

18 August 2017

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

**Interim results for the six months ended 30 June 2017**

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, developer and explorer, announces its unaudited results for the six months ended 30 June 2017 (the "Period").

Post the period under review Tanzanian mining legislation continued to evolve. A new Finance Act was approved by the Tanzanian Parliament in June 2017 and a number of new legislative Bills were enacted as Laws in early July 2017. Since July, gold shipments have attracted higher royalty rates of 6%, up from 4% previously, and a Clearing Fee of 1% has been applied. Shanta's production forecast, however, remains unchanged. The Company will continue to seek advice on the legislation and its potential impact and will provide updates as appropriate.

As announced previously, Shanta has commenced a business review of its operations and cost base. The Company will be updating the market in due course, in regard to cost and value improvement details.

## Highlights

### Financial

- H1 2017 revenue of US\$52.7 m (H1 2016: US\$55.7 m);
- H1 2017 EBITDA of US\$21.5 m before including the effect of accounting for underground development ore prior to commercial production on a zero-margin basis of US\$8.3 m, compared to full year 2016 EBITDA of US\$50.2 m (H1 2016: US\$33.3 m EBITDA);
- Loss after taxation for the Period of US\$2.1 m (H1 2016: loss after taxation of US\$4.7 m);
- Cash flow from operating activities for the Period before changes in working capital of US\$22.7 m before including the effect of accounting for underground development ore prior to commercial production on a zero-margin basis (H1 2016: US\$34.8 m);
- Cash balance of US\$13.8 m (FY 2016: US\$14.9 m);
- Net debt of US\$43.5 m (FY 2016: US\$44.2 m); and
- Forward sales from July to December 2017 of 37,000 ounce ("oz") at an average price of US\$1,278 per ounce ("/oz").

### Operational

- A total of 56,268 tonnes of ore grading 8.27 grams per tonne ("g/t") was mined in the Period;
- H1 2017 gold production of 40,073 oz (H1 2016: 48,237 oz);
- H1 2017 gold sales of 41,234 oz at an average price of US\$1,257 /oz, compared to average spot price of US\$1,239 /oz (H1 2016: 47,621 oz at an average price of US\$1,193 /oz);
- Cash costs for H1 of US\$547 /oz (H1 2016: US\$437 /oz) and All In Sustaining Costs ("AISC") of US\$755 /oz (H1 2016: US\$632 /oz);

- Annual guidance reiterated for 2017 of 80,000 – 85,000 oz, although expected to be towards the lower end of guidance due to the exclusion of the Singida pilot plant production;
- AISC guidance maintained at US\$800 – US\$850 /oz; and
- One lost time injury for the Period.

## Development and Exploration

- Revised Mine Plan (“RMP”) was delivered in March 2017 providing an update to the 2015 Base Case Mine Plan (“BCMP”). The below cost figures in the RMP exclude the impact of higher royalties announced in recent Tanzanian legislation;
- Reserves were increased from 2.66 million tonnes (“Mt”) at 5.93 grams per tonne (“g/t”) for 506,000 oz to 3.64 Mt at 4.40 g/t for 515,000 oz. Importantly, this increase is after accounting for depletion of 615,000 t at 5.27 g/t for 104,000 oz contained;
- RMP delivers 500,000 oz at AISC of US\$736 /oz after depletion compared to 443,000 oz at US\$695 /oz in the 2015 BCMP;
- After accounting for additional reserves and depletion, the RMP has added 174,000 oz of production at an AISC of US\$779 /oz;
- A JORC Compliant Code (2012) maiden resource for Nkuluwisi was announced in May 2017 totalling 3,973,000 t at 1.1 g/t for a total of 140,894 oz of gold. This is excluded from the RMP as it is outside of the Company’s existing mining licences;
- First stoppe ore was produced from the NLGM underground operation in May 2017 and commercial production was declared on 1 June 2017; and
- The Environmental Social Impact Assessment (“ESIA”) at Singida continued in the Period. Investment in the Pilot Plant Project remained on hold pending availability of cash, caused by delays to VAT refunds.

## Corporate

- Eric Zurrin re-joined Shanta Gold as its Chief Financial Officer (“CFO”), effective 13 March 2017. Subsequent to the Period end, Eric was appointed Chief Executive Officer (“CEO”) from 3 August 2017 and joined the board of Directors of Shanta Gold Limited on 17 August 2017;
- Mr Keith Marshall was appointed to the Board as a Non-Executive Director in June 2017;
- Financing of €2.1 m (US\$2.2 m) for underground equipment purchases with Sandvik completed;
- Financing of US\$10.0 m (comprising US\$7.5 m over 4 years and US\$2.5 m for short term working capital) agreed with Exim Bank;
- US\$14.0 m gross proceeds raised in an equity placement;
- A proposed debt restructuring was announced including a credit approved commitment letter with Investec Bank plc regarding a new US\$50 m facility to replace the current US\$40 m facility, of which US\$32.6 m is outstanding; and
- A proposed buyback of the Company’s US\$15.0 m Convertible Loan Notes was announced.

