SHANTA GOLD

Annual Report and Accounts 2014

CONTENTS

Corporate Information

Country of incorporation
Guernsey

Company registration number
43133

Registered office
Suite A
St Peter Port House
Sausmarez Street
St Peter Port
Guernsey GY1 3LL

Secretary
William Hunter
Suite A
St Peter Port House
Sausmarez Street
St Peter Port
Guernsey GY1 3PG

Nature of business
Gold exploration and
mining in Tanzania

Website
www.shantagold.com

Auditor
BDO LLP
55 Baker Street
London
W1U 7EU

Nominated advisor and broker
Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

Second broker
GMP Securities Europe LLP
5 Stratton Street
London
W1J 8LA

I am pleased to report that Shanta Gold has delivered a number of key successes this year. Record gold production was achieved at a competitive cost on the back of improved plant throughput and recovery. In addition major capital projects were completed in the plant which will give the Company greater operational flexibility going forward. The Life of Mine Study, whilst not yet concluded, has confirmed that the life of mine may be extended through a combination of opencast and underground mining. We remain excited with the prospectivity of the Lupa area and with the potential of the Singida project.

Despite the investment in major capital projects, the Company has strengthened its financial position having repaid US$11.3 million of debt. Post period end the restructuring of the banking loan facilities to provide significantly increased financial flexibility was completed, subject to final approvals.

Your Company has continued with its programmes to assist in the sustainable development of the communities in which it operates with most of its CSR efforts focussed on educational and health projects.

Your Company's contribution to the economy of Tanzania has continued to increase. At 31 December 2014, employees of the Company and companies contracted to it totalled 786 (2013 – 740). In 2014, Shanta paid to the Tanzania Government US$13.1 million in direct and indirect taxes (excluding VAT), an increase of 39% from the previous year. Relations between your Company and the Government remain strong.

Board of Directors and Management

The planned restructuring of your Board was completed during the year. Nick Davis and Paul Heber retired from the Board with effect from 31 May 2014 whilst Jonathan Leslie retired from his position as Strategic Advisor to the Board. On behalf of the Board, I would like to thank Nick, Paul and Jonathan for their many years of service to your Company.

Dr. Toby Bradbury was appointed Chief Executive Officer and to the Board on 1 April 2015, having joined the Company on 1 January 2015 as Chief Operating Officer. Patrick Maseva-Shayawabaya, who joined the Company in July 2013 as Chief Finance Officer was also appointed to the Board on 1 April 2015. The Board extends its welcome to Toby and Patrick.

Appreciation

Mike Houston retired as Chief Executive Officer of your Company on 31 March 2015 at the end of his term. To ensure a smooth handover, the Board has agreed that he remains on the Board until the Annual General Meeting on 29 May 2015. On behalf of the Board and shareholders, I would like to thank Mike for his stewardship of the Company during a challenging phase of the Company's development. Mike leaves the Company in a much heathier state than he found it.

On behalf of the Board, I would like to thank the entire Shanta team for delivering a good year's performance. I thank my fellow Directors for their support and wise counsel during the past year.

A P W Durrant
Chairman
17 April 2015

I am pleased to report on a successful 2014 operational and financial performance.

Production

	2014	2013	% change
Tonnes ore mined	529,850	285,206	86
Tonnes ore milled	580,664	391,892	48
Grade (g/t)	5.18	6.23	(17)
Recovery (%)	87.8	87.9	-
Gold produced (oz)	84,028	64,054	31
Silver produced (oz)	101,347	24,944	307
Gold sold (oz)	87,758	61,877	42
Average price achieved (US$/oz)	1,289	1,409	(9)
Cash Cost (US$)	742	844	(12)
All in Sustaining Cost (US$)	941	1,049	(10)

The major challenge for management in 2014 was balancing the need to generate an acceptable production output and cash flow whilst developing the longer term ore supply through the Bauhinia Creek pushback, opening up of the Luika pit and understanding the commercial transition point to underground mining. Mining operations were stepped up significantly in 2014 with ore mined at 529,850 tonnes up 86% on the previous year. However, despite the encouraging improvements, ore mined was unable to keep pace with the above budget plant demand with the gap filled with low grade gravels and ore stocks.

Since the period end, the on-going Bauhinia Creek push back access ramp has taken longer than expected with no ore being available from the pit during Q1 2015. The final pit access ramp will be completed in April 2015, providing permanent access to the higher grade ore in the Bauhinia Creek pit as well as enhancing operational flexibility during the underground mine development. Pushback expenditure for the year amounted to US$9.9 million.

A shortfall from Bauhinia Creek open pit was anticipated in Q1 2015 with mine production to be supplemented with additional ore from the Luika pit. However, a combination of geotechnical issues and the intersection of mining voids from the historical colonial mining reduced the quantity of ore available in Q1 2015 leading to lower production than forecast. The 2015 guidance, has as result, been revised to 72,000 - 77,000 ounces at an All in Sustaining Cost of US$850 - US$900 per oz.

The management team has already completed an optimisation with regards to the mine plan for the Bauhinia Creek and Luika Pits which has resulted in a substantial reduction in forecast strip ratios with long-term benefits for the Company's cost profile. Work is continuing on detailed design but indicative savings are expected to be in excess of US$20 million over the next two years.

These improvements have been driven by a new management team which has elevated the technical expertise in the Group. Scott Yelland joined Shanta as General Manager at New Luika Gold Mine in March 2015.

Tonnes ore milled at 580,664 were 48% up on 2013. A greater understanding of the operating process which included modifications to mill liners resulted in an excellent plant availability of 94.5% and saw mill throughput increase from an average of 44,000 tonnes per month in Q1 to over 50,000 tonnes per month in Q4. The introduction of the new crushing circuit in Q4 had an immediate impact on throughput through the smaller sized feed, with component wear rates within the milling circuit reduced considerably leading to increased plant availability and lower costs.

Installation and commissioning of the Elution/Electro-winning plant in May 2014 resulted in an increase in gold recovery from 85% to 89% by year end whilst silver recovery increased from 22% to 70%. Overall, gold recovery year on year was however unchanged due to the negative impact of processing a higher volume, with a resultant reduction in leach time. Silver production increased threefold in line with the increase in recovery. An additional Carbon in Leach tank will be installed by end of June 2015 and will enable a further improvement in both gold and silver recoveries through increased leach time.

Gold production for the year at 84,028 ounces was 31% above the previous year's production and is mainly a reflection of the higher volume of ore processed.

Major Projects

The reserve upgrade announcement in October 2014 highlighted an increase from 456,000 ounces to 690,000 ounces and also that several ore bodies are open at depth and thus potentially extractable by underground mining.

The New Luika Life of Mine Extension study based on the upgraded reserve and focusing on a combination of opencast and underground operations was undertaken and largely completed by the end of Q3. However, after a review by independent consultants engaged by the Company, it was agreed that in order to further de-risk the project, additional drilling in the proposed underground mining area was required. The drilling is currently in progress and together with the assay results is scheduled to be completed in early Q2 2015. At the time of writing, the management team in conjunction with independent consultants are looking at several areas that have the potential to further de-risk and enhance the project. We remain optimistic that the additional drilling will confirm that underground mining is viable and that the existing life of mine can be extended. It remains management's intention to complete the upgraded study and report to the market during Q3 2015.

Work on upgrading the Singida feasibility study continued during the year but as previously advised, implementation of the project has been deferred on the advice of the authorities noting that the relocation exercise currently underway should be completed before any real activity on the ground commences. This time line has provided management with the opportunity to revisit and update the resource base and to establish through bulk test work whether the project can be enhanced through the introduction of a heap leaching process that could fast track the commencement of operations, lower the capital cost and extend the life of mine. Management remains cautiously optimistic on the potential of Singida and plan to finalise the way forward with this project during H2 of 2015.

Capital Expenditure

Capital expenditure (excluding the Bauhinia Creek pushback) for the year amounted to US$12.9 million, of which US$11.1 million was on the new Crusher/Screening and Elution/Electro-winning plants. The elution plant was completed on time but the project cost of US$4.7 million exceeded plan due to the airlifting of major components from the USA to reduce the project implementation time.

Several delays were experienced in the manufacture of the Crusher/Screening Circuit resulting in late commissioning. In addition, post commissioning, a number of problems were encountered with the unit, which the supplier is working on resolving as part of the final hand-over. The project cost amounted to US$6.4 million. The plant is yet to run at name plate capacity and a final performance test will only occur in Q3 2015 once all modifications including fitting of the new screen (fire damaged) are completed, however operations to date have shown the benefit of the new circuit.

As previously reported, on 8 January 2015, a fire on the Crusher/Screening Circuit rendered the screening section inoperable and a hired standby crusher was immediately brought into operation with minimal loss of production. Following an assessment of the fire damage, preliminary repairs were carried out to the screen and the unit was brought back into operation in late January 2015. Further repairs will be carried out when a new screen, which is currently on order, has been received. This is expected to be completed in Q3 2015.

The completion of the Crusher/Screening and Elution/Electro-winning plants has substantially de-bottlenecked the plant. The Company now has a robust plant, capable of handling 50% higher throughput subject to an increase in the milling and CIL capacity.

Exploration

The Company focused on two key areas during 2014.

The on-mine exploration included 2,541 metres of Reverse Circulation (RC) (direct and collared) and 2,474 metres of diamond drilling at depth at Bauhinia Creek, Luika and Ilunga to increase the underground resource and reserve. This drilling resulted in an announcement in October 2014 whereby the in-situ indicated resource was increased by 3% to 814,000 oz at an average 4.5 g/t on a 1 g/t cut-off. Inferred resources were increased by 12% to 221,000 oz at an average grade of 2.3 g/t at a 1 g/t cut-off. All three ore bodies remain open at depth.

In addition, a Probable Ore Reserve of 4.95 mt at 4.33 g/t for 690,000 oz was declared (net of depleted ore to date and excluding stockpile material).

The Company aims to continue to evaluate the opencast and underground potential of various resources on the New Luika mining license. At time of writing, an additional 9 holes of RC (Collaring)/Diamond have been drilled at Bauhinia Creek and Luika with positive mineralization noted on which assay results are expected in early Q2 2015. The Jamhuri (due to be brought into production in 2015) and Ilunga deposits are due for further evaluation in 2015.

The off-mine exploration within an economic circle of the plant has largely focused on the prospective Nkuluwisi structure (23 km in length) and two smaller structures Kalambo and Kikamba, where extensive geophysics work was undertaken culminating in a drilling program in the second half of the year. The Company drilled 36 RC holes for approximately 5,000 metres. The initial results at an inferred level for Nkuluwisi are encouraging. We will continue to evaluate these targets in 2015 with the objective of increasing the grade profile and upgrading the resource to indicated where justified. We await the resource estimate for the other two targets.

The Company will extend the exploration program at a regional level in the Lupa Goldfields in 2015 to evaluate the prospectivity of the exploration licenses it holds with the objective of zoning in on the interesting targets and rationalizing its license portfolio.

Finance

Gold sales for the year totalled 87,758 ounces up 42% on the sales for the nine months to December 2013. Silver sales were 98,013 ounces, an increase of 226%, in line with the higher silver production. The Company continued with its prudent hedging program and the average gold price realized for the year was US$1,289 per ounce compared to the average price for the previous year of US$1,409 per ounce. Turnover for the year thus amounted to US$114.9 million, compared to US$66.0 million for the nine months (post commencement of commercial production) to December 2013.

