

# Shanta Gold

REVISITING TANZANIA'S GOLD STAR





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RESEARCH BY *Eurides Lopes*



Eric Zurrin  
CEO

**T**he recently re-elected president of Tanzania, John Magufuli stated in November 2020 that his government predicts economic growth of 8% for the country over the next five years. This isn't unreasonable given that the country's GDP has grown by a CAGR of around 7% over the five years of Mr. Magufuli's first mandate. Given that over half of the country's export income comes from gold, the success of Shanta Gold is inextricably tied with the fortunes of Tanzania.

When Business Excellence last visited Shanta Gold, in 2018, it was celebrating results for 2017 which had just been released, showing the company's best year on record both in terms of gold production and financial results. Both 2018 and 2019 showed improvement on the figures from 2017, and the signs are that 2020 could be

owned by Barrick Gold through a subsidiary Acacia Mining. As soon as any mention of the acquisition is made, Mr. Zurrin's eyes light up with enthusiasm. It's clear from his reaction that the analysts at Liberium Capital aren't the only ones passionate about the project's prospects.

He says: "The oversubscription for the share issue means that we were able to buy out Barrick Gold, which was part of the long-term strategy for Shanta. We've also been able to institutionalize the share register. And what we're planning on doing with these funds is to invest in the West Kenya project. We were going to do that anyway, but the success of this capital raise lets us do this much, much faster."

He continues: "The way I think of thinking

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even stronger again, despite the backdrop of the ongoing global Covid-19 pandemic.

In late 2020, the company is coming straight from a highly over-subscribed share issue where it managed to raise just over £32 million for its latest project in west Kenya, and a bullish update from Liberium Capital which predicted that the company's share price could double by the end of 2021. What better time to speak with the company's CEO, Eric Zurrin about the company's recent strategic moves and the changes he and his team have implemented to inspire such investor confidence.

### **Growth Mining**

The big story at Shanta since our last feature on the company has undoubtedly been its acquisition of the West Kenya mine, previously

of this is 'okay, we've acquired this asset at less than \$100 per ounce, but let's show everyone that its true value is closer to \$200 or \$300 per ounce.' We believe that it's worth a lot more than what we paid and the only way to show people this is to invest in it. West Kenya is the highest grade of 1 million ounce-plus deposit in Africa. It's 1.2 million ounces and 1.6 grammes per tonne. That is an eye-catching grade and it's been heavily de-risked by Acacia (the previous owners of the mine) who invested \$64 million in it. And we believe that it has just an incredible amount of potential."

Mr. Zurrin justifies this enthusiasm further by pointing to the example of Barrick Gold - the world's largest gold producer by market capitalization - in the region: "Look at Barrick Gold in Tanzania. Recently, Barrick

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*“We consistently generate profits. Not many companies in this industry can say that. They can only dream about it. Over the last 8 years, we’ve generated around a billion dollars of gold sales.”*

announced 10 new exploration licences that they’re investing in. This is in the same belt. Don’t forget that, it’s on the Kenyan side of the border but that these are highly attractive areas for mineral endowment and that’s what you want to start with - it always comes down to asset quality.”

In the midst of all this, it can be easy to forget that Shanta Gold is now heading up three projects, with a third at Singida in Tanzania. Of this, Mr. Zurrin says: “At Singida, we’re also looking to begin construction, so that is very

meaningful to our story, because in 2022, it should mean that we’ll be producing 220,000 ounces. All this is going on at the same time as Luika, our main asset. I think we’ve now drilled 25,000 metres. And there’s a lot to look forward to from that asset as well.”

**Compelling Results**

Of course, acquisitions are just vanity metrics unless they generate value for the company. Given his long history in investment banking, Mr. Zurrin knows this better than most, and



the day, we are a business that just happens to be in mining, so our shareholders have to benefit. But the host country and communities also have to benefit. We really feel it's that tripartite that drives our approach, which should be sustainable for all three of those stakeholders."

"So, this is important as we're not thinking about short-term solutions at any of our mines. This means, for example, that we support

employment. Farming has also increased exponentially over the past three years thanks to Shanta Gold initiatives, which have sought to upskill farmers in modern farming methods. Around 40% of our employment also comes from the villages surrounding the mines."

"Education is also a big one for us. I'm a father of three young children and I see the direct benefits of education, so we've set up a program where UK teachers come down

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he's also keen to emphasize the financial performance of the company he heads up: "We consistently generate profits. Not many companies in this industry can say that. They can only dream about it. Over the last 8 years, we've generated around a billion dollars of gold sales."

This translates into some very healthy results: Free cash flow, which was \$14.1 million in 2019, is set to reach \$38.8 million in 2020. And EBITDA, which was \$47.7 million last year, is expected to hit \$60.8 million for financial year 2020. Recall, this is at a time when most companies' financial results have taken a hit, owing to the Coronavirus pandemic. Mr. Zurrin also adds: "don't forget too that our reserves have 653,000 ounces of gold - the highest that Shanta has ever recorded in its history."

**Sustainability**

Of sustainability, Mr. Zurrin says: "There are three ways that we think about mining in Tanzania and Kenya. And it's really important that we take a long-term view. At the end of





*“West Kenya is potentially a game changer for Shanta”*

to Tanzania to teach the local kids. This has already passed 1,500 days of teaching and it's still growing. We're also strongly involved in health, bringing international medical experts to some of the remotest parts of Tanzania to provide medical support.”

**A Precious Metal, A Bright Future**

If the reader hadn't already guessed it, Mr. Zurrin could hardly be any more enthusiastic about his company's prospects, noting: “West Kenya is potentially a game changer for Shanta. Look at the grade, look at the resources and the fact that we paid twenty cents on the dollar to take it over.” And although the enthusiasm is infectious, it's clear that it's not hubris. The raw numbers are there to back everything up, from the revenue to the sustainability figures.

And what's good news for Shanta Gold is good news for Tanzania, which will partly rely on gold production to ensure it achieves that 8% growth it's planning. For Zurrin, this is no bad thing: “We're supportive of the president's 2025 growth plan. We've been in Tanzania for a third of the time it's been an independent country. We have a great relationship with the government and the communities and we're really happy operating here.” **BE**

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