

26 October 2022

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

Q3 2022 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 September 2022 (the "Quarter", "Q3" or the "Period") for its East African assets, including New Luika Gold Mine ("NLGM" or "New Luika") and Singida Project ("Singida") in Tanzania and West Kenya Project ("West Kenya") in Kenya.

Eric Zurrin, Chief Executive Officer, commented:

"The team has once again delivered a very strong operational performance, with production up 11% on the previous quarter. In addition to this, drilling at West Kenya and construction work at Singida are both progressing well, and we remain on track for first gold pour at Singida in March 2023. This operational excellence continues to be underpinned by our first-rate health and safety standards, as shown by the total of over one million man-hours worked at New Luika without a Lost Time Injury.

We continue to maintain a healthy cash position, boosted by the drawdown of the US\$20 million loan facility, and we are using this to accelerate growth in Shanta's portfolio. As we soon transform into a +100,000oz producer in Q1 2023, with a diversified asset base and an enhanced balance sheet, I am confident in the growth opportunities available to Shanta. I would like to thank all our employees for their continued efforts, and I look forward to updating the market further in due course."

Highlights

- Gold production of 19,532 oz (Q2: 17,527 oz), up 11% from Q2 production with full year 2022 production expected to achieve the low end of the 68,000 - 76,000 oz guidance range;
- Singida construction is 78% complete at the end of September 2022 (63% at end of Q2) and remains on track and on budget for first gold pour in March 2023;
- Phase 2 drilling programme continued at the West Kenya Project where drilling took place across 29 holes with further occurrences of visible gold identified in drilling intersections, bringing the total number of visible gold identifications to 53 intersections across 142 holes drilled since January 2021;
- Updated Mineral Resource Estimate, targeting conversion from Inferred to Indicated resource category at both Isulu/Bushiangala and Ramula, expected in Q1 2023;
- Completion and drawdown of the US\$20 million loan facility agreement with Stanbic Bank Tanzania, which is being used to accelerate the growth in Shanta's portfolio; and,
- At New Luika, a total of 1,018,906 man-hours has been worked without a Lost Time Injury (LTI).

Financial Summary

- Cash, and available liquidity¹ of US\$14.0 million (“m”) at 30 September 2022 (Q2: US\$14.3 m) which includes 3,851 oz contained within doré available for sale at the end of the period (Q2: 3,843 oz);
- An additional US\$4.0 m remains undrawn from a working capital facility as at the end of the Period;
- Gross debt of US\$21.3 m (Q2: US\$5.6 m), following the US\$20.0 m senior debt financing drawdown in the Quarter;
- Operating costs of US\$918 /oz (Q2: US\$913 /oz) and AISC of US\$1,207 /oz (Q2: US\$1,142 /oz) in the Quarter, respectively.
- EBITDA² of US\$10.9 m (Q2: US\$11.9 m), excluding operating expenditure at West Kenya and Singida totalling US\$1.7 m (US\$3.6 m);
- Capital expenditure and investment totalled US\$13.4 m including US\$7.0 m for Singida construction, US\$4.4 million for NLGM, and US\$2.0 m for West Kenya; and,
- VAT receivable of US\$27.1 m (Q2: US\$27.7 m), of which approximately US\$23 m relates to the historical period July 2017-June 2020. An application for an Out of Court Settlement is ongoing. Separately, VAT cash refunds totalling US\$2.3 m were received in the Quarter and offsets were applied against the Company’s tax liabilities to the value of US\$2.7 m. Ongoing dialogue with the TRA has indicated that further cash refunds/off-sets will be granted in Q4, with a cash VAT refund of US\$0.7 m expected in the next few weeks.

Operational Summary

New Luika Gold Mine

- 217,108 t milled (Q2: 216,184 t) from underground and open pit sources;
- Average head grade of 3.18 g/t (Q2: 2.83 g/t) blended from underground, open pit, and existing ROM stockpile sources;
- Average recoveries of 88.0% (Q2: 88.7%); and,
- Run of Mine (“ROM”) stockpile of 186,631 t of ore grading 0.92 g/t (Q2: 155,233 t grading 1.21 g/t) containing approximately 5,529 oz.

