

1 September 2014



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

Interim results for the six months to 30 June 2014

Shanta Gold (AIM: SHG), the East Africa focused gold production and exploration company, is pleased to announce its unaudited results for the six months ended 30 June 2014.

Highlights

Operational

- Gold production of 42,194 ounces during the period
- Cash Cost and All in Sustaining Cost of \$759 and \$965 per ounce respectively¹
- 44,459 ounces of gold sold at an average price of \$1,302 per ounce
- Elution and Electro-winning plant fully operational with immediate improvements in gold and silver recoveries
- Heavy Fuel Oil (HFO) conversion completed and mine currently running at over 90% on the lower cost fuel
- New crushing circuit to be commissioned and fully operational by end September with resultant uplift in mill throughput and cost savings

Financial

- Revenue of \$58.3 million
- EBITDA of \$15.5 million
- Profit before and after tax of \$7.7 million and \$4.1 million respectively
- Cash generated from operations of \$16.7 million
- Capital expenditure of \$10.9 million (including vendor funded portion of crusher capital costs of \$2.9 million)
- Repayment of the bank loan commenced in January 2014 and \$5.6 million was repaid in the period
- Cash balance of \$15.5 million
- Net debt of \$46 million

Corporate

- Forward sales policy remains in place with 23,000 ounces sold forward during the period. A further 30,000 ounces has been hedged from July 2014 to March 2015 at an average price of \$1,319

Outlook

- Reaffirming FY2014 production guidance of 80,000 to 83,000 ounces with All in Sustaining Cost guidance of \$900 to \$1,000
- New Luika Life of Mine Extension and Expansion studies are now expected to be announced in early Q4 2014 in order to include improved resource numbers from recent drilling programme
- Singida resource evaluation and relocation exercise are on-going

Commenting on the results Mike Houston, CEO, said:

"Results for the half year are pleasing not only from the perspective of a positive production and cost performance but also the fact that the company is generating a healthy operating cash flow. The New Luika Life of Mine Extension and Expansion Project is progressing well with the initial results from the recent drilling programme both on and off-mine encouraging".

Note 1

1.1 Cash Cost – Mining, processing and mine administration costs

1.2 All in Sustaining Cost – Cash cost plus royalty, interest, general administration & corporate costs and stay in business capital expenditure

Enquiries:

Shanta Gold Limited

Mike Houston, CEO

Patrick Maseva-Shaywabaya, CFO

Tel: +255 (0) 22 2601 829

Nominated Adviser and Broker

Peel Hunt LLP

Matthew Armitt/Ross Allister

Tel: +44 (0)20 7418 8900

Joint Broker

GMP Securities Europe LLP

Richard Greenfield/Alexandra Carse

Tel : +44 (0) 20 7647 2800

Financial Public Relations

FTI Consulting

Oliver Winters/Sara Powell

Tel: +44 (0)20 3727 1535

Operational

Production Summary

	H1 2014	H2 2013	% Change
Tonnes ore milled	284,685	231,408	23
Gold produced (oz)	42,194	38,475	10
Gold sold (oz)	44,459	38,035	17
Gold price realised (\$/oz)	\$1,302	\$1,343	(3)

A total of 284,685 tonnes ore was milled in the period, an increase of 23% on the previous half year. The higher mill throughput enabled the processing of lower grade ore resulting in gold production of 42,194 ounces which was 10% higher than the previous period. During the course of the period and with the decommissioning of the old incineration plant and its replacement by the elution/electro-winning plant, approximately 3,000 ounces of gold were recovered from the circuit.

The conversion from diesel to lower cost Heavy Fuel Oil (HFO) was completed during the period and the mine is now running at over 90% on HFO with cost savings anticipated of \$20 per ounce. The elution/electro-winning plant was commissioned in May 2014 and has had a material impact on recoveries of both gold and silver. The new crushing/screening plant is running slightly behind plan due to delays from the supplier but is anticipated to be fully operational by end of September 2014, with resultant uplift in mill throughput and cost savings.

Financial

Income Statement

Revenue for the period amounting to \$58.3 million was generated from the sale of 44,459 ounces of gold at an average price of \$1,302. Cost of sales for the period amounted to \$41.3 million. The gross margin of 29% was satisfactory and in line with management's expectations.

Administration and exploration expenditure for the period amounted to \$5.8 million. Administration costs have now stabilised and the incidence of non-recurring expenditures typical of the period immediately after commencement of production, is now low. EBITDA for the period was \$15.5 million. An operating profit of \$11.1 million was achieved, the first time that the Company has recorded a profit since commercial production started in early 2013. Net finance costs amounted to \$3.5 million, compared to net finance income for the prior period of \$2.6 million which was a result of a reduction in the fair value of warrants. Profit before tax for the period thus amounted of \$7.7 million.

