18 July 2019

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

Q2 2019 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 2019 (the "Quarter", "Q2" or the "Period") for its New Luika Gold Mine ("NLGM" or "New Luika"), in South Western Tanzania.

Q2 Highlights

- Gold production of 19,856 ounces ("oz") in Q2 (Q1: 22,374 oz) and 42,230 oz for the half year ("H1"), comfortably on track to meet annual guidance of 80,000−84,000 oz and up 11 per cent ("%") on H1 2018;
- Underground exploration drilling results released during the period showed the best historical intersected grades and widths since production began at New Luika;
- New high-grade intersections are outside existing mineral reserves and will be incorporated into the mine plan;
- Drilling at Bauhinia Creek ("BC") Central has converted 126,787 oz of Inferred Resources grading 3.15 g/t into 83,543 of Indicated Resources grading 7.85 g/t and added new Inferred Resources of 58,553 oz grading 4.79 g/t;
- New indicated ounces are significantly higher grade than the achieved 4.5 g/t blended mill feed and present the opportunity to blend these ounces with lower grade feed into the plant for additional ounces;
- At a cost of US$2/oz, the Company has replaced all depletion expected from 2019 gold production;
- Zero Lost Time Injuries ("LTI's"), with no LTI's since Q4 2017. Zero Recordable Injuries (TRIFR of 0.00) during Q2;
- EBITDA (before non-cash loss on unsettled forward contracts) of US$10.5 m (Q1: US$11.7 m);
- Gross debt down 22% to US$30.1 m (Q1: US$38.7 million ("m")) following US$4.9 m partial buyback of outstanding convertible loan notes;
- Net debt down 11% to US$26.9 million ("m") (Q1: US$30.3 m);
- All In Sustaining Costs ("AISC")[1] of US$773 /oz and year-to-date AISC of US$735 /oz, below annual guidance of US$740-780 /oz;
- Cash operating costs of US$564 /oz, significantly below industry average;
- Tonnes ("t") milled of 177,647 t, a new all-time daily throughput record during the Quarter and in line with the Company strategy for maximising New Luika's net present value;

- Gold spot price at six-year high at end of the Period; the Company has flexibility to defer settlement of forward sales for full exposure to the spot gold price; and,
- Total cash and liquidity of US$8.9 m (including US$3.3 m of bullion).

Operational

- Gold production of 19,856 oz in Q2, with high grade ore at BC underground continuing strong momentum from Q1;
- 177,647 t milled in Q2, stepping up from the previous all-time quarterly record of 172,644 t milled in Q1;
- Average head grade of 3.9 g/t for the quarter; and,
- Run Of Mine (“ROM”) stockpile of 142,213 t of ore grading 1.37 g/t (Q1: 139,000 t grading 1.47 g/t).

Exploration

- As previously announced, phase 2 drilling at BC intersected high-grade mineralisation over significant widths, providing further evidence for continuity of the orebody at depth below the current mine plan;
- Results from the Phase 2 drilling:
    - Hole CSD122 intersected 16.02 metres grading 9.36 g/t Au;
    - Hole CSD123 intersected 7.07 metres grading 16.10 g/t Au;
    - Hole CSD119 intersected 2.43 metres grading 5.26 g/t Au; and,
- Initial drilling results identified the orebody is becoming wider at depth with hole CSD 122 (16.02 metres) being below hole CSD 123 (7.07 metres);
- Combined results from Phase 1 & 2 drilling at BC Central have been incorporated into an updated resource;
- Once blended at 4.3 g/t, additional ounces are expected to extend the current Life of Mine to at least 2025; and,
- The Company's strategy is to maintain a rolling 5-8 year life of mineable ounces which balances the cost of exploration with visibility on future production.

Financial

- Gross debt down US$8.6 m (22%) at US$30.1 m (Q1: US$38.7 m) following US$4.9 million partial buyback of Convertible Loan Notes, completed on schedule;
- Unrestricted cash balance of US$3.1 m (Q1: US$8.4 m);
- Bullion available for sale of US$3.3 m (Q1: US$2.5 m);
- Liquidity available for draw down from Exim working capital facility of US$2.5 m;
- Net debt excluding VAT receivable of US$26.9 m (Q1: US$30.3 m);
- AISC[1] of US$773 /oz (Q1: US$701 /oz); and,
- VAT receivable increased to US$25.3 m (Q1: US$23.6 m).

Ilunga

- Total development ore mined of 17,143 t at 4.15 g/t for 2,287 oz contained;
- Development advance of 795 m in Q2, total development now at 2,054 m; and,
- Commercial production from Ilunga is expected to commence during early Q3.

