"), in Southwest Tanzania.

Q2 Highlights

- The mining operation performed according to plan during the Period, with the underground mine delivering an average of 46,300 tonnes per month of high grade ore from the Bauhinia Creek and Luika deposits;
- Production at the Ilunga underground mine has been accelerated in the life of mine plan, increasing NPV, with surface infrastructure to be completed by end of August;
- Ore stockpiles significantly increased allowing the Company to 'stand down' the open pit mining fleet from end of August;
- The full benefits of cost saving initiatives, executed in Q4 2017, were realised in Q2, reducing All In Sustaining Costs ("AISC") to $748/oz (Q1: US$776/ oz);
- The full benefit of the 2018 cost reductions will be realised from Q3 2018:
- Quarterly gold production increased to 20,544 ounces ("oz") (Q1: 17,663 oz);
- Full year guidance of 82,000 – 88,000 oz and AISC of US$680 – 730 / oz, reiterated;
- Agreement to buy back 33.33% of the Convertible Loan Notes held by third parties (the "Notes") in April 2019 at par value, and to extend the remaining Notes to April 2020;
- Capital expenditure of US$4.5 million ("m") (Q1: US$3.3 m);
- Encouraging drilling results at Singida increasing Measured Resources by 56%. Total Measured & Indicated ("M&I") resources are now 381 koz at 2.08 g/t; and,
- Singida is in the process of being positioned into a separate legal entity in preparation for a potential future asset level financing.

Post Period Highlights

- US$2.1 m cost savings executed, equivalent to approximately US$25 /oz on a recurring basis and 3 months ahead of schedule;
- Company sold forward an additional 15,000 oz bringing the total forward sales to 27,000 oz at an average price of US$1,262 /oz; and,
- High grade exploration results announced at Bauhinia Creek underground deposit, confirming high grade mineralised orebody extension to the east, adjacent to the existing high-grade underground mine at Bauhinia Creek.

Financial

- Cash balance of US$8.9 m (Q1: US$11.7 m);
- Gross debt of US$47.0 m (Q1: US$49.2 m);
- Net debt of US$38.1 m (Q1: US$37.5 m);
- Gold inventory of US$13.6 m (Q1: US$8.1 m);
- Final US$1.9 m Exim Bank loan facility drawn down from the US$7.5 m 4-year facility;
- Forward sales to July 2018 of 12,000 oz at an average price of US$1,264 /oz (Q1 2018: 17,600 oz at US$1,287 /oz);
- At the end of Q2, the Company's VAT receivable was US$17.9 m (Q1: US$16.2 m); and,
- 2017 financial year audited results published in April 2018.

Operational

- Quarterly gold sales of 19,475 oz at an average price of US$1,302 /oz;
- Cash operating costs decreased to US$505 /oz (Q1: US$599 /oz);
- AISC of US$748 /oz (Q1: US$776 /oz);
- Underground operation delivered an average of 46,300 tonnes per month of high grade ore at 5.23 g/t, with open pit mining contributing an additional average monthly feed of 19,400 tonnes;
- Ore held in stockpiles increased by 41% to 143 kt at 1.54 g/t increasing mill feed flexibility;
- New record for monthly underground production was achieved in June of 51,130 tonnes at 5.30 g/t for 8,705 oz contained gold;
- Open-pit mining fleet preparing to stand-down at the end of August for 6 months following build-up of ore held in stockpiles; and,
- Second Tailings Storage Facility ("TSF2") commissioned in April 2018.

Cost savings initiative update

- US$7.2m of recurring cost reductions achieved since cost optimisation initiatives announced in September 2017, executed in Q4 2017;
- Includes an additional US$2.1 m of recurring cost savings per annum executed three months ahead of schedule in early July 2018, equivalent to approximately US$25 /oz; and,
- Cash operating costs reduced by approximately 11% to US$505 /oz compared to the average of the preceding 4 quarters, which was US$566 /oz.

