

13 October 2020

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

West Kenya Project Scoping Study

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, is pleased to announce the results of an independent Scoping Study for the high grade West Kenya Project ("the Project") in western Kenya.

Project Highlights

Production Potential

- Life of Mine ("LOM") gold production of 949,000 ounces ("oz");
- Average annual gold production of 105,000 oz for 9 years;
- Average head grade mined at 9.3 g/t;
- Open pit mining for 2 years followed by underground mining;
- Conventional CIL processing plant with annual processing capacity of 480 kt;
- Cut-off grade of 3.6 g/t for underground Long Hole Open Stopping ("LHOS"); and,
- Production schedule does not include any potential future exploration success.

Costs¹

- LOM C3 cash costs (including royalties) of US\$582 /oz;
- LOM All In Sustaining Costs ("AISC") of US\$681 /oz;
- LOM All In Costs ("AIC") of US\$850 /oz inclusive of pre-production costs; and,
- Estimated pre-production capital cost of US\$161 m.

Economics²

- LOM EBITDA of US\$1,061 m, averaging US\$118 m annually;
- LOM operating margin of 66%;
- LOM free cash flow of US\$531 m;
- Post-tax NPV_{8%} of US\$340 m; and,
- Unlevered IRR of 110%.

Notes.

1. Cost figures are aligned with World Gold Council standards for reporting

2. Project economics have been prepared using a LOM gold price of US\$1,700 /oz

Community Benefit and Value to Kenya

The Project Scoping Study is based on a NI 43-101 Inferred Resource which requires an investment by Shanta to undertake infill drilling and technical studies over the next 24-36 months to determine the economic viability of a potential mining operation. Moreover, should the economic viability of a mine be confirmed, the Scoping Study estimates pre-production capital investment of US\$161 million will be required from Shanta prior to first gold production. Assuming Shanta proceeds with construction of the West Kenya Project through to the point of gold production, the following long-term benefits could arise:

- Community development, infrastructure, employment, skills development and training;
- Royalties on gold production, of which 70% would accrue to the Government of Kenya, 20% to the County, and 10% to the community according to the Mining Act in Kenya;
- A further 1% of gold revenues to be spent on community development under the terms

- of the Community Development Agreement Regulations;
- Corporate income taxes and payroll taxes;
- Mining licence fees and other levies;
- Demand of local Kenyan supply chain, particularly in areas such as goods and services, transportation and communication;
- 10% Free Carried Interest to the Government of Kenya; and
- Numerous other indirect benefits to community and stakeholders.

Eric Zurrin, Chief Executive Officer, commented:

“The West Kenya Project Scoping Study has resulted in attractive project economics. As with all Scoping Studies there is a significant amount of work to be completed before the assumptions can be confirmed. The Board is committed to making the investment to confirm the viability of a mine with a construction decision expected within three years.”

Analyst conference call and presentation

Shanta Gold will host an analyst conference call and presentation today, 13 October 2020, at 09:30 BST. 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: 0800 358 6374
 UK Toll Number: +44 (0)330 336 9104
 PIN: 312393

<https://events.globalmeet.com/Public/ClickToJoin/ZW5jPXREZWRtbEQvdklzUEIFMFZaRXA3dU5zaHI1NW5jVGVodEtGUTJ0WFZJNjVaZkZOWVhkK2JJdz09>

Participant Passcode: 312393

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

A recording of the conference call will subsequently be available on the Company's website.

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About Shanta Gold Limited

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 1,200km² in the country. Shanta Gold also owns the West Kenya Project in Kenya with defined ore resources of 1.2Mt grading 12.6 g/t. 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 market and has approximately 849 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.

West Kenya Project Overview

In August 2020 Shanta acquired Acacia Exploration (Kenya) Limited ("AEKL") from three subsidiaries of Barrick Gold Corporation ("Barrick"). AEKL's primary asset is a 100% interest in licences which includes an existing high-grade NI 43-101 compliant resource known as the West Kenya Project. The West Kenya Project is made up of two greenfield deposits, the Isulu and Bushiangala Prospects ("the Deposits") and includes mineral rights which cover an area of 1,161 km². The following Table summarises the Project's resource by deposit.