It should be noted that gold sales for the three months to March 2013 amounting to US$21.6 million were capitalised as pre-production revenue. Cost of sales for the year amounted to US$80.1 million, up 49% on the previous year reflecting mainly the higher volume of gold sales. In addition, depreciation charges for the year amounted to US$10.9 million, up 127% on the prior year as a result of increase in production and full year charge. Further, lower ore and bullion stocks resulted in a charge to Cost of Sales of US$6.1 million as a stock movement. Consequently, gross profit for the year amounted to US$34.8 million, giving a gross margin of 30% compared to US$12.2 million and 18% respectively for the previous year.

Administration costs for the year amounted to US$8.9 million, down from US$12.5 million for the previous year. Consultancy and one off costs for the year were US$2.3 million lower than in the previous year. Administration costs include depreciation, share based payment charges and exchange loss totalling US$2.1 million.

Exploration expenditure for the year amounted to US$2.9 million, 4% lower than the previous year, as exploration activities remained at a low level in light of the difficult and uncertain market conditions.

An operating profit for the year of US$22.9 million was achieved, compared to a loss of US$3.2 million for the previous year whilst EBITDA amounted to US$33.8 million, an increase from US$1.6 million for the previous year.

Net finance expense amounted to US$6.3 million, up from US$1.2 million for the previous year which was a result of a fair value gain on warrant revaluation of US$6 million that was accounted for as finance income.

As a result of the above, Profit Before Tax of US$16.6 million was recorded compared to a Loss before Tax of US$4.4 million for the previous year. The Group has accumulated tax losses brought forward from the mine development phase and therefore no income tax will be payable for at least the next three years. There was however a deferred tax charge amounting to US$7.8 million compared to a deferred tax credit of US$5.1 million for the previous year. Profit After Tax thus amounted to US$8.9 million, compared to the previous year's Profit After Tax of US$0.8 million.

The statement of financial position continued to strengthen with non-current assets increasing from US$119 million to US$132 million, a result of the capital expenditure mainly on the plant upgrade projects and the Bauhinia Creek pushback. Current assets totalled US$37 million, a decrease of 8% due to lower bullion and ore stocks.

Cash generation during the year was strong, despite the volatile and falling gold price. Cash generated from operations amounted to US$39.0 million compared to US$19.5 million for the nine months to 31 December 2013. Repayment of the restructured FBN loan commenced in January 2014 and US$11.3 million had been repaid by year-end leaving a balance of US$22.5 million. Cash balance at year end amounted to US$14.9 million marginally up on the balance at the end of December 2013. Net debt at 31 December 2014 amounted to US$40.7 million inclusive of the US$25.0 million Convertible Loan Notes, down from US$49.7 million.

Subsequent to the year end, the operating subsidiary, Shanta Mining Company Limited, signed an agreement with Investec Bank Limited for a five year loan facility totalling US$40.0 million at an interest rate of LIBOR+4.9%. Approximately half of the loan facility will be used to refinance the existing FBN loan whilst the balance will be a stand-by facility to be drawn as and when required during the implementation of the Life of Mine Extension Project. These new facilities are at a lower cost and provide financial flexibility in the medium term. At the time of writing, regulatory approval of the loan facility by the Bank of Tanzania was awaited.

Hedging

As stated above, the Company continued with its prudent hedging program during the year to protect cash flow. A total of 44,000 ounces were sold under the hedge program at an average price of US$1,318 per ounce. As at end of December 2014, the Company had sold forward 30,000 ounces at an average price US$1,245 per ounce and post year end, a further 1,500 ounces were sold forward at an average price of US$1,240.

Community Social Responsibility ("CSR")

The Community Social Responsibility strategy that was developed following completion of a baseline study was rolled out during the year. A number of projects aimed at uplifting livelihoods of the surrounding communities were completed or are under implementation in the areas of education, health and water provision. The company, although at early stage development, is working with two NGO's focused on developing sustainable small scale businesses.

The Company has developed a very positive working relationship with the communities in close proximity to its operations and continues, through a localized employment strategy, to develop skills that will serve the community in the longer term.

Outlook

The gold market remains difficult and uncertain with price forecasts indicating that the gold price will remain in a range between US$1,100 and US$1,300 in the short to medium term. In conjunction with the expected lower gold output, profitability and cash generation in 2015 will be constrained. Despite this, 2015 remains an ongoing development year for Shanta as it seeks to position itself to develop into a mid-tier mining company. The key focus areas will therefore be the following:

Operations

- Strengthen the safety, health and environmental disciplines
- Continue to focus on lowering costs driven largely by mining efficiencies, power rationalization and procurement opportunities
- Balance mining and process activities
- Complete the Bauhinia Creek pushback to enable access to the high grade ore reserves
- Install additional Carbon In Leach tank to increase recoveries of gold and silver
- Right size and right skill the management and operating teams

Commercial/Financial

- Secure outstanding regulatory approvals for the new loan facilities with Investec
- Strengthen the balance sheet
- Continue with a prudent hedging policy
- Secure investors aligned with our growth ambitions. Look to provide shareholders with optionality and a sensible long term dividend policy

Development/Growth

- Complete the Life of Mine Plan including the development of Underground mining at New Luika
- Complete the long-term water supply project and the new tailings dam
- Complete the review of the Singida project and conclude on a way forward
- Continue to have a progressive exploration program with a target to replace ounces depleted with a strong focus on grade

Sustainability

- Focus on the Company's agreed CSR strategy and secure partners in assist in the development and implementation of projects that create longer term sustainability for communities in which Shanta operates
- Continue to strengthen relationships with all key stakeholders

Acknowledgement

I would like to thank the Shanta management and staff, contractors, advisors for their considerable contributions in making 2014 the success that it was. A special thanks to our principal financiers, FBN Bank for their continued support and also for their positive approach to the restructuring of our debt facility.

I would like to thank the Chairman and members of the Board for their support and guidance during the past year and indeed the 30 months I was CEO. I take this opportunity to welcome Toby Bradbury as CEO and have no doubt that he will lead the Company to scale new heights.

Finally, I give my appreciation to our Shareholders who have continued to support the Company in what has been a very difficult market.

M J Houston
Chief Executive Officer
17 April 2015

Safety
The Group achieved an excellent safety performance for the year with no Lost Time Injuries recorded. There have been 4.2 million man hours worked since the last Lost Time Injury was recorded in March 2013. Post year end, a fire occurred in a screening section in the crushing circuit of the processing plant and was brought under control without injuries to employees.

2014 key performance statistics are as follows:

Lost Time Injuries	0
Man hours	2,670,203
Medically treated cases	2
Days since last Lost Time Injury	709

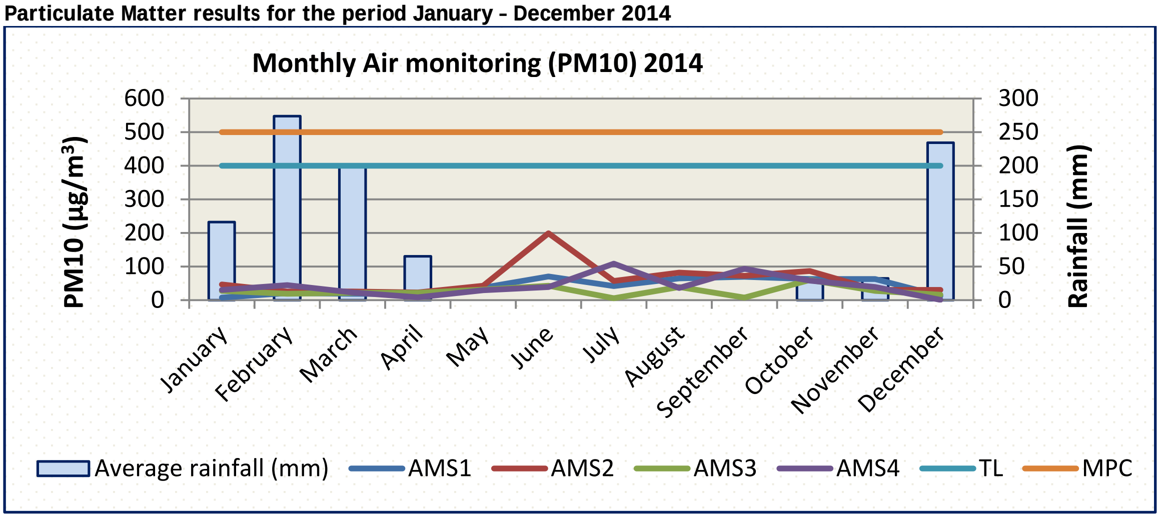
Whilst safety performance thus far has been good, there have been a number of near misses which could have resulted in injuries. Accordingly, the safety management systems are being revamped with the help of an independent safety expert. This exercise is expected to be completed by end of June 2015.

Environment
No major environmental breaches were recorded during the year. The Company updated its Environmental Management Plan (EMP) to cater for the planned mine expansion and is awaiting its approval by the relevant authorities.

Air Quality Management
The Company monitors air quality at the New Luika Gold Mine to ensure compliance with Mining Environmental Management and Protection Regulations 1999.

Particulate Matter
Particulate matter monitoring is undertaken at four Air Monitoring Stations (AMS) and as shown below, the monthly results have been well below both the Trigger Level (TL) and the Maximum Permissible Concentration (MPC).

Particulate Matter results for the period January - December 2014



Dust deposition (wet and dry)
Dust is collected and analysed for antimony, arsenic, cadmium, chromium, copper, lead, nickel and zinc. Results throughout the year were within the standards as shown in the table below.

Parameter	Unit	MPL STDS	No. of sample	Minimum	Maximum	Average	Comments
Antimony	mg/m2/month	300	5	0.01	0.15	0.038	Within standard
Chromium		1200	5	0.01	0.01	0.01	Within standard
Copper		150	5	0.02	0.07	0.044	Within standard
Lead		600	5	0.01	0.14	0.32	Within standard
Nickel		50	5	0.02	0.18	0.08	Within standard
Zinc		1200	5	0.02	0.85	0.36	Within standard
Arsenic		150	5	0.01	0.01	0.01	Within standard
Cadmium		10	5	0.01	0.11	0.05	Within standard

The Company generates its own power for use in its operations. In May 2014, the Company converted from 100% use of diesel in power generation to predominantly Heavy Fuel Oil (HFO). Currently 94% of the power is generated from HFO. Six HFO generators and one diesel generator are in use. A total of 3,242,396 litres of HFO and 1,951,744 litres of diesel were used to generate 19,727 MWh of power during the year.

During the year, the Company commissioned a pilot solar plant that generated 43 MWh of power. The company continues to review alternative power options within the constraints of the mine location where there is no access to the national grid.

NLGM Energy supply

Year	Power from generators			Solar plant	
	HFO (litres)	Diesel (litres)	Power generated (MWh)	Power generated (MWh)	Carbon dioxide saved (te)
2012	-	1,402,910	9,233	-	-
2013	-	4,418,247	18,764	-	-
2014	3,242,396	1,951,744	19,727	43	35

Waste Management
Mining operations generate mining wastes both from activities directly related to mine production and support activities. The table below describes the amount of each type of waste generated during the year and its disposal.

