



21 July 2015

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

### **Q2 2015 PRODUCTION AND OPERATIONAL UPDATE**

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, developer and explorer, announces its production and operational results for the quarter ended 30 June 2015 (the "Quarter" or the "Period").

#### **Highlights**

##### **Operational**

- Gold production of 14,664 ounces ("oz") (Q1: 13,516 oz);
- Gold sales of 11,590 oz at an average price of US\$1,222 per oz (Q1: 13,551 at US\$1,252 per oz). 2,673 oz in transit at Quarter end;
- Cash Cost of US\$834/oz (Q1: US\$1,143/oz) and All in Sustaining Cost of US\$1,157/oz (Q1: US\$1,451/oz) per oz. Cost per ounce adversely affected by low gold production during the quarter.
- No change in AISC guidance for the year of US\$850/oz – US\$900/oz. Projecting H2 AISC of around US\$650-680/oz.
- Completed redevelopment of Bauhinia Creek Pit, including permanent ramp access to the 930 RL. The first ore production blast for the year took place in Bauhinia Creek Pit on 13 May 2015;
- Gold production in June returned to budgeted levels and will remain so for the balance of 2015, with guidance unchanged at 72,000-77,000 oz; and
- Bauhinia Creek and Luika Pits re-optimised and re-designed to generate significant reduction in Life of Pit strip ratios and mining costs.

##### **Financial**

- Negative cash generated from operations of US\$3.0 million (Q1: Cash generated of US\$5.8 million) affected for the Period by low production. US\$5.6 million of period gold proceeds received after quarter end;
- Cash balance of US\$5.9 million (Q1: US\$9.2 million);
- Capital expenditure of US\$6.6 million (Q1: US\$8.1 million) including open pit development expenditure;
- Investec loan facilities finalised;
- FBN loan balance of US\$18.8 million refinanced from Investec loan. US\$10 million drawn down to fund working capital requirements and US\$10 million of standby facility still available;
- Gross debt of US\$60.4 million (Q1: US\$52.7 million) and net debt of US\$54.5 million (Q1: US\$43.5 million); and
- Forward sales from July 2015 to December 2015 of 26,000 oz at an average price of US\$1,221 per oz.



## Development

- New Luika underground mining feasibility study and Life of Mine Plan are on schedule for completion in Q3 2015;
- Promising drill intersections in the Bauhinia Creek Resource improving confidence at depth;
- Peet Prinsloo re-joined Shanta Mining Company Limited (“SMCL”) as Head of Exploration, managing Shanta’s renewed exploration focus. He has overseen the rapid recommencement of drilling to extend the understanding of value-adding resources within and surrounding the NLGM mining lease;
- Development of the Jamhuri Satellite Pit for production risk mitigation as a supplementary source of ore; and
- Singida project resource review under way while relocation process continues.

## **Toby Bradbury, Chief Executive Officer, commented:**

*“During Q2 Shanta delivered on its targeted recovery. As expected, June was a watershed month in which the Company achieved gold production of 7,480 oz. Guidance of 72,000 - 77,000 oz. for the year is maintained, and I believe that confirms 2015 will be a year of two distinct halves. Active and balanced ore mining in our Bauhinia Creek Pit was achieved for the first time in May 2015, and will now provide tonnage and grade to the mill going forward. The re-design and re-optimisation of the current pits has been completed with Life of Pit strip ratios significantly reduced. The first half of the year has been one of major mine re-development and I am very pleased with the positive impact that our reinforced management team has delivered. We eagerly anticipate a consequent reduction in mining costs being realised from July 2015 – also important in combating a lower gold price environment.*”

*“This is the first full quarter throughout which I have acted as CEO of Shanta, and importantly I am delighted that, Peet Prinsloo has re-joined the Company as Head of Exploration. Peet previously led the exploration team at Shanta until 2013 and played a key role in the development of Shanta’s resources at Singida and New Luika. Peet is tasked with driving the value of the business through extending and growing our resource base.*”

*“New Luika now provides a stable platform for the continued development of a sustainable mine plan, our exploration pipeline will now receive renewed focus, and the Company as a whole considers this a turning point in which the true value of its assets and people will become clear for all its shareholders and stakeholders.”*

## **Analyst conference call and presentation**

Shanta Gold will be hosting an analyst conference call and presentation today, 21 July 2015, at 09:30 BST. Participants may access the call by dialling one of the following numbers below approximately 10 minutes prior to the start of the call. The presentation can be found on the Company’s website: [www.shantagold.com](http://www.shantagold.com) or by clicking on the link below:

From UK (toll free): 080 8237 0030

From the rest of the world: +44 (0)20 3139 4830



Participant PIN code: 92559781#

The presentation is available via the following link:

<http://www.anywhereconference.com?UserAudioMode=DATA&Name=&Conference=131660007&PIN=92559781>

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

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#### About Shanta Gold

Shanta Gold is an East Africa-focused gold producer, developer and explorer. It currently has defined ore resources on the New Luika and Singida projects in Tanzania and holds exploration licences over a number of additional properties in the country. Shanta's flagship New Luika Gold Mine commenced production in 2012, produced 84,000 ounces in 2014. The Company is admitted to trading on London's AIM and has approximately 464 million shares in issue. For further information please visit: [www.shantagold.com](http://www.shantagold.com).

