

Shanta Gold Limited

("Shanta Gold" or the "Company")

Interim results for the six months ended 30 June 2015

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, developer and explorer, announces its unaudited results for the six months ended 30 June 2015 (the "Period").

Highlights

Operational

- Bauhinia Creek ("BC") and Luika Pits re-designed and re-optimised, significantly reducing strip ratios and future mining costs;
- Ore production significantly lower due to limited ore access during redevelopment of the pits;
- Gold production of 28,180 ounces ("oz") (H1 2014: 42,194 oz);
- Cash and all in sustaining costs ("AISC") of US\$993 /oz and US\$1,310 /oz respectively (H1 2014: US\$759 /oz and US\$965 /oz respectively);
- 25,142 oz of gold sold at an average price of US\$1,238/oz;
- June production back to budget levels and on track to meet full year guidance of 72,000 - 77,000 oz;
- Costs anticipated to reduce significantly in the second half of the year to below US\$700 / oz to achieve AISC of US\$850-900 /oz for the year;
- 3,784 metre drilling programme completed at Elizabeth Hill Mineralised Prospect ("Elizabeth Hill") post period end and may provide an additional source of ore for NLGM in the future; and
- Repairs to new crushing circuit fire damage completed with no production loss.

Financial

- Revenue of US\$31.9 million (H1 2014: US\$58.3 million);
- Loss before and after tax of US\$10.3 million and US\$8.3 million respectively (H1 2014: Profit before and after tax: US\$7.7 million and US\$4.1 million respectively);
- Cash generated from operations of US\$4.4 million reflecting lower production during redevelopment (H1 2014: US\$16.7 million);
- Capital expenditure of US\$14.7 million (H1 2014: US\$10.9 million);
- Lower cost and longer tenure US\$40 million loan facility finalised with Investec Bank;
- US\$20 million FBN bank loan refinanced and US\$10 million standby facility drawn;
- Cash balance of US\$5.9 million reflecting redevelopment costs and lower production (31 December 2014: US\$14.9 million); and
- Net debt of US\$54.5 million (31 December 2014: US\$40.7 million).

Corporate

- Prudent hedging policy remains in place with 24,642 oz sold in the period under forward sales contracts;
- A further 26,000 oz hedged as at 30 June 2015 to December 2015 at an average price of US\$1,222 /oz; and
- Peet Prinsloo re-joined Shanta Mining Company Limited ("SMCL") as Head of Exploration, managing Shanta's renewed exploration focus.

Toby Bradbury, Chief Executive Officer, commented:

"Shanta's H1 2015 production reflects the major redevelopment of the mine from January to May. While doing so invariably impacts year-on-year production and cash at hand, production was restored to budget levels from June. Shanta has grown its resource base in H1 with a (Post Period) New Luika Mine JORC Resource and Reserves Update and a resource definition drilling update from Elizabeth Hill. The optionality and scalability of the operational improvements established in H1 will offer material reductions

to future mining costs, and we remain on track to deliver full year 2015 production of 72-77,000 oz at an AISC of US\$850-900 /oz.”

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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 and, produced 84,000 ounces in 2014. The Company is admitted to trading on London's AIM and has approximately 468 million shares in issue. For further information please visit: www.shantagold.com.

Income Statement

Revenue for the Period, of US\$31.9 million was generated from the sale of 25,142 oz of gold at an average price of US\$1,238 /oz. This was 45% lower than for H1 2014 reflecting the lower volume of sales and lower gold price. The low sales volume mirrored the low gold production due to limited ore access during the development of both BC and Luika Pits in the first five months of 2015. Sales volume and average gold price for H1 2014 were 44,459 oz and US\$1,302/oz respectively.

The volume of sales for the Period was 43% lower than H1 2014. Cost of sales for the Period amounted to US\$32.7 million, down 21% from H1 2014 reflecting the lower volume of sales, the impact of fixed costs on a lower sales volume base and the processing of lower grade ore. The combination of reduced sales volume and lower gold price resulted in a gross loss for the Period of US\$0.8 million compared to a gross profit of US\$16.9 million for H1 2014.

Administration and exploration expenditure amounted to US\$5.8 million, similar to H1 2014 with the increase in administration costs offset by the decrease in exploration expenditure which remained low for the Period. As a result, an operating loss of US\$6.6 million was recorded. Net finance costs amounted to US\$3.8 million, resulting in a loss before tax of US\$10.3 million down from a profit before tax of US\$7.7 million for H1 2014.

