

# Shanta Gold: Very Cash Generative with Growth

Mello London – Day 2  
14h20: Tavistock Room

27 November 2018





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# Agenda

**1. Team**

**2. Intro to Shanta Gold**

**3. Sector outlook**

**4. Company performance**

**5. Summary investment highlights**

# Experienced African Management team

- ▶ 99% of the employees are Tanzanian; Only 9 expats across the entire company

*In attendance today at Mello*



**Eric Zurrin**  
CEO

- Former CFO of Shanta Gold
- 16 years' experience in mining and investment banking including 5 years in Tanzania and Mongolia
- Formerly with UBS Investment Bank and BMO Capital Markets



**Luke Leslie**  
CFO

- Formerly Co-head Trafigura-Origo
- Previously with UBS Investment Bank, Accenture
- 6 years in Tanzania and 4 years in China, Mongolia, Myanmar



**Honest Mrema**  
GM New Luika

- Tanzanian national, mining engineer with 20 years' experience
- Previously in Mali, DRC, Ghana
- Formerly with Anglo American, Barrick, Endeavour and Resolute



**Philbert Rweyemamu**  
GM Singida

- Tanzanian national, mining engineer with 35 years' experience
- Previously in Tanzania, Botswana and South Africa
- Formerly with De Beers and Acacia



**Calvin Mlingi**  
Head of Country Affairs

- Tanzanian national and trained lawyer
- Corporate affairs experience in Tanzania
- Formerly with Export Trading Group

# Introduction to Shanta Gold (SHG:AIM)

## Company overview

- AIM listed (SHG:AIM)
- Gold producer in East Africa (80,000 oz pa)
- Share price: 4.3 pence
- Share price up 25% in 12 months
- Over US\$500 million of revenue since 2013
- Very low cost structure
- Key UK shareholders: Odey (23%), Majedie (10%), Insiders/Directors (7%)

## Highlights

- 80,000 oz of gold production in 2018
- EBITDA margin around 40%
- Cash: \$8.9 m
- Net profit over last 12 months: US\$13.4 m
- P/E ratio: 3.2x
- Industry leading safety record (no LTIs YTD)

## Summary Capitalisation (US\$)

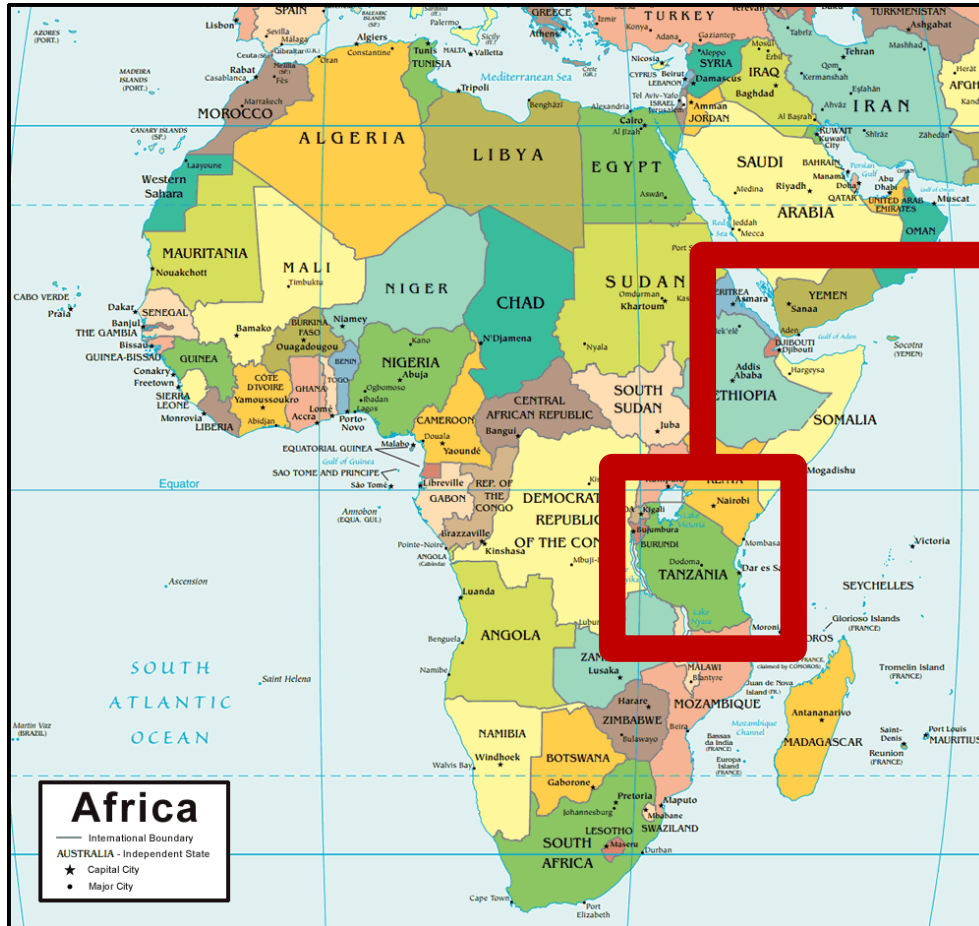
Share Price (GBP) <sup>1</sup>	4.3p
Market capitalisation	\$43 m
Net debt <sup>2</sup>	\$35 m
<b>Enterprise Value</b>	<b>\$78 m</b>
EBITDA (last 12 months)	\$39 m
EV/EBITDA (x)	2.0x