Singida

- Singida remains on track for first gold pour in March 2023 transforming Shanta Gold into a +100,000 oz/pa producer and diversifying group cash flow;
- Construction remains on time and on budget, with a total of US\$27 m invested since the start of construction in 2021, and approximately US\$12 m remaining as at the end of September 2022, predominantly in open pit mining activities;

- No material cost inflation has been incurred in the construction costs owing to orders for major capital items being placed in early 2021 prior to inflationary pressures and excellent supervision from the Singida team in Tanzania;
- The installation of the crusher and its components was completed in the Quarter with a cold commission being successfully completed;
- Manufacture of the thickener is 90% completed with shipment from India to start in November 2022; and
- Ore stockpile level at Singida is 127,767 t grading an average of 2.34g/t for 9,613 contained ounces at the end of the Quarter;

West Kenya

- During Q3, drilling continued at the Isulu and Bushiangala deposits across 29 holes;
- Shanta has now completed 65% of total planned drilling over three phases which began at the start of 2021; and,
- The West Kenya Project Feasibility Study workstream is currently underway and led by a Shanta owners team, with the development of a Ramula Mine conceptual model expected to be completed in Q4.

Corporate Social Responsibility (“CSR”)

- Shanta and a local service provider, continued to support the Saza Secondary School by providing a full package of e-learning materials, including fifty tablets and PCs along with all teaching materials required;
- The Company has pledged to sponsor advanced medical equipment to local village dispensaries and maternity wards near the New Luika Gold Mine, with the aim to deliver the equipment by the end of 2022;
- Shanta facilitated the registration of 200 farmers to the online agricultural tool, M-Kulima during September. Key benefits from this initiative include access to Tanzanian Government subsidized fertilizers and insurance products.

Note: 1. 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 2: EBITDA is earnings before interest, tax, depreciation, and amortisation which has been derived as operating profit exclusive of depreciation/depletion of tangible assets, amortisation of intangible assets

Analyst conference call and presentation

Shanta Gold will host an analyst conference call and presentation today, 26 October 2022, at 09:00am BST. Participants must pre-register to join the call by contacting ShantaGold@fticonsulting.com.

The presentation will be available for download from the Company's website: www.shantagold.com

Investor Conference Call

Shanta Gold will not be hosting a live investor presentation via the Investor Meet Company platform due to regulatory constraints relating to the Offer Period the Company is currently in. A recording of the analyst presentation will be made available on the Company's website in due course.

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About Shanta Gold

Shanta Gold is an East Africa-focused responsible gold producer, developer, and explorer. The company has an established operational track record, with defined ore resources on the New Luika and Singida projects in Tanzania, with reserves of 645 Koz grading 3.0 g/t, and exploration licences covering approximately 800 km² in the country. Alongside New Luika and Singida, Shanta also owns the high-grade West Kenya Project in Kenya and licences with resources of 1.6 million ounces including 378 Koz in the Indicated category grading 11.70 g/t. With a strong balance sheet, a growing diversified portfolio and a maiden dividend paid in 2021, Shanta offers a resilient investment opportunity for the near and long-term. Shanta is quoted on London's AIM market (AIM: SHG) and has approximately 1,048 million shares in issue.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as amended by The Market Abuse (Amendment) (EU Exit) Regulations 2019.

Competent Person Statement

The technical information contained within this announcement has been reviewed by Juma Kisunda (the Company's Technical Services Manager), who is a Member of the Australasian

Institute of Mining and Metallurgy (AusIMM) and Yuri Dobrotin, P.Geo. Membership No.0702 (Shanta's Group Exploration Manager), who is a practicing member of the Association of Professional Geoscientists of Ontario, Canada (PGO). 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 Mineral Reserves' and for the purposes of the AIM Guidance Note on Mining and Oil & Gas Companies dated June 2009, and National Instrument 43-101 ("NI 43-101).

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as amended by The Market Abuse (Amendment) (EU Exit) Regulations 2019.

