

16 January 2020

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

Q4 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 31 December 2019 (the "Quarter", "Q4" or the "Period") for its New Luika Gold Mine ("NLGM" or "New Luika"), in South Western Tanzania.

Q4 Highlights

- Zero Lost Time Injuries ("LTI's"), with no LTI's since Q4 2017;
- Gold production of 19,550 ounces ("oz") (Q3: 22,726 oz);
- Net debt¹ decreased 31% to US\$14.3 million ("m") (Q3: US\$20.7 m);
- Gross debt decreased 14% to US\$22.0 m (Q3: US\$25.7 m);
- Cash, and available liquidity² of US\$13.7 m (Q3: US\$11.6 m);
- All In Sustaining Costs ("AISC")³ of US\$902 /oz (Q3: US\$723 /oz), including US\$47 /oz in respect of an accelerated power station generator refurbishment;
- Cash operating costs of US\$638 /oz (Q3: US\$474 /oz);
- New probable gold reserves added to the Life of Mine Plan from on-mine drilling totalling 135,438 oz at a grade of 4.07g/t Au; and,
- New reserves have extended the Life of Mine Plan through to 2024.

FY 2019 Highlights

- Gold production of 84,506 oz, exceeding 2019 guidance of 80,000–84,000 oz;
- Cash costs of US\$544 /oz and AISC³ of US\$779 /oz, within 2019 guidance of US\$740-780 /oz;
- Adjusted EBITDA⁴ for the year of US\$47.7 m;
- New all-time record tonnes milled of 702,336 tonnes ("t"), a 10% increase from 2018;
- All ounces mined in 2019 replaced with new reserves through low-cost on-mine exploration drilling; and,
- Exceptional safety record with TRIFR of 1.00 and zero LTIs in 2019.

Q4 Operational Summary

- 177,913 t milled (Q3: 174,132 t); processing plant continues to consistently perform above nameplate capacity;
- Average head grade of 3.8 g/t for the quarter (Q3: 4.5 g/t);

- Run of Mine (“ROM”) stockpile of 138,868 t of ore grading 1.78 g/t (Q3: 151,177 t grading 1.67 g/t); and,
- New Luika connected to the state (“TANESCO”) power grid following construction of required infrastructure.

Q4 Financial Summary

- Net debt¹ (excluding VAT receivable) of US\$14.3 m (Q3: US\$20.7 m);
- Unrestricted cash balance of US\$3.5 m (Q3: US\$5.0 m);
- 5,348 oz of bullion available for sale at the end of the Period (Q3: 3,022 oz);
- Liquidity available for draw down from Exim working capital facility of US\$2.5 m (Q3: US\$2.5 m);
- Forward sales reduced to 40,000 oz (Q3: 43,000 oz);
- AISC³ of US\$902 /oz (Q3: US\$723 /oz); and,
- VAT receivable decreased to US\$21.8 m (Q3: US\$27.4 m) including US\$2.7 m of cash refunds.

Exploration

- New reserves and resources estimated following recent drilling programme, which consisted of 81 holes all located within 4 km of the plant, at a cost of c.US\$1 m;
- Drilling added new probable gold reserves totalling 135,438 oz grading 4.07g/t Au at Bauhinia Creek (“BC”) Deep West, Elizabeth Hill North, BC North and Black Tree Hill;
- Drilling also resulted in Indicated resources of 219,408 oz grading 3.19 g/t, up 219% from 57,916 oz grading 1.77 g/t at end-December 2017;
- New Inferred resources of 94,007 oz grading 2.75 g/t estimated, up 26% from 74,427 oz grading 1.71 g/t;
- Further drilling on the BC North and BC East deposits, Elizabeth Hill (Main and North) Open Pits and BC Deep West targets has generated encouraging results; and,
- Results of the latest drilling campaign will be incorporated into an updated Mineral Reserve & Resource Estimate expected to be released in early 2020.

Corporate Social Responsibility (“CSR”)

- Preparation for the construction of three classrooms, an ablution block and schoolteacher housing began in Saza, one of the villages neighbouring NLGM;
- Solar power installed at Maleza Primary School, providing lighting for evening studies;
- Teaching professionals from the “Into Africa – Partners in Learning” programme spent approximately 1,300 volunteer hours assisting local schools during 2019;
- Approximately 1,500 farmers now enrolled in the Company’s farming initiative;

- Solar-powered pump installed in Patamela village where the community previously had no access to grid power;
- Charcoal Briquette Plant purchased by the Company commissioned for use in a local project for youth groups in Songwe; and,
- The Company donated materials and food for 3,000 families in Songwe following heavy flooding in the region during the Period.

2020 Guidance

- Annual guidance for 2020 of 80,000 – 85,000 oz at AISC³ of US\$830 – 880 /oz;
- AISC³ guidance includes reintroducing supplementary open pit mining from Shamba, the non-cash impact of utilising ore stockpiles and royalties to be incurred on an anticipated higher average selling price per ounce than in 2019; and,
- 2020 exploration budget increased by 65% to US\$5.0 m.