The profit before tax for the period and consequent partial utilisation of the Group's accumulated tax losses resulted in a deferred tax charge of \$3.6 million. Profit after tax for the period thus amounted to \$4.1 million, giving earnings per share of 0.884 cents.

Costs

Cost control during the period was good. In addition, unit cost performance benefitted from higher than anticipated gold production. Cash Cost and All in Sustaining Cost for the period amounted to \$759 and \$965 per ounce respectively. Comparative numbers for the period to December 2013 were \$844 and \$1,049 respectively. Management remains focused on cost improvement initiatives.

Financial Position

Group assets increased from \$159.6 million at 31 December 2013 to \$164.1 million as a result of the capital expenditure of \$10.9 million mainly on the elution/electro-winning and crusher/screening plant, which has been partly offset by depreciation charges of \$4.3 million. The crusher/screening plant was part funded through a loan of \$2.9 million provided by the equipment vendor.

Gold bullion on hand at period end was 2,192 ounces and thus the value of inventories and consumable spares at period end reduced from \$16.9 million at end of December 2013 to \$16.1 million.

Cash flow

Despite the low and volatile gold price, cash generation during the period was strong with US\$16.7 million generated from operations. Repayment of the bank loan commenced in January 2014 and \$5.6 million was repaid in the period. Interest payments on the bank loan and Convertible Loan Notes amounted to \$2.2 million. There was thus a marginal improvement in the cash position to \$15.5 million. Borrowings net of cash at period end amounted to \$46 million including the \$25 million Convertible Loan Notes.

Corporate

The Company continued its strategy to hedge part of the gold production. A total of 23,000 ounces were sold under forward sales contracts during the period at an average price of \$1,319. A further 30,000 ounces has been hedged from July 2014 to March 2015 at the same price.

Outlook

The gold price is forecast to remain volatile for the remainder of 2014 but the Company has a prudent hedging strategy in place covering 50% of the forecast production for the remainder of the year at \$1,319 per ounce.

With the plant upgrade due to be completed by end of September 2014, the Company retains its 80,000 to 83,000 ounces production guidance with All in Sustaining Cost guidance of \$900 to \$1,000 for 2014.

The Company completed a drilling program at Bauhinia Creek and Luika to upgrade the underground resource and we anticipate there will be a material transfer of resource from inferred to indicated thereby increasing the mineable reserve. In addition, evaluation drilling was completed on the Ilunga deposit, which sits in close proximity to the plant. The initial results are encouraging with high grade drill intersections and the ore body appears open at depth. It is anticipated that the results of these drilling programs will be announced in Q4 2014.

Off-mine exploration drilling is focused on three targets in close proximity to the New Luika Mine and the drilling program will have been completed by mid-September. Once assay results have been reviewed we anticipate updating the market during Q4 2014.

The results of the Life of Mine and Plant Expansion project at the New Luika Mine are due to be announced in Q4 2014 in order to incorporate a resource upgrade following the completion of a drilling programme at New Luika.

At Singida, work continues on resource evaluation and the relocation exercise. We anticipate we will complete this part of project work by Q2 2015. Whilst Singida remains an important asset, the Company will prioritise implementation of the New Luika Life of Mine Extension and Expansion Project. The Company is giving consideration to alternative funding options for the Singida Project that would not place undue stress on the Company's balance sheet.

SHANTA GOLD LIMITED

Consolidated Income Statement

	Note	6 months ended 30 June 2014 US\$'000 Unaudited	6 months ended 30 June 2013 US\$'000 Unaudited	Year ended 31 December 2013 US\$'000 Audited
Revenue		58,276	14,668	65,989
Cost of sales		(41,289)	(11,570)	(53,816)
Gross Profit		16,987	3,098	12,173
Other costs		(5,844)	(7,132)	(15,345)
Administration expenses		(4,555)	(5,904)	(12,525)
Exploration and evaluation costs		(1,289)	(1,396)	(2,988)
Loss on settlement of pre-existing relationship		-	(1,500)	(1,500)
Reversal of provision for bad debt		-	1,668	1,668
Operating Profit/(Loss)		11,143	(4,034)	(3,172)
Finance income		37	6,183	6,019
Finance expense		(3,520)	(3,583)	(7,213)
Profit/(loss) before taxation		7,660	(1,434)	(4,366)
Taxation		(3,555)	-	5,125
Current		-	-	-
Deferred		(3,555)	-	5,125
Profit/(loss) for the period / year attributable to equity holders of the parent company		4,105	(1,434)	759
Basic earnings per share (cents)	3	0.884	(0.31)	0.164
Diluted earnings per share (cents)	3	0.871	(0.31)	0.163