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Operational Summary – NLGM

Production Summary

	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Tonnes ore milled	217,108	216,184	214,204	218,991
Grade (g/t)	3.18	2.83	1.90	2.00
Recovery (%)	88.0	88.7	87.2	87.1
Gold (oz)				
Production	19,532	17,527	11,408	12,244
Sales	19,321	17,225	10,527	13,538
Silver production (oz)	26,856	26,536	14,615	14,270
Realised gold price (US\$/oz)	1,727	1,866	1,883	1,796

Gold production during the period was 19,532 oz, up 11.4 % from Q2 production of 17,527 oz. Overall, a total of 172,190 t of ore grading 4.40 g/t was mined from underground in Q3 compared with 174,202 t of ore grading 4.20 g/t in Q2 2022. At the end of Q3, ground instability at the Bauhinia Creek 850 level of the crown pillar resulted in approximately 11,286 tonnes grading 4.29 g/t containing 1,557 ounces being made indefinitely unavailable for mining due to safety and operational reasons. A further 13,497 tonnes grading 9.68 g/t containing 4,202 oz at the 900 level of the BC crown pillar is planned for Q4 2022 and 3,122 tonnes grading 9.12 g/t containing 918 oz at the 880 level of the BC crown pillar is planned in Q2 2023.

A further 45,609 t ore grading 1.18 g/t was mined from open pits in Q3 compared with 50,436 t of ore grading 1.10 g/t in Q2 2022. The ROM stockpile at the end of Q3 was 186,631 t of ore grading 0.92 g/t (Q2: 182,326 t grading 1.21 g/t). Average recoveries of 88.0% were achieved in the plant during the period (Q2: 89.0%).

Processing of milled ore during the Quarter totalled 217,108 tonnes, in line with plan (Q2: 216,184 t). The average head grade of 3.18 g/t (Q2: 2.80 g/t) included a blend of material from underground, open pit, and existing ROM ore stockpile sources. Gold produced for the period was 12% less than budgeted mainly attributable to poor grinding efficiency that affected gold recovery. The decrease in grinding efficiency in Q3 is partly attributable to poor cyclone classification due to unavailability of the cyclone spares, ore hardness and increased milling throughput. DRA-South Africa is conducting a study with recommendations in Q4 on the way forward to be implemented. Shanta expects 2022 production at the low end of its production guidance of 68,000 - 76,000 oz.

Financial

EBITDA¹ was US\$10.9 m, excluding operating expenditure at West Kenya and Singida totalling US\$1.7 m. Adjusted Operating Costs of US\$918 /oz (Q2: US\$913 /oz) and AISC of US\$1,207 /oz (Q2: US\$1,142 /oz) were achieved in the Quarter, respectively. YTD Q3 AISC is US\$1,257 /oz. AISC cost guidance of US\$1,150-1,275 /oz is reiterated for 2022.

Inflationary cost pressures observed during H1 continued in Q3, with increases seen in the price of steel inputs for ground support, consumables, power and diesel. Energy price continues to be the largest component contribution to cost inflation. Overall cost inflation contributed around US\$110 /oz to AISC versus budget.

The performance of the gold spot price in the markets proved to be volatile in the Quarter which resulted in the average selling price achieved per ounce falling from \$1,866 /oz in Q2 to \$1,727 /oz in Q3. With the outlook on gold price remaining unstable, Shanta has made the decision to minimise exploration expenditure for the next 5 months and prioritise cashflows for the completion of construction at the Singida Gold Mine, which is expected to total approximately US\$12 m in capex through to the end of March 2023.

VAT cash refunds totalling \$2.33 m were received in the Quarter and offsets were applied against the Companies tax liabilities to the value of \$2.73 m. Ongoing dialogue with the TRA has indicated that further refunds/off-sets will be granted in Q4, with a cash VAT refund of \$0.7m expected in the next few weeks. The Company's Tanzanian VAT receivable decreased from US\$27.7 m in Q2 to US\$27.1 m in Q3.

Capital expenditure at New Luika was US\$4.4 m (Q2: US\$3.0 m) for the Quarter, which predominately related to underground development at the Bauhinia Creek and Luika mines, and Tailings Facilities related costs.

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, amortisation of intangible assets.

Note: 2. AISC figures published include development costs, in line with the WGC definition

Singida

The Singida team has made excellent progress on the construction of the Singida Gold Mine during the Quarter with first gold pour planned for March 2023. As at the end of Q3, overall project completion is 78% (Q2: 63%). US\$7.0 m in capital expenditure was incurred in Q3 2022 (Q2: US\$6.1 m). Construction of the Singida Gold Mine remains on track and on budget.