Table 1 – NI 43-101 compliant resource summary¹

Deposit	Resource Category	Ore (Mt)	Grade (g/t Au)	Contained (koz Au)
Isulu	Inferred	2.5	13.0	1,060
Bushiangala	Inferred	0.4	9.9	122
Total		2.9	12.6	1,182

Note 1: Mineral Resource Estimate completed by the previous owner (Acacia Mining Plc ("Acacia")) in May 2018.

The West Kenya Project is located in western Kenya in the county of Kakamega. The project lies within the Liranda Corridor some 300 kilometres northwest of Nairobi, the capital of Kenya, and 30 kilometres north of the town of Kisumu.

Various work has been undertaken on the project historically by the previous owner (Acacia, and subsequently Barrick). A summary of historic work undertaken on the Project has been outlined as follows:

- 1920's to 1963: Various colonial prospectors and companies undertook small scale mining in the area;
- 1982 to 2000: Bureau de Recherches Geologiques et Minieres (BRGM) undertook stream and soil surveys as well as helicopter surveys;
- 2003 to 2007: AfriOre undertook soil sampling, rock chip sampling, pitting and trenching;
- 2007 to 2010: Lonmin Plc undertook soil surveys;
- 2010 to 2012: Aviva Mining Limited undertook soil surveys, rock chip sampling, geophysical surveys, geological mapping, RC and DD drilling; and,
- 2012 to 2018: Acacia undertook detailed geological mapping, geophysical surveys, RC and DD drilling. This work led to the declaration of a maiden mineral resource estimate ("MRE") in February 2017. This was followed by an updated MRE in May 2018.

Scoping Study Overview

Following Shanta's purchase of the Project, the Company has engaged Bara Consulting (Pty) Limited ("Bara Consulting") to update previous scoping study work undertaken by Acacia for new work undertaken by Shanta, focused on the mining and costing aspects of the study. Shanta's expertise in LHOS has enabled the Company to apply its established cost base at its New Luika Gold Mine ("NLGM") to the West Kenya Project, creating value and lending confidence to the underlying operating model. The resource models adopted for the Isulu and Bushiangala deposits have also been updated for Shanta's estimation approach, resulting in a minimal 1% difference in total ounces versus the most recent MRE completed by Acacia. All project economics have been independently prepared by Bara Consulting.

A discounted cashflow ("DCF") analysis using a gold price of US\$1,700 /oz has been prepared, taking into consideration royalties, tax and government dividends based on a 10% free carry ownership in the project. The economic results yielded by this DCF analysis have been summarized in the Table below.

Table 2 – West Kenya Project economics summary

Metrics	Units	Results
Milled Tonnes	Mt	3.45
Recovered Content	Moz	0.95
Recovered Grade	g/t	8.56
Life of Mine (LOM)	Years	9
Revenue (LOM)	US\$m	1,614
Operating Cost (LOM)	US\$m	553
Pre-production Capital Cost	US\$m	161
Sustaining Capital Cost (LOM) ¹	US\$m	105
Free Cashflow (Pre-Tax)	US\$m	795
C1 Cash Cost	US\$/oz	463
C3 Cash Cost	US\$/oz	582
AISC	US\$/oz	681
AIC	US\$/oz	850
Pre-Tax Project NPV _{8%}	US\$m	507
Pre-Tax Project IRR	%	196
Post-Tax Project NPV _{8%}	US\$m	340
Post-Tax Project IRR	%	110
Average Annual EBITDA	US\$m	118
Operating Margin	%	66

Note 1: Includes US\$87 million of underground development costs incurred following pre-production development

Mining Method

A pit optimisation study has been undertaken for the Deposits to determine the potential for open pit mining at the Project. Based on this assessment an initial open pit at each of the Deposits has been shown to have potential. Following pit optimisation results, a pit shell has been selected for each deposit. Open pit mining will be by standard drill, blast, truck and shovel methods. Open pit mining is expected to benefit from free dig mining of oxide resources.