Waste generation and categorization

	Waste type	Annual Waste	Disposal
1	Waste rock	3,340,037 m3	Rock Dump
2	Tailings	580,652 tonnes	Tailings Storage Facility
3	General & Domestic waste	120.2 tonnes	Landfill
4	Used oil	88,400 litres	Other users
5	Used oil filter	4,000 kg	Other users
6	Used tyres	6,123 kg	Other users
7	Used conveyor belt	2,000 kg	Other users
8	Scrap metal	98,980 kg	Other users
9	Plastic bottles	4,490 kg	Other users

Community Social Responsibility
The Company is committed to conducting business in a socially responsible manner and in building a long-term relationship with the surrounding communities. In this regard, the Company intends to work as a "catalyst" to bring partners together to improve the socio-economic development and livelihoods of the neighbouring communities.

Implementation of a 5 year Community Development Strategy commenced in the year following a baseline study undertaken to assess the requirements of the neighbouring Mbangala and Saza Communities. The Strategy document is a template for future Shanta projects in Tanzania. Projects to be initiated and implemented will be aligned to national, district and village plans to avoid duplication of efforts and have the ownership of the communities involved. Four key themes have been identified namely Education, Health, Water and Livelihoods, and to date, a number of activities have been undertaken in Saza and Mbangala villages as follows:

Education
- On-going scholarships scheme for 120 students at Saza and Mbangala primary and secondary schools
- Scholarships to 4 students for "the engineering artisan programme" at the Moshi International Mining School
- Provision of 200 desks and ongoing refurbishment of Mbangala, Maleza Primary and Saza Secondary Schools
- Construction and equipping of Saza Secondary School Science Laboratory

Water
New Luika Gold Mine is in a low rainfall area, and access to clean water is an ongoing struggle for the local communities. The Company is working in conjunction with other stakeholders to ensure Saza and Mbangala communities have reliable access to water for domestic use and has done the following:
- In 2012, drilled a borehole at the Mangala Village and continued to maintain it
- In 2014, purchased and installed a generator to replace the manual hand pump

Livelihoods
The Company is promoting local livelihoods and diversification in Mbangala and Saza Villages by supporting agricultural projects by women and providing a market for the produce. The company has agreed to work with two NGO's to evaluate and develop sustainable development projects. Direct funding for CSR projects undertaken during the year amounted to US$300,000. Indirect funding through areas like the commitment of management/staff in support of the various projects is not included, but is a vital aspect and material in terms cost.

Funding for all CSR projects undertaken during the year amounted to US$300,000.

Employee Relations
The Company had satisfactory labour relations during the year with no work stoppages and industrial relations disputes. This was achieved through full compliance with labour laws and regulations; proper internal grievance management procedures as well as adherence to Company disciplinary procedures. The company has in-house training programs focused on employing and developing people from the local community.

The Directors present their report and financial statements of the Group for the year ended 31 December 2014.

General
The Company was established in 2005. On 11 July 2005, its shares were listed on the London Stock Exchange's AIM market. The Company is a non-cellular Company limited by shares incorporated in Guernsey.

Principal activity
The Group's principal activity is that of investment in gold exploration and production in Tanzania.

Business review
A review of the business during the year is contained in the Chairman's Address on page 2 and in the Chief Executive Officer's Review on pages 3 to 6. The Group's business and operations and the results thereof are reflected in the attached financial statements. It is the business of the Group and its subsidiaries to explore for value adding resources, financed by the Company and to turn commercially viable findings into a mineral production asset.

The activities for the year have resulted in the Group's net profit of US$8.9 million (2013: US$0.8 million)

Except as disclosed in Note 30 to the financial statements, no other material fact or circumstance has occurred between the accounting date and the date of this report.

Nominated advisor
The Company's nominated advisor is Peel Hunt LLP.

Financial results
The results for the year are set out in the attached financial statements. Although the Group made a profit for the year ended 31 December 2014, no dividends were proposed by the Board of Directors (2013: US$ Nil).

Directors
The Directors who served during the year and to the date of this report are as follows:
Anthony Peter Wynn Durrant (Chairman)
Robin Anthony Fryer
Michael John Houston
Paul David Heber (resigned 31 May 2014)
Ketankumar Vinubhai Patel
Nicholas Davis (resigned 31 May 2014)
Luke Alexander Leslie
John Edward Rickus
Maheshkumar Raojibhai Patel (Alternate Director)
Toby Jonathan Bradbury (appointed 1 April 2015)
Patrick Maseva-Shayawabaya (appointed 1 April 2015)

As an alternate Director to Mr. K V Patel, Mr. M R Patel is allowed to attend and vote at any board meeting at which Mr. K V Patel is not present. No Director shall be requested to vacate his office at any time by reason of the fact that he has attained any specific age. The Board considers that there is a balance of skills within the Board and that each of the Directors contributes effectively.

Directors' Remuneration

	31-Dec-2014				31-Dec-2013		
	Performance bonus	Fees/salary	Termination Payment	Total	Fees/salary	Termination	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Walton Imrie	-	-	-	**-**	163	410	**573**
Paul Heber	-	43	-	**43**	65	-	**65**
Ketankumar Patel	-	65	-	**65**	65	-	**65**
Michael Houston	186	423	-	**609**	477	-	**477**
Edward Johnstone	-	-	-	**-**	211	226	**437**
Nicholas Davis	-	43	-	**43**	78	-	**78**
Luke Leslie	-	65	-	**65**	65	-	**65**
Anthony Durrant	-	96	-	**96**	56	-	**56**
Robin Fryer	-	65	-	**65**	27	-	**27**
John Rickus	-	65	-	**65**	2	-	**2**
Sub-total	**186**	**865**	**-**	**1,051**	**1,209**	**636**	**1,845**
Share based payments	-	-	-	**105**	-	-	**515**
Grand Total	**186**	**865**	**-**	**1,156**	**1,209**	**636**	**2,360**

Executive Directors are provided with life assurance cover of two times annual salary.

Directors' responsibilities statement

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period and are in accordance with applicable laws. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

So far as each of the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware; having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

A statement of corporate governance is included on page 12.

Website publication

The Directors are responsible for ensuring that the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with applicable legislation in Guernsey governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Going concern

After making enquiries, and bearing in mind the nature of the Group's business and assets, the Directors consider that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditor

BDO LLP has expressed their willingness to continue in office as auditors and a resolution to re-appoint BDO LLP will be proposed at the forthcoming annual general meeting.

Share options

Share options have been granted to the following current and past Directors under the Share Option Plan and are all outstanding at 31 December 2014:

	Grant date	Number of share options	Option price
Walton Norman Brian Imrie (former Chairman)	29 July 2005	168,006	25p
Walton Norman Brian Imrie (former Chairman)	7 Sept 2009	350,000	6p
Walton Norman Brian Imrie (former Chairman)	16 Nov 2010	250,000	28.25p
Walton Norman Brian Imrie (former Chairman)	26 Oct 2011	250,000	25p
Walton Norman Brian Imrie (former Chairman)	26 Oct 2011	750,000	30p
Walton Norman Brian Imrie (former Chairman)	26 Oct 2011	1,000,000	35p
Ketankumar Vinubhai Patel	29 July 2005	168,006	25p
Ketankumar Vinubhai Patel	7 Sept 2009	150,000	6p
Nicholas Davis	23 Aug 2012	250,000	25p
Nicholas Davis	23 Aug 2012	500,000	30p
Nicholas Davis	23 Aug 2012	500,000	35p
Maheshkumar Raojibhai Patel (alternate Director)	29 July 2005	168,000	25p

The share option plan was adopted by the board of Directors on 1 July 2005, details of which are available at the Company's registered office. 1,330,403 share options granted to Walter Egmund Vorwerk lapsed on 31 December 2014 whilst 350,000 share options with an option price of 6p were exercised in January 2015.

Under the share option plan where the option holder relinquishes his contract of employment with the Group, any vested options will expire upon 12 months from the date of termination of their contract, unless otherwise agreed by the Directors.

Further details, including share options provided to employees of the Group, are contained in note 24 to the financial statements.

Performance Award Shares

Rock Investments Trading Limited (a Company in which Michael Houston has an interest) has been awarded 2,250,000 shares. Half of these shares will vest when the average market capitalisation of Shanta Gold Limited equals or exceeds US$250 million during five consecutive working days, and the other half will vest when the average market capitalisation of Shanta Gold Limited equals or exceeds US$350 million during five consecutive working days, as shown on the London Stock Exchange website and converted from Pounds Sterling to US Dollars using such rate as the Board determines to be the prevailing rate or rates for that period, and that on the date when this performance condition is satisfied, that he still remains an employee of Rock Investments Trading Limited, or that Rock Investments Trading Limited continues to provide services to Shanta Gold Limited or a Group Company.

On 1 January 2015, Dr. Toby Bradbury the Chief Operating Officer and Chief Executive Officer designate was granted two sets of Performance Award shares totaling 1,000,000 and Retention shares totaling 500,000.

The First Performance Award shares of 500,000 have a trigger price of 11.42 pence (being the volume weighted average price [VWAP] for the period 24 November to 31 December 2014 of 9.1301 pence plus 25% premium). These shares will vest as follows: 25% on 31 December 2015, 25% on 31 December 2016, and 50% on 31st December 2017. The trigger price on these shares was achieved in January 2015.

The Second Performance Award shares of 500,000 have a trigger price of 13.70 pence (being the VWAP for the period 24 November to 31 December 2014 of 9.1301 pence plus 50% premium). These shares will vest as follows: 25% on 31 December 2015, 25% on 31 December 2016, and 50% on 31 December 2017.

The 500,000 Retention shares will vest on 31 December 2017.

Signed on behalf of the Board of Directors on 17 April 2015.

Michael John Houston
Chief Executive Officer

Anthony Peter Wynn Durrant
Chairman

Guernsey does not have its own corporate governance regime. As a Guernsey-registered Company traded on the AIM Market of the London Stock Exchange, the Company is not required to comply with the UK Corporate Governance Code (the 'Code') issued by the Financial Reporting Council. However, the Group aims to comply with best practice in the industry and has provided details of its internal best practices below.

Board of Directors

The Company had one Executive Director and five Non-Executive Directors at the year end. All major decisions relating to the Group are made by the Board as a whole. Operations are conducted by the subsidiaries of the Company (principally Shanta Mining Company Limited) under the direction of the Chairman of each of the subsidiary companies. The Company is represented on the board of Shanta Mining Company Limited. The Board reviews key business risks regularly, including the financial risks facing the Group in the operation of its business.

The Group operates a share dealing code for Directors on the basis set out in the AIM Rules.

Board meetings

The Board aims to meet at least quarterly and as required from time to time to consider specific issues required for decision by the Board.

The table below shows the attendance at board meetings during the year to 31 December 2014:

Directors

		Board Meeting	Audit Committee	Remuneration Committee	Sustainability Committee
Anthony Peter Wynn Durrant	Non-Executive	4	-	-	-
Ketankumar Vinubhai Patel	Non-Executive	3	1	-	2
Paul David Heber	Non-Executive	2	-	-	1
Michael John Houston	Executive	4	-	-	-
Nicholas Davis	Non-Executive	2	-	-	-
Luke Alexander Leslie	Non-Executive	4	3	2	-
Robin Anthony Fryer	Non-Executive	4	3	2	-
John Edward Rickus	Non-Executive	4	-	2	3
Maheshkumar Raojibhai Patel	Alternate	-	-	-	-

Audit Committee

The Group has an Audit Committee, comprised of three Non-Executive Directors being Robin Fryer (Chairman), Ketankumar Patel and Luke Leslie. The Audit Committee aims to meet at least once each year and is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported on, and for meeting with the Group's auditor and reviewing their reports and accounts and the Group's internal controls. The Audit Committee met three times in 2014.