**Eric Zurrin, Chief Executive Officer, commented:**

*“Progress at New Luika has continued to be extremely pleasing. Underground development has now reached 4.4 kilometres in just over 13 months which is a testament to the skills and professionalism of the entire team. The transition to the underground mine remains on track and continues to be de-risked as more stopes are opened up and critical equipment arrives at site.*

*“During May and June, important corporate achievements were announced to give the Company a stronger platform to realise shareholder value over the long term. These accomplishments were completed alongside a US\$14 million equity placement which provides the Company with increased financial flexibility, while reducing outstanding working capital requirements.*

*“As communicated to the market in July, Shanta crossed the 40,000 oz gold production mark during the first half of the year and is on track to meet the full year production guidance of 80,000 – 85,000 oz.*

*“Tanzania continues to undergo a period of uncertainty and Shanta is responding with proactive decisions around its cost structure. The Company will update the market in due course with details of its ongoing and one-time efficiencies and cost improvements. Tanzania remains one of the fastest growing countries globally and Shanta is well positioned for the longer term.”*

**Enquiries:**

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**About Shanta Gold**

Shanta 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 and produced 87,714 ounces in 2016. The Company has been admitted to trading on London's AIM and has approximately 766 million shares in issue. For further information please visit: [www.shantagold.com](http://www.shantagold.com).

## Financial and Operational

Revenue for the Period of US\$52.7 million was generated from the sales of 41,234 oz of gold at an average price of US\$1,257 /oz. Revenue for H1 2017 was 5.2% lower than for H1 2016 reflecting lower gold sales. The lower gold production volumes in H1 2017 were expected and were a direct result of the availability of lower grades compared to H1 2016, albeit, these are in line with the reserve average. Sales volumes and average gold price for H1 2016 were 47,621 oz and US\$1,193/oz respectively. The loss on non-hedge derivatives and other commodity contracts reduced significantly to US\$0.7 million (H1 2016: US\$1.2 million) driven by a reduced focus on shorter dated hedging instruments.

Cost of sales for the Period amounted to US\$44.0 million, down 11.9% from H1 2016. Cost of sales in the Period include the effect of accounting for underground development ore prior to commercial production which was accounted for on a zero-margin basis, adding an estimated US\$8.3 million on a normalised basis to the Cost of sales in H1 2017. Underground ore development prior to commercial production has been estimated to cost US\$50 /tonne ore on a normalised basis in comparison with an implied cost of US\$245 /tonne ore on an accounting basis.

EBITDA for H1 2017 is US\$21.5 million down from US\$33.3 million in H1 2016 which was a record result based on high gold production as the Bauhinia Creek open pit returned high grades in the final few months of its life in 2016. The Company sold fewer ounces and produced at a higher cost in the Period versus H1 2016.

Administration and exploration expenditure amounted to US\$4.2 million, slightly lower than US\$4.4 million in H1 2016, given less exploration works were carried out in the Period. Net finance costs amounted to US\$4.4 million (H1 2016: US\$3.1 million), predominantly due to the accounting for the Silver Stream in the Period which was only applicable for two months of the H1 2016 period.

The loss before tax of US\$0.6 million is an improvement from the loss before tax of US\$3.0 million in H1 2016. It is important to highlight that the effect of accounting for underground development ore prior to commercial production reduced profit before tax in the Period by US\$8.3 million on a normalised basis. The loss after tax for the Period amounted to US\$2.1 million (H1 2016: loss after tax of US\$4.7 million), giving a loss per share of US\$0.361 cents (H1 2016: loss per share of US\$0.946 cents).

## Costs

The Company reported an AISC of US\$755 /oz in the Period, higher than US\$632 /oz in H1 2016 which itself benefited from record 6-month production in 2016. Cash costs for the Period amounted to US\$546 /oz, up from US\$437 /oz in H1 2016, which was driven by lower grade in H1 2017 and a higher proportion of fixed costs in the same period in 2016.

Commercial discussions have started in August 2017 with major suppliers and necessary steps around deciding on suitable personnel levels have been initiated.

*Cash cost – Mining, processing and mine administration costs*

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

## **Financial Position**

Total assets excluding cash balances increased from US\$157.1 million at 31 December 2016 to US\$162.9 million, due mainly to the additional underground and surface capital expenditure at NLGM including the Power Station and Tailings Storage Facility 2 ("TSF2"), as well as the increase in VAT receivable.