Ilunga development update

- Decision to bring the Ilunga underground mine into production earlier with first production expected in mid-2019 instead of late 2020. The resequencing increases project Net Present Value ("NPV") and overall production flexibility;
- Pre-production capital expenditure estimated to be US$4 m, reduced significantly following extensive re-optimisation process carried out during the first half of 2018;
- Power and civil infrastructure has been completed at Ilunga, in preparation for first blast of portal during Q4 2018; and,
- Targeting final permitting of Ilunga in Q4 2018. Development ore expected to contribute to Mine Plan from Q2 2019.

Exploration

- Two phases of Singida exploration drilling results announced with encouraging intersections;
- Planning completed for ground geophysical work ("IP") at Singida testing the potential of the 2 km strike between Cornpatch and Cornpatch West targets, expected to take place at the end of Q3;
- Phase 1 underground drilling at Bauhinia Creek completed in early Q3 2018 confirming the extension of high-grade mineralisation to the east of the Bauhinia Creek and adjacent to the existing underground mine; and,
- Phase 2 drilling at Bauhinia Creek East planned for H2 2018, with 1,000 metres of drilling currently planned.

Singida

- New JORC resource estimate announced including a 56% increase in Measured resource. Total M&I resources are now 381 koz at 2.08 g/t;
- Confirmation received that Singida project will be connected to the Government (Tanesco) power grid, expected by end of 2018;
- Corporate restructuring process to transfer Singida mining licences and assets into a new company, 100% owned by Shanta Mining Company Limited ("SMCL") is in process in preparation for a potential future asset level financing; and,
- IP at Singida expected to commence at the end of Q3.

CSR and Government engagement

- Almost 99% of the global workforce are now Tanzanian nationals;
- Additional Livelihood Programmes initiated during the period following the success of programmes in late 2017 which are now fully rolled out; and,
- Advanced adoption of the government's Local Content Legislation, with Local Content Plan submitted to the Minerals Commission in April 2018.

Corporate and strategic

- The Company and Investec Bank plc mutually agreed not to proceed with the US$50 m refinancing announced in Q2 2017; and,
- The Company agreed to a partial buyback of 33.33% of the Convertible Loan Notes held by third parties (the "Notes") in April 2019 at par value, and to extend the remaining Notes to April 2020.

Eric Zurrin, Chief Executive Officer, commented:

"The cost saving initiatives that were executed in Q4 2017 are now beginning to have a significant impact on both costs and cashflow. The full effect of additional savings executed in Q2 2018 will be seen over the coming months."

"This was a strong quarter for the Company, with operations performing to plan, an increase in gold production, and importantly, we continue to reiterate our production guidance for the year of 82,000 – 88,000 oz. We are also pleased to announce that we are now expecting first ore from Ilunga by mid-2019 instead of late 2020, which increases both the project NPV and overall production flexibility for New Luika."

"We are continuing the development programme at Singida following the announcement of a new JORC resource estimate, which included a 56% increase in Measured resource."

Analyst conference call and presentation

Shanta Gold will host an analyst conference call and presentation today, 19 July 2018, at 09:30 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: 60191776#

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=131698299&PIN=60191776

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
Charles Vivian / Barnaby Hayward / Gareth Tredway +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 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.

Q2 2018 PRODUCTION & OPERATIONAL UPDATE

Financial

During the Quarter, a total of 19,475 oz of gold was sold at an average price of US$1,302 /oz. As of 30 June 2018, the Company had sold forward 12,000 oz to July 2018 at an average price of US$1,264 /oz. Subsequent purchases post period increased the hedge book to 27,000 oz at an average price of US$1,262/oz.

Cash operating costs for Q2 of US$505 /oz (Q1: US$599 /oz). AISC for Q2 of US$748 /oz (Q1: US$776 /oz). The AISC calculation since Q3 2017 includes the impact of higher royalties (c. US$40/oz). Development costs at the Bauhinia Creek and Luika underground operations are not included in AISC.

Working capital in the Quarter increased by US$8.0 m, accounted for by a decrease in trade and other payables (US$1.2 m), an increase in inventories (US$5.2 m) and an increase in trade and other receivables (US$1.6 m). The increase in inventories includes Run of Mine ("ROM") stockpile which increased by US$3.1 m and gold doré which increased by US$1.3 m. The increase in trade and other receivables includes VAT receivable which increased by US$1.7 m to US$17.9 m.