Remuneration Committee

The Group has a Remuneration Committee, comprised of three Non-Executive Directors being John Rickus (Chairman), Luke Leslie and Robin Fryer. The Remuneration Committee aims to meet at least once a year and is responsible for reviewing the performance of the senior staff, setting their remuneration, determining the payment of bonuses, considering the grant of options under any share option plan and, in particular, the price per share and the application of the performance standards which may apply to any grant. The Remuneration Committee met three times in 2014.

Sustainability Committee

The Group has a Sustainability Committee, comprised of Non-Executive Directors being Ketankumar Patel (Chairman) and John Rickus. The Sustainability Committee aims to meet at least once a year and is responsible for reviewing the Group's safety, occupational health, environmental as well as community and social responsibility practices. The Sustainability Committee met three times in 2014.

Signed on behalf of the Board of Directors on 17 April 2015

Michael J Houston
Chief Executive Officer

Anthony P W Durrant
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHANTA GOLD LIMITED

We have audited the Consolidated Financial Statements of Shanta Gold Limited for the year ended 31 December 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Parent Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work is undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors and auditor

As explained more fully in the Directors' Responsibilities Statement within the Directors' Report, the Directors are responsible for the preparation of the Consolidated Financial Statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Consolidated Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements, and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the Consolidated Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Parent Company; or
- the Consolidated Financial Statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

BDO LLP
Chartered Accountants
London
United Kingdom

17 April 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement

	Notes	31 December 2014 US$'000	31 December 2013 US$'000
Revenue		**114,857**	65,989
Cost of Sales		**(80,106)**	(53,816)
Gross Profit		**34,751**	12,173
Administration expenses		**(8,956)**	(12,525)
Exploration and evaluation costs		**(2,862)**	(2,988)
Loss on settlement of pre-existing relationship		**-**	(1,500)
Reversal of provision for bad debts	14	**-**	1,668
Operating profit/(loss)		**22,933**	(3,172)
Finance income	4	**509**	6,019
Finance expense	5	**(6,872)**	(7,213)
Profit/(Loss) before taxation	6	**16,570**	(4,366)
Taxation	7	**(7,715)**	5,125
Profit for the year attributable to the equity holders of the parent Company		**8,855**	759
Profit per share attributable to the equity holders of the parent Company			
Basic profit per share (US$ cents)	8	**1.907**	0.164
Diluted profit per share (US$ cents)	8	**1.890**	0.163

Consolidated statement of comprehensive income

	31December 2014 US$'000	31 December 2013 US$'000
Profit after taxation	**8,855**	759
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign entities which can subsequently be reclassified to profit or loss (see note 9)	**(26)**	407
Total comprehensive profit attributable to the equity shareholders of the parent	**8,829**	1,166

The profit for the year and the total comprehensive profit for the year are attributable to the equity holders of the Parent Company. There are no non-controlling interests.

The items in the above statement are derived from continuing operations.

The accompanying notes on pages 18 to 40 form an integral part of these financial statements.

Consolidated statements of financial position

	Notes	31 December 2014 US$'000	31 December 2013 US$'000
ASSETS			
Non-current assets			
Intangible assets	9	**23,208**	23,495
Property, plant and equipment	10	**108,724**	90,437
Deferred tax asset	7	**-**	5,125
Total non-current assets		**131,932**	119,057
Current assets			
Inventories	15	**12,707**	16,949
Trade and other receivables	13	**9,123**	8,334
Restricted cash	16	**500**	600
Cash and cash equivalents		**14,878**	14,638
Total current assets		**37,208**	40,521
TOTAL ASSETS		**169,140**	159,578
CAPITAL AND RESERVES			
Equity			
Share capital	22	**76**	76
Share premium		**132,865**	132,797
Share option reserve	24	**4,067**	4,286
Convertible loan note reserve		**5,374**	5,374
Shares to be issued		**416**	-
Translation reserve		**781**	807
Retained deficit		**(50,228)**	(60,192)
TOTAL EQUITY		**93,351**	83,148
LIABILITIES			
Non-current liabilities			
Loans and other borrowings	19	**16,592**	27,342
Convertible loan notes	20	**21,843**	20,240
Provision for decommissioning	21	**8,970**	5,825
Provision for deferred taxation	7,9	**7,787**	5,197
Total non-current liabilities		**55,192**	58,604
Current liabilities			
Loans payable to related parties	17	**337**	337
Trade and other payables	18	**6,143**	6,543
Loans and other borrowings	19	**14,117**	10,946
Total current liabilities		**20,597**	17,826
Total equity and liabilities		**169,140**	159,578

The financial statements were approved and authorised for issue by the board of Directors on 17 April 2015 and signed on its behalf by:

Michael J Houston
Chief Executive Officer

Anthony P W Durrant
Chairman

The accompanying notes on pages 18 to 40 form an integral part of these financial statements.

Consolidated statement of changes in equity

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Convertible loan note reserve US$'000	Translation reserve US$'000	Shares to be issued US$'000	Retained deficit US$'000	Total Equity US$'000
Total equity 31 December 2012	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
Total comprehensive profit for year	-	-	-	-	407	-	759	1,166
Share based payments	-	-	1,426	-	-	-	-	1,426
Shares issued	1	658	(306)	-	-	(293)	-	60
Lapsed options	-	-	(92)	-	-	-	92	-
Total equity 31 December 2013	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)
Total comprehensive profit for year	-	-	-	-	(26)	-	8,855	8,829
Share based payments	-	-	890	-	-	416	-	1,306
Shares issued	-	68	-	-	-	-	-	68
Lapsed options	-	-	(1,109)	-	-	-	1,109	-
Total equity 31 December 2014	**76**	**132,865**	**4,067**	**5,374**	**781**	**416**	**(50,228)**	**93,351**

The nature and purpose of each reserve within Shareholders' equity is described as follows:

Reserve	**Description and purpose**
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Share option reserve	Cumulative fair value of options charged to the statement of comprehensive income net of transfers to the profit and loss reserve on exercised and cancelled/lapsed options
Convertible loan note reserve	Equity element of convertible loan note.
Translation reserve	Cumulative gains and losses on translating the net assets of overseas operations to the presentation currency
Shares to be issued	Nominal value of share capital and premium on shares to be issued
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

The accompanying notes on pages 18 to 40 form an integral part of these financial statements

Consolidated statement of cash flows

	Notes	31 December 2014 US$'000	31 December 2013 US$'000
Net cash flows generated from operating activities	25	**39,042**	19,529
Investing activities			
Purchase of intangible assets		**(31)**	(62)
Purchase of plant and equipment		**(11,026)**	(10,185)
Asset under construction		**(1,936)**	(9,452)
Open pit development expenditure		**(9,976)**	-
Proceeds from disposal of asset		**6**	31
Transfer to restricted cash		**-**	(600)
Purchase of subsidiary		**-**	(2,400)
Net cash flows used in investing activities		**(22,963)**	(22,668)
Financing activities			
Proceeds from issue of ordinary share capital (net of share issue costs)		**-**	60
Loans repaid		**(11,250)**	(15,323)
Equipment loan repaid		**(288)**	-
Loan interest paid		**(4,401)**	(4,683)
Net refund of restricted cash		**100**	-
Loans received		**-**	33,446
Net cash flows (used in)/raised from financing activities		**(15,839)**	13,500
Net increase in cash and cash equivalents		**240**	10,361
Cash and cash equivalents at beginning of year		**14,638**	4,277
Cash and cash equivalents at end of year		**14,878**	14,638

The accompanying notes on pages 18 to 40 form an integral part of these financial statements

Notes to the financial statements

1. General information

Shanta Gold Limited (the Company) is a limited company incorporated in Guernsey. The address of its registered office is Suite A, St Peter Port House, Sausmarez Street, St Peter Port, Guernsey. The nature of the Group's operations and its principal activities are set out in the Chairman's address to shareholders, the Sustainability Report, the Chief Executive Officer's review and the Directors' report on pages 2 to 11.

These financial statements were approved and authorised for issue on 17 April 2015 by Michael J Houston and Anthony W P Durrant on behalf of the Board.

2. Accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments which are carried at fair value, as explained in the accounting policies below. They are presented in US Dollars, which is also the Company's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC Interpretations) issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union ("IFRS").

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

a) Adoption of new and revised Standards

(i) Standards, amendments and interpretations effective in 2014:

Standard		Effective date
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interest in other entities	1 January 2014
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 (Amendment)	Recoverable amounts disclosures for non-financial assets	1 January 2014
IAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014

(ii) Standards, amendments and interpretations that are not yet effective and have not been adopted early:

Standard		Effective date
IFRIC 21	Interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets on the accounting for levies imposed by governments.	17 June 2014
Annual Improvements to IFRSs	2010-2012 Cycle	1 February 2015
Annual Improvements to IFRSs	2011-2013 Cycle	1 January 2015
IFRS 11 (Amendment)	Interest in Joint Operations	1 January 2016*
IAS 16 and IAS 38 (Amendment)	Clarification of Acceptable methods of depreciation and amortisation	1 January 2016*
Annual Improvements to IFRSs	2012-2014 Cycle	1January 2016*
IFRS 15	Revenue from Contracts with Customers	1 January 2017*
IFRS 9	Financial Instruments	1 January 2018*

The Group is evaluating the impact of the above pronouncements, but they are not expected to have a material impact on the Group's earnings or shareholder funds.

*Not yet endorsed at 31 December 2014 by the European Union

Notes to the financial statements (continued)

The principal accounting policies adopted are set out below.

2.2 Basis of consolidation

Subsidiaries
Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations
The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a business is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2.3 Foreign currencies

Functional and Presentation Currency

The individual financial statements of each Group Company are prepared in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group Company are expressed in US dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Assets and liabilities of foreign entities (i.e. those with a functional currency other than US$) are translated at rates of exchange ruling at the financial year end and the results at rates approximating to those ruling when the transactions took place. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognized in other comprehensive income and accumulated in the foreign exchange translation reserve.

Transactions and balances

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

2.4 Revenue recognition

The Group enters into contracts for the sale of refined gold and silver. Revenue arising from sales under these contracts is recognised when the price is agreed, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards have been transferred to the customer.
The Group enters into forward sales contracts for the sale and delivery of gold at a pre-determined and agreed price. Revenue arising from forward sales contracts is recognized upon delivery of product in terms of the contract.

2.5 Inventory

Stores and consumables are stated at the lower of cost and net realisable value. The cost of stores and consumables includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Gold ore stockpiles are valued at the lower of weighted average cost, including related overheads and net realisable value, using assay data to determine the amount of gold contained in the stockpiles, adjusted for expected gold recovery rates.

Gold bullion and gold in process are stated at the lower of weighted average cost and net realisable value. Cost includes direct materials, direct labour costs and production overheads, including depreciation of relevant mining properties.

