

24 January 2022

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

**Q4 2021 PRODUCTION & OPERATIONAL UPDATE**

**FY 2021 PRODUCTION IN LINE WITH GUIDANCE**

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 2021 (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.

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

*"Despite some challenges in 2021, we are pleased to have exited the year in line with our revised guidance and forecasted production growth for 2022. Our robust fundamentals that underpin our business continued to strengthen with an exceptional safety record, strong balance sheet and a self-funded exploration and development programme. This foundation has enabled us to meet our commitment to deliver sustainable returns to our shareholders as demonstrated by the inaugural dividends paid out in April and October 2021.*

*We remain committed to self-financed growth and with the largest exploration programme in our history conducted in 2021 yielding record drilling results at West Kenya and a near-term production asset at Singida set to transform Shanta to a 100,000+oz producer in 2023, our commitment to long-term, sustainable returns remains front of mind.*

*Looking ahead to 2022, we've announced increased production guidance of 68,000 – 76,000 oz, with production weighted towards the second half of the year once mining of the high-grade Bauhinia Creek crown pillar has commenced.*

*As a company, we have made it our purpose to ensure we are creating a net-positive impact for our stakeholders and communities in Tanzania and Kenya and are rightly proud of the great work we have done to ensure true value from our investment benefits those on the ground. To ensure that we remain accountable and responsible in our purpose, in 2021 we conducted a strategic review of our sustainability strategy and plan to publish our inaugural sustainability report in H1 2022. We look forward to updating stakeholders on this further at publication."*

**FY 2021 Highlights**

- Exceptional safety record with TRIFR of 0.88 (2020: 0.97) and zero LTIs in 2021;
- Record annual throughput of 834,607 tonnes ("t") milled, which was approximately 7% greater than budget, following installation of Mill #3 in H1 2021;
- Total gold production of 55,280 ounces ("oz"), in line with revised guidance of 55,000 - 57,000 oz announced during the Period;

- Total VAT refunds of US\$7.2 million, plus US\$4.3 million verified for refund by the TRA in January 2022;
- Gross debt reduced to US\$2.4 m, following repayment of the US\$10 million convertible loan note in April 2021;
- All gold sales unhedged and completed at spot price, with average selling price of US\$1,801 /oz during 2021;
- Adjusted Operating Cash costs of US\$1,081 /oz and an AISC of US\$1,439 /oz;
- Singida's construction remains on track for first production in early 2023, adding a second revenue stream across the portfolio and further strengthening our diversified portfolio of assets in East Africa;
- Total capital expenditure including prepayments at Singida during 2021 of US\$10.9 million;
- All three of Singida's Mining Licences have now been extended for a further 10 years to 2032;
- West Kenya continued to deliver encouraging assay results announced during the Period with an initial conversion of >100% of Inferred Resources to Indicated Resources of 117,600 oz grading 7.04 g/t, and work continues on the conversion of additional resources to the indicated category in 2022;
- Extension of current reserve life at NLGM to the end of 2026 following successful exploration drilling programmes carried out throughout the year with new discoveries at the Porcupine South deposit adding further life to NLGM once incorporated into the mine plan in 2022;
- Maiden dividend paid in April 2021 and interim dividend paid in October 2021, totalling approximately US\$2.8 million during 2021.

#### **Q4 2021 Highlights**

- Zero Lost Time Injuries ("LTI's"), with no LTI's since Q4 2017 surpassing a landmark 8.2 million man-hours without a Lost Time Injury;
- Cash, and available liquidity<sup>1</sup> of US\$15.9 million ("m");
- Gold production of 12,244 oz (Q3: 14,194 oz), in line with revised guidance;
- West Kenya drilling results announced, highlighting consistently strong results from the Phase 2 drilling programme across the Isulu and Bushiangala deposits and regional drilling at Ramula target with an upgraded mineral resource estimate expected in late February 2022;
- First blast taken at Singida on 15 October 2021 and commencement of delivery and installation of crushing circuit at Singida Gold Mine; and
- Successful exploration drilling at NLGM to increase mineable gold resources and convert into gold reserves, including hole CSD 251 of 10.56 m grading 22.67 g/t from 98.0 m at BC East Area 1.