1. As of 22 November 2018

2. As of 30 September 2018

3. The AISC calculation since Q3 2017 includes the impact of higher royalties (c. US\$40/oz). Development costs at the Bauhinia Creek and Luika underground operations are not included in AISC

# Location of Shanta Gold's assets (Tanzania)



## Shanta Gold's assets

- New Luika Gold Mine (producing)
- Singida Project (development)



# History of Shanta Gold

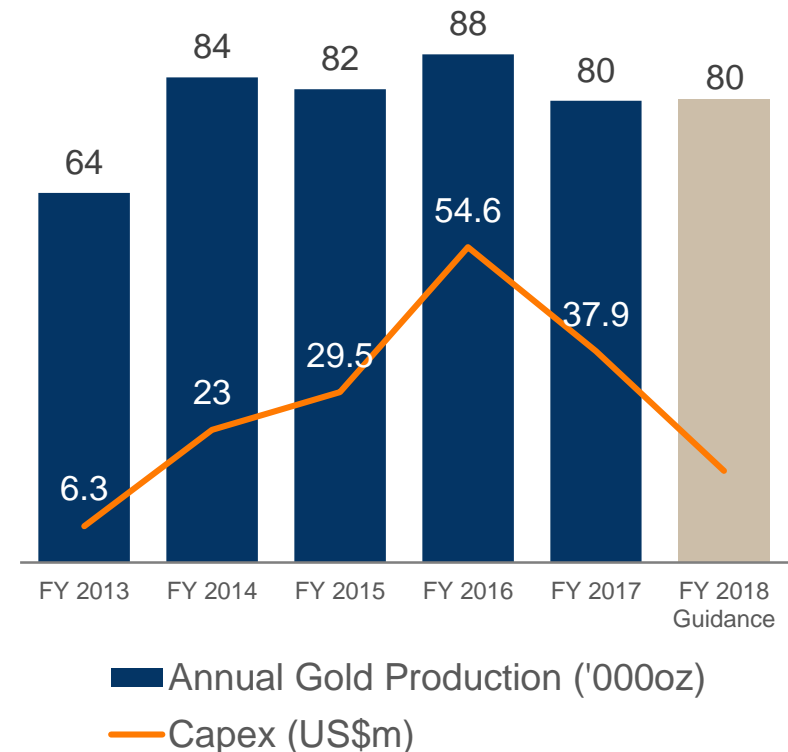
## History

- Listed on AIM in 2005 (SHG:AIM)
- 15 years track record in Tanzania
- New Luika Gold Mine and Singida project
- Total gold reserves and resources of 2.0 million ounces in the ground

## Assets

- Over US\$250 million invested since 2003 in Tanzania
- Over US\$500 million of revenue generated
- 3<sup>rd</sup> largest gold company in Tanzania
- Over 700 employees
- Operations are Free Cash Flow positive

## 6th straight year of steady gold production (000s ounces)







*New Luika  
underground*



*New Luika  
processing plant*



*Ilunga underground  
portal (August 2018)*



*New Luika River Dam:  
50 year life*



*Farming at New Luika has  
catapulted into a US\$500,000  
market around New Luika*



