

19 October 2020

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

Q3 2020 PRODUCTION & OPERATIONAL UPDATE

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, announces its production and operational results for the quarter ended 30 September 2020 (the "Quarter", "Q3" or the "Period") for its New Luika Gold Mine ("NLGM" or "New Luika"), in South Western Tanzania.

Q3 Highlights

- Quarterly gold production of 19,973 ounces ("oz") (Q2: 22,216 oz);
- Adjusted EBITDA¹ of US\$22.5 million ("m") (Q2: US\$19.4 m);
- Cash, and available liquidity² of US\$15.4 m (Q2: US\$21.6 m);
- Gross debt of US\$11.8 m (Q2: US\$13.4 m);
- Net debt of US\$5.1 m (Q2: net cash of US\$2.1 m); follows US\$7.8 m cash payment for the acquisition of the West Kenya Project in the Period;
- Forward sale commitments of 15,000 oz (Q2: 27,000 oz) at an average price of US\$1,251 /oz reduced post period to 12,000 oz, a 70% reduction from the end of 2019; on track to be unhedged by January 2021;
- Cash Costs of US\$587 /oz and All In Sustaining Costs ("AISC")³ of US\$883 /oz;
- Zero Lost Time Injuries ("LTI's"), with no LTI's since Q4 2017;
- Acquisition of the West Kenya Project completed; Shanta's high-quality East-Africa focussed portfolio now spans two countries with a compelling growth pipeline;
- Independent Scoping Study announced post period for the West Kenya Project includes a post-tax NPV_{8%} of US\$340 m and unlevered IRR of 110%, at US\$1,700 /oz;
- Mine construction at the Singida Gold Project ("Singida") commenced post period;
- Updated reserve-based economics announced for Singida include a post-tax NPV_{8%} of US\$73 m and unlevered IRR of 59%, at US\$1,900 /oz;
- Shanta's two projects in Tanzania now have combined JORC 2012 compliant gold reserves of 653 koz grading 3.15 g/t; and,
- Shanta has total gold resources of 3.2 million oz grading 3.58 g/t across all three of its assets in Tanzania (JORC 2012 compliant), and Kenya (NI 43-101 compliant).

Operational Summary

- 181,036 tonnes ("t") milled (Q2: 176,415 t); processing plant at NLGM continues to perform above nameplate capacity;
- Plant expansion to be completed beginning of 2021;

- Average head grade of 3.8 g/t (Q2: 4.4 g/t);
- Average recoveries of 89.4% (Q2: 89.7%);
- State (“TANESCO”) grid contributed 14% of NLGM’s power requirements, expected to increase to 37% in 2021; and,
- Run of Mine (“ROM”) stockpile of 120,511 t of ore grading 1.45 g/t (Q2: 97,986 t grading 1.46 g/t).

Financial Summary

- Net debt of US\$5.1 m (Q2: net cash of US\$2.1 m), excluding US\$5.9 m of doré in the gold room at the end of the Period;
- Unrestricted cash balance of US\$6.7 m (Q2: US\$12.9 m);
- Liquidity available for draw down from Exim working capital facility of US\$2.5 m (Q2: US\$2.5 m);
- Cash Costs of US\$587 /oz and AISC³ of US\$883 /oz for the Period;
- VAT receivable increased to US\$25.5 m (Q2: US\$23.2 m); and,
- Remaining VAT receivable is subject to verification audit by the Tanzanian Revenue Authority (“TRA”) before being available for further offsets.

Group Reserves and Resources Update

- JORC 2012 compliant gold reserves totalling 653 koz at 3.15 g/t across the Company’s two projects in Tanzania;
- Total resources of 3.2 million oz grading 3.58 g/t across all three projects in Tanzania (JORC compliant) and Kenya (NI 43-101 compliant);
- Year to date exploration drilling at NLGM has added a further 75 koz to reserves at a conversion cost of US\$12 /oz; and,
- Group-wide reserves and resources announced in the Period are the highest ever reported by Shanta, driven in large part by the ongoing replacement of mined ounces through low cost exploration.