Note: 1. Net debt includes liquidity available from 2,841 oz Au delivered to the Argor-Heraeus refinery in Switzerland prior to 31 December 2019 for which proceeds remained unremitted at the end of the Period.

Note: 2. Available liquidity has been derived as unrestricted cash, restricted cash and the sale value of bullion available for sale at the end of the Period (net of royalties and expected selling costs and including 2,841 oz Au delivered to the Argor-Heraeus refinery in Switzerland prior to 31 December 2019, for which proceeds remained unremitted at the end of the Period).

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

Note: 4. EBITDA is earnings before interest, tax, depreciation and amortisation which has been derived as operating profit exclusive of pre-production revenue, 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.

Eric Zurrin, Chief Executive Officer, commented:

“The Company has achieved a number of important objectives in 2019, with gold production exceeding guidance and net debt expected to soon move to net cash.”

“I’m pleased to report that through low-cost exploration drilling we were able to add new reserves to the mine plan which more than replaced production during the year. Mine life at New Luika continues to be a priority and the Board have approved a significantly increased exploration budget for 2020 as we look to upgrade resources and identify new ounces.”

“The Company is well-positioned for another strong year and we anticipate entering a net cash position during 2020 as our deleveraging strategy enters its final phase.”

Analyst conference call and presentation

Shanta Gold will host an analyst conference call and presentation today, 16 January 2020, 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: 55497021#

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=301308660&PIN=55497021&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 1,500km² in the country. 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 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.

Q4 2019 PRODUCTION & OPERATIONAL UPDATE

Safety, Health and Environment

There were no Lost Time Injuries during the Quarter and the Company has now reached over 3.9 million man-hours without Lost Time Injury. Shanta maintains its track record of operating among the safest gold mining operations of its peers and at the end of Q4 had a Total Recordable Injury Frequency Rate (“TRIFR”) (per 1 million hours worked) of 1.00 for 2019, significantly below the industry average. This represented a fourth successive annual decline in injuries and an 11% reduction from 2018 (1.12).

Operational

Production Summary

	FY 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Tonnes ore milled	702,336	177,913	174,132	177,647	172,644
Grade (g/t)	4.19	3.83	4.54	3.91	4.49
Recovery (%)	89.4	89.2	89.3	89.4	89.9
Gold (oz)					
Production	84,506	19,550	22,726	19,856	22,374
Sales	80,758	17,311	22,477	19,780	21,190
Silver production (oz)	90,541	18,485	24,744	23,461	23,851
Realised gold price (US\$/oz)	1,378	1,440	1,462	1,303	1,309

Gold production during the period was 19,550 oz. Overall, a total of 144,206 t of ore grading 5.2 g/t was mined in Q4 compared with 166,772 t of ore grading 5.31 g/t in Q3. 177,913 t of ore was milled during the period (Q3: 174,132 t). The ROM stockpile at the end of Q4 was 138,868 t of ore grading 1.78 g/t (down from 151,177 t grading 1.67 g/t at the end of Q3). Average recoveries of 89.2% were achieved in the plant during the period (Q3: 89.3%).

New Luika has successfully been connected to the TANESCO power grid following construction of the required infrastructure. An initial 10% of NLGM’s power requirement is expected to be drawn from the TANESCO grid, with potential for this to increase to 25%. This low-cost power supply represents an opportunity to potentially access lower grade ounces by lowering costs. Connection to the TANESCO grid also further diversifies power sources at NLGM.

Financial

During the Quarter, a total of 17,311 oz of gold was sold at an average price of US\$1,440 /oz against the average spot price for the quarter of US\$1,489 /oz. This did not include 2,841 oz delivered to the refinery for which the proceeds remained unremitted the end of the Period. During 2019, a total of 80,758 oz of gold was sold at an average price of US\$1,378 /oz against the average spot price for the year of US\$1,402 /oz. As of 31 December 2019, the Company had sold forward 40,000 oz to June 2020 at an average price of US\$1,244 /oz. The Company has the flexibility to defer settlement of forward sales and, with the exception of delivering into forward sales for 3,000 oz, had full exposure to the spot gold price during the Quarter.

Cash operating costs and AISC for Q4 of US\$638 /oz (Q3: US\$474 /oz) and US\$902 /oz (Q3: US\$723 /oz), respectively, were achieved in the Quarter. AISC for Q4 included US\$0.9 m spent on an accelerated refurbishment of generators at the NLGM power plant, representing US\$47 /oz. Of note, development costs at the BC, Luika and Ilunga underground operations are not included in AISC.

Working capital in the Quarter decreased by US\$5.4 m, accounted for by an increase in trade and other payables (US\$1.3 m), an increase in inventories (US\$1.2 m) and a decrease in trade and other receivables (US\$5.3 m). The increase in inventories includes ROM stockpile which decreased by US\$0.6 m. The decrease in trade and other receivables includes the VAT receivable which decreased by US\$5.6 m to US\$21.8 m.