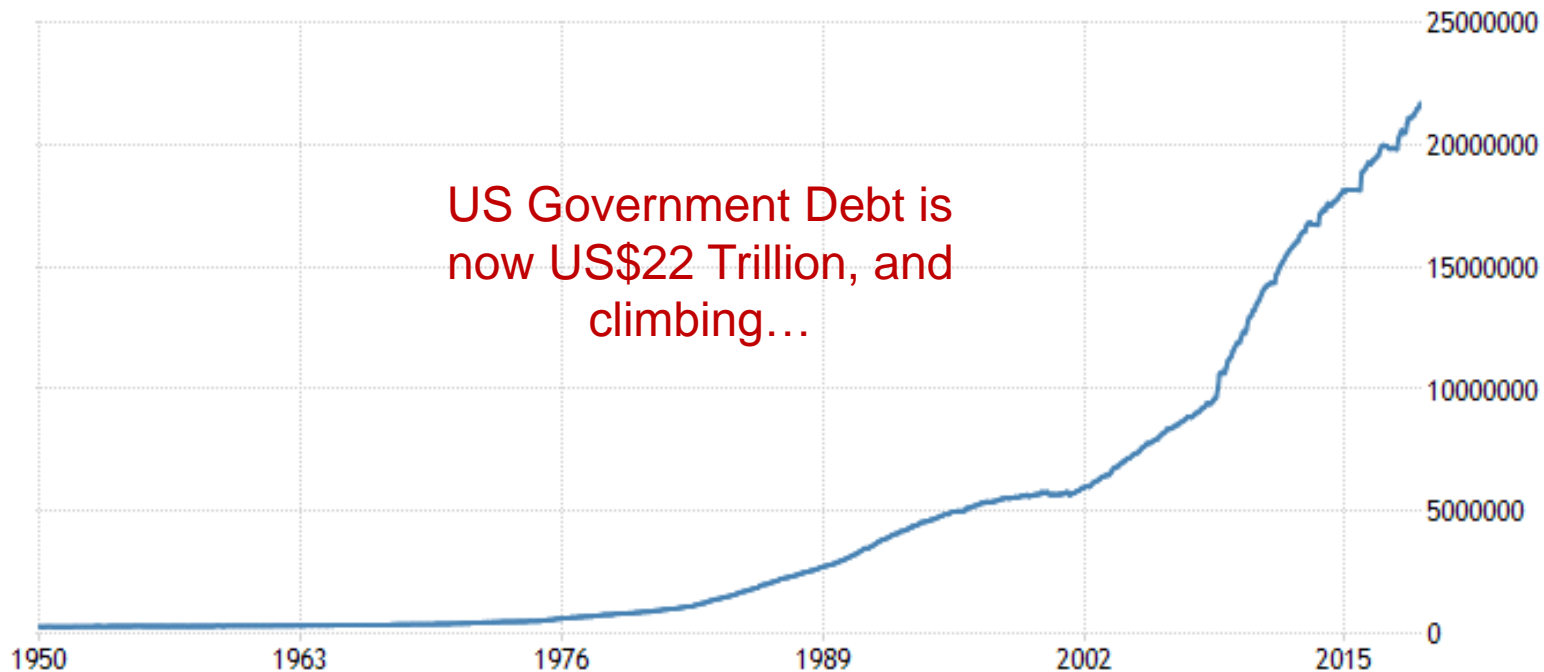
*New Luika Gold Mine –  
Tailings Storage Facility*



# “Demand for Gold is increasing as the Market Sell-Off led to the Return of Fear” – Goldman Sachs (Oct 2018)

## Gold Price Drivers

- US Debt now at US\$22 Trillion (will it ever be repaid?)
- Is the end in sight for the US dollar as the global reserve currency?
- Impact of market fear, looming recession, destabilising politics are positives for gold



SOURCE: TRADINGECONOMICS.COM | U.S. DEPARTMENT OF THE TREASURY

# Market signals are pointing to a near term gold price rebound

## CFTC Gold speculative net positions

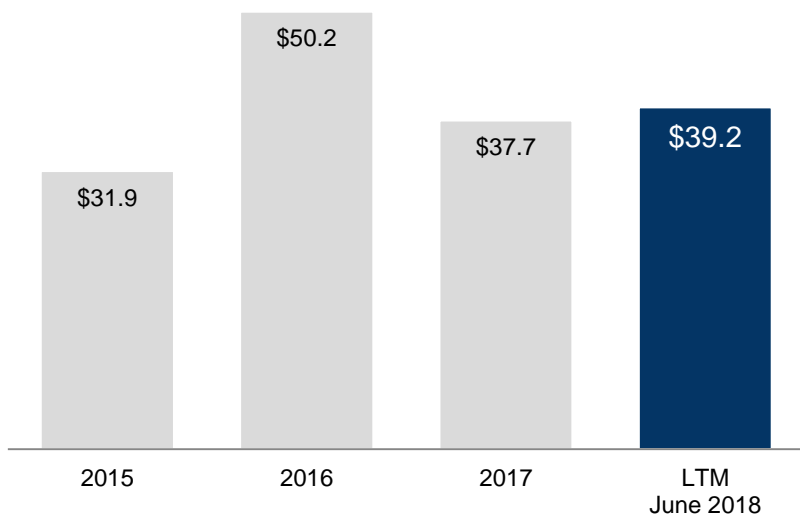
- The gold market is close to near 20-year net short positions' highest levels
- A healthy correction and short covering could follow in 2019
- Particularly in the context of peaking (or already peaked?) US and global equities



