

25 January 2021

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

**Q4 2020 PRODUCTION & OPERATIONAL UPDATE**

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, announces its production and operational results for the quarter ended 31 December 2020 (the "Quarter", "Q4" 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.

**Q4 Highlights**

- Zero Lost Time Injuries ("LTI's"), with no LTI's since Q4 2017;
- Gold production of 20,622 ounces ("oz") (Q3: 19,973 oz);
- Cash, and available liquidity<sup>1</sup> of US\$53.5 million ("m") (Q3: US\$13.7 m);
- Net cash<sup>2</sup> of US\$37.3 m (Q3: net debt of US\$5.1 m);
- Shanta now unhedged and fully exposed to the gold price;
- Adjusted EBITDA<sup>3</sup> of US\$15.6 m; includes settlement of 15,000 oz forward sale commitments;
- Cash Costs of US\$559 /oz and All In Sustaining Costs ("AISC")<sup>4</sup> of US\$870 /oz;
- Mine construction at Singida is underway;
- Infill drilling now underway at West Kenya, drawing on US\$40.1 m cash raised in the Period in a successful equity placing to progress the Project to a construction decision;
- Independent Scoping Study announced for West Kenya includes a post-tax NPV<sub>8%</sub> of US\$340 m and unlevered IRR of 110%, at US\$1,700 /oz; and,
- Maiden resource of 64,000 oz grading 2.08 g/t declared at newly identified open-pit deposit Porcupine South, adding a twelfth known deposit at NLGM.

**FY 2020 Highlights**

- Exceptional safety record with TRIFR of 0.97 (2019: 1.00) and zero LTIs in 2020;
- Gold production of 82,978 oz, in line with 2020 guidance of 80,000 – 85,000 oz;
- Adjusted EBITDA<sup>3</sup> of US\$63.8 m (2019: Adjusted EBITDA<sup>3</sup> of US\$47.7 m);
- 40,000 oz of forward sale commitments settled at an average price of US\$1,240/ oz during the year;
- Cash costs of US\$579 /oz and AISC<sup>4</sup> of US\$841 /oz, at the lower end of 2020 guidance of US\$830 – 880 /oz;
- Gross debt of US\$11.4 m (2019: US\$22.0 m);
- New all-time record throughput of 712,945 tonnes ("t") milled;

- Singida’s construction has commenced and is being funded from free cash flows; latest Project Economics give post-tax NPV<sub>8%</sub> of US\$56 m and IRR of 49% at US\$1,700 /oz;
- West Kenya acquired from Barrick Gold Corporation (“Barrick”); includes an Inferred NI 43-101 Mineral Resource Estimate (“MRE”) of 1,182,000 oz at 12.6 g/t;
- US\$40.1 m raised through an equity placing to fund drilling and technical studies at West Kenya, to progress the asset to a construction decision;
- Shanta’s high-quality East-Africa focussed portfolio now spans three projects in two countries with an attractive growth pipeline; and,
- Low-cost, on-mine exploration drilling added 173,000 oz of new reserves at NLGM in 2020, a net increase of 37,000 oz after production depletion and resource optimization.

#### **Q4 Operational Summary – NLGM**

- 181,425 t milled (Q3: 181,036 t);
- Average head grade of 3.9 g/t (Q3: 3.8 g/t);
- Average recoveries of 90.4% (Q3: 89.4%);
- Installation and commissioning of a 2 tonne per day Oxygen Plant to improve recoveries successfully completed at the NLGM processing plant;
- Commissioning of 10 tonne per hour third mill at NLGM to be completed in Q1 2021; plant upgrade expected to increase throughput capacity by 14%;
- State (“TANESCO”) grid contributed 11% of NLGM’s power requirements, expected to increase to 37% by H2 2021; and,
- Run of Mine (“ROM”) stockpile of 154,577 t of ore grading 1.31 g/t (Q3: 120,511 t grading 1.45 g/t).

#### **Q4 Financial Summary**

- Unrestricted cash balance of US\$41.6 m (Q3: US\$6.7 m);
- Liquidity available for draw down from Exim working capital facility of US\$2.5 m (Q3: US\$2.5 m);
- VAT receivable increased to US\$27.8 m (Q3: US\$25.5 m); and,
- Remaining VAT receivable is subject to verification audit by the Tanzanian Revenue Authority (“TRA”) before being available for further offsets.