Net realisable value is the estimated selling price less all expected costs to completion and costs to be incurred in selling.

Notes to the financial statements (continued)

2.6 Exploration and evaluation assets and expenditure

Exploration and evaluation expenditure, which is defined as expenses incurred until an ore body is considered commercially recoverable, is, with the exception of costs of acquiring tenement rights, expensed. The costs of acquiring mining and prospecting licenses, which are reflected in the financial statements as intangible assets, are capitalised and will be amortised when mining operations commence over the mine life or unit of production method. Costs of entering into option agreements to explore and evaluate other license holders' rights, with the option of converting these licenses are also capitalised and treated on the same basis.

Subsequent to initial recognition, tenement rights are assessed for impairment annually and when facts and circumstances indicate they may be no longer viable, or where licenses have expired with no intention of renewal, an impairment loss is recognised as exploration costs in the statement of comprehensive income. Where expiring licenses are in the renewal process they are not considered impaired unless the Directors are doubtful that the renewal will not be granted.

2.7 Property, plant and equipment

Items of property, plant and equipment are recorded at purchase cost less accumulated depreciation and impairment losses. Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and estimated useful life. Depreciation is charged on a straight-line basis at rates calculated to write down the cost of each asset to its residual value over its expected useful life. The applicable rates are as follows:

Description	**Rates (%)**
Mine and related equipment	25.0
Office equipment	12.5
Motor vehicles	25.0
Furniture and fittings	16.7

Mining properties (mine development and gold processing plant) depreciation is by the unit of production method

The useful lives and residual values are re-assessed annually.

2.8 Assets under construction

Pre-production expenditure, including evaluation costs, incurred to establish or expand productive capacity, to support and maintain that productive capacity incurred on mines is capitalised to property, plant and equipment. The recognition of costs in the carrying amount of an asset ceases when the item is in the location and condition necessary to operate as intended by management.

Any net income earned while the item is not yet capable of operating as intended, reduces the capitalised amount. Interest on borrowings, incurred for the purpose of the establishment of mining assets, is capitalised during the construction phase.

2.9 Deferred stripping

Production stripping costs in the open pit mines are capitalised to non-current assets if all of the following criteria are met:

- It is probable that the future economic benefit associated with the stripping activity will flow to the entity;
- The entity can identify the component of the ore body for which access has been improved;
- The costs relating to the stripping activity associated with that component can be measured.

If the above criteria are not met, stripping costs are recognised directly in profit or loss.

The Group initially measures the stripping activity asset at cost, this being the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component ore.

After initial recognition, the stripping activity asset is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on the basis of units of production.

2.10 Impairment of property, plant and equipment

The carrying amount of the Group’s non-current assets is compared to the recoverable amount of the assets whenever events or changes in circumstances indicate that the net book value may not be recoverable. The recoverable amount is the higher of value in use and the fair value less costs to sell.

Value in use is estimated by reference to the net present value of expected future cash flows of the relevant cash generating unit. Individual mining properties are considered to be separate income generating units for this purpose, except where they would be operated together as a single mining business.

If the recoverable amount is less than the carrying amount of an asset, an impairment loss is recognised. The revised carrying amount is amortised in line with the Group’s accounting policy.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. The reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in the previous reporting period.

Notes to the financial statements (continued)

2.11 Taxation

From 1 January 2008, the Company is taxed at the standard rate of income tax for Guernsey companies, which is 0%.
The Group is liable for Tanzanian tax arising on activities in the Tanzanian subsidiaries, which are liable for Tanzanian Corporation Tax at 30%. In addition, the Group may be liable for withholding taxes on the repatriation of assets and income from the Tanzanian subsidiaries to the Company as there is no double tax treaty between Guernsey and Tanzania.

Taxation on the profit or loss for the year comprises both current and deferred taxes. Current taxation is provided for on the basis of the results for the year computed in accordance with tax legislation and any adjustment of the tax payable for the previous year.
The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2.12 Provisions

Provisions are recognised when the Group has a present obligation, legal or constructive, resulting from past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

2.13 Decommissioning, site rehabilitation and environmental costs

Group companies are required to restore mine and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the Group's environmental policies. The net present value of estimated future rehabilitation costs is provided for in the financial statements and capitalised within property, plant and equipment on initial recognition. The capitalised cost is amortised over the life of the operation. Unwinding of the discount is recognised as finance cost in the statement of comprehensive income as it occurs. Changes in estimates are dealt with on the prospective basis as they arise. The costs of on-going programmes to prevent and control pollution and to rehabilitate the environment are charged to profit or loss as incurred.

2.14 Share-based payment/incentive programmes

The Group has applied the requirements of IFRS 2: Share-Based Payments.

a) The Group issues share options to certain employees and Directors. Share options are measured at fair value (excludes the effect of non-market based vesting conditions) at the date of grant. The fair value is measured using an option pricing model at the grant date and is expensed on a straight line basis over the vesting period. Share based payments made to employees are expensed in the statement of comprehensive income over the vesting period.

b) Where the Group issues equity instruments to persons other than employees, the statement of comprehensive income is charged with the fair value of goods and services received.

2.15 Warrants

Warrants are separated from the host contract as their risks and characteristics are not closely related to those of the host contracts. Due to the exercise price of the warrants being in a different currency to the functional currency of the Company, at each reporting date the warrants are valued at fair value with changes in fair values recognised through profit or loss as they arise. The fair values of the warrants are calculated using the Black-Scholes model.

2.16 Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

For management purposes, the Group is organised into one main operating segment, this being mining, processing, exploration and related activities. The Group also operates in one geographical location, Tanzania. All of the Group's activities are interrelated and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

Notes to the financial statements (continued)

All the Group's non-current assets are located in Tanzania.

	Exploration and mining of minerals	
	2014	**2013**
	US$'000	US$'000
Total Revenues	**114,857**	65,989
Profit/(Loss) Before Tax	**16,570**	(4,366)
Total Non-Current Assets	**131,932**	119,057
Total Non-Current Liabilities	**55,192**	58,604

Non-Current Assets comprises investment in mining and exploration assets (see notes 9 to 10). All revenues arise from sales to one customer.

2.17 Financial instruments

Financial assets and financial liabilities are recognised in the Group statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position and statement of comprehensive income when there is a currently enforceable legal right to offset the recognised amounts and the Group intends to settle on a net basis or realise the asset and liability simultaneously.

Financial assets

The classification of financial assets at initial recognition depends on the purpose for which the financial asset was acquired and its characteristics. All financial assets are initially recognised at fair value. All purchases of financial assets are recorded at trade date, being the date on which the Group became party to the contractual requirement of the financial asset.

The Group has not classified any of the financial assets as held to maturity or as available for sale. The Group has also not designated any financial assets as fair value through profit or loss. The Group's financial assets comprise of loans and receivables. Unless otherwise indicated the carrying amounts of the Group's financial assets approximate to their fair values.

Restricted cash are those amounts held by third parties on behalf of the Group and are not available for the Group's use; these are accounted for separately from cash and cash equivalents.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They principally comprise loans, trade and other receivables, cash and cash equivalents and restricted cash. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition, and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The effect of discounting on these financial instruments is not considered to be material.

a) Derecognition of financial assets

A financial asset (in whole or in part) is derecognised either:

- when the Group has transferred substantially all the risk and rewards of ownership or,
- when it has neither transferred nor retained substantially all the risk and rewards and when it no longer has control over the financial asset or a portion of the asset; or
- when the contractual right to receive cash flow has expired.

b) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impaired loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

c) Cash and cash equivalents

Cash and cash equivalents are carried at cost and include all highly liquid investments with a maturity of three months or less.

Notes to the financial statements (continued)

Financial liabilities
The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics.

All purchases of financial liabilities are recorded on trade date, being the date on which the Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Group's financial liabilities approximate to their fair values.

The Group's financial liabilities consist of financial liabilities measured at amortised cost and financial liabilities at fair value through profit or loss.

d) Financial liabilities measured at amortised cost

All financial liabilities are initially recognised at fair value net of transaction costs incurred.

Loans, borrowings and trade payables
These include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Convertible Loan Notes
Convertible loan notes are assessed in accordance with IAS 32 Financial Instruments: Presentation to determine whether the conversion element meets the fixed-for-fixed criterion. Where this is met, the instrument is accounted for as a compound financial instrument with appropriate presentation of the liability and equity components. Where the fixed-for-fixed criterion is not met, the conversion element is accounted for separately as an embedded derivative which is measured at fair value through profit or loss.

On issue of a convertible borrowing, the fair value of the liability component is determined by discounting the contractual future cash flows using a market rate for a non-convertible instrument with similar terms. This value is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated, net of issue costs, to a separate component of equity or a separate liability. Issue costs are apportioned between the components based on their respective carrying amounts when the instrument was issued.

On conversion, the liability is reclassified to equity and no gain or loss is recognised in the profit or loss. Where the convertible borrowing is redeemed early or repurchased in a way that does not alter the original conversion privileges, the consideration paid is allocated to the respective components and the amount of gain or loss relating to the liability element in profit or loss. The finance costs recognised in respect of the convertible borrowings includes the accretion of the liability.

Derecognition of financial liabilities
A financial liability (in whole or in part) is derecognised when the Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the statement of comprehensive income.

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts/payments through the expected life of the financial asset/liability or, where appropriate, a shorter period.

e) Fair Value measurement hierarchy

IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the input used in making the fair value measurement.
The fair value hierarchy has the following levels:
a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
b) input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived prices (level 2); and
c) inputs for the asset or liability that are not based on observable market data (unobservable input) (level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

Capital

Financial instruments issued by the Group are treated as equity if the holder has only a residual interest in the assets of the Group after the deduction of all liabilities. The Company's ordinary shares are classified as equity instruments.

For the purpose of disclosure given in note 26 the Group considers its capital to comprise its ordinary share capital, share premium and retained losses. There has been no change in what the Group considers to be capital since the previous period. The Group is not subject to any externally imposed capital requirements.

Notes to the financial statements (continued)

3. Accounting judgments and estimation

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

Key sources of estimation uncertainty and judgment are:

- **Mining Property Policy**
  Depreciation of the mining properties is by the unit of production method. Units of production are significantly affected by resources, exploration potential and production estimates together with economic factors, commodity prices, foreign currency, exchange rates, estimates of costs to produce reserves and future capital expenditure.

- **Inventories**
  Stock is valued at the lower of cost or net realisable value. Costs that are incurred in or benefit the production process are accumulated as ore stockpiles, gold in process and gold bullion. Although the quantities of recoverable metal are reconciled by comparing the grades of ore to the quantities of gold and silver actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor recoverability levels. Net realisable value tests are performed at least annually and represent the estimated future sales value less estimated costs to complete production and bring the product to sale.

- **Stripping assumptions of access to ore**
  Stripping costs incurred in opening up new ore areas are capitalised as part of the mine development costs and subsequently amortised over the mining of the ore body that becomes more accessible as a result of the stripping activity. The Group is required to estimate at each period end the quantity of ore that has become more accessible as a result of the stripping activity. The estimates made are supported by technical data. During the year there was on-going stripping activity that enhanced future accessibility of the ore body, of which 530,000 tonnes was mined during the year.

- **Impairment of acquired exploration and evaluation assets**
  The Group tests the carrying value of acquired exploration and evaluation assets when circumstances suggest that the carrying amount may not be recoverable. As part of this review process the recoverable amount of the asset is determined using value in use calculations, which requires estimates of future cash flows and as such is subject to estimates and assumptions. The key assumptions are disclosed in note 9.