At 30 June 2017, inventories amounted to US\$20.5 million, up slightly from US\$20.3 million at 31 December 2016. The high grade stockpile built up throughout the first half of 2016 from the high grade open pits was used to blend lower grade material in H1 2017 during the development of the underground mine. Total liabilities decreased by US\$6.3 million in the Period. Loans and Borrowings decreased by US\$4.2 million following scheduled repayments.

## **Cash flow**

Gold production and grade in the Period was lower than H1 2016, partially offset by a higher average selling price in the Period. Capital expenditure amounted to US\$20.6 million, including US\$10.4 million relating to the processing of underground development ore prior to commercial production.

Cash generated from operations before working capital was US\$22.7 million on a normalised basis before the effect of accounting for underground development ore prior to commercial production which was accounted for on a zero-margin basis of US\$8.3 million. Working capital decrease of US\$8.7 million was driven predominantly by an increase in VAT receivable and decrease in payables. The cash balance at 30 June was US\$13.8 million, down from US\$14.9 million at 31 December 2016. Net debt at Period end thus amounted to US\$43.5 million (FY 2016: US\$44.2 million).

A financing of €2.1 million (US\$2.2 million) for underground equipment purchases with Sandvik completed in May 2017.

A loan financing of US\$10.0 million (comprising US\$7.5 million facility repayable over four years and US\$2.5 million for short term working capital) was agreed in May 2017 with Exim Bank Tanzania, one of the largest commercial banks in Tanzania. During the Period, US\$2.5 million of the loan facility was disbursed to the Company. The Exim debt is secured against the NLGM Power Station which was commissioned in Q1 2017 and is now fully operational.

No VAT was returned to Shanta during the Period. At the end of June 2017, US\$13.6 million (converted from Tanzanian Shillings at 30 June 2017 closing rate) of VAT eligible receipts has been paid by the Company over the past 14 months. The last VAT refund was received for the period up to April 2016. The Company has applied to offset corporate tax payments against government approved VAT refunds that are due to Shanta and is awaiting a response.

## **Exploration and Development**

The Company had exploration costs of US\$1.0 million in the Period (H1 2016: US\$1.2 million), the majority of which related to personnel costs incurred by the exploration department on the ground.

The Revised Mine Plan (“RMP”) was delivered in March 2017 providing an update to the 2015 BCMP. With the benefit of increased resources through exploration and reduced operating costs, reserves were increased from 2.66 Mt at 5.93 g/t for 506,000 oz to 3.64 Mt at 4.40 g/t for 515,000 oz. Importantly, this increase is after accounting for depletion of 615,000 t at 5.27 g/t for 104,000 oz contained.

The RMP delivers 500,000 oz at US\$736 /oz after depletion compared to 443,000 oz at US\$695 /oz in the 2015 BCMP. Production since the BCMP accounts for 117,000 oz at US\$645 /oz. Production going forward under the BCMP would have been 326,000 oz at an AISC of US\$713 /oz. After accounting for additional reserves and depletion, the RMP has added 174,000 oz of production at an AISC of US\$779 /oz.

A JORC Compliant Code (2012) maiden resource for Nkuluwisi was announced in May 2017 totalling 3,973,000 tonnes at 1.1 g/t for a total of 140,894 oz of gold. This is excluded from the RMP as it is outside of the Company’s existing mining licences.

First stope ore was produced from the NLGM underground operation in May 2017 and commercial production was declared on 1 June 2017. Establishment of further stopes continues and the decline in the Bauhinia Creek deposit had reached the 835 RL as at the end of June. The underground continued to achieve good and consistent gold grades. A total of 56,268 t of ore grading 8.27 g/t was mined in the Period.

The Environmental Social Impact Assessment (“ESIA”) at Singida continued in the Period and is expected to be completed in Q4 2017. Investment in the Pilot Plant Project remained on hold pending availability of cash, caused by delays to VAT refunds.

Subsequent to the Period end, the expanded Solar Power Plant at NLGM started commercial supply as of 14 July 2017. The plant has an installed capacity of 696 kW of solar power which will reduce further NLGM’s dependence on Heavy Fuel Oil (“HFO”). The use of solar energy is anticipated to reduce the fuel consumption of HFO by 250,000 litres per year while further enhancing the Company’s environmental credentials.

Also subsequent to the Period end, the decision was taken to re-integrate the exploration camp with the NLGM camp, sharing services and overheads. This move is expected to be completed by the end of Q4 2017.

## **Corporate**

Eric Zurrin re-joined Shanta Gold as its CFO, effective 13 March 2017. Subsequent to the Period end, Toby Bradbury and the Company agreed that he would retire as CEO, and Eric Zurrin would take over as CEO with immediate effect. Toby Bradbury will remain on the Board of Directors (“Board”) until September 2017 to assist with the transition. Eric Zurrin has been appointed to the Board with effect from effective from 17 August 2017.

