



SHANTA GOLD

# Q4 and Full Year 2017 Production and Operational Update

January 2018

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# Shanta Gold – 2017 highlights & guidance

▶ Strong operational performance, significant annual cost reductions resulting in rapid deleveraging

## 2017 highlights

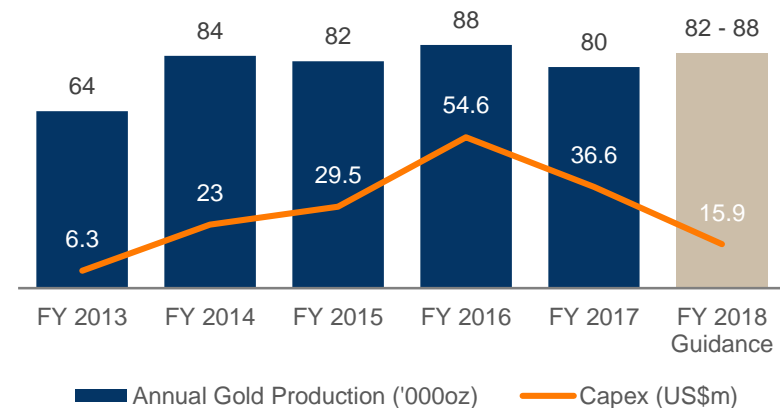
- Gold production of 80k oz at New Luika
- **AISC<sup>1</sup> of US\$747/oz**
- **Q4 cost savings of US\$8.7m p.a.** including:
  - US\$5.1m from suppliers + G&A
  - US\$3.6m from lower mining costs
- **Q4 net debt reduced by US\$5.6m to US\$39.9m**
- Year end cash increased by US\$5.5m to US\$13.5m

## 2018 guidance

- Gold production of 82–88k oz at New Luika
- **AISC<sup>1</sup> of US\$680-730/oz**
- Suppliers + G&A p.a. **cost savings target increased to US\$7.0m** by Q3 2018
- Recoveries increased by 1.5 – 2% by H2 2018
- **Dividend policy evaluation scheduled for Q4**

1. Adjusted to World Gold Council standard. See Appendix for details.

## 2018 production set to increase with capex declining again



## Summary Capitalisation

Share Price (GBP) <sup>2</sup>	5.55p
Market capitalisation	US\$59 m
Net debt <sup>3</sup>	US\$40 m
<b>Enterprise Value</b>	<b>US\$99 m</b>

1. As of 15 January 2018

2. As of 31 December 2017

# Scorecard since September 2017

▶ The new Shanta management team is delivering on expectations

	September targets	Year end result	
Production (k oz)	80 <sup>1</sup>	80 <sup>1</sup>	✓
AISC (\$/oz)	800 <sup>1</sup>	793 (747 as per WGC standard <sup>2</sup> )	✓
Supplier and G&A cost savings (US\$m p.a.)	5.0	5.1	✓
VAT refund	-	US\$3.4 m	✓
Headcount	From 1,075 to 750	759	✓
Gold resources (m oz)	From 1.3 to 2.0	2.1	✓