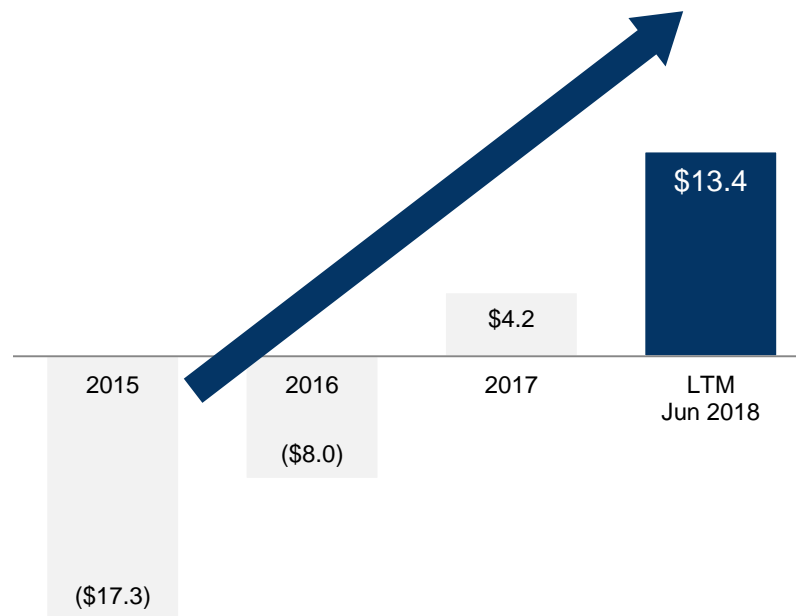


# Shanta has had a big swing in profitability over the last 12 months

## EBITDA (US\$ million)



## Profit/(Loss) (US\$ million)

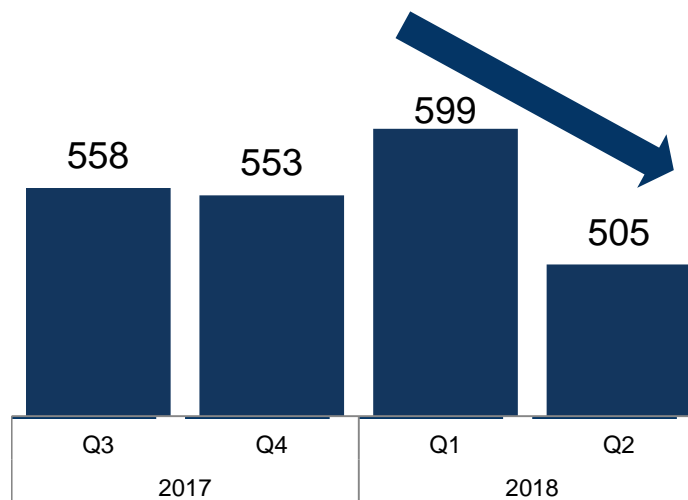


Note: LTM refers to Last Twelve Months (July 2017-June 2018)  
2015-2017 audited financial results

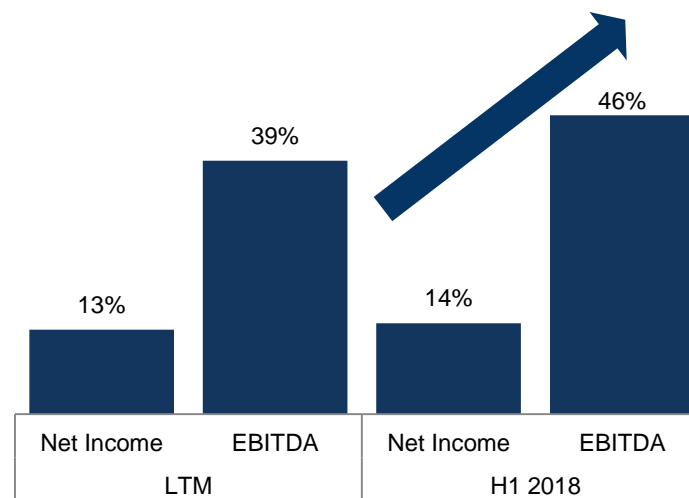
# Shanta has a low cost base, and going even lower

- ▶ Over US\$7 million of cost savings have been realised by the new management team in the past 12 months