Corporate Social Responsibility ("CSR")

- The 2019 harvest has seen a 147% increase in farmers enrolled in Shanta's alternative livelihood programme in collaboration with Export Trading Group ("ETG") versus 2018;
- Enrolled farmers sold 400% more product and generated 500% more revenue than during the 2017/18 growing season;
- Over half a tonne of donated sports equipment dispatched to Songwe for the Shanta-sponsored West Tanzania Premiership during the Period;
- "Into Africa – Partners in Learning" continues to make a growing contribution to education standards in schools around New Luika; study materials were donated to all four schools during the Period through the initiative;
- A pilot programme, "Power for Songwe", has been introduced with a solar generated power unit and lights installed at Maleza School, in addition to IT equipment for students; and,
- The Company was awarded Best Employer in Tanzania by the Occupational Safety & Health Authority, for its care of employees with a disability or illness.

2019 Guidance

- Annual guidance reiterated for 2018 of 80,000−84,000 oz at AISC[1] of US$740-780 /oz.

Post Period

- The Company announced a Mine Resource Upgrade following Q2 drilling results from BC Central;
- 83,543 oz converted to Indicated Resources grading 7.85 g/t now at a suitable level of confidence to be incorporated into the Mine Plan; and,
- The Company's strategy is to maintain a rolling 5-8 year life of mine reserve, which balances the cost of exploration with visibility on future production.

Note: 1. Development costs at the BC, Luika and Ilunga underground operations are not included in AISC.

Eric Zurrin, Chief Executive Officer, commented:

"Shanta has completed the transition to one of the least geared U.K. listed gold producers. The company moves into H2 with a strong balance sheet, strong operations, an increasingly attractive orebody and exciting upcoming catalysts."

"In the second half of this year we expect more on-mine and regional exploration results, the launch of the Singida IPO and hopefully some movement on the $25 m VAT receivable which is roughly the same size as our net debt."

Analyst conference call and presentation

Shanta Gold will host an analyst conference call and presentation today, 18 July 2019, 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: 08003589473
UK Toll Number: +44 3333000804
PIN: 58863961#

The presentation will be available for download from the Company's website: www.shantagold.com or by clicking on the link below:

https://www.anywhereconference.com?Conference=301295155&PIN=58863961&UserAudioMode=DATA

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 81,872 ounces in 2018. The Company has been admitted to trading on London's AIM and has approximately 787 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 2019 PRODUCTION & OPERATIONAL UPDATE

Safety, Health and Environment

There were no Lost Time Injuries during the Quarter and the Company has now reached 2.9 million man-hours without 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 0.00 for Q2 (Q1: 2.09). This is significantly below the industry average and marks an all-time record safety performance for the Company in its producing history.

Operational

Production Summary

	Q2 2019	**Q1 2019**	**Q4 2018**	**Q3 2018**
Tonnes ore milled	177,647	172,644	172,902	159,640
Grade (g/t)	3.91	4.49	4.74	4.26
Recovery (%)	89.4	89.9	90.9	90.3
Gold (oz)				
Production	19,856	22,374	23,942	19,723
Sales	19,760	21,190	24,893	19,737
Silver production (oz)	23,461	23,851	26,916	27,234
Realised gold price (US$/oz)	1,303	1,309	1,225	1,218

Gold production during the period was 19,856 oz. Overall, a total of 155,779 t of ore grading 4.53 g/t was mined in Q2 compared with 136,616 t of ore grading 5.72 g/t in Q1. 177,647 t of ore was milled during the period (Q1: 172,644 t), a new all-time daily throughput record for the Quarter. The ROM stockpile at the end of Q2 was 142,213 t of ore grading 1.37 g/t (down from 139,000 t grading 1.47 g/t at the end of Q1).

Average recoveries of 89.4% were achieved in the plant during the period (Q1: 89.9%). This reduction was driven by slightly lower head grade than planned and is generally in line with a strategic decision to prioritise throughput over recoveries, following a trade-off study concluding that this approach will generate higher value returns and hence be beneficial to project net present value.

Exploration

Phase 2 underground diamond drilling at BC Deep Central was completed in Q2, with three holes drilled totalling 503 metres. The drilling programme targeted the western portion of the BC Central orebody. This drilling cost US$0.2 m (US$2 /oz), replaces all of the depletion expected from 2019 gold production and has allowed for the conversion of 126,787 oz of Inferred Resources grading 3.15 g/t into 83,543 oz of Indicated Resources grading 7.85 g/t.

The new high-grade intersections announced in Phase 1 (May 2019), Phase 2 (June 2019) and the previous drill hole CSD055 (8 metres grading 8.52 g/t Au) are outside existing mineral reserves and have now been incorporated into the mine plan.

