Shanta Gold Limited

("Shanta Gold" or the "Company")

Interim results for the Six months to 30 June 2013

Shanta Gold (AIM: SHG), the East African focused gold producer, is pleased to announce its results for the six months ended 30 June 2013, its first half year as a producing Company.

Highlights

Operational

- Production ramp up at New Luika Gold Mine continues with successful commissioning of upgraded circuit completed post period end
- Gold production of 26,336 ounces during the period
- Operating cash cost of US$799 per ounce
- 23,842 ounces sold generating US$36.2 million in revenue

Corporate

- Working capital position significantly strengthened with US$13 million debt repaid and subsequent to period end, debt successfully restructured
- Strengthening of Board and Management team with appointment of new Chairman, Chief Financial Officer and Mine Manager
- Prudent forward sales contract undertaken

Commenting on the results Mike Houston, CEO, said: "The first half of the year has seen Shanta Gold make significant progress at both a corporate and operational level. The Company is well positioned to deliver an increased output profile and a more competitive cost structure in the second half of the year and beyond."

Income Statement

A total of 26,336 ounces were produced during the six months to 30 June 2013. However, as New Luika Gold Mine moved from development to the commercial production phase on 1 April 2013 and in line with accounting practice, US$21 million of revenue generated and US$12 million of operating costs incurred up to 31 March 2013 were capitalised. Thus, other than group overheads, exploration and borrowing costs, only revenue and operating costs from 1 April 2013 are reported on for the period to 30 June 2013.

Sales for the six months totalled 23,842 ounces from which US$36.2 million revenue was generated. Revenue for the period April to June amounted to US$14.7 million at an average price of US$1,408 per ounce. The forward sales contracts entered into and against which deliveries continue to be made, had a positive impact on the average price realized. Cost of sales amounted to US$11.6 million, giving a gross profit margin of 21%.

Other costs for the six months amounted to US$7.1 million (US$3.8m for the quarter April to June 2013), compared to US$5.4 million for the same period last year. Administration and exploration expenditure accounted for US$7.3 million. In addition, there was a charge of $1.5 million attributable to the ending of the Shield Joint Venture arrangement following the 100% acquisition of Boulder Investments in April 2013. A previously provided bad debt amounting to US$1.68 million was reversed.

An operating loss of US$4 million was thus recorded, 25% lower than the same period last year.

There was a fair value gain of US$6.1m arising on revaluation of warrants accounted for as derivative financial liabilities.

Interest payable on bank loans and convertible loan notes amounted to US$3.5 million.

Consequent to the above, a loss before and after tax of US$1.4 million was recorded compared to losses for the prior period of US$7 million.

Costs

Unit cash operating costs for the three months to 30 June 2013 amounted to US$799 per ounce. All In Sustaining Costs including debt servicing and stay-in business capital expenditure amounted to US$1,051 per ounce.

Unit cost during the period continued to trend positively reflecting the fact that the operations are settling into a normal mode with less ad hoc costs being incurred.

Financial Position

The Company's total assets increased from US$136 million at 31 December 2012 to US$155 million at 30 June 2013. Capitalisation of pre-production revenue, transfer from fixed assets of ore stocks produced during mine development as well as the transfer from capital to inventories of plant spares and consumables acquired during the plant construction phase however resulted in the property, plant and equipment assets decreasing from US$113 million at 31 December 2012 to US$89 million at 30 June 2013.

Ore and gold stocks at period end totalled US$21 million, with the Company having 113,000 tonnes of ore mainly produced during the mine development phase.

During the period, the Company repaid US$13 million of its debt. As previously reported, subsequent to period end the Company restructured and consolidated its bank loans with improved cost and repayment terms. The restructured and consolidated bank loans amount to US$33.75 million repayable over 36 months beginning 31 January 2014.

Cash flow

Cash balances at 30 June 2013 amounted to US$12.8 million, up from US$4.3 million at 31 December 2012 mainly as a result of a new bank loan raised during the period of US$30 million. The restructuring of debt, prudent hedging and review of major contracts will reduce pressure on cash flow during a period of market uncertainty.