1. As guided on October 19th 2017

2. See Appendix for calculation of AISC in line with WGC standard

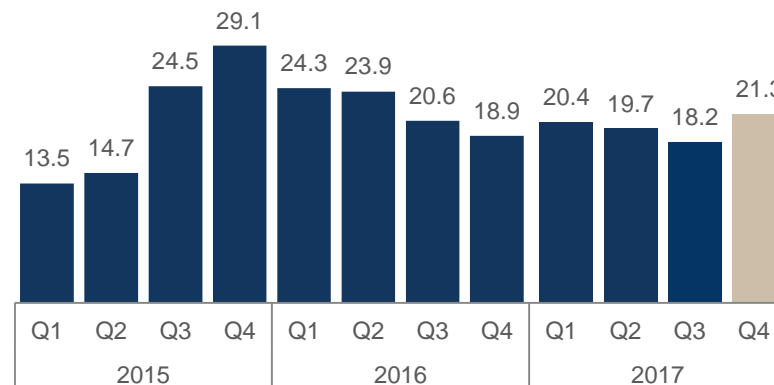
# Q4 2017 highlights

▶ Q4 performance was exceptional and the best performing quarter of 2017

- **Gold production of 21,288 oz** (Q4 2016: 18,897 oz)
- Gold sales of 20,217 oz (Q4 2016: 15,285 oz)
- Cash costs of US\$553 /oz (Q4 2016: US\$486 /oz)
- AISC of US\$784 /oz<sup>1</sup> (Q4 2016: US\$664 /oz). See Appendix for calculation
- **143,092 tonnes ore mined from underground, up from 75,996 tonnes in Q3 2017**, and ahead of expectations
- **Underground operations have ramped-up ahead of plan**
- US\$8.7 m per annum run-rate of cost improvements achieved in November (including US\$3.6 m from new mining method at Luika)
  - execution and realisation of full savings expected by end of Q1 2018
- One lost time injury

1. Adjusted to World Gold Council standard. See Appendix for details.

## Quarterly gold production (000's oz)



## Quarter on Quarter AISC (\$ /oz)

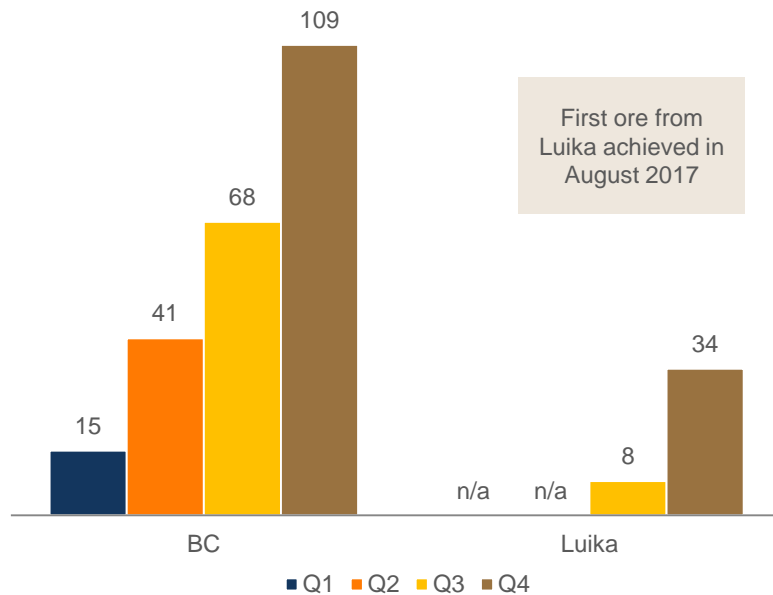


Note: All figures above reflect calculation in line with WGC standard. See Appendix.