Mr Keith Marshall was appointed to the Board in June 2017 as a Non-Executive Director. Mr Marshall is a mining engineer with over 35 years of experience in the sector enabling him to accumulate a wealth of technical and managerial expertise with the last fifteen years spent in senior mine leadership roles. Mr Marshall’s last two operational roles were both with Rio Tinto, with whom he has worked for 22 years, as Managing Director of the Palabora Mining Company in South Africa and as President of the Oyu Tolgoi Project in Mongolia.

A number of financings were announced in the Period to fund the development of the underground mine at NLGM and increase the financial flexibility for the Company. During the first half of 2017, capital expenditures were US\$20.6 million and on track to taper in the second half of 2017 as investment in the underground mine reduces and the major infrastructure projects are completed.

A €2.1 m (US\$2.2 m) financing for underground equipment purchases was completed with Sandvik. In addition, a US\$10.0 m (comprising US\$7.5 m over 4 years and US\$2.5 m for short term working capital) was agreed with Exim Bank of which US\$2.5 m of the US\$7.5 m was disbursed.

An equity placement raising gross proceeds of US\$14.0 m was completed in June 2017.

A proposed debt restructuring was announced including a credit approved commitment letter with Investec Bank plc regarding a new US\$50 m facility to replace the current US\$40 m facility, of which US\$32.6 m is outstanding. The restructuring is subject to documentation and diligence on Tanzania by Investec.

A proposed buyback of the Company's US\$15.0 m Convertible Loan Notes was also announced. The buyback will be funded by the increased debt facility from Investec Bank plc. Post Period end, the written resolution was passed and the buyback is conditional on the finalisation of the Investec Bank plc debt documentation. The restructured balance sheet will reduce the Company's cost of capital and smooth the debt repayment profile over the next 3.5 years.

The Company has maintained a prudent hedging policy and was able to realise an average price of US\$1,257 /oz in the period. As at 30 June 2017, 37,000 oz had been sold forward to 31 December 2017 at an average price of US\$1,278/oz. The Company's policy to sell forward increases certainty of cash flow through the next 18-24 months of anticipated de-leveraging.

Lastly, the Company entered into an Arrangement Agreement to acquire Helio Resource Corp (TSX-V: HRC) in exchange for 59.5 million Shanta shares. However, as a result of the potential impact on Helio of the bills signed into Tanzanian law on 10 July 2017, the Company, having taken professional advice and upon due consideration, has determined not to proceed with the acquisition. As such, the Company has today announced that it has terminated the arrangement agreement with Helio Resource Corp.

## **Outlook**

As previously communicated in the Q2 2017 Production and Operation Update on 19 July 2017, production in Q2 2017 surpassed the Company's expectations resulting in a more balanced Period compared to the Company's internal expectations for the second half of 2017. Original guidance of up to 85,000 oz included a small contribution in 2017 from the Singida pilot plant gold production, which is currently on hold. Consequently, total gold production for 2017 is expected to remain within guidance, albeit towards the lower end. Capital expenditures are planned to taper off substantially in the second half of 2017 and production ore from the underground mine is forecast to continue to ramp up by the end of the year. Average annual production from 2017 – 2020, as provided in the RMP in March 2017, is expected at around 85,000 oz per annum.

# SHANTA GOLD LIMITED

## Consolidated Statement of Comprehensive Income for the six months ended 30 June 2017

	6 months ended 30-Jun-17 US\$'000 Note	6 months ended 30-Jun-16 US\$'000 Unaudited	Year ended 31-Dec-16 US\$'000 Audited
<b>Revenue</b>	<b>52,746</b>	<b>55,660</b>	<b>107,142</b>
(Loss) on non-hedge derivatives and other commodity contracts	(722)	(1,227)	(4,066)
<b>Cost of sales</b>	<b>(44,041)</b>	<b>(49,985)</b>	<b>(88,267)</b>
<b>Gross profit</b>	<b>7,983</b>	<b>4,448</b>	<b>14,809</b>
Other costs	(4,206)	(4,376)	(11,772)
Administration expenses	(3,206)	(3,141)	(7,075)
Exploration and evaluation costs	(1,000)	(1,235)	(4,697)
<b>Operating profit</b>	<b>3,777</b>	<b>72</b>	<b>3,037</b>
Finance income	26	88	98
Finance expense	(4,452)	(3,194)	(7,474)
<b>(Loss) before taxation</b>	<b>(649)</b>	<b>(3,034)</b>	<b>(4,339)</b>
<b>Taxation</b>	<b>(1,494)</b>	<b>(1,687)</b>	<b>(3,634)</b>
Current	(886)	(188)	(1,518)
Deferred	(608)	(1,499)	(2,116)
<b>(Loss) for the Period / year attributable to equity holders of the parent company</b>	<b>(2,143)</b>	<b>(4,721)</b>	<b>(7,973)</b>
<b>(Loss) after taxation</b>	<b>(2,143)</b>	<b>(4,721)</b>	<b>(7,973)</b>
Other comprehensive income:			
Exchange differences on translating subsidiary which can subsequently be reclassified to profit or loss	-	(42)	(418)
<b>Total comprehensive loss attributable to equity shareholders of parent company</b>	<b>(2,143)</b>	<b>(4,763)</b>	<b>(8,391)</b>
<b>Basic and diluted (loss) per share (cents)</b>	<b>3 (0.361)</b>	<b>(0.946)</b>	<b>(1.473)</b>