Outlook

Although the Company is still in an early stage production phase, there has been pleasing on-going improvements in plant performance leading to steadily increased gold production and cost containment. The planned further plant upgrade in early 2014 augurs well for an increased output profile and a more competitive cost structure. Management is therefore confident that the Company is well placed to meet the challenges of an uncertain gold market environment.

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SHANTA GOLD LIMITED
Consolidated Statement of Financial Position

	Note	30 June 2013 US$'000 Unaudited	30 June 2012 US$'000 Unaudited	31 December 2012 US$'000 Audited
Non-current assets				
Intangible assets		23,481	876	10,380
Property, Plant and Equipment		88,796	64,737	112,929
Total non-current assets		**112,277**	**65,613**	**123,309**
Current assets				
Inventories		20,955	-	-
Trade and other receivables		8,799	10,862	8,643
Restricted cash		600	-	-
Cash and cash equivalents		12,849	15,892	4,277
Total current assets		**43,203**	**26,754**	**12,920**
Total assets		**155,480**	**92,367**	**136,229**
Capital and reserves				
Share capital		75	53	75
Share premium		132,139	95,197	132,139
Other reserves		9,926	8,626	9,325
Retained deficit		(62,477)	(53,297)	(61,043)
Total equity		**79,663**	**50,579**	**80,496**
Non-Current liabilities				
Loans and borrowings	4	35,624	18,185	18,637
Decommissioning provision		4,292	1,054	4,129
Deferred taxation	3	5,197	-	-
Total non-current liabilities		**45,113**	**19,239**	**22,766**
Current liabilities				
Trade payables and accruals		9,534	3,340	17,308
Loans and borrowings	4	21,170	19,209	15,659
Total current liablities		**30,704**	**22,549**	**32,967**
Total liabilities		**75,817**	**41,788**	**55,733**
Total equity and liabilities		**155,480**	**92,367**	**136,229**

SHANTA GOLD LIMITED
Consolidated Income Statement

	Note	6 months ended 30 June 2013 US$'000 Unaudited	6 months ended 30 June 2012 US$'000 Unaudited	Year ended 31 December 2012 US$'000 Audited
Revenue		**14,668**	**-**	**-**
Cost of sales		**(11,570)**	**-**	**-**
Gross Profit		**3,098**	**-**	**-**
Other costs		(7,132)	(5,403)	(10,644)
Administration expenses		(5,904)	(3,793)	(7,890)
Exploration and evaluation costs		(1,396)	(1,610)	(2,565)
Loss on settlement of pre-existing relationship	3	(1,500)	-	-
Reversal of provision for bad debt	7	1,668	-	-
Impairment of intangible assets		-	-	(189)
Operating loss		**(4,034)**	**(5,403)**	**(10,644)**
Finance income	8	6,183	43	263
Finance expense		(3,583)	(1,641)	(4,366)
Loss before and after taxation attributable to the equity shareholders of the parent		**(1,434)**	**(7,001)**	**(14,747)**
Basic and diluted loss per share (cents)	5	**(0.31)**	**(2.38)**	**(4.42)**

Consolidated Statement of Comprehensive Income

	6 months ended 30 June 2013 Unaudited US$'000	6 months ended 30 June 2012 Unaudited US$'000	Year ended 31 December 2013 Audited US$'000
Loss after taxation	**(1,434)**	**(7,001)**	**(14,747)**
Other comprehensive income:			
Exchange differences on translating acquisition transaction which can subsequently be reclassified to profit or loss	229	-	-
Total comprehensive income attributable to the equity shareholders of the parent	**(1,205)**	**(7,001)**	**(14,747)**