## Quarter on Quarter Cash Costs (US\$ /oz)



## Profitability margin (%)

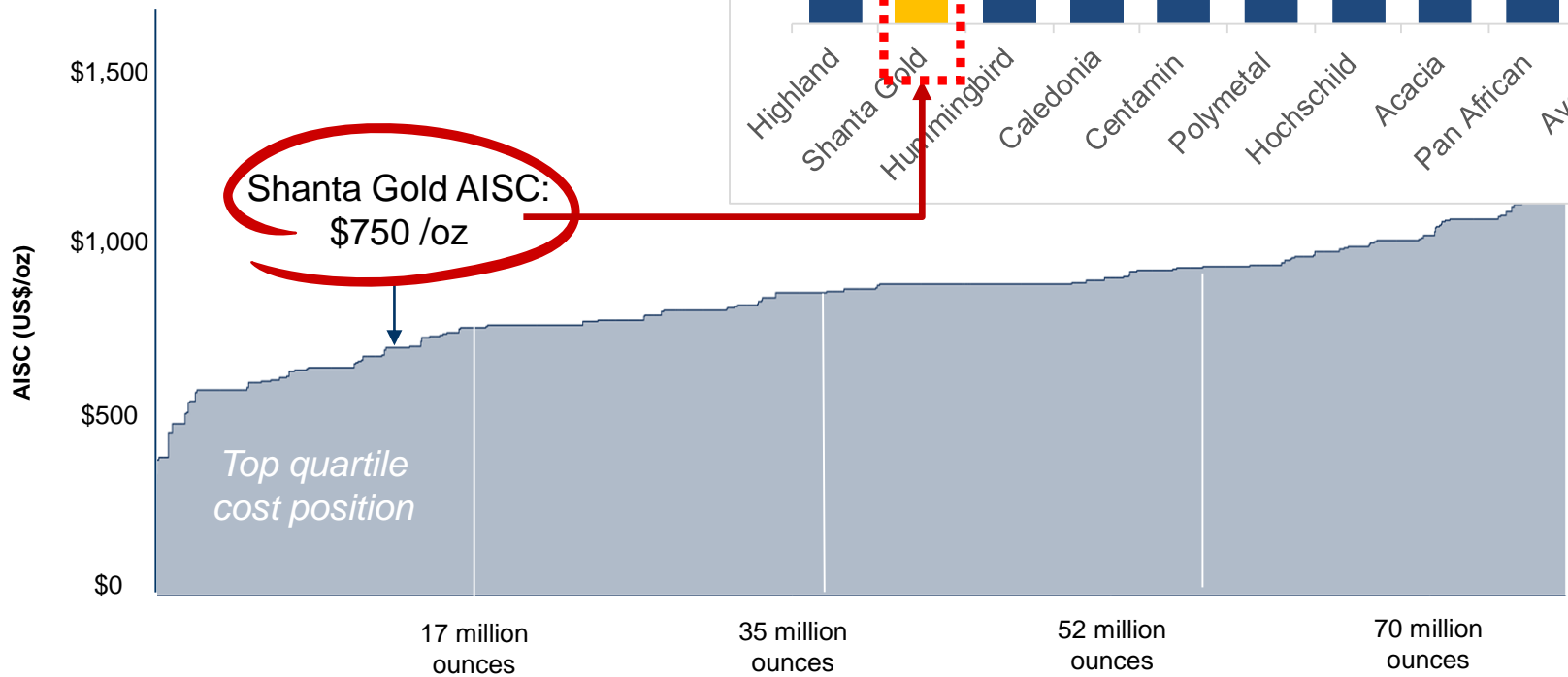
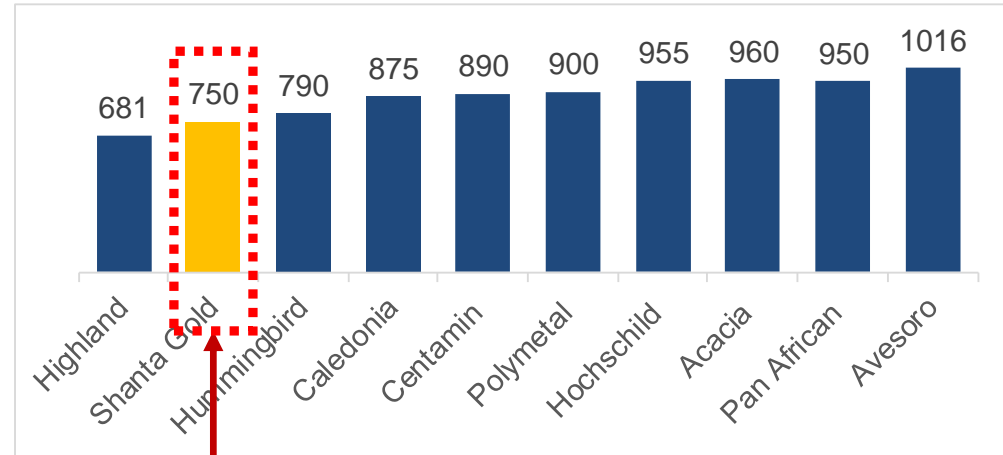


Note: LTM refers to Last Twelve Months (July 2017-June 2018)