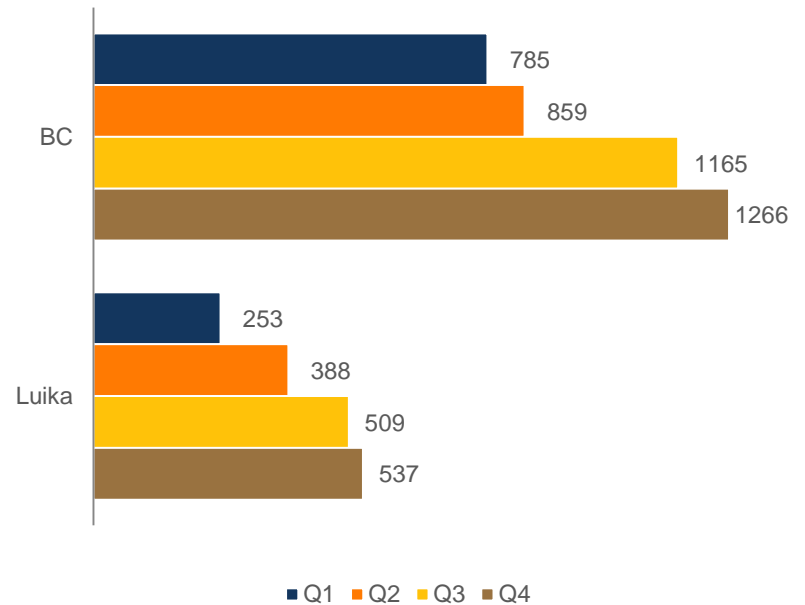
# Q4 2017 underground update

▶ Record quarterly production and development meters in Q4

## Tonnes ore mined<sup>1</sup> (000s)



## Development metres



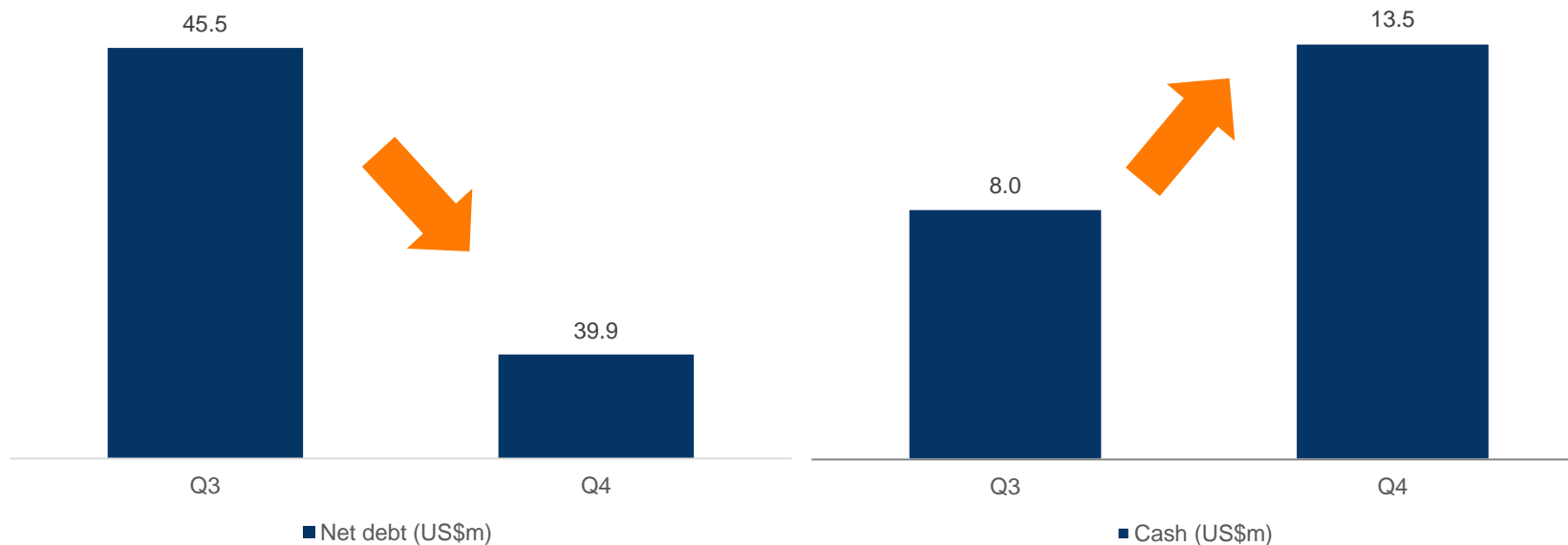
1. Includes ore from development and production