SHANTA GOLD LIMITED

Consolidated statement of changes in equity

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Convertible Debt reserve US$'000	Translation reserve US$'000	Shares to be issued US$'000	Warrant Reserve US$'000	Retained deficit US$'000	Total Equity US$'000
At 1 January 2013	75	132,139	3,258	5,374	400	293	-	(61,043)	80,496
Loss for the period	-	-	-	-	-	-	-	(1,434)	(1,434)
Comprehensive income for the period	-	-	-	-	229	-	-	-	229
Share based payments	-	-	372	-	-	-	-	-	372
At 30 June 2013 (Unaudited)	75	132,139	3,630	5,374	629	293	-	(62,477)	79,663
At 1 January 2012	45	81,029	1,722	-	400	-	-	(46,296)	36,900
Total comprehensive loss for the period	-	-	-	-	-	-	-	(7,001)	(7,001)
Share based payments	-	-	860	-	-	-	-	-	860
Shares issued	8	15,027	-	-	-	-	-	-	15,035
Share issue costs	-	(859)	-	-	-	-	-	-	(859)
Warrants to be issued	-	-	-	-	-	-	150	-	150
Convertible loan notes	-	-	-	5,494	-	-	-	-	5,494
At 30 June 2012 (Unaudited)	53	95,197	2,582	5,494	400	-	150	(53,297)	50,579
At 1 January 2012	45	81,029	1,722	-	400	-	-	(46,296)	36,900
Total comprehensive loss for the period	-	-	-	-	-	-	-	(14,747)	(14,747)
Share based payments	-	-	1,536	-	-	-	-	-	1,536
Shares issued	30	54,113	-	-	-	-	-	-	54,143
Shares to be issued	-	-	-	-	-	293	-	-	293
Share issue costs	-	(3,736)	-	-	-	-	-	-	(3,736)
Warrants exercised	-	733	-	-	-	-	-	-	733
Convertible loan notes	-	-	-	5,374	-	-	-	-	5,374
At 31 December 2012 (Audited)	75	132,139	3,258	5,374	400	293	-	(61,043)	80,496

SHANTA GOLD LIMITED
Consolidated Statement of Cash flows

	Note	30 June 2013 US$'000 Unaudited	30 June 2012 US$'000 Unaudited	31 December 2012 US$'000 Audited
Net cash flows from operating activities	6	**(9,602)**	**(6,446)**	**(5,830)**
<u>Investing activities</u>				
Purchase of intangible assets		(42)	-	(42)
Purchase of property, plant and equipment		(244)	(341)	(1,171)
Additions to assets under construction		(14,375)	(32,461)	(77,135)
Capitalised sales from test production		21,687	-	5,163
Interest received		40	-	-
Transfer to restricted cash		(600)	-	-
Investment in subsidiary	3	(2,400)	-	-
Net cash flows used in investing activities		**4,066**	**(32,802)**	**(73,185)**
<u>Financing activities</u>				
Proceeds from issue of ordinary share capital		-	14,176	45,078
Proceeds from issue of convertible loan notes		-	23,375	23,375
Loans repaid		(12,823)	(7,428)	(17,900)
Loan interest paid		(2,469)	(555)	(2,931)
Loans received, net of issue costs		29,400	25,000	35,098
Net cash flows from financing activities		**14,108**	**54,568**	**82,720**
Net increase in cash and cash equivalents		8,572	15,320	3,705
Cash and cash equivalents at beginning of period		4,277	572	572
Cash and cash equivalents at end of period		**12,849**	**15,892**	**4,277**

SHANTA GOLD LIMITED
Notes to the Consolidated Financial Statements
for the six months ended 30 June 2013

1. General information

Shanta Gold Limited (the "Company") is a limited company incorporated in Guernsey. The Company is listed on the London Stock Exchange's AIM market. The address of its registered office is Suite A, St Peter Port House, St Peter Port, Guernsey.

The interim consolidated financial statements were approved by the board and authorised for issue on 16 September 2013.

2. Basis of preparation

The consolidated interim financial statements have been prepared using policies based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board ("IASB") as adopted for use in the EU. The consolidated interim financial statements have been prepared using the accounting policies which will be applied in the Group's financial statements for the year ended 31 December 2013.

The consolidated interim financial statements for the period 1 January 2013 to 30 June 2013 are unaudited and incorporate unaudited comparative figures for the interim period 1 January 2012 to 30 June 2012 and the audited financial statements for the year to 31 December 2012. It does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2012 Annual Report.