Underground mining will commence after open pit mining, with the proposed mining method for the Deposits being LHOS with backfill. LHOS is the underground mining method employed at the Company's producing asset in Tanzania, New Luika Gold Mine.

The envisaged underground mine will be accessed by two portals, at Isulu and Bushiangala, from which declines will be driven down at each deposit.

A combined mining schedule has been established which incorporates planned open pit and underground mining. The Table below summarises the mineable inventory derived under this plan.

Table 3 – Summary of Mining Inventory

Deposit		Tonnage (kt)	Grade (g/t)	Ounces (koz)
Bushiangala	OP	293	5.9	56
	UG	541	6.0	104
	Total	834	5.7	160
Isulu	OP	71	43.0	99
	UG	2,545	9.4	773
	Total	2,616	10.4	872
Total		3,540	9.3	1,032

Note: The resource models adopted for the Isulu and Bushiangala deposits have also been updated for Shanta's estimation approach, resulting in a minimal 1% difference in total ounces versus the most recent MRE completed by Acacia.

Metallurgy

Metallurgical testing was performed at the ALS Metallurgy laboratory in Perth, Western Australia, Australia. Testwork was performed on samples of drill core composites selected from the various geological domains identified in the Deposits. Three samples representing the major domains were prepared, together with five samples representing the minor domains. The three major domain samples were generally representative of the Deposits and the minor domain samples were included as indicative of some of the variability that exists in the Deposits.

Metallurgical testwork was carried out by Sivad Resources on domain and variability samples provided by ALS. Based on the testwork results, content from mined ore will be recovered through a proposed processing route consisting of:

- Primary crushing;
- SAG and ball milling;
- Gravity concentration;
- Intensive cyanidation of the gravity concentrate; and,
- Carbon-in-leach on gravity tailings followed by elution, electrowinning, carbon regeneration, acid washing and tailings thickening and filtration, prior to safe disposal.

Overall recoveries on the domain samples were around 92% on a sample head grade of 11 g/t. This is slightly higher than the planned plant feed grade of 9.3 g/t however recoveries are not expected to be affected by this minor difference in head grade. Taking these results into account, the overall plant recovery used for the Scoping Study is 92%.

Key process design criteria modelled within the Project's Scoping Study are shown in the Table below. Further testwork will be carried out during future feasibility studies to validate and expand upon these results and process design criteria.

Table 4 – Key Process Design Criteria

Parameter	Units	Value
Maximum required plant capacity	tpa	480,000
Gold recovery	%	92.0
Plant availability	%	91.3

Tailings Management and Power

Tailings will be stored in a lined waste disposal area together with waste rock from underground mine development. The project is located in a high rainfall area and a tailings and waste storage area has been designed to accommodate this. Waste rock will be used to create the outer walls of the disposal area, with filtered tailings being deposited in the central basin of the disposal area.

The tailings storage basin area will be prepared by scarifying and re-compacting in-situ soils and installing a 1.5mm HDPE liner, covered with a soil protection layer. On top of the compacted soil layer a drainage layer will be constructed consisting of waste rock and drainage pipes. The drainage pipes will be connected to a drainage tower which will drain collected water to a drainage sump, from where the water will flow to a drainage pond. Seepage and stability monitoring for the waste area has been provided for.

The Scoping Study has considered several options for electrical power supply to the Project including supply from the Kenya electricity grid and an owner operated diesel power station. Following an initial trade-off study and based on anticipated stability, capacity and planned upgrades of the national grid, a planned connection to the Kenya electricity grid has been adopted for the Scoping Study. This assessment will need to be repeated at the feasibility study stage of the Project.

The expected maximum power demand at the Project will be 6 MW with an average annual load of 4.8 MW. A grid connection would require a new transmission line from the nearest existing substation (approximately 30 km from the Project site) with substations, switchgear and other items also required.

Capital and Operating Costs

Capital and operating costs have been estimated based on the proposed mining approach described above.

The tables below summarize anticipated pre-production capital costs and LOM operating costs, as derived within this latest scoping study update for the Project.