Capital expenditure was US$4.5 m (Q1: US$3.3 m) which was predominantly related to underground development and equipment including Ilunga pre-production capital expenditure.

As at 30 June 2018 the Company had a cash balance of US$8.9 m (Q1: US$11.7 m). This decrease reflects the decision to accelerate the development of Ilunga and to increase stockpiles allowing the open pit mining fleet to stand down sooner than initially planned. The volume of ore held on the stockpile increased by over 40% (equal to US$3.1 m). Ounces produced during the Period were also 1,069 oz higher than ounces sold during the period.

Gross debt decreased to US$47.0 m (Q1: US$49.2 m). Net debt increased to US$38.1 m (Q1: US$37.5m).

The 2017 financial year audited results were published in April 2017. An annual profit after taxation of US$4.2 m was recorded following a successful transition to underground mining in the year.

Operational

Production Summary

	Q2 2018	**Q1 2018**	**Q4 2017**	**Q3 2017**
Tonnes ore milled	157,426	149,711	162,233	163,109
Grade (g/t)	4.55	4.14	4.48	3.83
Recovery (%)	91.5	91.2	91.1	90.9
Gold (oz)				
Production	20,544	17,663	21,288	18,225
Sales	19,475	16,943	20,217	18,487
Silver production (oz)	20,170	25,556	30,049	22,915
Realised gold price (US$/oz)	1,302	1,308	1,271	1,267

Gold production during the period was 20,544 oz (up from 17,663 oz in Q1), which included a record month in June during which 51,130 t at 5.30 g/t was processed, producing 8,705 oz of contained gold. Overall, a total of 197,020 tonnes of ore grading 4.15 g/t was mined in Q2 compared with 142,784 tonnes of ore grading 4.40 g/t in Q1.

The ROM stockpile at the end of Q2 was 143,123 t of ore grading 1.54 g/t (up from 101,639 tonnes grading 1.50 g/t at the end of Q1).

Open-pit mining has delivered according to plan since its reintroduction in March, supplementing the underground operation with an average 19,400 tonnes per month throughout the Period and increasing production flexibility. Open pit mining will be temporarily halted for 6 months at the end of August 2018 as sufficient ore is expected to be available from the underground mining operations and the ore stockpiles.

Following approval for use in March, TSF2 was successfully commissioned in April at New Luika. This has enabled the decommissioning of the first Tailings Storage Facility ("TSF 1"). All major project work at New Luika is now completed, commissioned and in use.

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 in Q2 had a total recordable injury case rate (per 1 million hours worked) of 2.25, significantly below industry average.

Cost savings initiative update

Since announcing its target to reduce annualised costs by a further US$2 m in January 2018, the Company has achieved US$2.1 million of recurring cost reductions, taking the total annualised cost reductions achieved to US$7.2 million compared to those prior to commencing its core initiatives announced in September 2017. This has been achieved three months ahead of schedule and is largely the result of renegotiated contracts with suppliers and the elimination of non-essential G&A spend.

Importantly, the underground operation has been ringfenced during this exercise to ensure that underground production continues as planned.

Ilunga development update

The decision has been made to accelerate the start of mining at the Ilunga underground mine. Ore production is due to commence in mid-2019, rather than late 2020 and will enhance project NPV and increase production flexibility by contributing a third source of high grade underground ore feed.

Pre-production capital expenditure is estimated to be approximately US$4 m, reduced significantly from US$8.5 m in the March 2017 Revised Mine Plan, following an extensive re-optimisation process carried out during the first half of 2018.

Infrastructure for the power supply and civil requirements at Illunga have been completed and first blast of the new portal is projected to take place during Q4 2018. The Illunga underground mine is currently undergoing the latter stages of permitting resulting in development ore expected to begin supplementing existing operations from mid-2019.

Exploration

The Company announced an updated JORC compliant Mineral Resource Estimate at Singida in early June which showed an increase in M&I resources to 5.71 Mt of gold at 2.08 g/t for 381,000 oz of gold. This also included a 56% increase in Measured resource.

The Singida Mineral Resource incorporates three mining licences and is based on seven-shear zone related gold deposits with a combined strike length of 4.9 km. Only two of the seven targets within the Project mining licences were tested during these drilling campaigns with encouraging mineralized drilling intersections achieved, including:

- 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; and,
- 4 m @ 5.48 g/t gold from 61 m in hole SC712.