# Q4 2017 financial update

▶ Balance sheet deleveraging in advance of evaluating dividend policy in Q4 2018

## Deleveraging accelerating as cost improvements accumulate

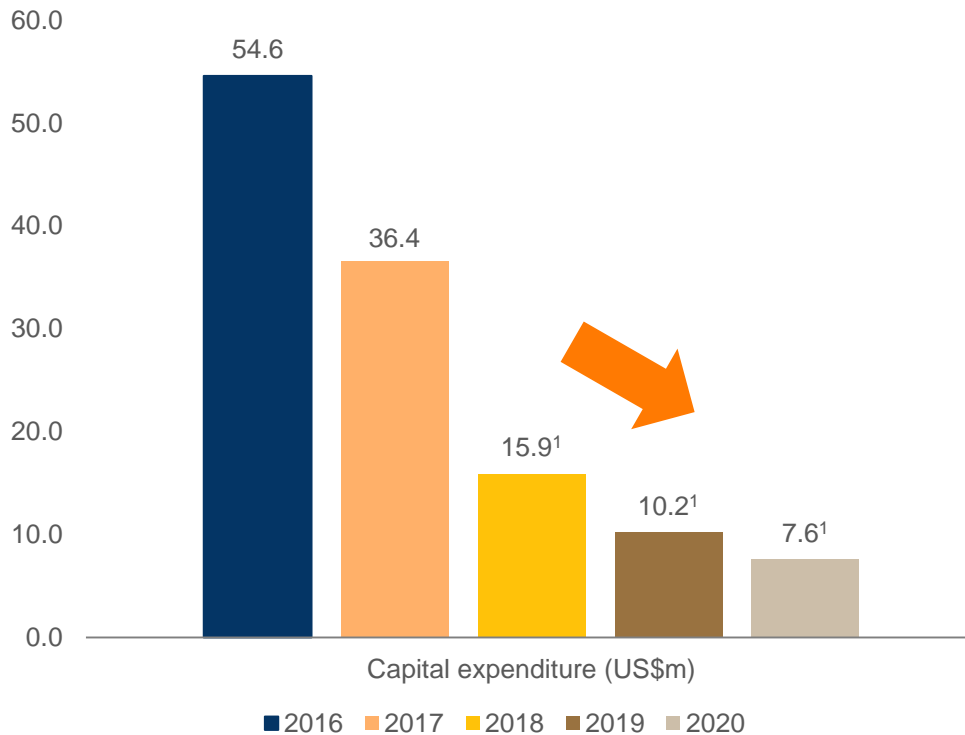


## Key quarterly financials

US\$ m	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Capital expenditure	9.9	10.7	9.5	6.3
Gross debt	56.2	57.1	53.5	53.4
Cash balance	11.7	13.8	8.0	13.5
Net debt	44.5	43.3	45.5	39.9

# Lower Capex

▶ Capex falls significantly from 2017 with all key infrastructure in place



## Key infrastructure projects completed in 2017

Asset	Estimated life (yrs)
7.5 MWh HFO Power station	20
Tailing Storage Facility 2 <sup>2</sup>	13
Water dam (long life)	+50

1. Revised mine plan estimates excluding Singida
2. Commissioning expected in Q1 2018



# Sustainability partnerships in Q4 2017

- ▶ New sustainability partnerships were established in Q4 to support Shanta's CSR program
- ▶ Phase 2 of ETG partnership initiated for 2018