The loss before tax for the Period resulted in a deferred tax credit of US\$2.0 million. Consequently, loss after tax for the Period amounted to US\$8.3 million, down from a profit after tax of US\$4.1 million for H1 2014, giving a loss per share of US\$1.8 cents.

Costs

While focus on cost management and reduction remained strong and total costs were in line with expectations, unit cost performance was affected by low production. Cash and All in Sustaining costs for the Period thus amounted to US\$993 /oz and US\$1,310 /oz respectively, up from US\$759 /oz and US\$965 /oz for H1 2014.

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

Group assets excluding cash balances increased from US\$154.3 million at 31 December 2014 to US\$158.8 million, due mainly to capital expenditure relating to the BC pit pushback, offset by depreciation. At Period end, Inventories amounted to US\$10.1million, down from US\$12,7 million at 31 December 2014. Total liabilities increased by US\$3.5 million. Borrowings increased by US\$4.9 million and trade creditors by US\$0.3 million offset by a decrease in the deferred tax liability of US\$2 million.

Cash flow

The low production and gold price adversely impacted cash generation which was US\$4.4 million, compared to US\$16.7 million for H1 2014. Capital expenditure amounted to US\$14.7 million, US\$10.4 million of which was on the BC pit push back. Two new loan facilities totalling US\$40 million with a five year tenure and bearing interest at LIBOR + 4.9% were signed with Investec Bank. US\$20 million of the facilities was used to refinance the FBN Bank loan. Total loan repayments including the refinancing amounted to US\$25 million. US\$10 million of the Investec facilities was drawn to fund working capital requirements during a period when cash generation was low. Interest payments on the bank loans and Convertible Loan Notes amounted to US\$2.1 million. As a result of the low cash generated from operations, the cash balance at 30 June was US\$5.9 million, down from US\$14.9 million at 31 December 2014. Net debt at Period end thus amounted to US\$54.5 million, up from US\$40.7 million at 31 December 2014.

Corporate

The Company has maintained a prudent hedging policy and was able to realise an average price of US\$1,238/oz from 24,642 oz sold under hedging contracts. As at 30 June 2015, 26,000 oz had been sold forward to 31 December 2015 at an average price of US\$1,222/oz.

Peet Prinsloo re-joined Shanta as Head of Exploration. Peet is responsible for 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.

Outlook

The gold price is forecast to remain volatile for the remainder of 2015. However, the Company has already sold forward at least 60% of the forecast production for the remainder of the year at an average price of US\$1,222/oz. The re-optimisation of the pits has resulted in reduced Life of Pit strip ratios with consequent reduction in mining costs. A significant improvement in cash generation and profitability is therefore forecast for H2 2015. The company remains on track to deliver full year guidance of 72,000 – 77,000 oz at an AISC of \$850/oz - \$900/oz.

Consolidated Income Statement for the six months ended 30 June 2015

	Note	6 months ended 30 June 2015 US\$'000 Unaudited	6 months ended 30 June 2014 US\$'000 Unaudited	Year ended 31 December 2014 US\$'000 Audited
Revenue		31,912	58,276	114,857
Cost of sales		(32,743)	(41,289)	(80,106)
Gross (loss)/profit		(831)	16,987	34,751
Other costs		(5,804)	(5,844)	(11,818)
Administration expenses		(4,749)	(4,555)	(8,956)
Exploration and evaluation costs		(1,055)	(1,289)	(2,862)
Operating (loss)/profit		(6,635)	11,143	22,933
Finance income		127	37	509
Finance expense		(3,835)	(3,520)	(6,872)
(Loss)/profit before taxation		(10,343)	7,660	16,570
Taxation		2,044	(3,555)	(7,715)
Current		-	-	-
Deferred		2,044	(3,555)	(7,715)
(Loss)/profit for the Period / year attributable to equity holders of the parent company		(8,299)	4,105	8,855
Basic (loss)/earnings per share (cents)	3	(1.781)	0.884	1.907
Diluted (loss)/earnings per share (cents)	3	(1.781)	0.871	1.890

Consolidated Statement of Comprehensive Income

	6 months ended 30 June 2015 Unaudited US\$'000	6 months ended 30 June 2014 Unaudited US\$'000	Year ended 31 December 2014 Audited US\$'000
(Loss)/profit after taxation	(8,299)	4,105	8,855
Other comprehensive income:			
Exchange differences on translating subsidiary which can subsequently be reclassified to profit or loss	36	10	(26)
Total comprehensive (loss)/income attributable to equity shareholders of parent company	(8,263)	4,115	8,829