#### Operational

##### Production Summary

Production guidance for 2015 is maintained at 72,000 - 77,000 oz.

	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Tonnes ore milled	119,857	137,894	154,309	153,301
Grade (g/t)	4.27	3.38	4.37	4.47
Recovery (%)	89.3	90.1	88.2	89.1



Gold (oz)

Production	14,664	13,516	19,114	22,720
Sales	11,590	13,551	24,700	18,600
Silver production (oz)	24,398	24,600	34,768	38,999
Realised gold price (US\$)	1,222	1,252	1,253	1,306

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To demonstrate the challenge of the first half of 2015 and the recovery that has been achieved over this period, the graphs below show the production performance for gold, tonnes ore milled, tonnes ore mined and waste mined.

Gold Production

[http://www.rns-pdf.londonstockexchange.com/rns/5731T\\_-2015-7-20.pdf](http://www.rns-pdf.londonstockexchange.com/rns/5731T_-2015-7-20.pdf)

Ore Mined

[http://www.rns-pdf.londonstockexchange.com/rns/5731T\\_1-2015-7-20.pdf](http://www.rns-pdf.londonstockexchange.com/rns/5731T_1-2015-7-20.pdf)

Waste Mined

[http://www.rns-pdf.londonstockexchange.com/rns/5731T\\_2-2015-7-20.pdf](http://www.rns-pdf.londonstockexchange.com/rns/5731T_2-2015-7-20.pdf)

Ore Milled

[http://www.rns-pdf.londonstockexchange.com/rns/5731T\\_3-2015-7-20.pdf](http://www.rns-pdf.londonstockexchange.com/rns/5731T_3-2015-7-20.pdf)

Tonnes of ore milled remained low in the Quarter while both pits were re-developed throughout April and May 2015. The permanent access ramp to the 930 RL in Bauhinia Creek Pit was completed in May 2015, with the first ore blast for the year in this pit achieved on 13 May 2015. Since the start of 2015, as the only alternative source of ore, Luika Pit was unable to single-handedly provide sufficient feed to the mills; this in turn was exacerbated by geotechnical issues reported last Quarter. Low grade gravels were used to supplement feed to the mill.

Importantly both active pits have now been re-designed. The Bauhinia Creek Pit has had the ore in the western cut-back re-allocated to the underground. This has reduced the waste removal for the balance of the pit (still designed down to 160 metres ("m") depth by >50 per cent. At Luika Pit, re-optimisation taking into account dilution of the previously underground mined areas and the need to deal with pit wall instability has resulted in a smaller open pit operation. The reduced open pit reserves in both pits are not lost but will be included in underground resources. The detail of the change to Open Pit Reserves will be provided in a Reserve Update for New Luika Gold Mine which the Company expects to release during Q3 2015.

To mitigate the operational risk and to provide an alternative source of ore, an open pit operation is being started at the Jamhuri satellite deposit, which is a similar distance from the plant as the Luika Pit. The grade and cost are broadly similar to the existing Luika Pit.



### Safety, Health and Environment

The crushing plant damaged in a fire incident in January 2015 has been repaired and a replacement screen installed. No production losses were experienced as a result of this incident.

Safety performance remained high with no lost time injuries recorded. The Company continues to work closely with the relevant authorities in ensuring compliance with environmental regulations.

### **Financial**

A total of 11,590 oz. of gold were sold, all in fulfillment of forward sales commitments, at an average price of US\$1,222 per oz. A further 2,673 oz. were in transit at Period end.

As at 30 June 2015, the Company had hedged to December 2015, 26,000 oz at an average price of US\$1,221 per oz.

Unit cost performance continued to be adversely affected by the low gold production. Cash Cost per ounce amounted to US\$834 per oz (Q1: US\$1,143/oz) and AISC amounted to US\$1,157 per oz (Q1: US\$1,451/oz). In line with the lower strip ratio following the pit re-optimisation and the higher gold production, Cash Cost and AISC for June amounted to US\$520 and US\$780 per oz respectively and are expected to remain at this level for the remainder of the year. AISC guidance for 2015 therefore remains unchanged at US\$850 - US\$900 per oz and is within the lowest cost quartile of current gold producers.

Cash generated from operations was negative at US\$3.0 million, reflecting the low gold production. US\$5.6 million of gold proceeds were received post quarter end for deliveries made in June.