UK-based  
charity

UK-based  
charity

**Sustainability Pillar**

Alternative Livelihood

Education/ Health

Education

**Base**

Global

UK

UK

Maize growing in Songwe



Development of football  
leagues underway



Teacher training  
expected in H1 2018

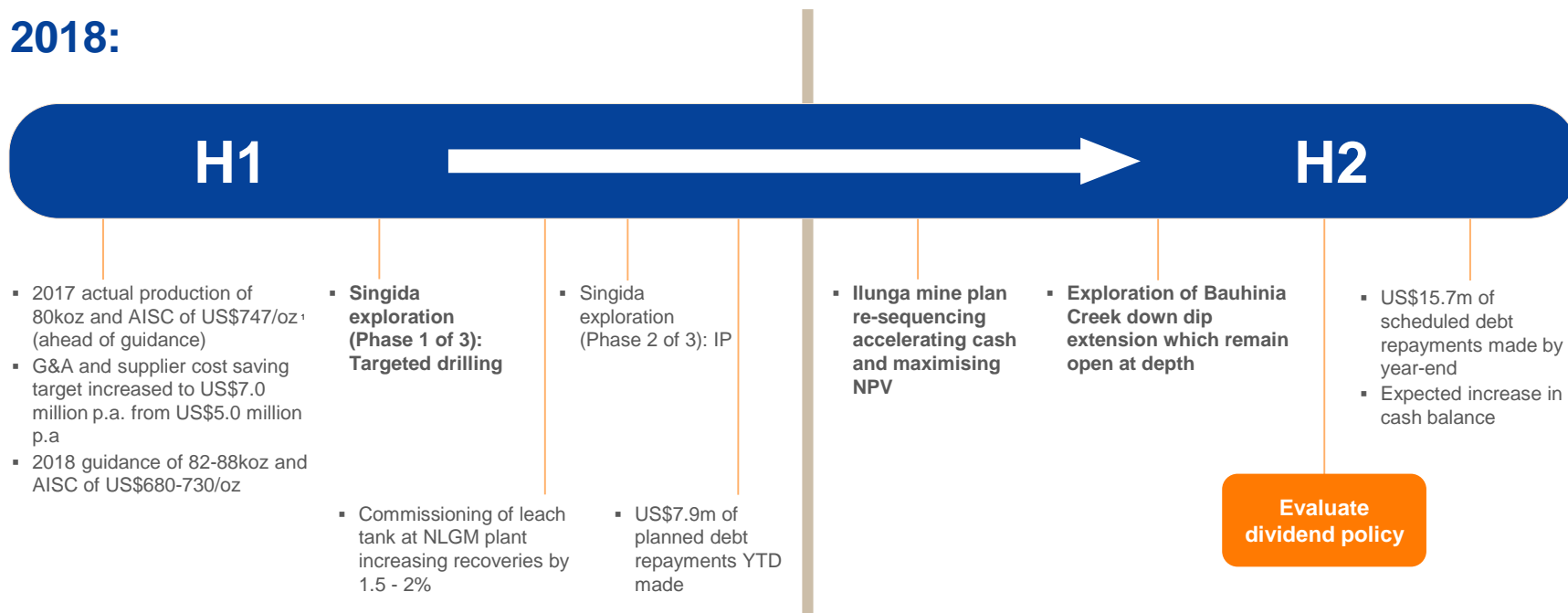


**Status**

# Shareholder value catalysts 2018

▶ Operational improvements and resource expansion are expected to drive shareholder return in 2018

2018:



**Discussions with the Government of Tanzania to repay the current US\$14.5 million VAT receivable are ongoing**

1. Adjusted to World Gold Council standard. See Appendix for details.

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# Appendix

# AISC (US\$/oz) reconciliation with the World Gold Council

Methodology	FY 2017		Actual					
	Guidance	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2016	FY 2015
Previous Shanta calculation	800	793	837	822	735	768	661	834
+ exploration costs	37	21	19	21	30	20	53	29
- finance costs	(56)	(67)	(72)	(74)	(32)	(91)	(55)	(65)
<b>WGC standard</b>	<b>781</b>	<b>747</b>	<b>784</b>	<b>769</b>	<b>733</b>	<b>697</b>	<b>659</b>	<b>798</b>