Acquisition of the West Kenya Project

- During the Period Shanta completed its acquisition of the West Kenya Project, which includes an existing NI 43-101 compliant resource of 1.2 Mt grading 12.6 g/t;
- Purchase consideration comprised of US\$7.0 m cash, US\$7.5 m shares in Shanta issued to Barrick and a 2% Life Of Mine (“LOM”) net smelter return (“NSR”) royalty;
- Results of an independent Scoping Study announced post period suggest attractive economics; a significant amount of work is required before assumptions can be confirmed;

- Initial project economics, assuming a US\$1,700 /oz gold price, indicate a post-tax NPV_{8%} of US\$340 m, LOM AISC of US\$681 /oz and average annual gold production of 105,000 oz over an initial 9-year mine life; and,
- Assuming Shanta proceeds with construction of the West Kenya Project, a wide array of community benefits are envisaged including local development, infrastructure, employment and skills development.

Singida

- Construction of Singida is now underway with a number of early work construction activities completed;
- Updated reserve-based economics for a post-tax NPV_{8%} of US\$73 m and unlevered IRR of 59% at a US\$1,900/oz gold price;
- Annual production of 32 koz over an initial 7-year LOM at an AISC of US\$869 /oz;
- Upfront capital investment of US\$26 m required, excluding pre-stripping;
- Expected to increase Shanta's total annual production to c.110,000 oz in its first full year of operation; and,
- Significant upside potential with resources of 9.8 Mt grading 2.11 g/t for 664,000 oz sitting outside the project economics, but within Mining Licenses.

Exploration

- Recent underground and surface exploration drilling at Ilunga, Luika, Black Tree Hill ("BTH") and Elizabeth Hill (EH") targets has generated positive results;
- Surface exploration drilling has added new Resources of:
 - 89,600 oz grading 3.2 g/t at Luika;
 - 89,000 oz grading 1.4 g/t at EH and EH North;
 - 45,600 oz grading 1.7 g/t at BTH; and,
- Underground drilling has added 28,000 oz of new Resources at Ilunga grading 5.5 g/t.

Corporate Social Responsibility ("CSR")

- Infrastructure for a new District Coronavirus Patient Treatment Centre in Songwe installed by Shanta;
- 1,000 sheets of roofing material and 50,000 kg of cement donated for the development of key education infrastructure in Songwe;
- HDPE pipes and aggregates provided to support the upgrade of a nearby 5.5 km stretch of road damaged by recent flooding;
- Training for 57 local farmers sponsored by Shanta, to be provided by the Tanzania Official Seed Certification Institute ("TOSCI"); and,

- Local beekeepers have successfully harvested 870 kg of honey in this year's first harvest, using modern beehives and protective attire donated by Shanta.

2020 Guidance

- Annual guidance of 80,000 – 85,000 oz at AISC³ of US\$830 – 880 /oz reiterated for 2020.

Note: 1. EBITDA is earnings before interest, tax, depreciation and amortisation which has been derived as operating profit exclusive of depreciation/depletion of tangible assets and amortisation of intangible assets. Adjusted EBITDA has been derived as EBITDA before non-cash loss on unsettled forward contracts.

Note: 2. Available liquidity has been derived as unrestricted cash, restricted cash and the sale value of doré available for sale at the end of the Period (net of royalties and expected selling costs).

Note: 3. Development costs at the BC, Luika and Ilunga underground operations are not included in AISC figures published for NLGM.

Eric Zurrin, Chief Executive Officer, commented:

“During the quarter, Shanta completed the acquisition of the West Kenya Project and started construction at Singida. First gold pour at Singida is targeted for end of 2022. Shanta has a portfolio of high-quality reserves and a pathway to organically grow to a +220,000 per annum producer. At the date of this release the Company’s net debt has reduced to US\$2 m and Shanta is on track to be unhedged by early 2021.”