# Shanta is one of the most profitable gold companies listed in London

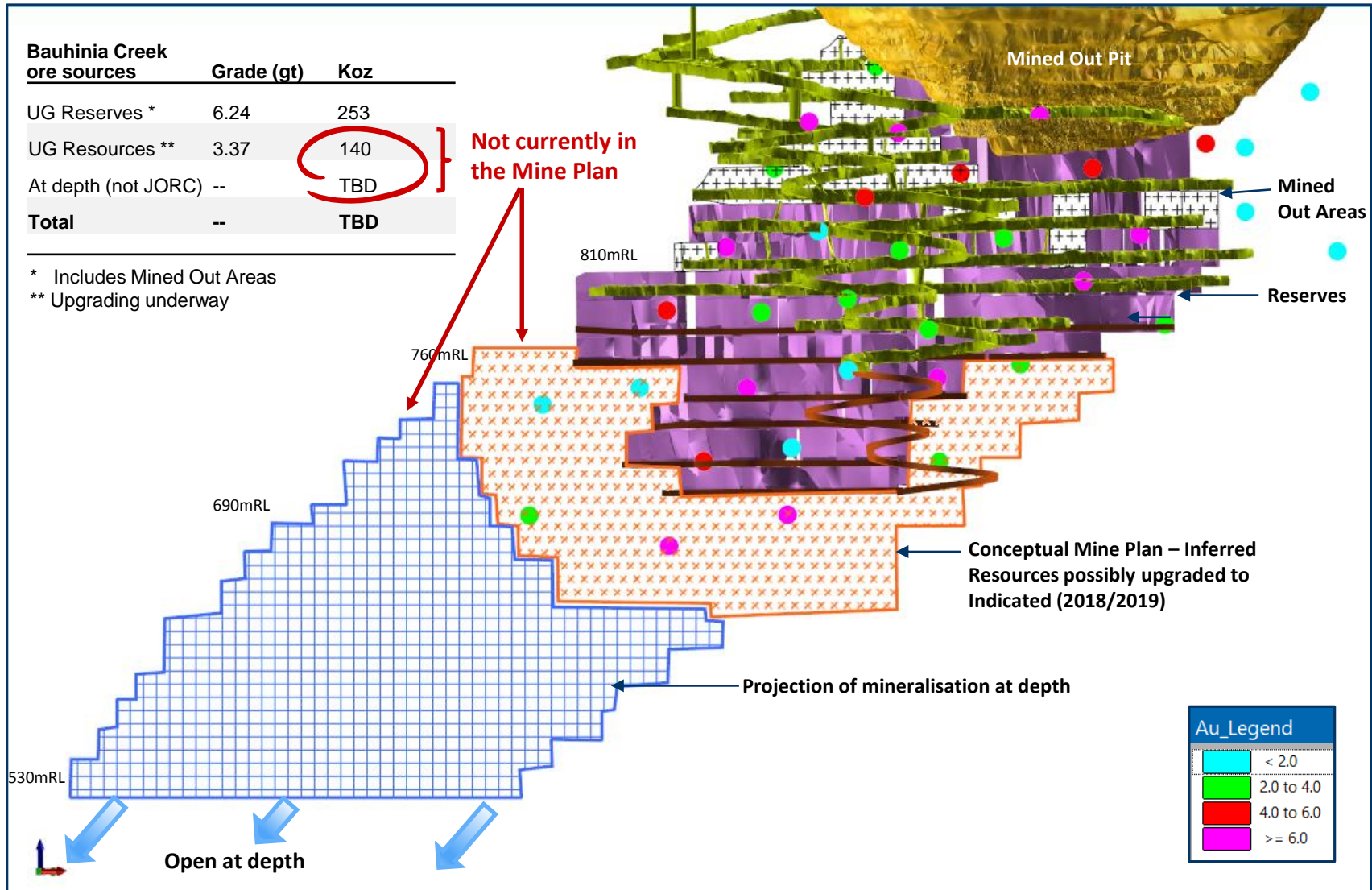
2018E All-in Sustaining Cost (US\$ per oz)