Consolidated Statement of Comprehensive Income

	6 months ended 30 June 2014 Unaudited US\$'000	6 months ended 30 June 2013 Unaudited US\$'000	Year ended 31 December 2013 Audited US\$'000
Profit/(loss) after taxation	4,105	(1,434)	759
Other comprehensive income:			
Exchange differences on translating acquisition transaction which can subsequently be reclassified to profit or loss	10	229	407
Total comprehensive income attributable to equity shareholders of parent company	4,115	(1,205)	1,166

SHANTA GOLD LIMITED

Consolidated Statement of Financial Position

	Note	30 June 2014 US\$'000 Unaudited	30 June 2013 US\$'000 Unaudited	31 December 2013 US\$'000 Audited
Non-current assets				
Intangible assets		23,251	23,481	23,495
Property, Plant and Equipment		97,032	88,796	90,437
Deferred tax asset		1,570	-	5,125
Total non-current assets		121,853	112,277	119,057
Current assets				
Inventories		16,104	20,955	16,949
Trade and other receivables		10,085	8,799	8,334
Restricted cash		600	600	600
Cash and cash equivalents		15,472	12,849	14,638
Total current assets		42,261	43,203	40,521
Total assets		164,114	155,480	159,578
Capital and reserves				
Share capital		76	75	76
Share premium		132,865	132,139	132,797
Other reserves		11,182	9,926	10,467
Retained deficit		(56,087)	(62,477)	(60,192)
Total equity		88,036	79,663	83,148
Non-Current liabilities				
Loans and borrowings	4	42,953	35,624	47,582
Decommissioning provision		6,041	4,292	5,825
Deferred taxation		5,197	5,197	5,197
Total non-current liabilities		54,191	45,113	58,604
Current liabilities				
Trade payables and accruals		7,640	9,534	6,543
Loans and borrowings	4	14,247	21,170	11,283
Total current liabilities		21,887	30,704	17,826
Total liabilities		76,078	75,817	76,430
Total equity and liabilities		164,114	155,480	159,578

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	Retained deficit US\$'000	Total Equity US\$'000
At 1 January 2014	76	132,797	4,286	5,374	807	-	(60,192)	83,148
Profit for the period	-	-	-	-	-	-	4,105	4,105
Comprehensive income for the period	-	-	-	-	10	-	-	10
Shares issued	-	68	-	-	-	-	-	68
Share based payments	-	-	705	-	-	-	-	705
At 30 June 2014 (Unaudited)	76	132,865	4,991	5,374	817	-	(56,087)	88,036
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 2013	75	132,139	3,258	5,374	400	293	(61,043)	80,496
Profit for the year	-	-	-	-	-	-	759	759
Comprehensive income for the year	-	-	-	-	407	-	-	407
Share based payments	-	-	1,426	-	-	-	-	1,426
Shares issued	1	658	(306)	-	-	(293)	-	60
Lapsed options	-	-	(92)	-	-	-	92	-
At 31 December 2013 (Audited)	76	132,797	4,286	5,374	807	-	(60,192)	83,148

SHANTA GOLD LIMITED
Consolidated Statement of Cash flows

	Note	30 June 2014 US\$'000 Unaudited	30 June 2013 US\$'000 Unaudited	31December 2013 US\$'000 Audited
Net cash flows from operating activities	5	16,650	(9,602)	19,529
<u>Investing activities</u>				
Purchase of intangible assets		-	(42)	(62)
Purchase of property, plant and equipment		(307)	(244)	(10,185)
Additions to assets under construction		(7,700)	(14,375)	(9,452)
Capitalised sales from test production		-	21,687	-
Interest received		-	40	-
Proceeds from disposal of asset		-	-	31
Transfer to restricted cash		-	(600)	(600)
Investment in subsidiary		-	(2,400)	(2,400)
Net cash flows (used in)/from investing activities		(8,007)	4,066	(22,668)
<u>Financing activities</u>				
Proceeds from issue of ordinary share capital		-	-	60
Loans repaid		(5,625)	(12,823)	(15,323)
Loan interest paid		(2,184)	(2,469)	(4,683)
Loans received, net of issue costs		-	29,400	33,446
Net cash flows (used in)/from financing activities		(7,809)	14,108	13,500
Net increase in cash and cash equivalents		834	8,572	10,361
Cash and cash equivalents at beginning of period / year		14,638	4,277	4,277
Cash and cash equivalents at end of period / year		15,472	12,849	14,638

SHANTA GOLD LIMITED

Notes to the Consolidated Financial Statements

for the six months ended 30 June 2014

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 29 August 2014.