Analyst conference call and presentation

Shanta Gold will host an analyst conference call and presentation today, 19 October 2020, 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 or by clicking on the link below.

UK Toll-Free Number: +44 (0) 800 358 6374
UK Toll Number: +44 (0) 330 336 9104
PIN: 619673

<https://events.globalmeet.com/Public/ClickToJoin/ZW5jPU5OaHQxNW1WcCtTVWphMEY4WkNGK05zaHI1NW5jVGVodEtGUTJ0WFZJNjZoLys3WGNWdTMwZz09>

Participant Passcode: 619673

The presentation will be available for download from the Company's website: www.shantagold.com. 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. It currently has defined ore resources on the New Luika and Singida projects in Tanzania and holds exploration licenses covering approximately 1,200 km² in the country. Shanta Gold also owns the West Kenya Project in Kenya with defined ore resources of 1.2 Mt 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 market and has approximately 849 m shares in issue. For further information please visit: www.shantagold.com.

Competent Person Statement

The technical information contained within this announcement has been reviewed by Juma Kisunda (the Company's Chief Geologist) and Paul W. Mbuya (the Company's Exploration Manager), who are Members of The Australasian Institute of Mining and Metallurgy (Aus.I.M.M). They have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and for the purposes of the AIM Guidance Note on Mining and Oil & Gas Companies dated June 2009.

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

Q3 2020 PRODUCTION & OPERATIONAL UPDATE**Safety, Health and Environment**

There were no Lost Time Injuries during the Quarter and the Company has now reached over 5.4 million man-hours without a 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 3.84 for Q3 (Q2: 2.00).

Shanta was an early adopter of several best practices designed to prevent the COVID-19 pandemic from entering NLGM and these measures remain in force. The safety and wellbeing of our employees continues to be the Company's highest priority and precautionary safeguards in place at the mine are appropriately robust. The Company is continuing to educate communities locally within Songwe, where Health remains one of the core pillars to Shanta's social responsibilities strategy, to help protect them from contracting the virus.

Operational

Production Summary

| | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 |
|-------------------------------|----------------|----------------|----------------|----------------|
| Tonnes ore milled | 181,036 | 176,415 | 174,069 | 177,913 |
| Grade (g/t) | 3.84 | 4.36 | 4.03 | 3.83 |
| Recovery (%) | 89.3 | 89.7 | 89.1 | 89.2 |
| Gold (oz) | | | | |
| Production | 19,973 | 22,216 | 20,167 | 19,550 |
| Sales | 20,192 | 23,932 | 20,086 | 17,311 |
| Silver production (oz) | 25,016 | 21,378 | 19,294 | 18,485 |
| Realised gold price (US\$/oz) | 1,524 | 1,633 | 1,414 | 1,440 |

Gold production during the period was 19,973 oz. Overall, a total of 156,391 t of ore grading 4.5 g/t was mined from underground in Q3 compared with 141,687 t of ore grading 5.3 g/t in Q2. 181,036 t of ore was milled during the period (Q2: 176,415 t). The ROM stockpile at the end of Q3 was 120,511 t of ore grading 1.45 g/t (up from 97,986 t grading 1.46 g/t at the end of Q2). Average recoveries of 89.3% were achieved in the plant during the period (Q2: 89.7%).

The Company commenced a plant upgrade at NLGM in the Period, integrating a 10 tonne per hour pilot plant previously purchased in 2016 for the Singida Project. The cost of this upgrade, which is expected to be completed in January 2021, is estimated at US\$1.2 m and will be financed from operating cash flows. Following commissioning, the annual nameplate processing capacity at NLGM is expected to increase to a baseline of 708 Ktpa (current nameplate capacity of 620 Ktpa) with the projected annual processing rate increased to a baseline of 783 Ktpa (current processing rate of 695 Ktpa). Increased plant capacity will provide New Luika with the flexibility to reduce cut off grades, thus lowering the hurdle for resources to be converted to minable ounces.