**SHANTA GOLD LIMITED**  
**Consolidated Statement of Financial Position**  
**As at period ended 30 June 2017**

		30-Jun 2017 US\$'000 Unaudited	30-Jun 2016 US\$'000 Unaudited	31-Dec 2016 US\$'000 Audited
	Note			
<b>Non-current assets</b>				
Intangible assets		23,250	23,216	23,262
Property, Plant and Equipment		100,295	71,170	99,556
<b>Total non-current assets</b>		<b>123,545</b>	<b>94,386</b>	<b>122,818</b>
<b>Current assets</b>				
Inventories		20,480	25,934	20,291
Trade and other receivables		18,856	10,225	13,975
Restricted Cash		-	500	-
Cash and cash equivalents		13,841	29,998	14,945
<b>Total current assets</b>		<b>53,177</b>	<b>66,657</b>	<b>49,211</b>
<b>Total assets</b>		<b>176,722</b>	<b>161,043</b>	<b>172,029</b>
<b>Capital and reserves</b>				
Share capital and Premium		156,989	143,865	143,870
Share option reserve		2,223	3,346	2,248
Convertible loan note reserve		5,374	5,374	5,374
Shares to be issued		60	82	60
Translation reserve		463	839	463
Retained deficit		(75,595)	(71,433)	(73,536)
<b>Total equity</b>		<b>89,514</b>	<b>82,073</b>	<b>78,479</b>
<b>Non-Current liabilities</b>				
Loans and borrowings	4	31,910	17,611	35,768
Convertible loan notes		14,431	14,202	14,298
Decommissioning provision		7,791	6,218	7,471
Deferred taxation		9,556	8,194	8,948
<b>Total non-current liabilities</b>		<b>63,688</b>	<b>46,225</b>	<b>66,485</b>
<b>Current liabilities</b>				
Trade payables and accruals		8,084	5,450	11,148
Loans and borrowings	4	14,279	27,295	14,660
Income tax payable		1,157	-	1,257
<b>Total current liabilities</b>		<b>23,520</b>	<b>32,745</b>	<b>27,065</b>
<b>Total liabilities</b>		<b>87,208</b>	<b>78,970</b>	<b>93,550</b>
<b>Total equity and liabilities</b>		<b>176,722</b>	<b>161,043</b>	<b>172,029</b>

**SHANTA GOLD LIMITED**  
**Consolidated changes in Equity**  
**for the six months ended 30 June 2017**

	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 Reserve US\$'000	Retained Deficit US\$'000	Total Equity US\$'000
<b>At 1 January 2017</b>	<b>93</b>	<b>143,777</b>	<b>2,248</b>	<b>5,374</b>	<b>463</b>	<b>60</b>	<b>(73,536)</b>	<b>78,479</b>
(Loss) for the Period	-	-	-	-	-	-	(2,143)	(2,143)
Other comprehensive income for the Period	-	-	-	-	-	-	-	-
Shares issued, net of issue costs	2,315	10,804	-	-	-	-	-	13,119
Share based payments	-	-	59	-	-	-	-	59
Lapsed options	-	-	(84)	-	-	-	84	-
<b>At 30 June 2017 (Unaudited)</b>	<b>2,408</b>	<b>154,581</b>	<b>2,223</b>	<b>5,374</b>	<b>463</b>	<b>60</b>	<b>(75,595)</b>	<b>89,514</b>
<b>At 1 January 2016</b>	<b>76</b>	<b>133,766</b>	<b>3,202</b>	<b>5,374</b>	<b>881</b>	<b>82</b>	<b>(66,712)</b>	<b>76,669</b>
(Loss) for the Period	-	-	-	-	-	-	(4,721)	(4,721)
Other comprehensive income for the Period	-	-	-	-	(42)	-	-	(42)
Shares issued, net of issue costs	17	10,006	-	-	-	-	-	10,023
Share based payments	-	-	144	-	-	-	-	144
<b>At 30 June 2016 (Unaudited)</b>	<b>93</b>	<b>143,772</b>	<b>3,346</b>	<b>5,374</b>	<b>839</b>	<b>82</b>	<b>(71,433)</b>	<b>82,073</b>
<b>At 1 January 2016</b>	<b>76</b>	<b>133,766</b>	<b>3,202</b>	<b>5,374</b>	<b>881</b>	<b>82</b>	<b>(66,712)</b>	<b>76,669</b>
(Loss) for the year	-	-	-	-	-	-	(7,973)	(7,973)
Other comprehensive income for the year	-	-	-	-	(418)	-	-	(418)
Share based payments	-	-	200	-	-	(22)	-	178
Shares issued, net of issue costs	17	10,006	-	-	-	-	-	10,023
Exercised options	-	5	(5)	-	-	-	-	-
Lapsed options	-	-	(1,149)	-	-	-	1,149	-
<b>At 31 December 2016 (Audited)</b>	<b>93</b>	<b>143,777</b>	<b>2,248</b>	<b>5,374</b>	<b>463</b>	<b>60</b>	<b>(73,536)</b>	<b>78,479</b>