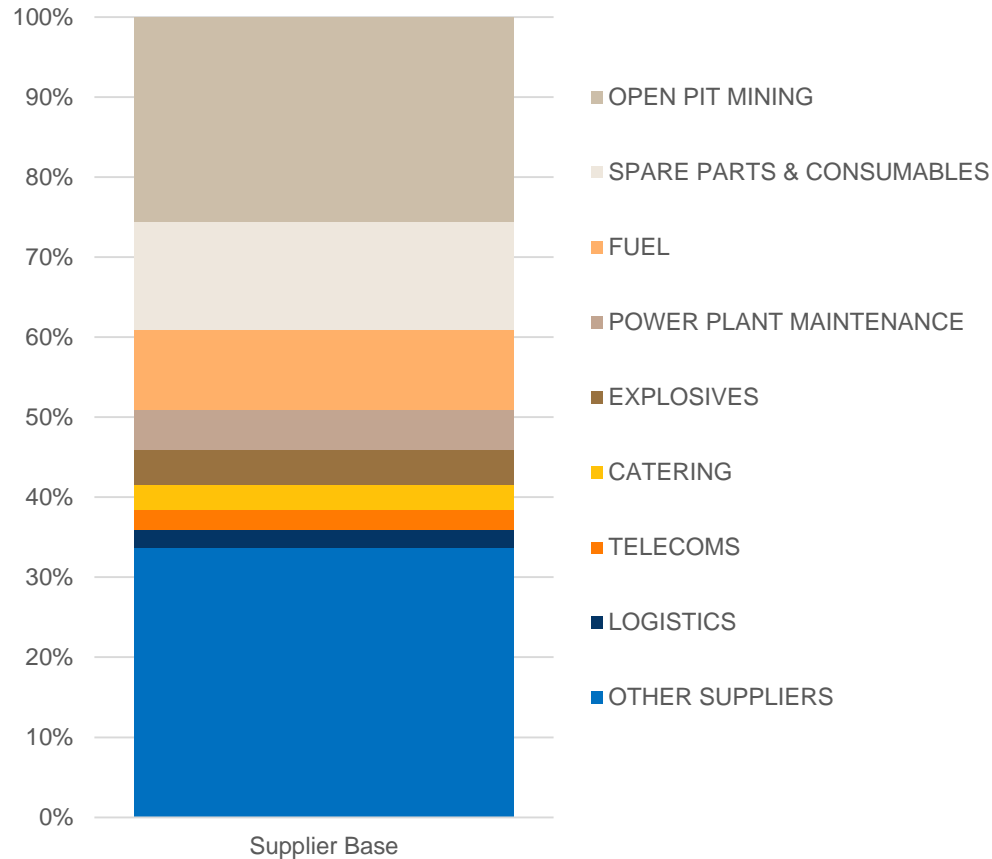
## Explanation

1. Calculation of Shanta Gold's AISC has historically included financing costs (ie interest expense) and excluded exploration costs (ie non capitalised exploration expenditure)
2. World Gold Council calculation of AISC excludes finance costs and includes exploration expenditure

# Q4 Initiatives:

## \$5.1m p.a. net cost savings achieved in 60 days

### Proportional expenditure by Supplier Category (%)



### Highlights

1. Contracts amounting to **45% of value renegotiated**
2. **US\$12 m run rate savings** including change of mining contractor
3. **US\$5.1m G&A and supplier savings excluding change of mining contractor**, with the full benefit to flow through to free cash flow by end of Q1 2018
4. Ongoing discussions with other key suppliers, with next update in Q1 2018

▶ **Revised target:**  
**\$7.0m p.a. by Q3 2018**

# Q4 Initiatives:

## New Mining Method saving US\$3.6 m p.a.



### Highlights

1. Revised Mine Plan (“RMP”) assumed Cut & Fill Mining method in Luika underground. After review it was decided to change mining method to Long Hole Open Stopping (LHOS)
2. This approach was assumed for the top panel and, if successful, the rest of Luika will be changed to LHOS
3. Backfill costs have declined to \$1.1m (RMP: \$4.7m).