Following connection to the state (“TANESCO”) power grid towards the end of 2019, low-cost grid power contributed 14% of New Luika’s power requirements in the Period. This is expected to increase to 37% contribution in 2021 which will help further optimise New Luika’s sustaining costs.

Financial

During the Quarter, a total of 20,192 oz of gold was sold at an average price of US\$1,524 /oz against the average spot price for the quarter of US\$1,912 /oz. This included the settlement of 12,000 oz of forward sales commitments. As of 30 September 2020, the Company had sold forward 15,000 oz to January 2021 at an average price of US\$1,251 /oz. Since the end of the Quarter, total forward sales commitments have been further reduced to 12,000 oz, representing a 70% reduction from forward sales commitments in place at the end of 2019.

Cash Costs of US\$587 /oz and AISC of US\$883 /oz were achieved in the Quarter respectively. Of note, development costs at the BC, Luika and Ilunga underground operations are not included in AISC. AISC for the Period included US\$107 /oz in relation to exploration spend, which will be higher in the second half on 2020 in line with the Company's exploration plan.

Working capital in the Quarter increased by US\$4.7 m, accounted for by an increase in trade and other receivables (US\$3.1 m), an increase in trade and other payables (US\$2.3 m) and an increase in inventories (US\$3.9 m). The increase in trade and other receivables includes the VAT receivable which increased by US\$2.3 m to US\$25.5 m. The remaining VAT receivable is subject to verification audit by the TRA before being available for further offsets. The increase in inventories includes ROM stockpile which increased by US\$3.4 m.

Capital expenditure was US\$2.8 m (Q2: US\$3.9 m) for the Quarter, which predominantly related to underground development at BC, Luika and Ilunga.

As at 30 September 2020 the Company had an unrestricted cash balance of US\$6.7 m (Q2: US\$12.9 m). This follows US\$7.8 m of cash payments made to Barrick in the Period in respect of the West Kenya Project acquisition and a US\$1.6 m reduction in gross debt from US\$13.4 m to US\$11.8 m.

Group Reserves and Resources Update

A group-wide reserves and resources statement for Shanta's gold projects in Tanzania and Kenya was published on 3rd September 2020. JORC compliant reserves of 653 koz grading 3.15 g/t were reported for the Company's two projects in Tanzania, with group-wide resources totalling 3,177 koz contained gold at 3.58 g/t.

Additionally, existing resources of 531 koz within Mining Licences at NLGM presently sit outside reserves, grading 2.45 g/t. These resources have been prioritized for further evaluation. At Singida, existing resources outside of reserves but within the Mining Licences amount to 664 koz, grading 2.11 g/t. These will be explored following the commencement of gold production, expected in late 2022.

Resources at West Kenya comprise only two prospects, being Isulu and Bushiangala, both of which are open at depth and require additional exploration and infill drilling.

Acquisition of the West Kenya Project

The Company completed its acquisition of the West Kenya Project in the Period. The Project's primary asset is a 100% interest in licences which include an existing high-grade NI 43-101 compliant resource of 1.2 Mt grading 12.6 g/t, thought to be one of the highest grading +1 Moz gold resources in Africa.

Purchase consideration consisted of US\$7.0 m cash (inclusive of US\$0.5 m which may become payable post completion), US\$7.5 m shares in Shanta issued to Barrick (at 10.5p per share), and a 2% life of mine net NSR royalty over the Project. Accordingly, 54,650,211 shares in Shanta were issued to Barrick on 19 August 2020.

Post period, the Company announced the results of an independent Scoping Study for the Project. This study included a discounted cashflow (“DCF”) analysis using a gold price of US\$1,700 /oz, which took into consideration royalties, tax and government dividends based on a 10% free carry ownership in the project. Key results included a post-tax NPV_{8%} of US\$340 m and an unlevered IRR of 110%. Annual production for an initial estimated nine-year mine would average 105,000 oz. Open pit mining would take place for two years followed by underground mining, with an average LOM head grade mined of 9.3 g/t.