The Company will be commencing ground geophysical work in Q3 to delineate further resources and potentially upgrade the inferred resources near to surface in the Cornpatch and Cornpatch West targets.

Drilling results from exploration core drilling carried out at Bauhania Creek have been announced in July 2018, with Phase 2 drilling at Bauhinia Creek planned for H2 2018.

Singida

A new JORC-compliant resource estimate was announced in the Period following encouraging mineralised drilling intersections achieved during the recent drilling campaign. This included a 56% increase in Measured resources, with total M&I resources now 381 koz at 2.08 g/t.

Confirmation has been received that the Singida project will be connected to the Government (Tanesco) power grid, expected to be in place by the end of 2018. This infrastructure will help to minimise the infrastructure cost for power requirements at the project. The internal Owners Team is conducting necessary works to ensure that all such available cost efficiencies are utilised as the Company gears up towards securing asset level financing for the project in the future.

Internally estimated Project NPV at Singida has been enhanced following re-optimisation of the mine plan and improvement in forecasted energy costs. IP at Singida is expected to commence towards the end of Q3 2018.

A corporate restructuring process was commenced during the Period to transfer Singida mining licences and assets into a stand-alone company, 100% owned by SMCL, in preparation for a potential future asset level financing.

CSR and Government engagement

The Company reiterates 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 offset of the Company's outstanding VAT receivable.

Several new Livelihood Programs have commenced during the Period, which supplement those initiated in 2017. Works carried out at Maleza Primary School, a short distance from New Luika, have included the construction of three new classrooms, sanitation facilities and renovation of four additional classrooms. Planned improvements to the school are now completed. Furthermore, a solar power unit has been installed at the Maleza dispensary which will enable the community to access health services twenty-four hours a day.

The second phase of the local farming project initiated in 2017 has resulted in the production of 75 tonnes of Sesame. Preparations for the coming rainy season will begin in September during which time local farmers will receive more training on how to maximise their harvest.

Almost 99% of the entire workforce across the business are Tanzanian nationals. The Company has elected to adopt the government's Local Content Legislation early, with a Local Content Plan submitted to the Minerals Commission in April 2018. Conducting business as a responsible corporate citizen and aligning both national and internal values is central to Shanta's operating approach.

Corporate and strategic

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 Company has instead agreed to the repurchase of 33.33% of the Convertible Loan Notes currently held by third parties, at par, through a subsidiary of the Company (Shamba Limited), and to extend the maturity of the Loan Notes to April 2020.

This arrangement will provide the Company with increased flexibility to develop Ilunga, conduct exploration at NLGM and to identify targets close to the mine. The Board considers the Arrangements a positive outcome, resulting in reduced overall indebtedness of the Company, with no associated fees.

Post Period

As announced in early July, the Company has achieved an additional US$2.1 million of recurring cost reductions. This has increased the total annualised cost reductions achieved since commencing its core initiatives in September 2017 to US$7.2 million. The additional cost savings equate to approximately US$25 /oz on a recurring basis and were executed 3 months ahead of schedule.

Since the end of the Period, the Company has sold forward an additional 15,000 oz, bringing the total forward sales to 27,000 oz at an average price of US$1,262 /oz.

Encouraging exploration results have been achieved at the Bauhinia Creek underground deposit, following targeted drilling into an area adjacent to the existing reserves. This area is currently outside of the Mine Plan and the exploration works conducted have confirmed that the high grade mineralised orebody extends to the east, adjacent to the existing high-grade underground mine at Bauhinia Creek.

Assay results from the drilling campaign at Bauhinia Creek have shown encouraging results, which are currently being modelled. The results will be used to plan Phase 2 of the drilling campaign, due to take place during the second half of 2018. The new high-grade intersections are situated at depth and adjacent to an existing intersection of 6 metres, averaging 43.98 g/t Au. These drilling results are over a strike length of 80 metres with holes spaced at 40 metres sections and will contribute to the overall objective of the drilling programme which is to upgrade the mineral resources at New Luika.

ENDS