The Investec loan facilities were finalised during the Quarter following regulatory approval by the Bank of Tanzania. FBN loan repayments amounted to US\$1.9 million, while the unpaid loan balance of US\$18.8 million was refinanced from the Investec loan. US\$10 million of the Investec Standby Facility has been drawn to fund working capital requirements at a time when cash generation was low. No further drawdowns are planned.

As a result of the low cash generation, implementation of capital expenditure projects except for the Bauhinia Creek push back was restricted. Consequently, capital expenditure for the Quarter amounted to US\$6.6 million (Q1: US\$8.1 million), of which the Bauhinia Creek push back accounted for US\$3.8 million.

The cash balance at quarter end was US\$5.9 million, US\$3.3 million lower than the previous quarter. Gross debt amounted to US\$60.4 million (Q1: US\$52.7 million), while net debt amounted to US\$54.5 million (Q1: US\$43.5 million).

Note 1: Cash Cost - Back of mine operating and administrative costs excluding royalty

Note 2: AISC - Cash cost plus royalty, stay in business capital expenditure, interest and G & A

### **Development**

#### Exploration



Peet Prinsloo rejoined Shanta Mining Company in May 2015 as Head of Exploration. Before his departure in 2013, Peet was instrumental in the early work done on Shanta’s resources at Singida and New Luika. His knowledge and experience, in Tanzania and beyond, will be applied to drive the value of the business through extending and growing the resource base. This is focused on the highly prospective exploration potential and existing ore bodies within and surrounding the New Luika Mine, a review of the Singida asset and consideration of opportunities external to SMCL.

Drilling exploration programs commenced in Q2 at Jamhuri and Elizabeth Hill within the New Luika Mining License and grassroots exploration continued within prospecting licenses held in close proximity to the New Luika Mine. Updates on the results of this work will be provided as appropriate through the course of 2015.

Results of supplementary exploration drilling and analysis, conducted as part of the underground feasibility work for Bauhinia Creek and Luika, were returned in the quarter and are summarised below. This work will result in a Resource update for Bauhinia Creek and Luika deposits.

**Bauhinia Creek**

Five directionally drilled Reverse Circulation (“RC”)/ Diamond Drill (“DD”) holes were completed at the Bauhinia Creek deposit and confirmed continuity of the ore body and gold grade, the following notable drill hole intersections were reported:

CSD060: 5.38 M @ 11.64 g/t , 274 m below surface  
 CSD061: 4.15 M @ 12.42 g/t , 257 m below surface  
 CSD063: 5.93 M @ 42.22 g/t , 266 m below surface  
 CSD064: 10.60 M @ 11.79 g/t , 211 m below surface

The sample results are summarised in the table below:

Target	BH ID	From (m)	To (m)	Width (m)	Grade Au g/t
BC	CSD060	311.52	316.9	5.38	11.64
BC	CSD061	288.4	292.55	4.15	12.42
And					
BC	CSD061	294.15	297.99	3.84	1.07
And					
BC	CSD061	306.78	308.78	2.00	4.07
BC	CSD062	256.48	271.09	14.61	2.3
BC	CSD063	299.83	305.76	5.93	42.22
And					
BC	CSD063	309.44	310.2	0.76	2.1
BC	CSD064	233.06	233.97	0.91	1.22
And					
BC	CSD064	240.86	251.46	10.6	11.79



**Luika**

A total of four directionally drilled RC/DD holes were completed at the Luika deposit and confirmed continuity of the ore body and gold grade, and in particular a better understanding of the higher grade westerly plunging pay chute, The following notable drill hole intersections were reported:

CSD058: 4.29 m @ 7.29 g/t , 177 m below surface  
 CSD059: 1.26 m @ 4.80 g/t , 180 m below surface

The sample results are summarised in the table below:

Target	BH ID	From (m)	To (m)	Width (m)	Grade Au g/t
LUIKA	CSD056	265.83	268.37	2.54	2.18
LUIKA	CSD057	242.66	243.21	0.55	0.28
LUIKA	CSD058	198.48	202.77	4.29	7.29
LUIKA	CSD059	204.53	205.79	1.26	4.80

One intersection, CSD057 returned no significant gold mineralisation, although the structure and quartz vein was very well developed and visible sulphide mineralisation was present.

An update regarding Underground Reserves will be provided as part of the Underground Feasibility Study due for completion in Q3 2015.

New Luika Life of Mine Study

Good progress has been made on both the Life of Mine and underground feasibility studies which are both expected to be completed in Q3 2015. Shanta engaged a full-time senior underground mining engineer as a key member of the project team. The location of the underground access portal, assuming a successful feasibility, has been identified and the plans for the open pit operations have been adjusted to accommodate this.

Singida

Following the settlement of the long-term legacy compensation issue in Q1 (predating SMCL involvement), discussions have resumed on the formal relocation process which needs to be completed prior to commencement of mining. In the meanwhile, further work is continuing on metallurgical testing with a view to potentially reducing start-up capital requirements.

**ENDS**