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Consolidated Statement of Financial Position

	Note	30 June 2015 US\$'000 Unaudited	30 June 2014 US\$'000 Unaudited	31 December 2014 US\$'000 Audited
Non-current assets				
Intangible assets		23,243	23,251	23,208
Property, Plant and Equipment		117,814	97,032	108,724
Deferred tax asset		-	1,570	-
Total non-current assets		141,057	121,853	131,932
Current assets				
Inventories		10,123	16,104	12,707
Trade and other receivables		7,152	10,085	9,123
Restricted cash		500	600	500
Cash and cash equivalents		5,861	15,472	14,878
Total current assets		23,636	42,261	37,208
Total assets		164,693	164,114	169,140
Capital and reserves				
Share capital		77	75	76
Share premium		133,246	132,865	132,865
Other reserves		10,349	11,182	10,638
Retained deficit		(58,284)	(56,087)	(50,228)
Total equity		85,388	88,036	93,351
Non-Current liabilities				
Loans and borrowings	4	55,792	42,953	38,435
Decommissioning provision		9,328	6,041	8,970
Deferred taxation		5,742	5,197	7,787
Total non-current liabilities		70,862	54,191	55,192
Current liabilities				
Trade payables and accruals		6,396	7,640	6,143
Loans and borrowings	4	2,047	14,247	14,454
Total current liabilities		8,443	21,887	20,597
Total liabilities		79,305	76,078	75,789
Total equity and liabilities		164,693	164,114	169,140

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 2015	76	132,865	4,067	5,374	781	416	(50,228)	93,351
Loss for the Period	-	-	-	-	-	-	(8,299)	(8,299)
Comprehensive income for the Period	-	-	-	-	36	-	-	36
Shares issued	1	381	(243)	-	-	(310)	243	72
Share based payments	-	-	228	-	-	-	-	228
At 30 June 2015 (Unaudited)	77	133,246	4,052	5,374	817	106	(58,284)	85,388
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 2014	76	132,797	4,286	5,374	807	-	(60,192)	83,148
Profit for the year	-	-	-	-	-	-	8,855	8,855
Comprehensive loss for the year	-	-	-	-	(26)	-	-	(26)
Share based payments	-	-	890	-	-	416	-	1,306
Shares issued	-	68	-	-	-	-	-	68
Lapsed options	-	-	(1,109)	-	-	-	1,109	-
At 31 December 2014 (Audited)	76	132,865	4,067	5,374	781	416	(50,228)	93,351

Consolidated Statement of Cash flows

	Note	30 June 2015 US\$'000 Unaudited	30 June 2014 US\$'000 Unaudited	31 December 2014 US\$'000 Audited
Net cash flows from operating activities	5	4,383	16,650	39,042
<u>Investing activities</u>				
Purchase of intangible assets		(35)	-	(31)
Purchase of property, plant and equipment (PPE)		(630)	(307)	(11,026)
PPE - additions to assets under construction		(3,681)	(7,700)	(1,936)
PPE - deferred stripping cost		(10,423)	-	(9,976)
Interest received		-	-	-
Proceeds from disposal of asset		32		6
Net cash flows (used in) investing activities		(14,737)	(8,007)	(22,963)
<u>Financing activities</u>				
Equipment loan repaid		(290)	-	(288)
Loans and related fees paid		(25,141)	(5,625)	(11,250)
Loan interest paid		(2,378)	(2,184)	(4,401)
Net refund of restricted cash		-	-	100
Loans received, net of issue costs		29,146		33,446
Net cash flows from/(used in) financing activities		1,337	(7,809)	(15,839)
Net (decrease)/increase in cash and cash equivalents		(9,017)	834	240
Cash and cash equivalents at beginning of Period		14,878	14,638	14,638
Cash and cash equivalents at end of Period/year		5,861	15,472	14,878

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Notes to the Consolidated Financial Statements

for the six months ended 30 June 2015

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 28 August 2015.

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 2015.

The consolidated interim financial statements for the Period 1 January 2015 to 30 June 2015 are unaudited and incorporate unaudited comparative figures for the interim Period 1 January 2014 to 30 June 2014 and the audited comparative figures for the year to 31 December 2014. 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 2014 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. (Loss)/earnings per share

Basic (loss)/earnings 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 2015, the share options would be anti-dilutive and therefore diluted EPS is the same as Basic EPS.