**SHANTA GOLD LIMITED**  
**Consolidated Statement of Cash flows**  
**for the six months ended 30 June 2017**

		6 months ended 30-Jun-17 US\$'000 Unaudited	6 months ended 30-Jun-16 US\$'000 Unaudited	Year ended 31-Dec-16 US\$'000 Audited
	Note			
<b>Net cash flows from operating activities</b>	5	4,557	17,214	40,330
<b>Investing activities</b>				
Purchase of intangible assets		-	(14)	(66)
Purchase of mining properties and other equipment		(10,181)	(13,271)	(49,305)
<b>Net cash flows used in investing activities</b>		<b>(10,181)</b>	<b>(13,285)</b>	<b>(49,371)</b>
<b>Financing activities</b>				
Share capital issued, net of issue costs		13,119	10,121	10,023
Buy-back of convertible loan notes (net of costs)		-	-	(9,950)
Loans repaid		(7,026)	(11,171)	-
Equipment loan (repaid)/advanced		(1,135)	1,628	(579)
Finance lease payments		(211)	(65)	(1,061)
Silver stream advance (net of costs and payments)		(936)	-	4,011
Loan interest paid		(2,356)	(3,561)	(4,546)
Refund of restricted cash		-	-	500
Loans received, net of issue costs		3,065	10,000	6,471
<b>Net cash flows from financing activities</b>		<b>4,520</b>	<b>6,952</b>	<b>4,869</b>
Net (decrease)/increase in cash and cash equivalents		(1,104)	10,881	(4,172)
Cash and cash equivalents at beginning of Year		14,945	19,117	19,117
<b>Cash and cash equivalents at end of Period/year</b>		<b>13,841</b>	<b>29,998</b>	<b>14,945</b>

# **SHANTA GOLD LIMITED**

## **Notes to the Consolidated Financial Statements**

### **for the six months ended 30 June 2017**

#### **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 Anson Court, La Route des Camps, St Martin, Guernsey, GY4 6AD. The interim consolidated financial statements were approved by the board and authorised for issue on 17 August 2017.

#### **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 ending 31 December 2017.

The consolidated interim financial statements for the Period 1 January 2017 to 30 June 2017 are unaudited and incorporate unaudited comparative figures for the interim Period 1 January 2016 to 30 June 2016 and the audited comparative figures for the year to 31 December 2016. 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 2016 Annual Report.

The half year financial information for the six months ended 30 June 2017 set out in this document does not comprise the Group's statutory accounts as defined in Companies (Guernsey) Law 2008 accordingly this half year financial information is not considered to be the company's statutory accounts. The statutory accounts for the year ended 31 December 2016, which were prepared under EU endorsed IFRS, have been delivered to the Registrar of Companies. The auditors reported on these accounts; their report was unqualified and did not include reference to any matters to which the auditor drew attention by way of emphasis.

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 unless otherwise indicated.

#### **3. Loss per share**

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

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

Due to the loss for the Period ended 30 June 2017, the share options are anti-dilutive and therefore diluted LPS is the same as Basic LPS.