The same accounting policies, presentation and methods of computation are followed in the interim consolidated financial statements as were applied in the Group's latest annual audited financial statements except that in the current financial year, the Group has adopted a number of revised Standards and Interpretations. However, none of these has had a material impact on the Group's reporting.

In addition, the IASB has issued a number of IFRS and IFRIC amendments or interpretations since the last annual report was published. It is not expected that any of these will have a material impact on the Group.

3. Acquisition during the period

On 12 April 2013, the Group acquired from Red Kite Mine Finance Trust 1 ("Red Kite"), 100% of the share capital of Boulder Investments Ltd ('Boulder') which owns 100% of the share capital of Shield Resources Ltd and the prospective Lupa licences, for US$7.9 million. US$2.4 million was paid on the Closing Date. A promissory note of US$2.4 million assigned to Red Kite and bearing interest at 2.6% per annum will become payable on 12 April 2015. A further promissory note of US$3.1 million also assigned to Red Kite and bearing interest at 2.6% per annum is payable upon the earlier of (a) completion of an Approved Mine Plan and (b) 12 April 2017.The transaction with Red Kite removes exploration commitments under the original Joint Venture Agreement and any future dilution that might have occurred if a mineable ore body is discovered.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value US$'000	FV Adjustment US$'000	Deferred tax US$'000	Fair Value US$'000
Intangible assets	-	17,322	5,197	22,519
Current assets	64	-	-	64
Liabilities and provisions	(2,411)	-	(5,197)	(7,608)
Total net assets	**(2,347)**	**17,322**	**-**	**14,975**

Fair value of consideration paid

	US$'000
Cash paid	2,400
Fair value of consideration deferred (note 4a)	4,615
Fair value of shares and warrants issued [(a)]	9,460
Total consideration payable	**16,475**
Less fair value of net assets acquired	(14,975)
Less loss on settlement of pre-existing relationship [(b)]	(1,500)
Goodwill arising on acquisition	**-**

(a) In 2012, the Group recognised the initial costs of the transaction (US$9.5m) as incurred by the creation of the JV, by issuing 12.4m shares at 21.19p each (US$4.2m) and 21.6m warrants (US$5.2m).

(b) The loss of $1.5m arises on the settlement of the JV agreement with Great Basin Gold which represents the provision within the JV agreement to transfer the Group's loan receivable balance of $2m at a 25% discount to other parties in the JV.

4. Loans and borrowings

	6 months ended 30 June 2013	6 months ended 30 June 2012	Year ended 31 December 2012
Amounts payable within one year			
Loan from FBN Bank [(b)]	20,833	18,873	15,322
Loan from related parties [(c)]	337	337	337
	21,170	**19,210**	**15,659**
Amounts payable after one year			
Convertible loan notes [(d)]	19,792	18,185	18,637
Promissory notes [(a)]	4,615	-	-
Loan from FBN Bank [(b)]	11,217	-	-
	35,624	**18,185**	**18,637**

(a) Promissory notes relate to Promissory Note 1 of US$2.4 million and Promissory Note 2 of US$3.1 million issued in consideration for the acquisition of Boulder (note 3) and are repayable on 15 April 2015 and 15 April 2017 respectively. The notes bear an annual interest of 2.6% and are payable semi-annually in arrears. The promissory notes are recognised at fair value and subsequently accounted at amortised cost. The fair value of the notes has been determined by discounting the cash flows using a market rate of interest which would be payable on a similar debt instrument obtained from an unconnected third party.

(b) Loan from FBN Bank relates to a US$15 million working capital loan facility obtained in 2012 from FBN Bank UK Ltd which bears an annual interest rate of LIBOR +7%. The loan is secured on the bank account which is credited with gold sales, the shares in Shanta Mining Company Limited (SMCL) and a charge over the assets of SMCL. Capital repayments of US$1.25 million were made per month. Two further instalments of US$1.25m each were paid at the end of July 2013 and August 2013. A further working capital loan facility of US$30 million was obtained on 10th January 2013 from FBN Bank UK Ltd, and it is secured similarly to the US$15 million loan. The US$30 million loan bears an annual interest of LIBOR +8% and is repayable over 18 months from August 2013 at US$1.667 million per month. This loan has now been restructured. See Note 9.