#### **Singida**

- Mine construction commenced and several early works activities now completed;
- Updated reserve-based economics announced using a gold price of US\$1,700 /oz, highlights include:
  - Post-tax NPV<sub>8%</sub> of US\$56 m and unlevered IRR of 49%;

- Life of Mine (“LOM”) gold production of 221,000 oz, averaging 32,000 oz annually for an initial 7-year mine life;
- LOM EBITDA of US\$189 m, averaging US\$27 m annually;
- LOM free cash flow of US\$94 m;
- LOM AISC<sup>5</sup> of US\$869 /oz and LOM cash costs of US\$843 /oz; and,
- Average head grade mined at 3.0 g/t.
- Contracts awarded for long-lead items in the Period, including a 150 tonne per hour crushing circuit at the processing plant;
- Further contracts expected to be awarded in early 2021, including for bulk water supply and power supply; and,
- A sterilization drilling programme is currently ongoing at site, to be followed by geotechnical drilling at areas earmarked for major infrastructure.

### **West Kenya**

- Independent Scoping Study using a gold price of US\$1,700 /oz, highlights include;
  - Post tax NPV<sub>8%</sub> of US\$340 m and unlevered IRR of 110%;
  - LOM gold production of 949,000 oz, averaging 105,000 oz annually for 9 years;
  - LOM EBITDA of US\$1,061 m, averaging US\$118 m annually;
  - LOM free cash flow of US\$531 m;
  - LOM AISC<sup>5</sup> of US\$616 /oz and LOM cash costs of US\$582 /oz; and,
  - Average head grade mined at 9.3 g/t.
- Workstreams to be completed before scoping study assumptions can be confirmed include, among others, infill drilling, expansion drilling and completion of technical studies;
- US\$40.1 m cash raised via a successful equity placing to progress the project to a construction decision; and,
- Infill drilling has commenced, targeting conversion of resources to reserves.

### **Exploration**

- Underground and surface exploration drilling at the Luika deposit (“Luika”) and Porcupine South generated positive results;
- Porcupine South is a new open pit target and drilling results are expected to be converted into a JORC compliant resource in due course; and,
- Mr Yuri Dobrotin appointed as Group Exploration Manager post period.

### **Group Reserves and Resources**

- Group-wide reserves of 625,000 oz grading 3.00 g/t, as at the end of the Period;

- Group-wide resources of 3.2 million oz grading 3.53 g/t, as at the end of the Period;
- Reserves and resources derived assuming long-term gold price of US\$1,350 /oz; and,
- Significant upside potential through the conversion of resources across the portfolio.

### **Corporate Social Responsibility (“CSR”)**

- 548 members of the local community provided with health screening during a well-attended “Community Health Bonanza” organised by Shanta;
- 80 units of blood collected during the event, significantly replenishing the local District Blood Bank which had less than 9 units available in the days prior;
- 4 new staff houses and 3 new classrooms constructed in nearby Saza, Patemala and Maleza;
- Maize milling machine donated by Shanta commissioned for use in nearby Saza;
- Approximately 1,500 farmers enrolled in Shanta’s long-standing farming initiative for the coming sesame harvest;
- Sunflower seeds donated by Shanta to support additional crop yields in nearby villages are expected to be sufficient for 150 acres of land; and,
- A new honey processing plant purchased by Shanta has been donated to a local beekeepers’ group.

### **2021 Guidance**

- Annual guidance of approximately 80,000 oz at AISC<sup>4</sup> of US\$900 – 950 /oz on a like-for-like basis and US\$1,050 – 1,100 /oz including development costs, in line with the World Gold Council (“WGC”) definition;
- Forecasted gold production to increase throughout the year following ramp-up of the third mill, resulting in production being weighted towards the second half of 2021;
- AISC<sup>4</sup> guidance includes the assumption of higher royalties driven by the higher gold price, supplementary open pit mining from Elizabeth Hill and increased on-mine exploration spend in 2021; and,
- 2021 exploration budget in Tanzania increased by approximately 50% to US\$8.0 m.

