26 October 2022

Shanta Gold
Q3 Production and Operational Update
Transcript

Eric Zurrin, CEO: Thank you very much and good morning. Thanks for dialing into today's Q3 2022 Production and Operations Report for Shanta Gold. Before we begin this call, I'd like to touch upon the recent news we announced on the 18th of October. Since Shanta is now in an offer period governed by the UK takeover code, we're not able to provide any details regarding this ongoing process. We'll update the market at the appropriate time in line with all necessary regulatory obligations.

With that, I turn back to today's Q3 call. Now the team has once again delivered a very strong operational performance. Gold production is up 11% on the last quarter. And in addition to this, drilling in West Kenya and the construction of Singida are both progressing well, and we remain on track for first gold pour at Singida in March 2023.

Shanta is marching forward to our objective of delivering 100,000 ounces per year of sustained gold production, expecting to reach this very important milestone in March 2023. We have a strong balance sheet that's underpinned by the recent $20 million senior debt financing with Standard Bank and outstanding growth prospects at West Kenya, real expansion potential at Singida and continued mine life extension at New Luika. It's been a very encouraging first nine months of the year.

Let's begin on Slide three of the presentation. Shanta has a diversified portfolio of East African gold assets that are valued at around $500 million of NPV, and this has been stated in past presentations and in previous RNSs.

Over the last few years, Shanta has undergone a transformation. We're unrecognisable to where we started this journey five years ago. We now have three active assets in two countries. Our valuation is supported by a dividend yield of 1.6%, and we'll make our fourth dividend payment next month. Our balance sheet is a real enabler to demonstrate the growth across our portfolio. We're supported by excellent, long-standing shareholders, as you can see on this page, including management and directors who own 6.5% of the company and collectively the top five and the insiders own 42% percent.

Exactly five years ago on this same Q3 quarterly call, I talked about the deliberate approach to focus on shareholder value and returns. Since that call five years ago, we've delivered a 315% return to our shareholders compared with some terrible performance across the junior gold sector and by some of our peers. Shanta, I know, has excellent prospects which investors are recognising.

Turning to slide five and a few points on our Q3 results. During the quarter, we produced 19,532 ounces of gold at a blended rate of 3.18 grams per tonne. And as already guided in January, quarterly gold production was forecast to increase throughout the year and into H2, representing about 65% of our total production.

Shanta expects 2022 production at the low end of its production guidance of 68 to 76,000 ounces, which we said at the start of the year. Pleasingly, mining from the crown pillar since April has performed to a very high standard and done so safely, significantly de-risking the overall production plan for the year.

In the second half of September, we encountered ground instability at Bauhinia Creek 850 level of the crown pillar and this resulted in about 11,000 tonnes, grading 4.29 grams per tonne for about 1,600 ounces, being indefinitely unavailable for mining due to safety and operational reasons. So this was in fact the hanging wall, which became unsafe to continue mining. Around November 10th we will expect to start removing a further 13,500 tonnes, grading 9.7 grams per tonne containing 4,200 ounces, so we'll expect to remove that from the 900 level at the B.C. crown pillar, this is about 50 metres above the 850 level. We've now accessed this area and we've had to develop 80 metres to get into here and so we've now accessed it, and we're preparing it for blasting.

Liquidity is healthy within Shanta, amidst a very soft gold price environment and rising costs. And at the end of the quarter, we had $14 million of liquidity. We are in a managed growth mode. So, we're doing this responsibly and during the quarter, we invested $13.5 million dollars in capital expenditures, including $7 million at Singida.

In April, we said that we would see a boost in production and cash flow from crown pillar mining, which would add liquidity. And this has happened, and we have a lot of flexibility in financing our growth plans over the next 12 months, including cash from operations.

Moving on to the next slide of the presentation, physicals from the combined underground open pit mining performed well and we managed our equipment carefully amidst ongoing pressure from unreliable supply chains and cost inflation. These pressures cannot be underestimated and taken for granted.

At the processing plant, we milled at a rate of 870,000 tons per year, nearly exactly on plan with 875. Underground, actual mined ore grade is continuing to reconcile well against grade control drilling information. Year to date, grade reconciliation is positive, so plus 2% versus the grade control information that we prepared and actually mined from underground. Now the trade-off of costs from grade control drilling; grade control drilling is not free, so it does incur costs. And the trade-off of that cost against better information is we believe, far outweighed. So the better information is far more important than the cost at the moment because this valuable information gives us precise planning for a near-term forecast and being able to fund our growth at Singida.