## **Q4 2021 Financial Summary**

- EBITDA<sup>2</sup> of US\$5.7 million excluding West Kenya and Singida expenditure (Q3: US\$4.3 m);
- Liquidity available for draw down from the Company's Stanbic Bank US\$5 million working capital facility (Q3: US\$ nil), of which US\$1 million was drawn under the facility;
- 1,593 oz contained within doré available for sale at the end of the Period (Q3: 3,914 oz);
- VAT receivable of US\$26.8 m (Q3: US\$27.7 m), of which approximately US\$23 million relates to the historical period July 2017-June 2020; and,
- Positive engagement with the Tanzanian Revenue Authority ("TRA") as evidenced by US\$11.5 million of VAT refunds/offsets/verifications completed since July 2020, with ongoing discussions regarding the outstanding historical Tanzanian VAT receivable for the period July 2017 to June 2020.

## **Q4 Operational Summary**

### **New Luika Gold Mine**

- 218,991 t milled (Q3: 228,338 t);
- Average head grade of 2.0 g/t (Q3: 2.2 g/t);
- Average recoveries of 87.1% (Q3: 88.6%);
- Run of Mine ("ROM") stockpile of 150,549 t of ore grading 1.0 g/t (Q3: 151,645 t grading 1.02 g/t).
- Underground and surface exploration drilling at the Luika deposit ("Luika") and Porcupine South generated positive results;
- A total of 4,505 metres drilled covering 17 holes at Bauhinia Creek Main, Bauhinia Creek East Area 1 ("BC East Area 1"), and Luika; and,
- Mineralisation at Luika and Porcupine South remains open at depth with Porcupine South having multiple promising targets that have been recently identified.

### **Singida**

- Project construction remains on track for first production in early 2023;
- Crushing Circuit design and manufacturing completed with Metso Group, shipment commenced in September with delivery in November and December 2021; and
- Tailings Storage Facility Dam design is completed, all permits received, and approval has been granted by the regulators to commence construction; and,
- Key infrastructure including bulk power, water, buildings, and fencing are progressing on track.

## **West Kenya**

- West Kenya continued to deliver encouraging assay results with further results to be announced in Q1 2022;
- At the Isulu and Bushiangala deposits, visible gold was identified in 7 intersections across 25 holes drilled. Year to date, visible gold has been identified in 30 intersections across 93 holes drilled; and
- Regional exploration drilling commenced during Q4 at a third drilling site - the historical Ramula target - where highly encouraging assays were reported on the first drill hole including 5 separate mineralised zones of visible gold and intersections including 7.2 metres grading 8.31 g/t from 155.8 metres and 15.6 metres grading 9.37 g/t from 187.9 metres.

## **Group Reserves and Resources**

- An updated Reserves and Resources statement will be announced in Q1 2022.

## **Sustainability**

- Completed strategic review of sustainability strategy, inaugural sustainability report to be published in H1 2022;
- Completion of the Mbangala Luika Dam water project providing the Mbangala village with more than 7,600 residents with year-round access to clean water;
- 3 classrooms and a toilet block constructed at the Kalanda Primary School located in the nearby Mbangala village; and,
- 2,000 farmers, up from approximately 150 farmers in 2018, have enrolled in Shanta's Mining Agriculture Improvement Program ("SMAP") which provides advice, training, and farming materials to farmers in the local surrounding Mbangala and Maleza villages.

## **2022 Guidance**

- Annual guidance of approximately 68,000 – 76,000 oz at AISC<sup>3</sup> of US\$1,050 – 1,250 /oz on a like-for-like basis including development costs, in line with the World Gold Council ("WGC") definition;
- 2022 gold production is weighted approximately 65% towards H2 2022 reflecting mining of the high-grade Bauhinia Creek crown pillar beginning in May 2022. The crown pillar consists of approximately 83,000 tonnes grading 8.4 g/t containing around 22,500 ounces. Q1 2022 gold production is forecast at a similar level to Q4 2021, with quarterly production increasing in Q2 2022 upon commencement of the crown pillar mining; and,
- As of January 2022, 82% of planned FY 2022 ounces have grade control information.

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 and one-off exceptional items.

Note: 3. AISC figures published include development costs, in line with the WGC definition

## **Analyst conference call and presentation**

Shanta Gold will host an analyst conference call and presentation today, 24 January 2022, at 10:00am 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 6894

UK Toll Number: +44 (0) 330 336 9600

PIN: 399744

<https://events.globalmeet.com/Public/ClickToJoin/ZW5jPVpnY3NLajcvNXFjQW5xTIR6YjErQU5zaHI1NW5jVGVodEtGUTJ0WFZJNjRZdm5ucS9semowUT09>

Participant Passcode: 399744

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.