  The Group tests whether mining options and license acquisition costs have suffered any impairment when facts and circumstances suggest that the carrying amount may not be recoverable. The recoverable amounts are determined based on an assessment of the economically recoverable mineral reserves, and future profitable production or proceeds from the disposition of recoverable reserves. Actual outcomes may vary. As at 31 December 2014 the intangibles amounted to US$ 23,208,000 (2013: US$23,495,000).
  As disclosed in the accounting policies, licenses which are viable and within the license renewal processes are not considered impaired. The Directors have no reason to believe renewal will not be granted on the licenses.

  The Mining Act 2011, (which replaced the previous Mining Act 1998), introduced new procedures on renewal of Prospecting Licences (PL's) that involves a tender process. These changes increase the risk of the Company not being able to retain PL's that have or are due to expire.

- **Depreciation of plant and equipment**
  Depreciation is provided in the consolidated financial statements so as to write down the respective assets to their residual values over their estimated useful lives and as such the selection of the estimated useful lives and the expected residual values of the assets require the use of estimates and judgments. The amount of plant and equipment net of depreciation as at 31 December 2014 was US$108,724,000 (2013: US$90,437,000).

- **Impairment of plant and equipment**
  Where potential triggers for impairment are identified which may indicate that the carrying value of items of plant and equipment may have been impaired, a review will be undertaken of the recoverable amount of that asset based on value in use calculations which will involve estimates and assumptions to be made by management. These estimates include an indicated and inferred resource base of 1.36m ounces for the New Luika Mine. Using a range of discount rates, gold prices and cash costs, no requirements for impairment were identified. No impairments were recognised in 2014 and 2013.

- **Warrants and Share based payments**
  The Group has not issued any warrants during the period. The Group operates an equity settled share based remuneration scheme for key employees. Employees' services received and the corresponding increase in equity are measured by reference to the fair value of equity instruments at the date of the grant. In 2014, no share options were granted, but a total of 8,345,000 share awards were awarded as part of the Group's policy on attraction and retention of skills. Some of the share awards granted in 2014 were backdated to April 2013 due to an oversight. The Group determines the fair value of equity-settled share based payments, using valuation techniques and models which are significantly affected by the assumptions used. The methods and assumptions applied, and valuations models used are disclosed in note 24.

Notes to the financial statements (continued)

- **Exploration and evaluation expenditure**

  Exploration and evaluation expenditure such as costs of acquiring tenement rights, mining and prospecting licences are capitalised. The cost of entering into an option agreement to explore and evaluate other licence holders' rights, with the option of converting these licences is also capitalised. The Group has to apply judgement in determining whether exploration and evaluation expenditure should be capitalised or expensed. Management exercises this judgement based on the results of economic evaluations, prefeasibility or feasibility studies. Costs are capitalised where those studies conclude that more likely than not the group will obtain future economic benefit from the expenditures.
  For the year to 31 December 2014 exploration costs amounting to US$2,862,000 (2013: US$2,988,000) were expensed.

- **Decommissioning, site rehabilitation and environmental costs**
  The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate of the rehabilitation costs in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision. Such changes could similarly impact the useful lives of assets depreciated on a straight-line-basis, where those lives are limited to the life of mine. A 1% change in the discount rate on the Group's rehabilitation estimates would result in an impact of US$0.7m (2013: US$0.5m) on the provision for environmental and site restoration.

4. Finance Income

	2014	2013
	US$'000	**US$'000**
Decrease in fair value of warrants (Note 23)	**474**	5,979
Bank interest	**35**	40
	509	6,019

The fair value of warrants at 31 December 2014 is based on the prevailing Company share price of 8.75 pence on that date; and has been calculated using the Black-Scholes model which takes into account the historical share price volatility of 60%.

5. Finance expense

	2014	2013
	US$'000	**US$'000**
Loan and other Interest	**4,905**	5,387
Unwinding of discount on decommissioning liability	**466**	324
Convertible Loan Note accretion	**1,501**	1,502
	6,872	7,213

The above finance expense arises on financial liabilities measured at amortised cost using the effective interest rate method. No other losses have been recognised in respect of financial liabilities at cost.

6. Profit/(loss) before taxation

	2014	2013
Profit/(loss) before tax is arrived at after charging:	**US$000**	**US$'000**
Foreign exchange loss	**360**	734
Depreciation and depletion of assets	**10,874**	4,783
Amortisation of intangible assets	**22**	-
Share based payment costs	**1,369**	1,426
Impairment and write-off of licences	**296**	-
Directors' remuneration	**1,156**	2,360
Auditors' remuneration		
– Audit fees of the Company and Group	**84**	84
- Audit fees of subsidiaries by associates of Group auditor	**54**	52

7. Taxation

Effective I January 2008, the Company is taxed at the standard rate of income tax for Guernsey companies which is 0%. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

There are no current tax charges for the year as the Group has accumulated tax losses.

Notes to the financial statements (continued)

Tax (charge)/credit for the year relates to:

	2014	2013
	US$'000	US$'000
Current tax charge	-	-
Deferred tax charge	(7,715)	5,125
Closing balance	(7,715)	5,125

The tax charge/(credit) for the year can be reconciled to the profit/(loss) per the statement of comprehensive income as follows:

	2014	2013
	US$'000	US$'000
Profit/(Loss) before taxation	16,570	(4,366)
Tax at the standard tax rate		
Tanzanian Corporation tax at 30%	4,971	(1,310)
Different tax rates applied in overseas jurisdictions	2,179	2,630
Tax effect of expenses that are not deductible in determining taxable profit	-	10,801
Tax effect of income not subject to tax	-	(4,019)
Unrecognised taxable losses	565	1,055
Tax losses utilised in the year	-	(9,157)
Deferred tax asset	-	-
Recognised taxable losses	-	(31,291)
Accelerated capital allowances	-	26,166
Tax payable/(credit)	7,715	(5,125)

Deferred Tax Asset movement	2014	2013
	US$'000	US$'000
Balance at 1 January	31,291	-
Recognition of deferred tax asset arising on taxable losses	-	31,291
Losses utilised in the year	(2,894)	-
At 31 December net deferred tax (liability)/asset	28,397	31,291

At year end, the Group has unused tax losses of US$94,656,030 (2013: US$104,303,036) available for offset against future profits and can be carried forward indefinitely.

Additionally, the Group has accumulated expenditure of US$11,672,286 (2013: US$8,794,755) arising on a number of its exploration projects for off-set against future profits generated from those projects and can be carried forward indefinitely. No deferred tax asset has been recognised on these losses as their utilisation is uncertain at this stage.

Deferred Tax Liability movement	2014	2013
	US$'000	US$'000
Balance at 1 January (note 9)	26,166	-
Movement for the year (note 7)	4,821	26,166
Balance at the end of the year	30,987	26,166

A net deferred tax liability of US$7,787,000 has been recognised (2013: Deferred tax asset of US$5,125,101 and deferred tax liability of US$5,197,000).

8. Profit per share

Basic profit per share is computed by dividing the profit attributable to ordinary shareholders by the weighted average number of Ordinary Shares outstanding during the year.

	US$'000	US$'000
The earnings and weighted average number of ordinary shares used in the calculation of basic profit per share is:		
Profit for the year attributable to equity holders of Company	8,855	759
Profit used in calculation of basic profit per share (see below)	8,855	759
Basic profit per share (US cents)	1.907	0.164
Weighted average number of shares in issue	464,302,763	462,728,634

Notes to the financial statements (continued)

There were share incentives outstanding at the end of the year that could potentially dilute basic earnings per share in the future as shown in the table below:

	2014 Number	2013 Number
The Group has the following instruments which could potentially dilute basic earnings per share in the future:		
Share options	**4,226,828**	2,140,722
Warrants	**-**	-

*In 2014 and 2013 the warrants were anti-dilutive as their price exceeded the average market price of the Company's ordinary shares.

	2014 US$'000	2013 US$'000
The earnings and weighted average number of ordinary shares used in the calculation of diluted profit per share is:		
Profit for the year attributable to equity holders of the Company	**8,855**	759
Profit used in the calculation of diluted profit per share as shown below:	**8,855**	759
Diluted profit per share (US cents)	**1.890**	0.163
Weighted average number of shares	**468,529,591**	464,869,355

9. Intangible assets

The Group has capitalised exploration and evaluation assets relating to amounts spent on the purchase of licences and to acquire rights to explore and evaluate mineral deposits. These assets have been classified as intangible assets.

All of the licences are held by the subsidiary companies.

All of the intangible assets have a finite life and have been externally generated. These licences will be amortised when mineral development commences, over the life of the mine or unit of production method.

	Owned prospecting licences US$'000	Third party primary mining licences US$'000	Third party prospecting licences US$'000	Owned Mining Licence US$'000	Third party mining licence US$'000	Acquired exploration & evaluation Assets US$'000	Total US$'000
At 31 December 2012	121	498	102	22	176	9,461	10,380
Additions	–	-	62	-	-	13,058	13,120
Amortisation	(5)	-	-	-	-	-	(5)
At 31 December 2013	116	498	164	22	176	22,519	23,495
Additions	-	-	-	-	31	-	31
Released to the State	-	(111)	-	-	-	-	(111)
Impaired	(21)	-	(164)	-	-	-	(185)
Amortisation	-	-	-	-	(22)	-	(22)
At 31 December 2014	**95**	**387**	**-**	**22**	**185**	**22,519**	**23,208**

Impairment of licences

Impairments relate to projects which have been assessed for impairment and found to be no longer viable or where licences have expired with no intention of renewal. Licences currently under renewal but viable are not considered impaired. The Directors have no reason to believe that renewal will not be granted. The recoverable amounts are determined based on an assessment of economically recoverable mineral resources.

The Mining Act 2011, (which replaced the previous Mining Act 1998), introduced new procedures on renewal of Prospecting Licences (PL's) that involves a tender process. These changes increase the risk of the Company not being able to retain PL's that have or are due to expire. However, the Group has met its commitments on its PL's which have or are due to expire and has no reason to believe that renewal will not be granted.

Owned prospecting licences

These licences are acquired from the Ministry of Minerals and are held in the subsidiary Company's name.

Notes to the financial statements (continued)

Third party primary mining licences
These licences relate to primary mining licences held by an unrelated party, but in terms of which the subsidiary Company holds rights to explore and evaluate with the option to purchase mining rights at a later stage. Under the agreement the subsidiary company pays the licence acquisition and subsequent maintenance costs.

Third party prospecting licences
These are prospecting licences held by an unrelated party, but in terms of which the subsidiary Company holds the right to explore and evaluate the site. Under the agreement the subsidiary company pays the third party for this right. In addition, the agreement provides for additional payments to be made which will be linked to certain events, for example establishment of proven and probable reserves or future sales.

Third party mining licence
This licence relates to a mining licence held by an unrelated party but in terms of which the subsidiary Company holds the right to prospect on the licensed area and confers upon the subsidiary an exclusive option to purchase the licence if the Company in its sole discretion requires it for mining.

Owned mining licences
These licences are acquired from the Ministry of Minerals and are held in the subsidiary Company's name.

