

17 January 2019

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

**Q4 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 31 December 2018 (the "Quarter", "Q4" or the "Period") for its New Luika Gold Mine ("NLGM" or "New Luika"), in South Western Tanzania.

**Q4 Highlights**

- Gold production of 23,942 ounces ("oz"), up 21% from Q3 2018;
- Cash cost of US\$514 / oz and All In Sustaining Costs ("AISC") of US\$701 /oz in Q4;
- New all-time records for tonnes milled of 60,304 tonnes ("t") in December and 172,902 t in Q4;
- New all-time record for tonnes mined from underground of 157,952 t in Q4;
- Net debt decreased to US\$31.5 million ("m"), lowest in six years and down from US\$35.1 m in Q3;
- Cash and liquidity increased to US\$11.5 m with cash balance of US\$9.0 m (Q3: US\$8.0 m) and undrawn working capital facility with Exim for US\$2.5 m;
- Ilunga underground pre-production development well ahead of schedule and first development ore now expected in March, ahead of the original mid-year 2019 target;
- Singida Gold Project NPV of US\$31 m and IRR of 67% announced;
- Exceptional safety record with TRIFR of 2.26 in Q4 and zero LTIs; and,
- Company-wide workforce now up to 99% Tanzanian nationals.

**FY 2018 Highlights**

- Gold production of 81,872 oz, above 2018 guidance of approximately 80,000 oz;
- Cash costs of US\$538 /oz and AISC of US\$731 /oz, ahead of US\$750 /oz guidance;
- EBITDA of US\$45.5 m, up 21% from 2017 despite revenues increasing by 2%;
- New all-time record tonnes milled of 639,679 t;
- US\$7.2 m of recurring annual cost savings achieved under current management team, ahead of US\$7.0 m target;
- Further net annual cost reductions in Q4 of \$1.2 million from internalising the HFO power plant;
- Audited net profit expected to be significantly higher than 2017;

- Gross debt of US\$40.5 m, down 24% since 2017 and the lowest in 6 years;
- Net debt of US\$31.5 m, down 21% since 2017;
- Gold in ore stockpiles increased by US\$5 m during the year to allow the standing down of the open pit mining fleet; and,
- Exceptional safety record with TRIFR of 1.12 and zero LTIs in 2018.

### **Operational**

- Gold production of 23,942 oz in Q4, with mine grades better than expected from Bauhinia Creek underground deposit;
- Tonnes milled of 172,902 t in Q4, an increase of 11% from the Q1-Q3 average following the decision to increase milled throughput and reduce ROM stockpile; and,
- Average head grade of 4.7 g/t for the quarter, 12% higher than average quarterly grades processed during Q1-Q3.

### **Exploration**

- A campaign to evaluate the Company's regional license potential across the Lupa Goldfields continued and is now 50% complete;
- Engagements underway with third-party consultants reviewing exploration portfolio;
- Initial drilling at Quartzberg undertaken returned encouraging initial results;
- Drilling planned for mid-H1 at Bauhinia Creek high grade underground deposit; and,
- 2019 exploration budget approximately doubled from 2018 to US\$3.6 m.

### **Ilunga development update**

- Pre-production development is 70% complete, well ahead of the previously announced mid-2019 target with first ore expected in March 2019;
- Ilunga will be the third active source of high-grade ore at NLGM;
- Final ESIA permit for Ilunga received during the Quarter;
- Civil works for primary ventilation fan completed with installation expected in Q1 2019;
- 618 metres of development completed by end of December; and,
- Capex of US\$1.3 m spent on development in Q4; US\$3.3 m of capex now spent at Ilunga.

### **Singida**

- Project economics and development plan announced in Q4 including NPV of US\$31 m and IRR of 67%;
- Initial 6-year mine plan averaging 26,000 ounces of gold production per year at cash cost of US\$794 /oz;
- ESIA permit expected in mid-H1; and,

- Asset-level funding plans continued, including site visits completed in Q4, with progress now at term-sheet stage.

### **Corporate**

- Shanta was named by the Association of Tanzania Employers as one of the Top 10 employers in Tanzania for 2018 during the period, spanning all industries; and,
- VAT receivable has increased to US\$21.9 m, up from US\$19.9 m at the end of Q3.

### **Dividend Policy**

- Shanta's dividend policy remains under review and will take into account the strength of the balance sheet, operating performance in 2019 and the long-term growth prospects for the business.

### **2019 Guidance**

- Annual guidance for 2019 of 80,000–84,000 oz at AISC of US\$740-800 /oz.

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

*“The Company set a number of all-time records in Q4 both operationally and financially against a backdrop of zero LTIs for the year. Shanta's full year EBITDA was US\$45.5 m, a significant increase on last year and resulting in net debt of US\$32 m being the lowest in 6 years.*

*“This is despite not receiving any VAT refunds in 2018 and with continued investment across our operations. These results are down to a highly motivated team, disciplined cost control and careful capital allocation decisions.”*

*“Exploration remains a key priority for Shanta and we have doubled the exploration budget for 2019. Shanta's drilling programme will commence in the next few months starting with Bauhinia Creek high grade underground targets.”*

### **Analyst conference call and presentation**

Shanta Gold will host an analyst conference call and presentation today, 17 January 2019, at 10:30 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: 60105426#

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:

<https://www.anywhereconference.com?Conference=301276087&PIN=60105426&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<sup>2</sup> 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 779 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.

## **Q4 2018 PRODUCTION & OPERATIONAL UPDATE**

### **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 at the end of Q4 had a Total Recordable Injury Frequency Rate ("TRIFR") (per 1 million hours worked) of 1.12 for 2018, significantly below the industry average. This represented a third successive annual decline in injuries and a 37% reduction from 2017 (1.79). The Company has now surpassed 1.9 million man-hours without Lost Time Injury.