The Phase 2 drilling results generated in the Period provide further evidence of the continuity of the BC orebody to the west of BC Central. Once blended at 4.3 g/t, the additional ounces generated are expected to extend the current Life of Mine at New Luika until at least 2025.

Financial

During the Quarter, a total of 19,760 oz of gold was sold at an average price of US$1,303 /oz against the average spot price for the quarter of US$1,309 /oz. As of 30 June 2019, the Company had sold forward 45,000 oz to May 2020 at an average price of US$1,241 /oz. The Company has the flexibility to defer settlement of forward sales and had full exposure to the spot gold price during the Quarter having deferred settlement of all forward contracts in place.

Cash operating costs and AISC for Q2 of US$564 /oz (Q1: US$500 /oz) and US$773 /oz (Q1: US$701 /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 increased by US$1.8 m, accounted for by an increase in trade and other payables (US$1.2 m), an increase in inventories (US$1.5 m) and an increase in trade and other receivables (US$1.5 m). The increase in inventories includes ROM stockpile which decreased by US$0.4 m, largely offset by an increase in gold bullion of US$0.8 m and an increase in ounces in process of US$0.8 m. The increase in trade and other receivables includes the VAT receivable which increased by US$1.7 m to US$25.3 m.

Capital expenditure was US$5.4 m (Q1: US$4.0 m) for the Quarter, which was predominantly related to underground development, inclusive of Ilunga pre-production capital.

As at 30 June 2019 the Company had an unrestricted cash balance of US$3.1 m (Q1: US$8.4 m). This follows a 22% reduction in gross debt from US$38.7 m to US$30.1 m at the end of the Quarter. Net debt decreased by US$3.4 m to US$26.9 m (Q1: US$30.3 m), its lowest in Shanta's producing history.

During the Quarter the Company completed the buyback of approximately 33.33% of the convertible loan notes held by third parties in line with schedule (US$4.9 m of the notes). Notes that remain outstanding with third parties will be redeemable on 10 April 2020.

Ilunga

Development of the Ilunga deposit continued during the Period, with total development ore mined of 17,143 t at 4.15 g/t for 2,287 oz contained. The development advance during the

Period was 795 m, with development having now reached 2,054 m. A total of US$2.7 m development capex was spent at Ilunga in the Quarter, totalling US$7.9 m since first portal blast in August 2018.

The Company is expecting to commence commercial production from Ilunga during early Q3. Ilunga is the third active source of high-grade ore at NLGM.

Corporate Social Responsibility

Farmers enrolled in the Company's agricultural collaboration with Export Trading Group ("ETG") have now completed the first growing season of 2019. The programme continues to grow exponentially and during the harvest saw a 147% increase in farmers, who sold 400% more product and generated 500% more revenue than the 2017/18 growing season.

Over half a tonne of donated sports equipment from the UK was dispatched to Songwe during the Period for the Shanta-sponsored West Tanzania Premiership. The equipment is solely for local communities in the vicinity of New Luika.

"Into Africa – Partners in Learning", the Company's partnership providing teacher training in the Songwe region, continues to make a significant positive impact in participating schools. Local teachers have fully embraced teaching skills introduced through the initiative and support will continue to be provided in collaboration with Hazelwood School (charity number 312081), a UK based charity. Study materials worth $2,000 were donated to the four schools surrounding New Luika by Hazelwood School pupils and their guardians during the Period.

A pilot programme, "Power for Songwe", has been introduced by the Company during Q2. A solar generated power unit and 13 solar lights have been installed at Maleza School, offering students the opportunity to make use of additional hours of study during exam season. The Company has also provided IT equipment and an internet connection for the school. No local primary school previously had access to electricity or the internet. Following the success of the pilot programme the Company intends to expand this initiative to other schools surrounding New Luika.

The Company is committed to its CSR portfolio and is encouraged that its efforts to operate as an exemplary corporate citizen are being recognised across Tanzania.

Post period

In early Q3 the Company announced a Mine Resource Upgrade following the drilling results from BC Central during the Period. The drilling activities have converted 126,787 oz of Inferred Resources grading 3.15 g/t into 83,543 oz of Indicated Resources grading 7.85 g/t, a suitable level of confidence for these ounces to be incorporated into the Mine Plan.

The Company's strategy over the next 12 months is to target conversion of a further 220,300 oz of Inferred Resources into Indicated Resources at the BC, Ilunga, Luika and Elizabeth Hill orebodies through additional drilling. The Company's strategy is also to maintain a rolling 5-8 year life of mine reserve which balances the cost of exploration with visibility on future production.

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