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. Net cash includes liquidity available from 3,698 oz in transit to the refinery at 31 December 2019.

Note: 3. 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 is derived as EBITDA before non-cash loss on unsettled forward contracts and other extraordinary non-recurring items.

Note: 4. Development costs at the Bauhinia Creek (“BC”), Luika and Ilunga underground operations are not included in AISC figures published for NLGM.

Note: 5. AISC figures published for Singida and West Kenya include underground development costs, in line with the WGC definition.

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

*“Shanta is a free cash flow generative, multi-asset East African gold producer with exciting prospects for reserve and production growth within its portfolio. The Company is operating drilling campaigns at each of its three projects and expects to increase group reserves during the course of the year. Exploration is likely to be the primary driver for creating shareholder value in the coming years. Shanta achieved its core objectives for 2020, with gold production and costs in line with guidance, and produced another industry-leading safety performance.”*

**Analyst conference call and presentation**

Shanta Gold will host an analyst conference call and presentation today, 25 January 2021, 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 or by clicking on the link below.

UK Toll-Free Number: +44 (0) 800 279 4827  
UK Toll Number: +44 (0) 330 336 9401  
PIN: 221814

<https://events.globalmeet.com/Public/ClickToJoin/ZW5jPUtYcVR6b0NiVU51ZUhxWmdoTHZOTjIzaHI1NW5jVGvOdEtGUTJ0WFZJNjRUdnZSb25PL1d1UT09>

Participant Passcode: 221814

The presentation will be available for download from the Company's website: [www.shantagold.com](http://www.shantagold.com). A recording of the conference call will subsequently be available on the Company's website.

**Enquiries:**

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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 1,100 km<sup>2</sup> 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 82,978 ounces in 2020. The Company

has been admitted to trading on London's AIM market and has approximately 1,043 m shares in issue. For further information please visit: [www.shantagold.com](http://www.shantagold.com).

### **Competent Person Statement**

The technical information contained within this announcement has been reviewed by Juma Kisunda (the Company's Technical Services Manager) 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.

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.

## **Q4 2020 PRODUCTION & OPERATIONAL UPDATE**

### **Safety, Health and Environment**

There were no Lost Time Injuries during the Period and the Company has now surpassed 6.0 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 achieved a Total Recordable Injury Frequency Rate ("TRIFR") (per 1 million hours worked) of 0.97 for 2020, significantly below the industry average. This represents a fifth successive annual decline in injuries and an 3% reduction from 2019 (1.00). Shanta's TRIFR for Q4 was 0.00 (Q3: 3.84).

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

### **Operational Summary – NLGM**

#### Production Summary

	<b>FY2020</b>	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Q2 2020</b>	<b>Q1 2020</b>
Tonnes ore milled	712,945	181,425	181,036	176,415	174,069
Grade (g/t)	4.03	3.91	3.84	4.36	4.03

Recovery (%)	89.7	90.4	89.4	89.7	89.1
Gold (oz)					
Production	82,978	20,622	19,973	22,216	20,167
Sales	83,228	19,018	20,192	23,932	20,086
Silver production (oz)	92,232	26,544	25,016	21,378	19,294
Realised gold price (US\$/oz)	1,495	1,376	1,524	1,633	1,414

Gold production during the period was 20,622 oz. Overall, a total of 155,859 t of ore grading 4.5 g/t was mined from underground in Q4 compared with 156,391 t of ore grading 4.5 g/t in Q3. A further 44,691 t ore grading 1.4 g/t was mined from open pits in Q4 compared with 38,792 t of ore grading 2.16 g/t in Q3. 181,425 t of ore was milled during the period (Q3: 181,036 t). The ROM stockpile at the end of Q4 was 154,577 t of ore grading 1.31 g/t (up from 120,511 t grading 1.45 g/t at the end of Q3).

Average recoveries of 90.4% were achieved in the plant during the period (Q3: 89.4%). Installation and commissioning of a 2 tonne per day Oxygen Plant at NLGM was completed in the Period and is expected to improve future recoveries.