Table 5 – Pre-production Capital Costs Summary

Description	Units	Results
Mining	US\$m	54
Processing	US\$m	63
Infrastructure	US\$m	32
Other	US\$m	12
Total	US\$m	161

Table 6 – LOM Operating Costs Summary

Description	Units	Results
Mining	US\$/t	87
Processing	US\$/t	30
General and Administration	US\$/t	10
Total	US\$/t	127

The Scoping Study assumes the use of a mining contractor for the open pits given their short mine life. Shanta adopts a similar approach at NLGM. Underground mining costs (capital and operating) incorporate Shanta's actual costs from Long Hole Open Stopping mining method at NLGM in Tanzania.

Following upfront pre-production works, US\$87 m of further mine development costs will be required for the remaining duration of the life of mine. The expected profile of this capital spend is weighed towards the early years of production, tapering off towards the end of the current mine life. An additional annual provision of US\$2 m has also been made for other sustaining capital.

Table 7 – Mining Productivity Assumptions

Activity	Productivity
Development	
Decline and stockpiles	90 m /month
Service drives	60 m /month
Level access	60 m /month
Ore drives	60 m /month
Stopping	
Stope drilling	300 dm /day
Stope mining rate	1000 t /day
Fill preparation	5 days
Back filling	1000 t /day

Financial Profile

The following Table summarizes key financial estimates derived in the Project's Scoping Study following application of the planned operating parameters outlined above.

Table 8 – Key Financial Estimates¹

	Units	LOM Total
Gold Revenue		
Gold Price	US\$/oz	1,700
Gold Sales	koz	949
Gold Sales Revenue	US\$m	1,614
Operating Costs		
Mining	US\$m	302
Processing	US\$m	104
Royalties & Selling	US\$m	113
G&A and Other	US\$m	35
Total Operating Costs	US\$m	553

EBITDA US\$m 1,061

Capital (including sustaining capital)

Mining	US\$m	141
Processing	US\$m	63
Infrastructure	US\$m	32
Sustaining ²	US\$m	18
Other	US\$m	12
Total Capital (Life of Mine)	US\$m	266

Project Valuation

Project Net Cash Flow, pre-tax	US\$m	795
Project Net Cash Flow, post-tax	US\$m	531
Post-tax NPV _{8%}	US\$m	340
IRR	%	110

Note 1: Figures may not total exactly due to rounding

Note 2: Excludes underground development costs, included within Mining Capital

It is anticipated that the first corporate tax charge for the Project will become payable in the first year of gold production.

Value Sensitivity

Table 9 – Post Tax NPV_{8%} Sensitivity

Variance	Capex	Opex	Revenue
(40%)	412	424	51
(35%)	403	413	87
(30%)	394	403	123
(25%)	385	392	159
(20%)	376	382	195
(15%)	367	371	231
(10%)	358	361	268
(5%)	349	350	304
0%	340	340	340
5%	331	329	376
10%	322	319	412
15%	313	308	448
20%	303	298	484
25%	294	287	520
30%	285	277	556
35%	276	266	592
40%	267	255	628

Table 10 – Post Tax NPV_{8%} Sensitivity to Gold Price

Gold Price (US\$/oz)	NPV _{8%} (US\$m)
1,200	127
1,250	149
1,300	170

1,350	191
1,400	212
1,450	234
1,500	255
1,550	276
1,600	297
1,650	318
1,700	340
1,750	361
1,800	382
1,850	403
1,900	425
1,950	446
2,000	467

Table 11 – Post Tax NPV_{8%} Sensitivity to Discount Rate

Gold price	Discount rates			
	0%	6%	8%	10%
US\$1,500 /oz	412	286	255	227
US\$1,600 /oz	472	332	297	267
US\$1,700 /oz	531	378	340	306
US\$1,800 /oz	591	424	382	345
US\$1,900 /oz	650	470	425	385
US\$2,000 /oz	710	516	467	424

Table 12 - IRR sensitivity to Gold Price (%)

Gold price	IRR (%)
US\$1,500 /oz	73
US\$1,600 /oz	90
US\$1,700 /oz	110
US\$1,800 /oz	135
US\$1,900 /oz	166
US\$2,000 /oz	208

Production Schedule

Annual production for the first nine years is expected to average 105,000 oz. A cut-off grade for underground LHOS of 3.6 g/t has been assumed for each of the Deposits.