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 2014.

The consolidated interim financial statements for the period 1 January 2014 to 30 June 2014 are unaudited and incorporate unaudited comparative figures for the interim period 1 January 2013 to 30 June 2013 and the audited comparative figures for the year to 31 December 2013. 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 2013 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. Earnings per share

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

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 2014			Unaudited 30 June 2013			Audited 31-Dec-13		
	Profit US\$'000	Number of shares (thousands)	Per share amount (Cents)	Loss US\$'000	Weighted average number of shares (thousands)	Per share amount (Cents)	Profit US\$'000	Weighted average number of shares (thousands)	Per share amount (Cents)
Basic EPS	4,105	464,389	0.884	(1,434)	461,827	(0.31)	759	462,729	0.164
Diluted EPS	4,105	471,190	0.871	(1,434)	461,827	(0.31)	759	464,869	0.163

SHANTA GOLD LIMITED
Notes to the Consolidated Financial Statements
for the six months ended 30 June 2014

4. Loans and borrowings

	6 months ended 30 June 2014 US\$'000 Unaudited	6 months ended 30 June 2013 US\$'000 Unaudited	Year ended 31 December 2013 US\$'000 Audited
Amounts payable within one year			
Loan from FBN Bank ^(b)	10,997	20,833	10,946
Loan from related parties ^(c)	337	337	337
Promissory notes ^(a)	2,334	-	-
Equipment Finance ^(e)	579	-	-
	14,247	21,170	11,283
Amounts payable after one year			
Convertible loan notes ^(d)	21,042	19,792	20,240
Promissory notes ^(a)	2,720	4,615	4,842
Loan from FBN Bank ^(b)	16,875	11,217	22,500
Equipment Finance ^(e)	2,316	-	-
	42,953	35,624	47,582

(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 in 2013 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\$30 million working capital loan facility obtained in January 2013 from FBN Bank UK Ltd which bears an annual interest rate of LIBOR +8%. 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. This loan was restructured in August 2013 after FBN gave a further loan of US\$3.75 million. The total loan amount of US\$33.75 million was repayable over 36 months at US\$937,500 per month starting in January 2014. Capital repayments of US\$5,625,000 have been made in the six months to June 2014.

(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 loans, which is considered to be its face value as the loans 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.

(e) Equipment finance is in respect of a crusher/screening plant acquired from Sandvik SRP AB, Sweden. The loan is payable in 20 equal quarterly instalments commencing on 15 August 2014 and bears interest at a rate of 6% per annum.

SHANTA GOLD LIMITED

Notes to the Consolidated Financial Statements for the six months ended 30 June 2014

5. Net Cash flows from Operating activities

	30 Jun 2014 US\$'000	30 June 2013 US\$'000	31 Dec 2013 US\$'000
Profit/(Loss) before tax	7,660	(1,434)	(4,366)
Adjustments for:			
Depreciation	4,308	1,551	4,783
Gain on disposal of assets	-	-	(5)
Share based payment costs	773	372	1,426
Finance income	(37)	(6,183)	(6,019)
Finance expense	3,520	3,583	7,213
Exchange loss	38	58	726
Loss on settlement of pre-existing relationship	-	1,500	1,500
Prospecting licences surrendered	244	-	-
Reversal of provision for bad debt	-	(1,668)	(1,668)
Capitalised sales from test production	-	-	21,687
Costs transferred from mining properties	-	15,361	15,638
Operating cash inflow before movement in working capital	16,506	13,140	40,915
Movements in working capital:			
(Increase)/decrease in receivables	(1,751)	(156)	309
Decrease/(Increase) in inventories	845	(20,955)	(16,949)
Increase/(decrease) in payables	1,050	(1,631)	(4,786)
	16,650	(9,602)	19,489
Interest received	-	-	40
Net cash flow from operating activities	16,650	(9,602)	19,529

6. Finance Expense

Included within finance expense is a cost of US\$47,000 (June 2013 - 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 2014 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..

The fair value at 30 June 2014 is based on the prevailing Company share price of 13.25 pence on that date; and has been calculated using the Black-Scholes model which takes into account the historical share price volatility of 60%.

7. Events after the reporting period

There were no significant transactions after the reporting date.