More detailed study work will be required to complete engineering design to a higher confidence level, prior to the Project being ready for a construction decision. The Company anticipates that works required will cost US\$24-30 m, over a period of up to 36 months. This work will largely comprise of infill drilling, designed to convert existing resources into proven or probable reserves. This investment is required to determine the economic viability of a potential mining operation.

Should the economic viability of a mine be confirmed, the Scoping Study estimates pre-production capital investment of US\$161 million will be required from Shanta prior to first gold production.

Singida

The Company announced post period that construction work at Singida has now commenced. Early work construction activities now underway include a camp upgrade to accommodate 70 people for the initial construction team, key tenders for sterilization drilling and TSF facility design contracts and commencement of front end engineering design (“FEED”). Discussions are to be initiated with Tanzania National Roads Agency (“Tanroads”) to upgrade local bridges for the movement of plant and equipment. Shanta’s engineering team are continuing to complete detailed designs for an Elution Circuit and Water and Sewer Treatment Plants in preparation for procuring these long lead items.

An updated reserve-based mine plan announced by the Company gives a post-tax NPV_{8%} of US\$73 m and unlevered IRR of 59% at US\$1,900 /oz. Annual gold production over the LOM is expected to average 32,000 oz at a LOM AISC of US\$869 /oz. Construction of the project is expected to require total upfront capital investment of US\$26 m, excluding pre-stripping, and will be funded from internally generated cash flow. The Company anticipates a 24-month construction period with first gold pour expected at the end of 2022. Once gold production commences, the project can be expected to transform the Ikungi region in Central Tanzania to benefit local communities.

Singida is expected to increase Shanta’s group production to c.110,000 oz from its first full year of production. Over 90% of existing reserves are within 120 metres of surface and resources of 9.8 Mt grading 2.11 g/t for 664,000 oz currently sit outside the project economics (but within the Mining Licenses), giving significant upside potential.

Exploration

Underground drilling at the Ilunga target was progressed in the Period, with an updated mineral resource block model yielding a total resource gain of 156 kt grading 5.5 g/t for 28,000 oz, compared to the previous (November 2019) resource model.

At Luika, 6,283 metres of surface drilling since Q2 have yielded a total resource gain of 871 kt grading 3.2 g/t for 89,600 oz. Similarly, surface drilling at EH has resulted in a total resource gain of 2,400 kt grading 1.4 g/t for 89,000 oz, and drilling at BTH has resulted in a total resource gain of 852 kt grading 1.7 g/t for 45,600 oz.

Corporate Social Responsibility (“CSR”)

Shanta has been supporting the local response to the Coronavirus pandemic, working closely with authorities in the construction of a new District Coronavirus Patient Treatment Centre. Shanta completed electrical and window installation works during the Period. Wiring for the building was completed in collaboration with TANESCO.

To support regional development projects in Songwe, Shanta has donated 1,000 corrugated iron roofing sheets and 1,000 bags of cement (50 kg each) for education infrastructure in the region.

Due to particularly heavy rainfall earlier in the year, a crucial 5.5 km stretch of nearby road was damaged by flooding. Tanroads have been accommodated on site at NLGM and Shanta has committed to support the necessary upgrade by providing HDPE pipes and aggregates.

Shanta, through its Mining Agriculture Improvement Project, has sponsored training and accreditation for 57 local farmers in the Period under TOSCI, the Government Institute responsible for the certification and promotion of quality agricultural seeds. Skills and knowledge acquired through these training workshops are transferrable into practice and may help participating farmers better optimise future crop harvests.

The first beekeeping harvest of the year in nearby Mbangala has yielded 870 kg of honey for local beekeepers. Beehives and protective outfits used were donated by Shanta. The Company’s beekeeping initiative provides a meaningful source of income to participants in the local area and a second harvest is expected to take place before the end of the year.

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