The Table below details the forecast mining schedule over an anticipated initial nine-year mine life. Engineered pit designs and underground mining inventory have been developed based on a long-term gold price of US\$1,300 /oz.

Table 13 – Production Schedule by Deposit

Description	Units	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	LOM Total
UG Mining											
ROM Tonnes	kt	29	252	381	396	414	429	394	388	403	3,086
ROM Content	koz	8	73	98	113	116	125	109	114	123	877

ROM Grade	g/t	8.03	9.05	7.95	8.84	8.69	9.06	8.64	9.11	9.47	8.84
OP Mining											
ROM Tonnes	kt	101	263	-	-	-	-	-	-	-	364
ROM Content	koz	105	50	-	-	-	-	-	-	-	155
ROM Grade	g/t	32.26	5.93	-	-	-	-	-	-	-	13.21
Total Mining											
ROM Tonnes	kt	130	515	381	396	414	429	394	388	403	3,450
ROM Content	koz	112	123	98	113	116	125	109	114	123	1,032
ROM Grade	g/t	26.83	7.45	7.95	8.84	8.69	9.06	8.64	9.11	9.47	9.30
Stockpiling											
Opening Balance	kt	-	-	35	-	-	-	-	-	-	-
	koz	-	-	8	-	-	-	-	-	-	-
	g/t	-	-	7.45	-	-	-	-	-	-	-
Tonnes Available	kt	130	515	416	396	414	429	394	388	403	
	koz	112	123	106	113	116	125	109	114	123	
	g/t	26.83	7.45	7.91	8.84	8.69	9.06	8.64	9.11	9.47	
Tonnes Processed	kt	130	480	416	396	414	429	394	388	403	
	koz	112	115	106	113	116	125	109	114	123	
	g/t	26.83	7.45	7.91	8.84	8.69	9.06	8.64	9.11	9.47	
Closing Balance	kt	-	35	-	-	-	-	-	-	-	-
	koz	-	8	-	-	-	-	-	-	-	-
	g/t	-	7.45	-	-	-	-	-	-	-	-
Processing											
Capacity	ktpa	480	480	480	480	480	480	480	480	480	480
Milled Tonnes	kt	130	480	416	396	414	429	394	388	403	3,450
Milled Content	koz	112	115	106	113	116	125	109	114	123	1,032
Milled Grade	g/t	26.83	7.45	7.91	8.84	8.69	9.06	8.64	9.11	9.47	9.30
Process Recovery	%	92.0	92.0	92.0	92.0	92.0	92.0	92.0	92.0	92.0	92.0
Recovered Content	koz	103	106	97	104	106	115	101	105	113	949

Completed Test Work

The Table below summarises work completed by independent consultants contributing to the inputs for information used in the Scoping Study.

Consultant	Area of Focus
Bara Consulting	Scoping Study Review and cash flow modelling
C. Pitman – Adiuvarre Geology & Engineering	Mineral resource estimate
ALS Global	Metallurgical test work
SGS Laboratories	Metallurgical test work
Lycopodium Minerals	Process engineering and infrastructure
Rescology	Permitting, baseline, environment
Knight Piesold	Tailings and waste rock management, surface water management

Future work required

More detailed study work will be required in order to complete engineering design to a higher confidence level, prior to the Project being ready for a construction decision.

The majority of future work required, from a cost perspective, will comprise infill drilling, ultimately designed to convert existing resources into proven or probable reserves. Various additional technical evaluations and assessments are also required for feasibility studies to be completed at the Project. These will include, but are not limited to, the following:

- Formal geotechnical evaluation and design;
- Additional metallurgical testwork, required to enable design of the process flow sheet in more detail;
- Early work on the source of bulk water and bulk power;
- Ground water study and mine groundwater model; and,
- Work on any specialist environmental and social baseline studies.

The Company anticipates that works required to progress the Project to a construction decision will cost US\$24-30 m. This additional work, including delineating the size of the orebody and progressing an updated mineral resource estimate, could take up to 36 months to complete.

ENDS