## **Investor Conference Call**

Shanta Gold is hosting a live investor presentation via the Investor Meet Company platform today, 24 January 2022, at 11:00am GMT. The presentation is open to all existing and potential shareholders and questions can be submitted any time during the live presentation.

Investors can sign up to Investor Meet Company for free and add to meet Shanta Gold via: <https://www.investormeetcompany.com/shanta-gold-limited/register-investor>

Investors who already follow Shanta Gold on the Investor Meet Company platform will automatically be invited.

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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 666 koz grading 3.0 g/t, and exploration licences covering approximately 1,100 km<sup>2</sup> in the country. Alongside New Luika and Singida, Shanta also owns the West Kenya Project in Kenya with defined inferred resources of 1.2 Mt grading 12.6 g/t and licences covering approximately 1,162 km<sup>2</sup>. 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 in this announcement was reviewed by Evance Rwiza (the Company's Senior Resource Geologist) 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.

**Q4 2021 PRODUCTION & OPERATIONAL UPDATE****Safety, Health and Environment**

There were no LTIs during the Period and the Company has now surpassed a landmark 8.2 million man-hours without an LTI. 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 0.88 for 2021, significantly below the industry average. This represents a sixth successive annual decline in injuries and an 9% reduction from 2020 (0.97). Shanta’s TRIFR for Q4 was 0.00 (Q3: 1.19).

## Operational Summary – NLGM

### Production Summary

|                               | <b>FY2021</b> | <b>Q4 2021</b> | <b>Q3 2021</b> | <b>Q2 2021</b> | <b>Q1 2021</b> |
|-------------------------------|---------------|----------------|----------------|----------------|----------------|
| Tonnes ore milled             | 834,607       | 218,991        | 223,338        | 200,511        | 191,767        |
| Tonnes ore milled per day     | 2,287         | 2,380          | 2,428          | 2,203          | 2,131          |
| Grade (g/t)                   | 2.33          | 2.00           | 2.23           | 2.49           | 2.67           |
| Recovery (%)                  | 88.4          | 87.1           | 88.6           | 88.6           | 89.1           |
| Gold (oz)                     |               |                |                |                |                |
| Production                    | 55,280        | 12,244         | 14,194         | 14,201         | 14,641         |
| Sales                         | 57,517        | 13,538         | 12,001         | 16,828         | 15,149         |
| Silver production (oz)        | 66,248        | 14,270         | 17,748         | 16,870         | 17,360         |
| Realised gold price (US\$/oz) | 1,801         | 1,796          | 1,790          | 1,812          | 1,801          |

Gold production during the period was 12,244 oz. Overall, a total of 177,256 t of ore grading 2.5 g/t was mined from underground in Q4 compared with 168,507 t of ore grading 2.9 g/t in Q3. A further 32,562 t ore grading 1.3 g/t was mined from open pits in Q4 compared with 44,913 t of ore grading 1.1 g/t in Q3. 218,991 t of ore was milled during the period (Q3: 223,338 t). The ROM stockpile at the end of Q4 was 150,549 t of ore grading 1.00 g/t (Q3: 151,645 t grading 1.05 g/t). Average recoveries of 87.1% were achieved in the plant during the period (Q3: 88.6%).

During the Period, operational difficulties relating to the supply by a 3<sup>rd</sup> party vendor of an unreliable emulsion product and underground production charging units led to a reduction in production guidance for 2021 which was reduced from a range of 60,000 to 65,000 ounces to a range of 55,000 to 57,000 ounces. This emulsion product quality has been restored and the underground production charging units have been fixed. No further challenges with this supplier and equipment have been experienced since this announcement on December 7<sup>th</sup> and mined underground grades are reconciling around neutral with the grade control model. An order for an additional new underground production charging unit has been placed with expected delivery in Q2 2022.

Shanta was an early adopter of several best practices designed to prevent the COVID-19 pandemic from entering NLGM and Singida. COVID-19 is prevalent in Tanzania, as it is elsewhere in the world. Tanzania has commenced a vaccination and awareness campaign, however there has been a relatively low uptake of the vaccination so far. Despite precautionary measures which remain in place to protect the health and safety of our team, NLGM experienced COVID-19 related cases during the Period which impacted workforce availability. A wave of COVID-19 in East Africa was experienced particularly in December 2021 which has since subsided. Shanta benefits from over 75% of its workforce being under the age of 45 years old.