Plant upgrades at NLGM progressed well in the Period and commissioning of a new 10 tonne per hour third mill is due to be completed in Q1 2021. The annual nameplate processing capacity at NLGM is expected to increase to a baseline of 708 Ktpa (current nameplate capacity of 620 Ktpa). This increased plant capacity will provide the flexibility to reduce cut off grades, thus lowering the hurdle for resources to be converted to economically mineable ounces.

Following connection to the state ("TANESCO") power grid towards the end of 2019, low-cost grid power contributed 11% of New Luika's power requirements in the Period. This is expected to increase to a 37% contribution by H2 2021 which will help further optimise New Luika's sustaining costs.

## Financial

During the Quarter, a total of 19,018 oz of gold was sold at an average price of US\$1,376 /oz against the average spot price for the quarter of US\$1,876 /oz. This included the settlement of 15,000 oz of forward sales commitments. During 2020, a total of 83,228 oz of gold was sold at an average price of US\$1,495 /oz against the average spot price for the year of US\$1,801 /oz. As of 31 December 2020, the Company had settled all outstanding gold forward sale commitments leaving the Company unhedged and fully exposed to the spot gold price.

Cash Costs of US\$559 /oz and AISC of US\$870 /oz were achieved in the Quarter respectively. Of note, development costs at the BC, Luika and Ilunga underground operations are not included in AISC figures published for NLGM.

Working capital in the Quarter increased by US\$2.8 m, accounted for by an increase in trade and other receivables (US\$1.3 m), an increase in trade and other payables (US\$1.2 m) and an increase in inventories (US\$2.7 m). The increase in trade and other receivables includes the VAT receivable which increased by US\$2.1 m to US\$27.7 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\$1.0 m and spare parts and consumables which increased by US\$0.7 m.

Capital expenditure was US\$3.4 m (Q3: US\$2.8 m) for the Quarter, which predominantly related to underground development at BC, Luika and Ilunga.

As at 31 December 2020 the Company had an unrestricted cash balance of US\$41.6 m (Q3: US\$6.7 m). The Company ended the Period with a net cash position of US\$37.3 m (Q3: US\$5.1 m). This US\$42.4 m improvement was predominantly driven by a successful equity placing completed in the Period which raised US\$40.1 m before expenses for West Kenya.

### **Singida Gold Mine**

Construction of the Singida Gold Mine has started and the project is on course to become the first new significant Tanzanian gold mine entering production in several years. The mine has an anticipated 24-month construction period and first gold pour is 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.

Early work construction activities have included a camp upgrade to accommodate 70 people for the initial construction team and the issuance of several key tenders, including for sterilization drilling and TSF design contracts. The contract for Singida's 150 tonne per hour crushing circuit at the processing plant has been awarded and other long lead items will be ordered in due course.

### **West Kenya**

The Company announced the results of an independent Scoping Study for its high-grade West Kenya Project in western Kenya during the Period. A discounted cashflow ("DCF") analysis was prepared using a gold price of US\$1,700 /oz and taking into consideration royalties, tax and government dividends based on a 10% free carry ownership in the project. Shanta's expertise in Long Hole Open Stopping ("LHOS") enabled the Company to apply its established cost base at NLGM to West Kenya, creating value and lending confidence to the underlying operating model.

A significant amount of work is required before the Scoping Study assumptions and can be confirmed. This includes three planned phases of infill drilling between 0-700 metres below surface to convert resources into reserves, expansion drilling within the existing 43-101 resource and completion of technical studies. To fund these objectives so that a construction decision can be made within the committed timeframe, the Company raised US\$40.1 m during the Period via an equity issuance. The proceeds of this fundraising are expected to be sufficient for the Company to be able to confirm the viability of a potential new gold mine at the project.



The first phase of infill drilling at West Kenya commenced in the Period and results will be announced in due course once available. Two drill rigs are now operational at site.

## **Exploration**

Exploration drilling was conducted in the Period at Luika and Porcupine South. Luika is one of NLGM's three actively mined underground deposits and Porcupine South is a newly identified orebody located approximately 22 km east of NLGM, which is expected to be within economically viable trucking distance from the NLGM processing plant.