# Q4 Initiatives: Recoveries project



## Highlights

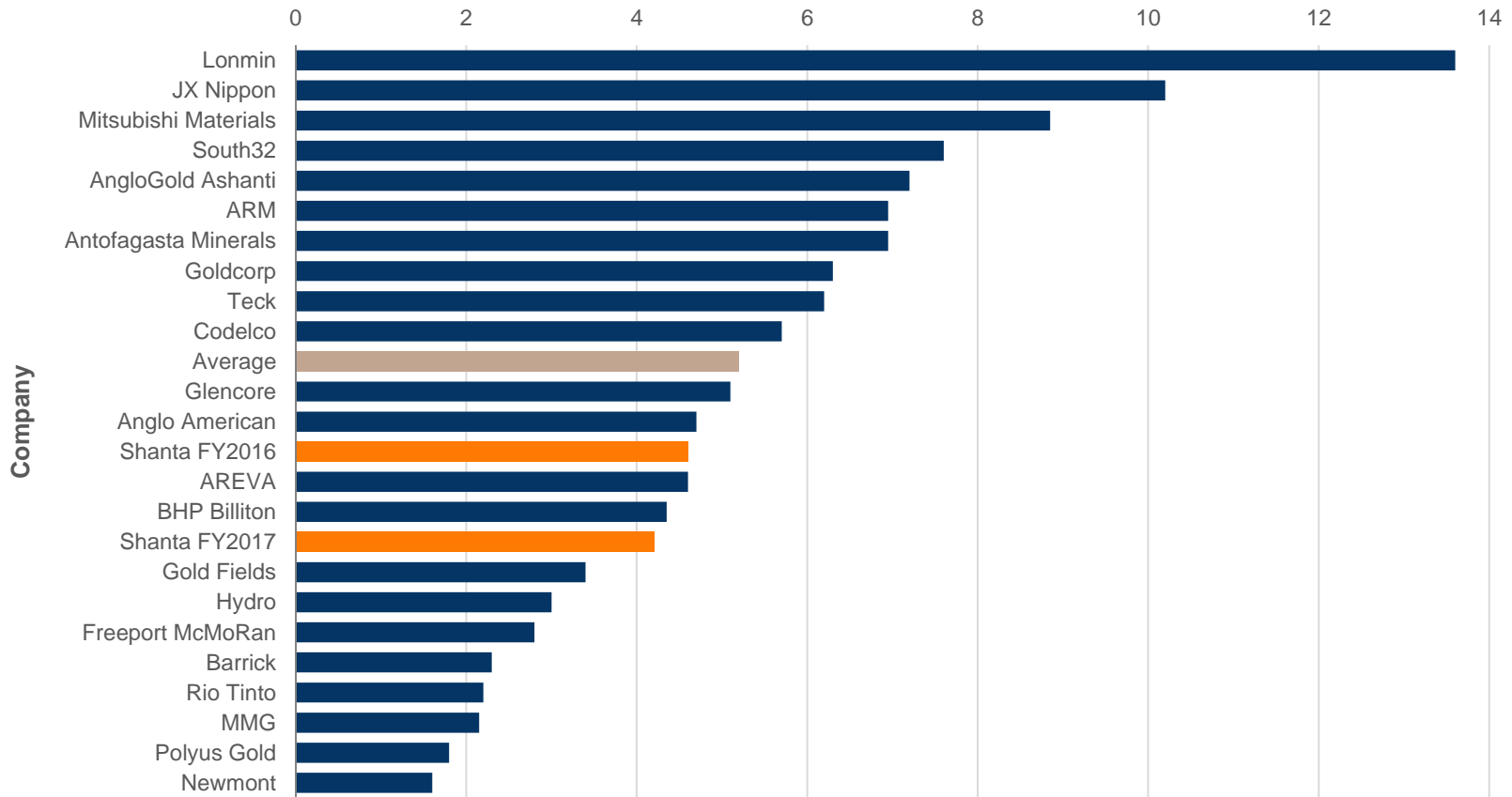
1. Installation of additional pre-leach tank expected to **increase recoveries by 1.5 – 2%** based on laboratory scale extended leach test work
2. Pre-leach tank **increases residency times by 8 hours**
3. Previous pre-leach tank improved recoveries by 2.6% since July 2016
4. **Project costs US\$500k, payback 4 months**
5. Assembly and installation in April 2018, with **commissioning in June 2018**



# Safety

- ▶ Top corporate priority on safe working conditions
- ▶ Continuous improvement since FY 2016

Total recordable injury case rate (per 1 million hours worked)



Source - the ICMM (International Council on Mining & Metals) icmm.com

# Production performance quarter on quarter

	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Tonnes ore mined	<b>638,088</b>	143,092	177,416	196,454	121,127	<b>622,853</b>	63,192	99,417	266,686	193,558
Tonnes ore milled	<b>632,287</b>	162,233	163,109	155,567	151,378	<b>597,583</b>	151,827	144,930	151,698	149,128
Grade (g/t)	<b>4.28</b>	4.48	3.83	4.28	4.57	<b>5.01</b>	4.26	4.90	5.48	5.69
Recovery (%)	<b>91.2</b>	91.1	90.9	90.9	92.0	<b>90.0</b>	90.8	90.2	89.5	89.3
Gold Production (ounces)	<b>79,585</b>	21,288	18,225	19,657	20,416	<b>87,713</b>	18,897	20,580	23,896	24,341
Gold sales (ounces)	<b>79,938</b>	20,217	18,487	17,982	23,252	<b>86,331</b>	15,285	23,426	26,134	21,486
Silver production (ounces)	<b>106,238</b>	30,049	22,915	24,524	28,750	<b>126,572</b>	24,731	30,381	36,316	35,144
Realised gold price (US\$ /oz)	<b>1,263</b>	1,271	1,267	1,265	1,249	<b>1,217</b>	1,187	1,301	1,246	1,132



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