The commencement of new mining and oil & gas projects in Tanzania, particularly in the last few months of 2021 following issuance of new Special Mining Licences in country, led to instability in the labour force as new operations commenced and demand for skilled labour increased. In addition, Barrick's Tanzanian operations continue to ramp up which has increased compensation levels to build up various workforces. Shanta adopted a policy of training and development in situations where re-hiring was not possible or deemed economically unfavourable.

NLGM is a remote operation in SW Tanzania, approximately 800 km from Dar es Salaam. Timely availability of spares and equipment remains a heightened risk for the NLGM operation. Shanta's Procurement Department was expanded including Expeditors in the port of Dar es Salaam to assist in de-risking the purchasing and delivery of key goods.

## **Financial**

EBITDA<sup>1</sup> in Q4 excluding expenditure at West Kenya Project and Singida was US\$5.7m. Group EBITDA<sup>1</sup> increased to US\$2.9 m (Q3: US\$2.0 m). This was primarily due to more revenue earned as the result of more ounces sold in the period. A total of 13,538 oz was sold at an average price of US\$1,796/oz (Q3: 12,001 oz sold at US\$1,790 /oz).

Adjusted Operating Costs of US\$1,254 /oz (Q3: US\$1,063 /oz) and AISC of US\$1,624 /oz (Q3: US\$1,480 /oz) were achieved in the Quarter, respectively. The increase in the AISC is largely due to fewer ounces being recovered in the Period because of temporary operational difficulties experienced which resulted in the 2021 production guidance being reduced.

A total of US\$4.2 m of the VAT receivable was received as a refund/offset from the TRA in Q4. The Company's Tanzanian VAT receivable reduced from US\$27.7 m to US\$26.8 m, the entirety of which is subject to verification audit by the TRA before being available for further offsets. Approximately US\$23 million of the US\$26.8 million relates to the period July 2017-June 2020.

Capital expenditure at New Luika was US\$3.8 m (Q3: US\$5.5 m) for the Quarter, which predominately related to underground development at the Bauhinia Creek and Luika mines.

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 and once off exceptional items.

## **Singida Gold Mine**



Construction of the Singida Gold Mine is progressing as planned with the project on course to become the first new large-scale Tanzanian gold mine to enter production since the New Luika Gold Mine in 2012. The project is approximately 42% completed on a measure of 'key deliverables', and US\$10.9 m in capital expenditure and prepayments was incurred in 2021. First gold pour is expected in early 2023. Once gold production commences, the project can be expected to transform the Ikungi region in Central Tanzania to benefit local communities.

Significant construction milestones were achieved in the Quarter with delivery of the newly designed Crushing Circuit. Civil works for the Mill site commenced together with the ongoing manufacture of the Grinding and Gravity circuit mill in South Africa which is due to be installed in the first half of 2022. The design for the Tailings Storage Facility Dam was also completed after receiving all the necessary approvals from regulators in the quarter. Further key infrastructure including bulk power, water, buildings, fencing are progressing steadily on track.

Open pit mining operations continued at Gold Tree pit with the first successful pit blast taking place in the Period. Ore stockpiling is underway in readiness for the construction of the Processing Plant being completed. An estimated 1,800 oz of gold has been mined and stockpiled thus far.

## **West Kenya**

During the Quarter, West Kenya Phase 2a and Regional Drilling results were finalised showing consistently encouraging assay intersections, reinforcing Shanta's confidence in the asset. At the Isulu and Bushiangala deposits, visible gold was identified in 7 intersections across 25 holes drilled with visible gold being identified in 30 intersections across 93 holes drilled year to date. Both deposits have proven to be high-grade ore bodies including 6.4 m grading 47.3 g/t from 224.4 metres at Bushiangala.

Regional exploration drilling was also carried out at a third target area, Ramula, with visible gold identified in 5 mineralised zones in the first hole, and further encouraging results reported including the potential for a bulk zone following an intersection of 60.8 m grading 3.75 g/t, including 7.2 metres grading 8.31 g/t from 155.8 metres and 15.6 metres grading 9.37 g/t from 187.9 metres.

The exploration strategy for West Kenya is to increase the resource conversion rate and the total resource estimates to further strengthen Shanta's development portfolio. A resource update for the West Kenya Project is expected to be released in late February.