Acquired exploration and evaluation assets

On 15 April 2013, the Group acquired 100% of the share capital of Boulder Investments (Private) Limited ("Boulder"), which owns 100% of Shield Resources Limited and the prospective Lupa Licences, from RK Mine Finance 1. The licences cover a significant portion of the exploration ground surrounding the Company's New Luika Gold Mine including active licences of 1,313 sq. km and a further 1,237 sq. km of licences under application. This is a large area of prospective exploration ground with a number of priority targets for further investigation by the Company.

The Company paid US$2.4 million on 12 April 2013, with an additional US$2.4 million deferred over 24 months and US$3.1 million issued as a promissory note due on 12 April 2017, both bearing interest at 2.6%. The consolidation of the prospective exploration ground secures 100% control and ownership over the prospective Lupa licences.

Consequent upon the acquisition, the previous exploration joint venture with Great Basin Gold entered into in June 2011, which included a conditional payment obligation on Shanta Gold subject to exploration results, was terminated. The termination of the joint venture eliminated all potential dilution to Shanta Gold whereby it would have been obliged to issue shares in the Company to the value of US$70 per oz for Measured & Indicated ounces and US$20 per oz for Inferred ounces for any gold resource defined above 500,000 oz and all mined gold ounces. This transaction also eliminated the Company's remaining minimum exploration spend of over US$10 million to earn its 80% interest in Shield Resources Limited, resulting in a loss of US$1.5 million on settlement of a pre-existing relationship.

Details of the fair value of the identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book Value	FV of assets acquired	Deferred tax	Fair value
	US$'000	US$'000	US$'000	US$'000
Non-current assets	-	17,322	5,197	22,519
Current assets	64	-	-	64
Current liabilities	(2,411)	-	-	(2,411)
Provision for deferred taxation	-	-	(5,197)	(5,197)
Total net assets	**(2,347)**	**17,322**	**-**	**14,975**

Fair value of consideration paid	**US$'000**
Net total cash paid	2,400
Fair value of deferred consideration (note 19 (1))	4,614
Fair value of shares and warrants issued (a)	9,461
Total consideration payable	**16,475**
Less fair value of net assets acquired	(14,975)
Less loss on settlement of pre-existing relationship (b)	(1,500)
Goodwill arising on acquisition	-

(a) In 2012, the Group recognised the initial costs of the transaction (US$9.5m) as incurred by the creation of the JV, by issuing 12.4 m shares at 21.19p each (US$4.2m) and 21.6m warrants (US$5.2m).

(b) The loss of US$1.5m arose on the settlement of the JV agreement with Great Basin Gold and represents the provision within the JV agreement to transfer the Group's loan receivable balance of US$2m at a 25% discount to other parties in the JV.
If the entity had been part of the Group for the whole year, the impact on the income statement would have been a further expenditure of US$452,000.

Notes to the financial statements (continued)

10. Mining properties, and other equipment

	Gold processing plant US$'000	Mining assets US$'000	Assets Under Construction US$'000	Mining and Other equipment US$'000	Decommissioning Asset US$'000	Deferred stripping asset US$'000	TOTAL US$'000
Cost							
At 1 January 2013	**-**	**56,873**	**50,418**	**2,831**	**4,130**	-	**114,252**
Asset transfers	26,886	-	(26,886)	-		-	**-**
Additions	449	9,124	8,081	612	1,371	-	**19,637**
Sales from test production	-	-	(21,687)	-		-	**(21,687)**
Reclassification to inventories	-	(9,544)	(6,094)	-		-	**(15,638)**
Disposals/write off	**-**	**-**	**-**	(36)		-	**(36)**
At 31 December 2013	**27,335**	**56,453**	**3,832**	**3,407**	**5,501**	-	**96,528**
Accumulated Depreciation							
At 1 January 2013	**-**	**-**	**-**	**1,323**	-	-	**1,323**
Charge for the year	1,333	2,571	-	606	268	-	**4,778**
Disposals/write off	**-**	**-**	**-**	(10)		-	**(10)**
At 31 December 2013	**1,333**	**2,571**	**-**	**1,919**	**268**	-	**6,091**
Cost							
At 1 January 2014	**27,335**	**56,453**	**3,832**	**3,407**	**5,501**	-	**96,528**
Additions	718	1,839	13,968	-	2,679	9,976	**29,180**
Asset transfers	11,762	1,286	(15,864)	2,816	-	-	**-**
Disposals/write off	-	-	-	(50)		-	**(50)**
At 31 December 2014	**39,815**	**59,578**	**1,936**	**6,173**	**8,180**	**9,976**	**125,658**
Accumulated Depreciation							
At 1 January 2014	**1,333**	**2,571**	**-**	**1,919**	**268**	-	**6,091**
Charge for the year	3,451	5,417	-	685	710	611	**10,874**
Disposals/write off	-	-	-	(31)		-	**(31)**
At 31 December 2014	**4,784**	**7,988**	**-**	**2,573**	**978**	**611**	**16,934**
Net book value							
At 31 December 2014	**35,031**	**51,590**	**1,936**	**3,600**	**7,202**	**9,365**	**108,724**
At 31 December 2013	26,002	53,882	3,832	1,488	5,233	-	90,437

The net carrying amount of property plant and equipment includes an amount of US$3,178,000 (2013: Nil) in respect of assets held under finance lease and equipment loan. Depreciation charge for these assets in the year amounted to US$385,000 (2013: Nil).

Notes to the financial statements (continued)

11. Subsidiary companies

At 31 December 2014, the Group had the following subsidiary undertakings:

Name of company	Holding	Country of Incorporation	Principal activity
Shanta Gold Holdings Limited	100%	Guernsey	Holding Company
Chunya Gold Holdings Limited	100%	Guernsey	Holding Company
Shanta Mining Company Limited	100%	Tanzania	Exploration and mining
Boulder Investments Limited	100%	Cyprus	Investment Company
Shield Resources Limited	100%	Tanzania	Exploration and mining
Mgusu Mining Limited	100%	Tanzania	Exploration and mining
Nsimbanguru Mining Limited	100%	Tanzania	Exploration and mining
Chunya Resources Limited	100%	Tanzania	Dormant
Songea Resources Limited	100%	Tanzania	Dormant

12. Categories of financial assets and liabilities

	31 December 2014	31 December 2013
Loans and receivables	**US$'000**	**US$'000**
Trade and other receivables excluding prepayments	**8,355**	7,246
Restricted cash	**500**	600
Cash and cash equivalents	**14,878**	14,638
Total financial assets	**23,733**	22,484
Financial liabilities measured at amortised cost		
Current financial liabilities		
Loans and other borrowings (note 19)	**14,117**	10,946
Trade and other payables excluding warrants	**6,080**	6,006
Loans payable to related parties (note 17)	**337**	337
	20,534	17,289
Non-current financial liabilities		
Convertible Loan (note 20)	**21,843**	20,240
Loans and other borrowings (note 19)	**16,592**	27,342
	38,435	47,582
Total financial liabilities measured at amortised cost	**58,969**	64,871
Financial liabilities at fair value through profit or loss		
Current financial liabilities		
Derivative financial liability - warrants (note 23)	**63**	537
Total financial liabilities at fair value through profit or loss	**63**	537

Fair values

The fair values of the Group's cash trade and other receivables and trade and other payables are considered equal to the book value as they are all short term.

Loans payable to related parties are repayable on demand and their fair value is considered to approximate their book value (note 17).

Loans and other borrowings and convertible loans are initially measured at fair value and subsequently at amortised costs.

Warrants instruments measured at fair value through profit or loss have been deemed to be level 3 liabilities under the fair value hierarchy as the fair value measured of these liabilities are not based on observable market data (unobservable input).

The reconciliation of the opening and closing fair value balance of level 3 financial instruments is provided below:

Notes to the financial statements (continued)

Level 3	2014 US$'000	2013 US$'000
At 1 January	**537**	6,516
Movement in fair value (note 4)	**(474)**	(5,979)
At 31 December	**63**	537

The sensitivity analysis of a reasonable change in one significant unobservable input, holding other inputs constant, of level 3 financial instruments is provided below:

	Income Statement	
	Increase US$'000	Decrease US$'000
10% change in volatility	86	(26)
10% change in risk free rate	50	(2)

13. Trade and other receivables

	31 December 2014 US$'000	31 December 2013 US$'000
Trade receivables	**5,241**	2,999
Prepayment	**768**	1,088
Other receivables	**3,114**	4,247
	9,123	8,334

During the year no impairments were recognised (2013: US$ Nil). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

14. Reversal of bad debt

In 2012, Shanta Mining Company Limited, a group subsidiary provided US$1.668 million for an irrecoverable debt that it had incurred on behalf of its then joint venture partner Shield Resources Limited. In 2013, after conclusion of the 100% acquisition of Boulder Investments, this provision was reversed.

15. Inventories

	2014 US$'000	2013 US$'000
Plant spares and consumables	**4,996**	3,118
Gold in ore stockpile, gold room and CIL	**7,711**	13,831
	12,707	16,949

16. Restricted cash

As per IAS 7 (Classification of Restricted Cash), an amount of US$500,000 has been shown separately as it has an external restriction placed upon it. The amount is being held by Auramet Trading LLP as collateral fees for the hedging that is in place with the Company. This amount is not for use by Auramet.

17. Loans payable to related parties

	2014 US$'000	2013 US$'000
Loans from shareholders	**337**	337

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.

Notes to the financial statements (continued)

18. Trade and other payables

	31 December 2014 US$'000	31 December 2013 US$'000
Trade payables	**2,466**	2,169
Accruals and other payables	**3,614**	3,837
Derivative financial liability – warrants (note 23)	**63**	537
	6,143	6,543

Trade payables and accruals primarily comprise amounts outstanding for trade purchases and ongoing costs. The Group has financial risk management policies in place to ensure that the payables are paid within the credit time frame. The Directors consider that the carrying amounts of trade payables approximate their fair value.

19. Loans and other borrowings

	31 December 2014 US$'000	31 December 2013 US$'000
Current liabilities		
Promissory notes (1)	**2,376**	-
Loans payable to FBN Bank less than 1 year (2)	**11,048**	-
Equipment loan (3)	**579**	10,946
Finance lease (4)	**114**	-
	14,117	10,946
Non-current liabilities		
Promissory notes (1)	**2,761**	4,842
Loans payable to FBN Bank after more than 1 year (2)	**11,250**	22,500
Equipment loan (3)	**2,027**	-
Finance lease (4)	**554**	-
	16,592	27,342
Total loans and other borrowings	**30,709**	38,288

(1) Promissory Notes
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 (note 9) 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. Using a market interest rate of 9% and a contractual rate of 2.6%, the fair value of the two promissory notes of US$2.4 million and US$3.13 million was calculated to be US$ 4.8 million.

(2) Loan from FBN Bank
The Group had a new loan facility in August 2013 of US$33.75 million. The interest rate on this loan is LIBOR + 6.5% and is repayable in thirty six equal instalments from January 2014. Capital repayments of US$937,500 per month were made from January 2014. As at 31 December 2014, US$11.25 million had been paid off, leaving a balance of US$22.5 million.

(3) 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.

(4) Finance Lease
This is in respect of a lease to purchase Heavy Fuel Oil (HFO) fuel storage tanks acquired from Oryx Oil Company Limited for an amount of US$667,591 repayable monthly over sixty months commencing on 1 January 2015.