**SHANTA GOLD LIMITED**  
**Notes to the Consolidated Financial Statements**  
**for the six months ended 30 June 2017**

	Unaudited			Unaudited			Audited		
	Loss	30-Jun-17 Weighted avg no of shares	Per share amount	Loss	30-Jun-16 Weighted avg no of shares	Per share amount	Loss	31-Dec-16 Weighted avg no of shares	Per share amount
	US\$'000	('000)	(Cents)	US\$'000	('000)	(Cents)	US\$'000	('000)	(Cents)
Basic									
LPS	(2,143)	593,102	(0.361)	(4,721)	499,138	(0.946)	(7,973)	541,157	(1.473)

**4. Loans and borrowings**

	30-Jun 2017 US\$'000 Unaudited	30-Jun 2016 US\$'000 Unaudited	31-Dec 2016 US\$'000 Audited
<b>Amounts payable within one year</b>			
Promissory notes <sup>(a)</sup>	-	3,032	3,158
Loan from Investec Bank <sup>(b)</sup>	10,686	23,356	9,148
Equipment Finance <sup>(c)</sup>	579	769	579
Finance lease <sup>(d)</sup>	91	-	143
Finance lease <sup>(e)</sup>	560	138	1,632
Finance lease <sup>(f)</sup>	1,761	-	-
Exim Bank <sup>(h)</sup>	602	-	-
	<b>14,279</b>	<b>27,295</b>	<b>14,660</b>
<b>Amounts payable after one year</b>			
Promissory notes <sup>(a)</sup>			
Loan from Investec Bank (net of arrangement costs) <sup>(b)</sup>	21,387	14,788	26,730
Equipment Finance <sup>(c)</sup>	724	2,596	1,013
Finance lease <sup>(d)</sup>	136	227	155
Finance lease <sup>(e)</sup>	1,641	-	2,337
Finance lease <sup>(f)</sup>	15	-	-
Silver stream <sup>(g)</sup>	6,242	-	5,533
Exim Bank <sup>(h)</sup>	1,765	-	-
	<b>31,910</b>	<b>17,611</b>	<b>35,768</b>

# SHANTA GOLD LIMITED

## Notes to the Consolidated Financial Statements for the six months ended 30 June 2017

### (a) Promissory Notes

Promissory notes related to Promissory Note 2 of US\$3.1 million issued in consideration for the acquisition of Boulder which was fully repaid on 15 April 2017. The notes bore an annual interest of 2.6% and were payable semi-annually in arrears. The promissory notes were recognised at fair value and subsequently accounted at amortised cost.

(b) Loan from Investec Bank in South Africa relates to a drawdown of US\$40 million from two facilities totalling US\$40 million obtained in May 2015 and fully drawn in April 2016. The facilities bear an annual interest rate of 3-month USD LIBOR +4.9% and are 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.

Facility A is for US\$20 million and was used to pay the outstanding FBN Bank Ltd loan, accrued interest of US\$101,000 and loan arrangement fees of US\$600,000. Capital repayments of US\$1.25 million are due every quarter end commencing on 30 June 2016.

Facility B of US\$20 million is a standby facility to be drawn as and when required to meet working capital requirements. US\$10 million of the facility was drawn in May 2015 and a further US\$10 million was drawn down on 1 April 2016.

Repayment of the drawn facility amount commenced in the quarter ending 30 June 2016 and was extended at the option of SMCL to begin repayments from June 30, 2017.

Both these facilities are secured by means of

- A deed of debenture setting out the fixed and floating charge debenture governed by Tanzanian law over all assets and undertakings of SMCL and made between the Investec and the Security Agent, including any immovable property, moveable property, the Mining Licences, the relevant Prospecting Licences and surface right lease or access agreements and the assignment/charge over Investec's rights under and in terms of all bank accounts, material documents, insurances and insurance proceeds and all loans against any other member of the Group but excluding assets over which a Permitted Security Interest has been created;
- A deed of debenture setting out the fixed and floating charge debenture governed by Tanzanian law over all assets and undertakings of Shield Resources Limited and made between Shield Resources Limited and the Security Agent, including any immovable property, moveable property, the relevant Prospecting Licences and surface right lease or access agreements and the assignment/charge over Shield Resources' rights under and in terms of all bank accounts, insurances, insurance proceeds and all loans and claims of Shield Resources against any other member of the Group but excluding assets over which a Permitted Security Interest has been created;
- Together there is a registered charge of US\$55,000,000 (which includes a margin facility for gold forward sales of up to US\$15,000,000) against the mineral and prospecting rights of both Shanta Mining Company Limited and Shield Resources Limited

## **SHANTA GOLD LIMITED**

### **Notes to the Consolidated Financial Statements**

#### **for the six months ended 30 June 2017**

- Shareholder Pledge which means each written deed entitled share pledge governed by Tanzanian law in terms of which each of Shanta Gold and Shanta Holdings pledges the shares it holds in the Borrower in favour of the Security Agent and assigns and charges all its loans and claims against the Borrower and other members of the Group in favour of the Security Agent and the Shield Resources Pledge which means, each written deed entitled share pledge governed by Tanzanian law in terms of which Boulder Investments pledges the shares it holds as Agent and assigns and charges all its loans and claims against Shield Resources in favour of the Security Agent;

Guarantees from Shanta Gold Limited, Shanta Gold Holdings Limited and Shield Resources Limited have been issued in favour of the Security Agent in respect of the above loan facilities.