The overall grade of 3.18 grams per tonne in the plant is a function of the blending that we did from open pits underground and run of mine stockpile sources. Gold produced for the period was impacted by poor grinding efficiency within the mills that affected gold recovery. Particularly, as we fed high grade ore from the crown pillar we saw the efficiency reduce.

So, the decrease in grinding efficiency in Q3 is partly attributable to the poor cyclone classification. And this really goes back to the unavailability of cyclone spares in the supply chain, or hardness changed temporarily, and higher grades impacted some of that recovery.

So we embarked on a small project with an expert from DRA in South Africa who came to site recently and will shortly be completing his report and recommendations. And we've already started to implement some of those changes within the mills, and we're seeing some real benefits where we've seen increased grinding efficiency.

Open pit mining availability of equipment has improved since Q1, but we know this area can be improved further. And our contractor can be held to task, and so we've taken the decision and acted upon it to procure additional equipment from a second contractor, which further de-risk our plans that were previously at risk from unreliable supply chains of the existing open pit mining contractor.

Finally, we sold our gold at an average price of $1,727 an ounce during the quarter - despite the zero cost collar hedge that we've put in place - bandied between $1,600 and $1,900 dollars an ounce, we remain so far fully exposed to the gold price based on the current spot level.

Turning the page and a few slides now on Singida as we really hone in on this March 2023 gold pour. On slide six, construction is on track and on budget and first gold pour is expected in March. Construction is now 78% complete, up 63% at the end of Q2, and 51% at the end of Q1. Since starting construction at the start of 2021, we've now invested $27 million in cash, and we have approximately $12 million to be invested over the next six months of the construction period. There has been no material cost inflation incurred at this in either construction - owing largely, fortuitously, to having orders placed for major capital items in early 2021, before we really saw the inflationary pressures hit the global environment - and of course, excellent supervision from the team in Tanzania.

Turning to slide seven, mining of the ore continues and the current stockpiles sit just shy of 10,000 ounces, grading 2.34 grams per tonne, and this de-risked the production starter period. So, the photos here on this slide are of the gold tree and pits, you can see they are well-established, and they are performing to plan.

On to slide eight, you can see starting on the top left and covering some of the infrastructure assets, installation of the crushing circuit is completed. We've now also completed cold commissioning, and hot commissioning, where we will put material through the crusher, is planned for November 2022, so next month.

On the top right, you can see the ball mill installation is 75% complete. The steel structure, painting and installation is complete. And we had the mill turning under power about ten days ago, so the mill is working. Sangita recoveries will be 40% gravity and 60% CIL, and the gravity concentrator manufacturing is now completed, and the shipment is in progress.

On the bottom left, you can see some of the tanks' fabrication and installation is completed. The top of the tanks' steel structure contractor has been mobilized, and the foundation work is also completed. The thickener manufacturing is 95% completed and shipping of component parts has commenced.

Onto slide nine where we have the civils for the gold room, those commenced a few weeks ago, admin camp and infrastructure is essentially complete.

The final key component is the elution plant that will be put into the gold room. We had an update yesterday, in fact, from Como Engineering in Australia that the elution plant is now completed, manufacturing is completed. We saw photos and that elution plant is being ready for shipment. So, we have until sometime in January to get that plant in place, we're very comfortable with that timeline.

Onto slide ten, I reiterate the strategy at West Kenya, which is resource conversion to M&I and resource expansion across the different targets. We've said that consistently all along with West Kenya.

Our exploration licences were successfully renewed during Q3 and so this is the second of three renewals. We have six years to go with the licences and we're in our second three-year period. Year to date, we've drilled 3,400 metres at West Kenya. This represents about two thirds of the total drilling that we had set out and planned for in 2020. Work is underway now, as we speak, to update the M&I resources at Isulu and Bushiangala, which we expect should be ready around mid-December. We will have a drilling update published probably in the next week or so, a draft has been circulated.

At Ramula, this is the new target we had drilled early in the year, and defined and declared a 434,000 ounce resource grading 2.1 grams per tonne. At Ramula we've just wrapped up drilling, we’re expecting assays back in late November. As soon as we're done with the M&I resource update at Isulu and Bushiangala in December, we'll be turning our attention to Ramula and we'll have that update out probably in January, for another upgrade to resources.

To conclude on Slide 11, we've highlighted some key catalysts over the next few months. These are really centered around further updates on Singida, drilling, and resources. Of course, we're working day and night to get our VAT back, and discussions continue to be live with our colleagues in Tanzania and we remain cautiously optimistic that we'll have a resolution. I cannot give a timetable, but we're working hard on it.

It's an exciting time for Shanta, there is a lot happening, as we all know, and we look forward to continuing to deliver returns to our shareholders. Thank you very much.

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