	Unaudited 30 June 2015			Unaudited 30 June 2014			Audited 31-Dec-14		
	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)	Profit US\$'000	Weighted average number of shares (thousands)	Per share amount (Cents)
Basic EPS	(8,299)	466,605	(1.781)	4,105	464,389	0.884	8,855	464,303	1.907
Diluted EPS	(8,299)	470,292	(1.781)	4,105	471,190	0.871	8,855	468,530	1.890

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4. Loans and borrowings

	Unaudited 6 months ended 30 June 2015 \$'000	Unaudited 6 months ended 30 June 2014 \$'000	Audited Year ended 31 December 2014 \$'000
Amounts payable within one year			
Promissory notes ^(a)	-	2,334	2,376
Loan from FBN Bank ^(b)	-	10,997	11,048
Loan from Investec Bank ^(b)	1,003	-	-
Loan from related parties ^(c)	337	337	337
Equipment Finance ^(e)	579	579	579
Finance lease ^(f)	128	-	114
	2,047	14,247	14,454
Amounts payable after one year			
Promissory notes ^(a)	2,845	2,720	2,761
Loan from FBN Bank ^(b)	-	16,875	11,250
Loan from Investec Bank (net of arrangement costs) ^(b)	28,143	-	-
Convertible loan notes ^(d)	22,645	21,042	21,843
Equipment Finance ^(e)	1,737	2,316	2,027
Finance lease ^(f)	422	-	554
	55,792	42,953	38,435

(a) Promissory note relates to Promissory Note 2 of US\$3.1 million issued in consideration for the acquisition of Boulder and is repayable on 15 April 2017. The note bears an annual interest of 2.6% and is payable semi-annually in arrears. The promissory note is recognised at fair value and subsequently accounted at amortised cost. The fair value of the note 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 Investec Bank in South Africa relates to a drawdown of US\$ 30 million from two facilities totalling US\$40 million obtained in May 2015. The facilities bear an annual interest rate of 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 \$20 million and was used to pay the outstanding FBN Bank Ltd loan, accrued interest of \$101,000 and loan arrangement fees of \$600,000. Capital repayments of US\$1.25 million are due every quarter end starting on 30 June 2016.

Facility B of \$20 million is a standby facility to be drawn as and when required to meet working capital requirements. \$10 million of the facility was drawn in May 2015. Repayment of the drawn facility amount commences in the quarter ending 30 June 2016.

(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 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 loan is in respect of a crusher/screening plant acquired from Sandvik (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.

(f) Finance lease relates to the lease of a Heavy Fuel Oil storage facility from Oryx Oil Ltd for 3 years.

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5. Net Cash flows from Operating activities

	30 Jun 2015	30 June 2014	31 Dec 2014
	US\$'000	US\$'000	US\$'000
(Loss)/profit before tax	(10,343)	7,660	16,570
Adjustments for:			
Depreciation	5,612	4,308	10,874
Gain on disposal of assets	(32)	-	13
Share based payment costs	295	773	1,369
Finance income	(47)	(37)	(35)
Finance expense	3,835	3,520	6,872
Fair value of warrants	(48)	-	(474)
Exchange (gain)/loss	(157)	38	360
Prospecting licences surrendered	-	244	296
Amortisation of intangible assets	-	-	22
Operating cash (outflow)/inflow before movement in working capital	(885)	16,506	35,867
Movements in working capital:			
Decrease/(increase) in receivables	2,431	(1,751)	(1,399)
Decrease in inventories	2,584	845	4,242
Increase in payables	253	1,050	297
	4,383	16,650	39,007
Interest received	-	-	35
Net cash flow from operating activities	4,383	16,650	39,042

6. Finance Income

Included within finance income is a gain of US\$48,000 (June 2014 - Nil) 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 2015 and have exercise prices ranging from 17 to 35 pence.

1. Red Kite Mine Finance Trust: 12,368,584 (35p) granted on 21 August 2012 and 9,223,769 (35p) granted on 16 October 2012.
2. Liberum Capital: 6,399,443 (17p) on 17 October 2012.

The fair value at 30 June 2015 is based on the prevailing Company share price of 6.38 pence on the above dates; and has been calculated using the Black-Scholes model which takes into account the historical share price volatility of 85%.

7. Events after the reporting Period

There were no significant transactions after the reporting date.