(c) The loans payable to related parties are interest free, unsecured and repayable on demand. During the period, there were no changes to the fair value of the loans. The fair value is determined, based on amounts expected by the counter party in settlement of the loan, which is considered to be its face value as the loan are repayable on demand.

(d) Convertible loan notes relate to US$25 million fixed coupon convertible loan notes which are due for repayment on 13 April 2017 and contain a conversion option at a price of US$0.4686 per 1 company share. The notes incur an interest charge of 8.5% per annum and interest is payable half yearly in April and October. They are not secured against any assets of any Group company. The Group has determined them to be a compound financial instrument requiring a proportion of the loan to be classified as equity. The reclassified element represents the difference between the fair value of a similar liability with no equity conversion option and the fair value of the existing convertible notes in current terms. Accreted interest is charged to the statement of comprehensive income over the life of the notes.

5. Loss per share

Basic loss per share is calculated by dividing the loss attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Due to the losses incurred during the period a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share.

There were share incentives outstanding at the end of the period that could potentially dilute basic earnings per share in the future.

	Unaudited 30 June 2013			Unaudited 30 June 2012			Audited 31 December 2012		
	Loss US$'000	**Number of shares (thousands)**	**Per share amount (cents)**	Loss US$'000	Weighted average number of shares (thousands)	Per share amount (cents)	Loss US$'000	Weighted average number of shares (thousands)	Per share amount (cents)
Basic & diluted EPS	**(1,434)**	**461,827**	**(0.31)**	**(7,001)**	**294,411**	**(2.38)**	**(14,747)**	**333,900**	**(4.42)**

6. Net cash flows from operating activities

	30 June 2013 US$'000	30 June 2012 US$'000	31 December 2012 US$'000
Loss before tax	**(1,434)**	**(7,001)**	**(14,747)**
Adjustments for:			
Depreciation	1,551	172	401
Share option costs	372	860	1,536
Finance income	(6,183)	(43)	(263)
Finance expense	3,583	1,641	4,366
Exchange loss	58	-	-
Loss on settlement of pre-existing relationship	1,500	-	-
Impairment of prospecting licences	-	-	189
Reversal of provision for bad debt	(1,668)	-	-
Costs transferred from mining properties	15,361	-	-
Operating cash inflow/ (outflow) before movement in working capital	**13,140**	**(4,371)**	**(8,518)**
Movements in working capital:			
Increase in receivables	(156)	(5,561)	(8,330)
Increase in inventories	(20,955)	-	-
(Decrease)/increase in payables	(1,631)	3,466	10,755
Net cash outflow from operating activities	**(9,602)**	**(6,466)**	**(5,830)**

7. Reversal of provision for bad debt

The reversal of provision for bad debt relates to loans receivable from Shield Resources in the amount of US$1,668,000. Following the acquisition of Boulder Investments Limited in April 2013 (note 3) the Group obtained full control of Boulder and Shield and the recoverability of the associated loans is no longer doubtful.

8. Finance Income

Included within finance income is a gain of US$6.1 million arising from the fair value movement of warrants instruments which are accounted as derivative financial liabilities at fair value through profit or loss.

The following warrants remained outstanding at 30 June 2013 and have exercise prices ranging from 17 to 35 pence.

1. Red Kite Mine Finance Trust: 12,368,584 (35p) on 21 August 2012 and 9,223,769 (35p) on 16 October 2012.
2. Liberum Capital: 6,399,443 (17p) on 17 October 2012
3. Export Holdings: 745,792 (23.06p) on 31 December 2012.

The fair value at 30 June 2013 is based on the prevailing Company share price of 9 pence on that date; and has been calculated using the Black-Scholes model which takes into account the historical share price volatility of 60%.

9. Events after the reporting period

Subsequent to the period end, the two FBN Bank (UK) Limited loans were restructured and consolidated into one loan of US$33.75 million. The combined loan will bear interest at LIBOR + 6.5% and is repayable in 36 equal monthly instalments of US$937,500 commencing on 31 January 2014.