### **Financial**

During the Quarter, a total of 24,893 oz of gold was sold at an average price of US\$1,225 /oz. As of 31 December 2018, the Company had sold forward 45,000 oz to June 2019 at an average price of US\$1,230 /oz against the average spot price for the quarter of US\$1,229 /oz.

Cash operating costs for Q4 of US\$514 /oz (Q3: US\$553 /oz). AISC for Q4 of US\$701 /oz (Q3: US\$769 /oz).

Working capital in the Quarter increased by US\$2.0 m, accounted for by a decrease in trade and other payables (US\$2.1 m), a decrease in inventories (US\$1.6 m) and an increase in trade and other receivables (US\$1.5 m). The decrease in inventories includes Run of Mine (“ROM”) stockpile which decreased by US\$0.4 m. The increase in trade and other receivables includes the VAT receivable which increased by US\$2.0 m to US\$21.9 m.

Capital expenditure was US\$5.1 m (Q3: US\$5.3 m) for the Quarter, which was predominantly related to underground development and equipment, inclusive of Ilunga pre-production capital. Total capital expenditure in 2018 was US\$18.2 m including US\$3.3 m related to bringing forward development of the Ilunga underground mine.

As at 31 December 2018 the Company had an unrestricted cash balance of US\$9.0 m (Q3: US\$8.5 m). This increase follows a reduction in gross debt from US\$43.6 m to US\$40.5 m at the end of the Quarter. Net debt decreased by US\$3.6 m to US\$31.5 m (Q3: US\$35.1 m).

## Operational

### Production Summary

	<b>FY 2018</b>	<b>Q4 2018</b>	<b>Q3 2018</b>	<b>Q2 2018</b>	<b>Q1 2018</b>
Tonnes ore milled	<b>639,678</b>	172,902	159,640	157,426	149,710
Grade (g/t)	<b>4.38</b>	4.74	4.26	4.44	3.94
Recovery (%)	<b>90.9</b>	90.9	90.3	91.5	91.7
Gold (oz)					
Production	<b>81,872</b>	23,942	19,723	20,544	17,663
Sales	<b>82,457</b>	24,893	19,737	19,475	18,352
Silver production (oz)	<b>106,851</b>	26,916	27,234	27,145	25,556
Realised gold price (US\$/oz)	<b>1,259</b>	1,225	1,218	1,302	1,303

Gold production during the period was 23,942 oz. Overall, a total of 157,952 tonnes of ore grading 5.55 g/t was mined in Q4 compared with 179,978 tonnes of ore grading 4.40 g/t in Q3. 172,902 tonnes of ore were milled during the period (Q3: 159,640 tonnes), an all-time record for Shanta. This higher throughput of lower grade stockpile had a small adverse impact on recovery rates in the plant which was more than offset by higher gold production.

The ROM stockpile at the end of Q4 was 163,194 tonnes of ore grading 1.48 g/t (down from 167,698 tonnes grading 1.55 g/t at the end of Q3). No open pit mining was carried out in Q4 in line with the Company’s mine plan.

## **Exploration**

The campaign initiated in July 2018 to evaluate the Company's regional license potential across the Lupa Goldfields is progressing and is now approximately 50% complete. A prioritisation exercise has been conducted, from which a target list of the 25 highest-potential prospecting licences has been identified for further exploration during 2019. This campaign is supported by engagements now in place with third party consultants who are assisting in the review of the Company's exploration portfolio.

Initial drilling has been undertaken at the Quartzberg targets following promising geological mapping and rock chip grab sampling results. Drilling has returned encouraging initial results. A comprehensive exploration update will be provided following completion of the drilling work across the Quartzberg targets.

At New Luika, drilling is planned for mid-H1 at the high-grade Bauhinia Creek underground deposit. Growth of NLGM's reserve base will be a key focus in 2019 and the annual exploration budget has been approximately doubled to US\$3.6 m compared with 2018.

## **Ilunga development update**

Underground pre-production development at the Ilunga underground mine was 70% complete at the end of Q4 with 371 m of development since the portal blast in August 2018. Total capital expenditure of US\$3.3 m was spent in 2018 on this development work which has enabled the timeframe to ore development to be brought forward to March 2019, ahead of the original mid-2019 target. Ilunga will be the third active source of high-grade ore at NLGM.

Final preparations are being made in readiness for production at Ilunga, including civil works for a primary ventilation fan which is expected to be installed and operational in Q1 2019. All necessary permitting for production is in place, including a final ESIA permit received during the period.

## **Singida**

Project economics and a development plan for the Singida project were announced in the period, which included an NPV of US\$31 m and an IRR of 67%. The strategy for Singida is to unlock value from existing resources within the Company's mining licenses. The project economics provide for the processing of 2.4 million tonnes of ore from surface mining at an average grade of 2.3 g/t for the production of 158,000 oz of recovered gold, over an initial six-year mine life. Total inferred resources that presently sit outside of the project economics amount to 6.57 Mt at 1.63 g/t for 344,000 oz.

Corporate restructuring to transfer the Singida mining licences and assets into Singida Resources Plc continues, alongside ongoing planning for a potential future asset-level financing. Site visits were conducted during the period and funding plans have now progressed to term-sheet stage.

## **Dividend Policy**

Shanta's dividend policy remains under review and will take into account the strength of the balance sheet, operating performance in 2019 and the long-term growth prospects for the business.

**Note**

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

**ENDS**