#### (c) Equipment Loan

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

#### (d) Finance Lease

This is in respect of a lease to acquire Heavy Fuel Oil (HFO) fuel storage tanks from Oryx Oil Company Limited for a capital amount of US\$667,591 repayable monthly over sixty months commencing on 1 August 2014. This is classified as a finance lease because the rentals period amounts to the estimated useful economic life of the asset and after five years, the assets will be bought outright by the Company by paying a nominal amount.

#### (e) Finance Lease

This is in respect of a lease to acquire mobile equipment from Sandvik, a capital amount of € 4,634,000 (US\$ 5,261,000) repayable monthly over thirty-six months commencing on 12 June 2016 for Tranche 1 and 14 September 2016 for Tranche 2 and payable quarterly. This is classified as a finance lease because the rentals period amounts to the estimated useful economic life of the asset and after three years, the assets will be bought outright by the Company by paying a nominal amount.

#### (f) Equipment Finance

This is in respect of a lease to acquire mobile equipment from Sandvik, a capital amount of €2,052,183 (US\$2,257,401) repayable monthly over thirty-six months commencing on 28 June 2017 for Tranche 1 and 8 October 2017 for Tranche 2 and payable quarterly at a rate of 6.5% per annum. This is classified as a finance lease because the rentals period amounts to the estimated useful economic life of the asset and after three years, the assets will be bought outright by the Company by paying a nominal amount.

#### (g) Silver stream

The Company entered into a silver streaming agreement ( "SSA" ) with Silverback Limited ( "Silverback" ), a privately held Guernsey-based investment company, under which Silverback paid the company an advance payment of US\$5.25 million on closing. Silverback will also pay the Company an ongoing payment of 10% of the value of silver sold at the prevailing silver price at the time of deliveries which will be made annually. The SSA relates solely to silver by-product production from NLGM with minimum silver deliver obligations totalling 608,970 oz gold over a 6.75 year period. The term of the SSA is 10 years during which time the Company will sell silver to SSA and receive ongoing payments of 10% of the silver sold at the prevailing silver price. However, the Company has no minimum ounce

obligation after 2022.

(h) Exim Bank

In May 2017, the Company agreed a financing of US\$10.0 million (comprising US\$7.5 million over 4-years and US\$2.5 million for short term working capital) with Exim Bank, one of the largest commercial banks in Tanzania. The Exim debt is secured against the NLGM Power Station which was commissioned in Q1 2017 and is now fully operational. US\$2.5 million of the US\$7.5 million 4-year facility was disbursed on 2 June 2017. The Company makes 16 quarterly principal and interest repayments of US\$181,402 beginning 31 August 2017.

## 5. Net Cash flows from Operating activities

	30-Jun 2017 US\$'000 Unaudited	30-Jun 2016 US\$'000 Unaudited	31-Dec 2016 US\$'000 Audited
<b>(Loss) before tax</b>	(649)	(3,034)	(4,339)
Adjustments for:			
Depreciation / depletion of assets	9,442	33,192	47,114
Amortisation / write off of intangible assets	12	239	5
Share based payment costs	59	144	200
Loss/(gain) on non-hedge derivatives	722	1,312	(256)
Exchange loss/(gain)	338	(140)	45
Finance income	(26)	(88)	(98)
Finance expense	4,452	3,194	7,474
<b>Operating cash inflow before movement in working capital</b>	<b>14,350</b>	<b>34,819</b>	<b>50,145</b>
<b>Movements in working capital:</b>			
Increase in inventories	(189)	(15,197)	(9,553)
Increase in receivables	(4,882)	(1,875)	(5,503)
Decrease in payables	(3,763)	(433)	5,266
	<b>5,516</b>	<b>17,314</b>	<b>40,354</b>
Taxation paid	(985)	(188)	(122)
Interest received	26	88	98
<b>Net cash flow from operating activities</b>	<b>4,557</b>	<b>17,214</b>	<b>40,330</b>

## 6. Events after the reporting Period

Subsequent to the Period end, the written resolution relating to the buyback of the Company' Convertible Loan Notes was passed and the buyback is conditional on the finalisation of the Investec Bank plc debt documentation. The restructured balance sheet will reduce the Company's cost of capital and smooth the debt repayment profile over the next 3.5 years.

The Tanzanian Parliament approved a new Finance Act and published a number of legislative Bills in June 2017 that were enacted as Laws in early July 2017.