The installation of the crusher and its components was completed in the Quarter with a cold commission being completed successfully and a hot commission planned for Q4. The mill installation continued on plan with the ball mill being 60% completed and the steel structure installation being 90% completed, the commissioning of the mill is planned to take place in Q4. The CIL circuit has been installed with the installation of all six CIL tanks and one Detox tank now being completed. Manufacture of the thickener is 90% completed with shipment from India to start in November 2022, with installation and commissioning planned for January 2023.

Open pit mining continued to perform well during the Period with operations focused on Gold Tree and Vivian pits. Overall ore stockpile level at Singida is 127,767 t grading an average of 2.34g/t for 9,613 contained ounces. (Q2: 97,918 t grading an average of 2.11g/t for 6,674 contained ounces).

West Kenya

In Q3, the latest phase of drilling at West Kenya continued to deliver consistently high-grade results. The drilling campaign focused on upgrading existing resources to the Indicated category and resource expansion across numerous targets. A drilling update is expected to be made in the next 10 days.

At the Isulu and Bushiangala deposits, 8,686 metres (“m”) of drilling took place across 29 holes. Visible gold, including spectacular occurrences, has been identified in 53 intersections across 142 holes drilled since January 2021.

Shanta has now completed 65% of total planned drilling over three phases which began at the start of 2021. Year to date 30 September 2022, a total of 30,400 meters has been drilled at the West Kenya Project including at targets Isulu, Bushiangala, Ramula, and Kimingini. Mineral resource modelling at Ramula, Isulu and Bushiangala is taking place throughout Q4 and conversion from Inferred to Indicated resource category is expected to be updated by Q1 2023.

The Feasibility Study workstream for the West Kenya project continues to make progress currently led by an internal owners’ team. In Q3 this involved establishing a directional schedule and budget, starting to onboard key resources within the Company, and initiating work for the plant and mine configuration trade-offs at the Ramula site.

Corporate Social Responsibility (“CSR”)

In the Period, Shanta continued to support the local Saza Secondary School by providing a full package of e-learning materials. This package included fifty tablets and PCs along with all teaching materials required. With the assistance of a local service provider, the Company also

installed an internet tower and router. Throughout the month of July, extensive training was provided to all teachers and students to ensure maximum learning potential is achieved. The system will allow students in Saza Secondary school to access online learning materials as well as server-based information.

As part of Shanta's commitment to the health and wellbeing of its local communities, which includes equipping village dispensaries with laboratory facilities and improved maternity wards, the procurement process of obtaining the equipment has been initiated in the Quarter. Shanta has pledged to sponsor advanced medical equipment, which includes one urine analyser, one centrifuge machine, one ESR Automated machine, one ESR Fast Detector, one ESR Automated Tubes P/100, one sterilizer with thermostat, a vaccine storage fridge and 6 hospital beds. The target is to deliver the equipment by the end of 2022.

Shanta conducted a drive to register farmers in Saza, Patamela, Mbangala, Maleza and Njelenje villages, (all within Songwe District), electronically on the agricultural tool, M-Kulima during September. This resulted in 200 farmers being registered. Key benefits from this initiative include access to Tanzanian Government subsidized fertilizers and insurance. It also provides easy transactions between buyers and farmers which in turn will lower the cost and risk involved in transacting with smallholder farmers, as well as facilitating possible short term Agri-loans.

Country Overview

Country-wide elections in Kenya were held in August resulting in a new President and government administration. In September, the Government of Tanzania revoked the 2020 Mining (State Participation) Regulations and reissued new regulations governing Section 10 of the Mining Act that had been amended in 2017. Discussions with the Ministry of Minerals is expected to take place in 2023.

Post Period

On 18 October 2022, Shanta announced that it had received approaches from Shandong Gold Group Co., Ltd, Yintai Gold Co., Ltd and Chaarat Gold Holdings Ltd which may or may not result in an offer for the Company. There can be no certainty that an offer will be made, nor as to the terms on which any offer might be made.

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