Source: Wood Mackenzie, Dataset Q4 2017  
AISC sourced from Numis

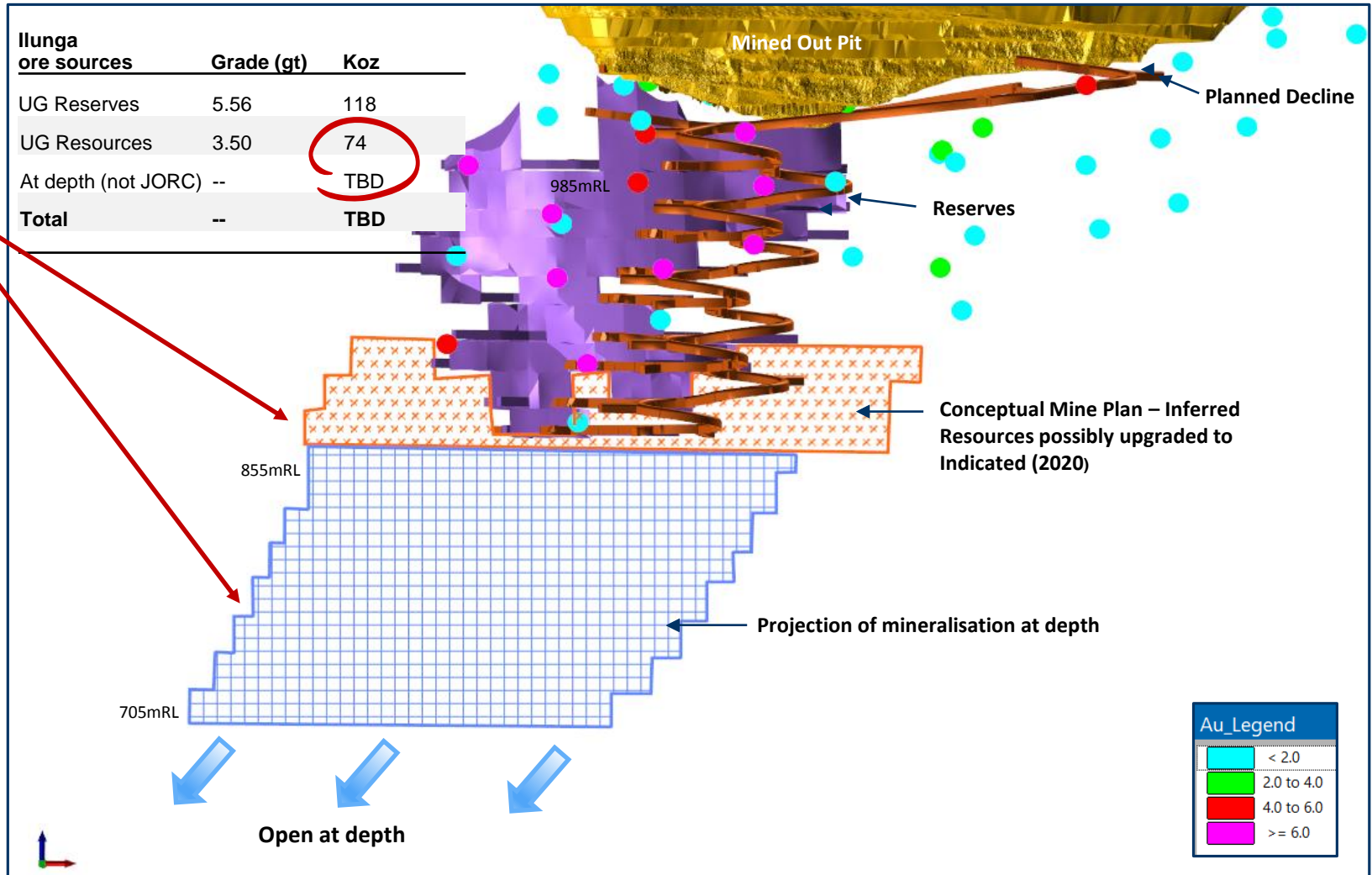
Cumulative ounces of gold production

# Exploration Upside: Bauhinia Creek extension

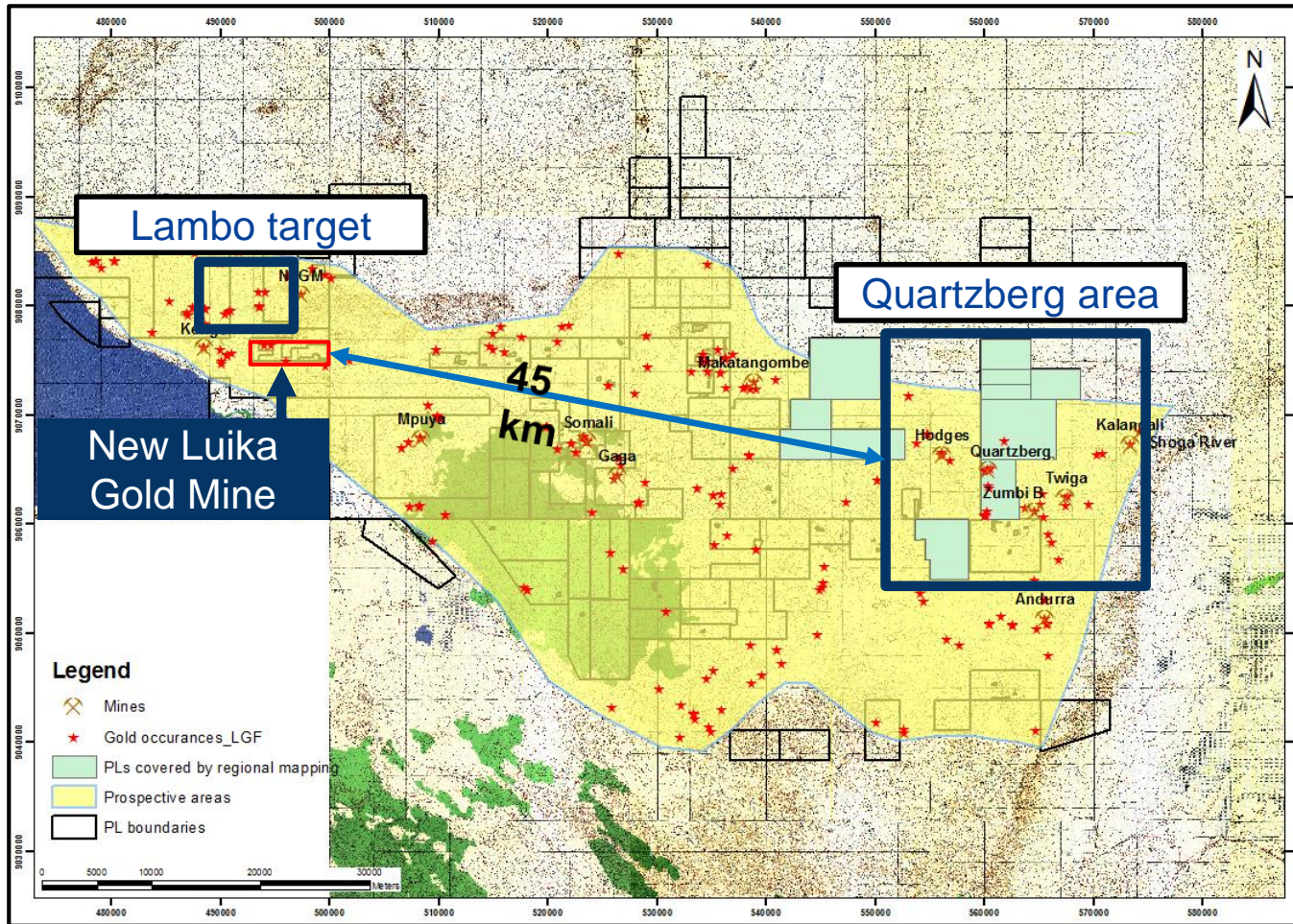




# Exploration upside: Ilunga underground extension



# Shanta has over 1500 km<sup>2</sup> of highly prospective ground across the Lupa Goldfields



## Lambo target:

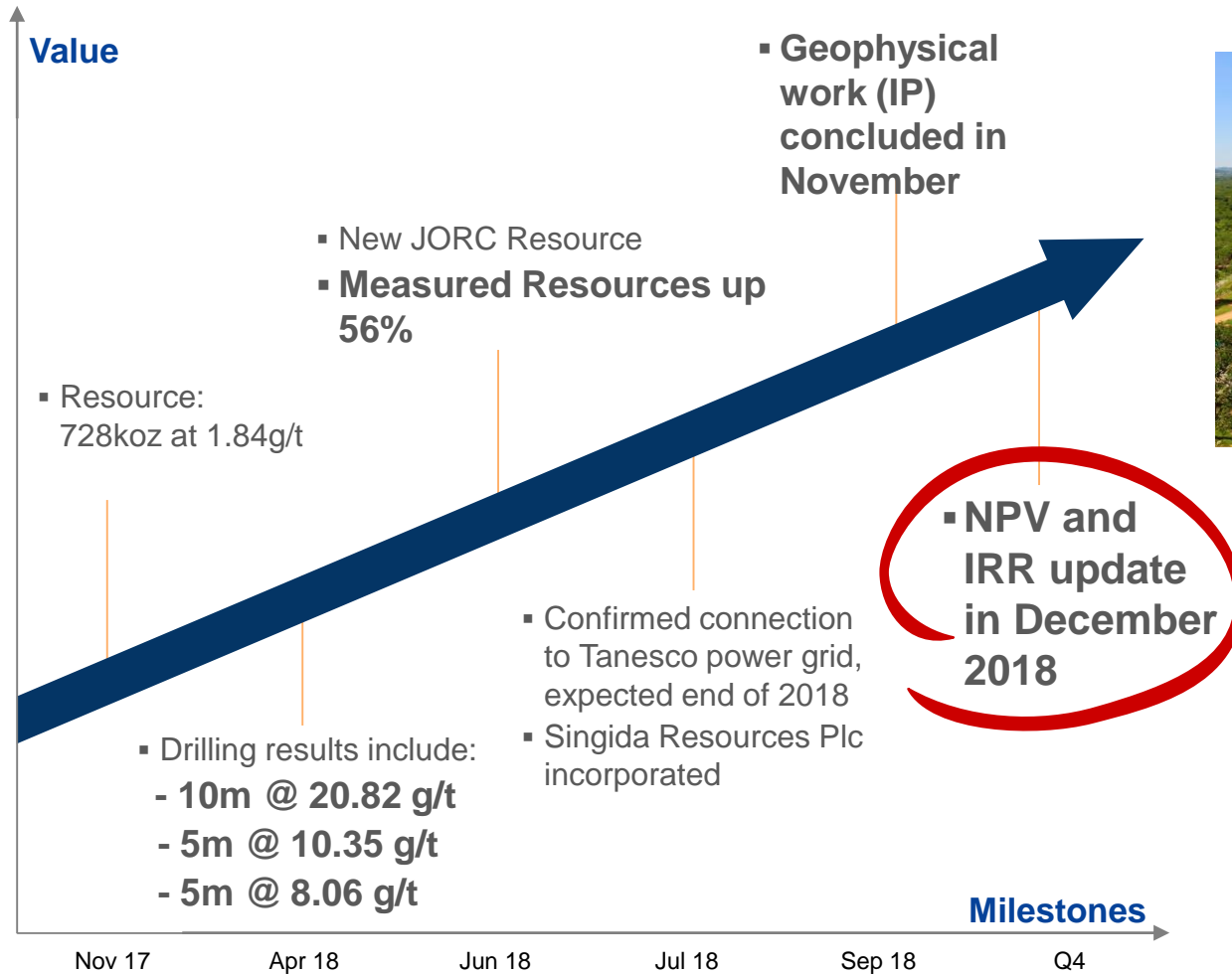
- 6.6 km north west of the NLGM plant
- Includes two separate trenches of 2.1 metres at 47.12 g/t Au and 3.15 metres at 32.73 g/t Au; and,

## Quartzberg area:

- High-grade rock chip samples
- Includes 27.22 g/t Au, 19.28 g/t Au, 17.82 g/t Au, 16.98 g/t Au, 15.28 g/t Au and 14.68 g/t Au



# Singida Project: Taking Shanta over 100,000 oz per year



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# Recap and key investment highlights

1

Highly attractive valuation (P/E of 3.2x)

2

Resources add significant further upside

3

Upside value from Singida

4

Lupa Goldfields -> discoveries?

5

Deleveraging and dividend policy evaluation



## Near term catalysts and news

Date	Event
Next few months	Exploration update
Next few months	Ilunga development update
December 2018	Singida NPV, IRR and forecasts
January 2019	Q4 / FY Production results
January 2019	Setting 2019 guidance
January 2019	Dividend policy evaluation
Q1 2019	Singida asset level funding update
Q1/Q2 2019	2018 Annual Results
Ongoing	Rapid debt reduction

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