## **Exploration**

A total of 4,505 metres was drilled covering 17 holes at Bauhinia Creek Bauhinia Creek East Area 1 ("BC East Area 1"), and Luika on the mining licences at New Luika Gold Mine. The following encouraging drilling intersections were identified:

- BC Main:
  - Hole CSD294 intersected 3.05 m @ 15.17 g/t Au from 110.20 m
    - incl. 1.23 m at 36.29 g/t Au

- BC East Area 1:
  - Hole CSD251 intersected 10.56 m @ 22.67 g/t Au from 98.00m
    - incl. 4.30 m at 51.65 g/t Au
  
- Luika:
  - Hole CSD227 intersected 4.88 m @ 4.72 g/t Au from 529.20 m
    - incl. 2.12 m at 8.07 g/t Au
  - Hole CSD269 intersected 5.44 m @ 5.84 g/t Au from 539.92 m
    - incl. 1.16 m at 17.88 g/t Au

A further 3,733 metres of RC drilling covering 47 holes at Porcupine South took place with the following significant intersections identified:

- Hole PSRC049 intersected 8 m @ 2.60 g/t Au from 53 m
  - incl. 1 m @ 5.02 g/t Au and 3 m at 4.23 g/t Au;
- Hole PSRC066 intersected 7 m @ 2.38 g/t Au from 53 m
  - incl. 2 m at 4.75 g/t Au
- Hole PSRC051 intersected 10 m @ 2.26 g/t Au from 53 m
  - incl. 4 m at 4.07 g/t Au
- Hole PSRC088 intersected 13 m @ 3.01 g/t Au from 167 m
  - incl. 5 m at 5.06 g/t Au
- Hole PSRC089 intersected 9 m @ 2.46 g/t Au from 58m
  - incl. 3 m at 5.63 g/t Au
- Hole PSRC090 intersected 7 m @ 2.25 g/t Au from 93m
  - incl. 3 m at 4.49 g/t Au

All of the these newly reported drilling intersections are outside existing mineral reserves and will be incorporated into the next reserves and resources update to be announced in Q1 2022.

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

Developing the education prospects of local communities around NLGM is a core priority of Shanta’s community development strategy. During the Quarter Shanta completed the handover of three classrooms and a toilet block constructed at the Primary School in nearby Maleza. The project was managed and funded by Shanta and is expected to enable more students to be enrolled in the Primary School during the 2022/23 academic year. This will reduce the current need for students in Maleza to travel long distances outside of their ward to access schools which can be a barrier to their education.

A key project during 2021 was the Mbangala Luika Dam water project. The final stage of installing a submersible pump was successfully completed during Q4 with official commissioning to take place during Q1 2022. Water is now being pumped from the 10,000-litre water storage tank at Luika Waste Rock Dump to Mbangala village where it is being stored locally in two other tanks. This project is now providing 7,600 residents with year-round access to clean water.

Uptake in Shanta’s Mining Agriculture Improvement Program (“SMAP”) continued to increase during the Quarter, and there are now approximately 2,000 farmers enrolled for the 2021/22

farming period. Under the scheme farmers are provided with advice, training, seeds, fertilizer, and insecticides to support farming productivity and yields. Sunflower has become an increasingly popular crop because of the rise in price of sunflower oil and the fact it provides crop diversification to the sesame traditionally grown. During Q4 Shanta purchased 1,000 kg of sunflower seeds which were distributed to the farmers enrolled in SMAP. In addition, training was delivered in the Period on the use of seed planter equipment to promote modern farming methods in the surrounding communities. Approximately 1,000 farmers attended the training which is expected to encourage the use of seed planter equipment which can boost the efficiency of seed planting and the crop performance due to better spacing.

## **2022 Guidance**

Annual guidance of approximately 68,000 – 76,000 oz at AISC<sup>3</sup> of US\$1,050 – 1,250 /oz on a like-for-like basis including development costs, in line with the World Gold Council (“WGC”) definition.

2022 gold production is weighted approximately 65% towards H2 2022 reflecting mining of the high-grade Bauhinia Creek crown pillar beginning in May 2022. The crown pillar consists of approximately 83,000 tonnes grading 8.4 g/t containing around 22,500 ounces. Q1 2022 gold production is forecast at a similar level to Q4 2021, with quarterly production increasing in Q2 2022 upon commencement of the crown pillar mining.

As of January 2022, 82% of planned FY 2022 ounces have grade control information.

## **Post Period**

On 3 January 2022, the Company received a VAT Refund Verification Findings from the TRA for approximately US\$4.3 million. All VAT receivables for the period from July 2020 to October 2021 totalling US\$11.5 million have now either been refunded, offset, or verified by the TRA for approval.

The Company completed the recruitment process of an international Feasibility Study Manager at the West Kenya project commencing in Q2 2022.

The Company’s three Mining Licences at Singida’s Gold Mine were extended for 10-years through to January 2032.

**ENDS**