Capital expenditure was US\$5.8 m (Q3: US\$5.0 m) for the Quarter, which was predominantly related to underground development.

As at 31 December 2019 the Company had an unrestricted cash balance of US\$3.5 m (Q3: US\$5.0 m). This follows a 14% reduction in gross debt from US\$25.7 m to US\$22.0 m at the end of the Quarter. Net debt decreased by US\$6.4 m to US\$14.3 m (Q3: US\$20.7 m), the lowest in Shanta's producing history. This reduction in net debt was predominantly driven by prudent cost containment and a strong quarterly gold price, and includes liquidity available from 2,841 oz Au delivered to the Argor-Heraeus refinery in Switzerland prior to 31 December 2019 for which proceeds remained unremitted at the end of the Period.

During the Period, the Company received cash refunds totalling US\$2.7 m in respect of its VAT receivable and US\$4.8 m of the remaining balance was offset against corporate taxes falling due in respect of 2019. Accumulated VAT receivables decreased from US\$27.4 m to US\$21.8 m during the Period.

Exploration

New reserves and updated resources at the BC Deep West and East, Elizabeth Hill North, BC North and Black Tree Hill deposits were added during the Period from underground exploration drilling.

New probable gold reserves added to the mine plan totalled 135,438 oz at a grade of 4.07g/t. Drilling has also increased Indicated resources to 219,408 oz grading 3.19 g/t and added new Inferred resources of 94,007 oz grading 2.75 g/t. All of the drilled deposits remain open at depth and along strike and additional drilling in 2020 is aimed at testing the extension of each

deposit. Minimal capital expenditure is required to bring these deposits into production, which have now been scheduled in the Company's life of mine plan, extending it through to 2024.

Further drilling was undertaken on the BC North and BC East deposits, Elizabeth Hill (Main and North) Open Pits and BC Deep West targets during the Period. This latest campaign comprised 66 Reverse Circulation ("RC") and diamond core holes totalling 7,410 metres, at a cost of approximately US\$0.7 m. The results of this campaign will be incorporated into an updated Mineral Reserve & Resource Estimate which is expected to be released in early 2020.

Corporate Social Responsibility ("CSR")

Providing support for education infrastructure development was an ongoing priority during the Period. Preparation for the construction of three classrooms, an ablution block and schoolteacher housing began in Saza, one of the villages neighbouring NLGM, and materials were procured for the roofing of three further classrooms in the wider Songwe Region. The Company also installed solar power at nearby Maleza Primary School which is not otherwise connected to the national electricity grid. This initiative has provided lighting for evening studies at the school.

Teaching professionals from the "Into Africa – Partners in Learning" programme with UK-based Hazelwood School (charity number 312081) spent approximately 1,300 volunteer hours at the four schools in the immediate vicinity of NLGM during 2019. This has proven an invaluable source of teacher training and student support for the schools. Teaching and sport aid equipment were also donated during the Period through the programme.

The latest phase of the Company's collaboration with Export Trading Group ("ETG") commenced during the period and enrolment of farmers for the coming 2020 harvest is underway. Approximately 1,500 farmers are now enrolled, a 71% increase on the 877 farmers who took part in the 2019 programme. The recent Sesame harvest yielded 447 tonnes with a total sale value of US\$0.5 m, which was earned directly by participating newly-trained farmers.

The Company continued to help improve water availability for local communities during the Period following the successful implementation of the recently constructed freshwater borehole in Patamela village. A solar-powered pump has now been installed in Patamela village where the community previously had no access to grid power. This pump will transform freshwater accessibility for residents.

A Charcoal Briquette Plant purchased by Shanta has now been successfully commissioned for use in a local project for youth groups in Songwe. This is now assisting the project in creation of new employment opportunities across the region.

During the Period the Company donated materials and food for 3,000 families in Songwe who suffered significant losses due to recent heavy flooding in the region. Materials donated included mattresses and bedsheets, and food items donated included staple foods such as rice, beans and corn flour.

2020 Guidance

Gold production for 2020 is guided at 80,000 – 85,000 oz at AISC of US\$830 – 880 /oz. AISC is expected to increase on a per ounce basis versus 2019 largely due to the reintroduction of higher-cost supplementary open pit mining from Shamba pit in 2020. Ore stockpiles will be utilised during the coming year and royalties are expected to be incurred on a higher average selling price per ounce than was achieved in 2019, based on the current gold spot price which reached a 7-year high in early Q1 2020.

The 2020 exploration budget has been increased by 65% to US\$5.0 m as the Company continues to target further mine-life extension. The Company's exploration strategy at NLGM continues to be focused on the existing Mining Licences, which span an area of 30 km², and regional targets in the Lupa Goldfield within 20 km of the processing plant.

ENDS