At Luika, 9 diamond core holes were drilled totalling 4,042 metres, with further drilling ongoing. At Porcupine South, 28 Reverse Circulation holes were drilled totalling 2,466 m. Drilling at these targets intersected mineralisation with sizeable widths, including the following encouraging results:

- 3.58 metres grading 14.71 g/t Au (Luika);
- 3.13 metres grading 4.09 g/t Au (Luika);
- 9.31 metres grading 2.00 g/t Au (Luika);
- 0.66 metres grading 40.44 g/t Au (Luika);
- 7 metres grading 7.26 g/t Au (Porcupine South);
- 12 metres grading 3.63 g/t Au (Porcupine South);
- 6 metres grading 4.13 g/t Au (Porcupine South); and,
- 5 metres grading 3.30 g/t Au (Porcupine South).

Drilling intersections reported during the Period were outside existing mineral reserves and resources and have been incorporated into an updated Mineral Reserve & Resource Estimate published post period. The drilling campaigns at Luika and Porcupine South will continue into Q1 2021 with a focus on defining the geometry of the mineralized structures and testing their down-plunge continuity extension, with the potential to generate new additional resources.

Post period, the Company announced the appointment of Mr Yuri Dobrotin as Group Exploration Manager effective 1 January 2021. Mr Dobrotin is a global expert in gold exploration with 35 years' experience and has joined Shanta from Barrick where he was a Senior District Geologist in Tanzania. Mr Dobrotin was directly involved in the discovery of West Kenya.

## **Group Reserves and Resources**

A group-wide reserves and resources update for Shanta's gold projects in Tanzania and Kenya was published post period. JORC compliant reserves of 625 koz grading 3.00 g/t were reported for the Company's two projects in Tanzania, with group-wide resources totalling 3.2 million oz contained gold at 3.53 g/t.

Additionally, existing resources within Mining Licences of 465 koz presently sit outside reserves at NLGM, grading 2.27 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.

### **Corporate Social Responsibility (“CSR”)**

Shanta’s team at NLGM delivered a one-day Community Health Bonanza in the nearby villages of Mbangala and Saza during the Period. Over 500 residents were screened for various health-related matters including hypertension, diabetes, anaemia and Body Mass Index (“BMI”). Patients who required treatment were provided with appropriate medicines. In addition to testing, attendees received health and nutritional education from medical doctors and nutritionists. Following a recent health education campaign, Shanta collected 80 blood donations during the event, which significantly replenished the local District Blood Bank.

Several of Shanta’s recent education infrastructure development projects have now been completed. Two new staff houses constructed in Saza will help the local schools attract and retain high quality teaching staff, and a further two are under construction at nearby Patamala. In Maleza, three classrooms have been added to the Primary School, expanding the total number of classrooms to seven.

A maize milling machine donated by Shanta has now been successfully commissioned for use in Saza. This is now assisting ten Savings and Credit Co-Operative Groups in the village and could help generate funds for these groups to create opportunity for future investments.

Shanta’s livelihood programmes continue to support farmers in Songwe. The Company distributed 1,000 kg of sesame seed to local farmers in the Period and, in an effort to support crop diversification, also donated 300 kg of sunflower seeds. These seeds are expected to be sufficient for a crop spanning 150 acres of agricultural land. Approximately 1,500 farmers have enrolled in Shanta’s long-standing farming initiative for the first sesame harvest of 2021, comparable with the number of participants enrolled last year.

A honey processing plant and 250 modern beehives were purchased locally during the Period and donated to a local beekeeper’s group in Mbangala. This equipment will help local honey processing become more efficient.

### **2021 Guidance**

Gold production for 2021 is guided at approximately 80,000 oz at AISC of US\$900 – 950 /oz on a like-for-like basis, and US\$1,050 – 1,100 /oz including development costs, in line with WGC definition. AISC guidance includes the impact of higher-cost supplementary open pit mining from Elizabeth Hill in 2021, higher royalties driven by the higher gold price and increased on-mine exploration spend in 2021.

The 2021 exploration budget for Tanzania has been increased by approximately 50% to US\$8.0 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 km<sup>2</sup>, and regional targets in the Lupa Goldfield within 20 km of the processing plant.

**ENDS**