Notes to the financial statements (continued)

Finance Lease

The Company has leased the Heavy Fuel Oil (HFO) tanks from Oryx Oil Company Limited costing US$667,591. The repayment period is over sixty months commencing 1st January 2015. 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. Future lease payments are due as follows:

2014	Minimum Lease Payment US$'000	Interest US$'000	Present Value US$'000
Not later than one year	**161**	**47**	**114**
Between one year and five years	**642**	**88**	**554**
Later than five years		**-**	**-**
At 31 December	**803**	**135**	**668**
Current liability			**114**
Non-current liability			**554**

20. Convertible Debt

	31 December 2014 US$'000	31 December 2013 US$'000
Balance at 1 January	**20,240**	18,637
Cash paid interest	**(2,125)**	(2,125)
Coupon interest (note 5)	**2,125**	2,125
Accreted Interest (note 5)	**1,501**	1,502
Amortisation of warrant costs	**102**	101
At 31 December	**21,843**	20,240

The 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 equity 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 issue. Accreted interest is charged to the statement of comprehensive income over the life of the notes.

21. Provision for Decommissioning

	31 December 2014 US$'000	31 December 2013 US$'000
Balance at 1 January	**5,825**	4,129
Increase in provision	**2,679**	1,372
Unwinding of discount (note 5)	**466**	324
At 31 December	**8,970**	5,825

The above provision relates to site restoration at the New Luika Gold Mine, which is expected to be utilised by 2022 based on the current mineable resource. The amount of US$8,969,677 (2013: US$5,824,658) is included in mining properties within property, plant and equipment. The provision represents the net present value of the best estimate of the expenditure required to settle the obligation to rehabilitate environmental disturbances caused by mining operations.

Notes to the financial statements (continued)

22. Share capital

Authorised	**2014**		
665,000,000 ordinary shares of 0.01 pence each	**£66,500**	**£66,500**	
Issued and fully paid	**Number**	**£**	**US$'000**
At 1 January 2013	**461,827,467**	**46,182**	**75**
Issued in year	**2,335,606**	**233**	**1**
As at 31 December 2013	**464,163,073**	**46,415**	**76**
Issued in year	**225,606**	**23**	**-**
As at 31 December 2014	**464,388,679**	**46,438**	**76**

All shares issued rank *pari passu* in all respects with the existing shares in issue. The Company has one class of ordinary shares which carry no right to fixed income.

23. Warrants issued

During the year no warrants were issued. As at 31 December 2014, the total number of warrants deemed to be issued amounted to 31,388,089 (2013: 31,388,089) at a weighted average fair value at the grant date of GBP0.14. The fair value of these warrants was calculated using the Black-Scholes model. The warrants have decreased in value due to the fall in the share price. The exercise price of the warrants was 35 pence, and the share price at 31 December 2014 was 8.75 pence.

24. Share-based payments

Equity-settled share option scheme
Options in issue at the year-end are as follows:

Number of options	**Grant date**	**Exercise price**	**Final exercise date**
680,012	29 July 2005	25p	29 July 2015
43,649	10 August 2006	59p	10 August 2016
450,000	25 April 2008	8.5p	25 April 2018
1,100,000	8 September 2009	6p	8 September 2019
1,005,000	27 July 2010	18.2p	27 July 2020
375,000	17 November 2010	28.3p	17 November 2020
2,500,000	26 September 2011	25p	26 September 2021
1,500,000	26 September 2011	30p	26 September 2021
1,000,000	26 September 2011	35p	26 September 2021
2,380,000	6 January 2012	23.13p	6 January 2022
250,000	23 August 2012	25p	23 August 2022
500,000	23 August 2012	30p	23 August 2022
500,000	23 August 2012	35p	23 August 2022

There were no market conditions within the terms of the grant of the options. The main vesting condition for all the options awarded was that the employee or Director remained contracted to the Company at the date of exercise. All such options, subject to the remuneration committee discretion, lapse 12 months after an employee or Director leaves the Group before the options vest. All options vest over a three-year period in tranches of 25%, 25% and 50% respectively.

	31 December 2014		**31 December 2013**	
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Details of the share options outstanding during the year are:				
Outstanding at 1 January	16,374,064	0.249	16,909,064	0.251
Lapsed share options	(4,090,403)	0.281	-	
Share options cancelled during the year	-	-	(500,000)	0.31
Share options cancelled during the year	-	-	(35,000)	0.231
Outstanding at end of year	12,283,661	0.238	16,374,064	0.249
Exercisable share options at the end of year	12,283,661	0.238	9,394,064	0.191

Notes to the financial statements (continued)

The Binomial formula is the option pricing model applied to the grant of all options in respect of calculating the fair value of the options. The following inputs to the Binomial formula were used in calculating the fair value of options granted in 2012:

	31 December 2012			
Share price at grant	£0.34	£0.34	£0.34	£0.23
Option exercise price	£0.25	£0.30	£0.35	£0.231
Expected life of options	10 years	10 years	10 years	10 years
Expected volatility	55%	55%	55%	55%
Expected dividend yield	0%	0%	0%	0%
Risk free rate	1.70%	1.70%	1.70%	1.70%
Grant date	23-Aug-12	23-Aug-12	23-Aug-12	6-Jan-12
Fair value per share option	£0.240	£0.229	£0.219	£0.148
Exchange rate used	1.585	1.585	1.585	1.56
Total charge over the vesting period	$94,989	$181,336	$173,645	$700,984

Volatility was based on the Company's trading performance to 31 December 2012. The risk free rate has been determined from government zero coupon stock of equivalent maturity.

Share based payments

Long-term incentive plan (LTIP)
Share awards are granted to employees and Directors on a discretionary basis, and the remuneration committee decides whether to make share awards under the LTIP at any time. During 2013 and 2014, the following shares were awarded:

Number of shares	Grant date	Exercise price	Final exercise date
1,670,000	01-Apr-13	0p	01-Apr-17
5,854,500	01-Apr-13	0p	01-Apr-17
2,730,500	01-Apr-13	0p	01-Apr-17
2,250,000	01-Jan-13	0p	01-Oct-22
756,000	01-Apr-14	0p	01-Apr-18
1,764,000	01-Apr-14	0p	01-Apr-18

The Company's mid-market closing share price at 31 December 2014 was 8.75 pence (2013: 11.38 pence). The lowest and highest mid-market closing price during the year was 8.63 pence (2013: 8.88 pence) and 15.88 pence (2013: 23.75 pence) respectively.

The 1,670,000 shares awarded on 1 April 2013, were vested on the date of grant. The full fair value on the date of grant was charged to the Income Statement.

The vesting conditions of the 5,854,000 shares awarded on 1 April 2013 are dependent on meeting certain market conditions. The fair value at the date of grant was determined using a probability of meeting the market conditions using the Monte Carlo method.

Monte Carlo inputs for shares awarded

	2013	2013
Share price at grant	£0.18	£0.18
Option exercise price	£Nil	£Nil
Expected life of options	4 years	4 years
Expected volatility	59.88%	59.88%
Expected dividend yield	0%	0%
Risk free rate	1.77%	1.77%
Grant date	01-Apr-13	01-Apr-13
Fair value per share option	£0.1347	£0.1347
Exchange rate used	1.5180	1.5180

The volatility assumption is based on a statistical analysis of daily share prices over the last three years.

The vesting periods for the 2,730,500 shares awarded on 1 April 2013 were that 25% would vest on 31 March 2014, another 25% would vest on 31 March 2015, and then 50% would vest on 31 March 2016, subject to the recipients being in the Group's employment on these dates.

Notes to the financial statements (continued)

The vesting periods for the 2,250,000 shares awarded to Rock Investments Trading Limited (a Company in which Michael Houston has an interest) were that half will vest when the average market capitalisation of Shanta Gold Limited equals or exceeds US$250 million during five consecutive working days, and the other half will vest when the average market capitalisation of Shanta Gold Limited equals or exceeds US$350 million during five consecutive working days, as shown on the London Stock Exchange website and converted from Pounds Sterling to US Dollars using such rate as the Board determines to be the prevailing rate or rates for that period, and that on the date when this performance condition is satisfied, that he is still an employee of Rock Investments Trading Limited, or that Rock Investments Trading Limited continues to provide services to Shanta Gold Limited or a Group Company.

The fair value at the date of grant was determined using a probability of meeting the market conditions using the Monte Carlo method.

Monte Carlo Model inputs for Rock Investments shares

	2013 Market capitalisation $250million	2013 Market capitalisation $350million
	0.1699	0.1559
Total options	1,125,000	1,125,000
Total Options value	270,150	238,780
Exchange rate	1.6269	1.6269

The vesting periods for the 756,000 shares awarded on 1 April 2014 were that 25% would vest on 31 March 2015, another 25% would vest on 31 March 2016, and then 50% would vest on 31 March 2017, subject to the recipients being in the Group's employment on these dates.

The vesting conditions of the 1,764,000 shares awarded on 1 April 2014 are dependent on meeting certain market conditions. The fair value at the date of grant was determined using a probability of meeting the market conditions using the Monte Carlo method.

Monte Carlo inputs for shares awarded

	2014
Share price at grant	£0.1475
Option exercise price	£Nil
Expected life of options	4 years
Expected volatility	55.42%
Expected dividend yield	0%
Risk free rate	1.77%
Grant date	01-Apr-14
Fair value per share option	£0.0768
Exchange rate used	1.632

The volatility assumption is based on a statistical analysis of daily share prices over the last three years.

Notes to the financial statements (continued)

25. Net cash flows from operating activities

	31 December 2014 US$'000	31 December 2013 US$'000
Profit/(loss) for the year	**16,570**	(4,366)
Adjustments for:		
Depreciation/depletion of assets	**10,874**	4,783
Amortisation of intangible assets	**22**	-
Loss/(gain) on disposal of assets	**13**	(5)
Prospecting licences surrendered	**296**	-
Share based payment costs	**1,369**	1,426
Reversal of provision for bad debt	**-**	(1,668)
Loss on settlement of pre-existing relationship	**-**	1,500
Capitalised sales from test production	**-**	21,687
Costs transferred from mining properties	**-**	15,638
Exchange loss	**360**	726
Finance income (note 4)	**(509)**	(6,019)
Finance expense (note 5)	**6,872**	7,213
Operating cash flow before movement in working capital	**35,867**	40,915
Decrease/(Increase) in inventories	**4,242**	(16,949)
(Increase)/Decrease in receivables	**(1,399)**	309
Increase/(Decrease) in payables	**297**	(4,786)
	39,007	19,489
Interest received	**35**	40
Net cash flow from operating activities	**39,042**	19,529

26. Financial risk management

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risk nor its objectives, policies and processes for managing those risks or the method used to measure them from the previous period unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial Instrument risk arises are as follows:

- Loans and Trade and other receivables
- Cash and cash equivalents
- Restricted cash
- Trade and other payables
- Loans
- Convertible Loan Notes
- Loans payable to related parties

The Group held no derivative financial instruments during the years ended 31 December 2013 and 31 December 2014.

Notes to the financial statements (continued)

General objectives, policies and processes
The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives quarterly information from the Group's management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group is exposed to interest rate risks, credit risks, liquidity risks and currency risks arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are set out below.

26.1 Interest rate risk

The Group's exposure to interest rate risk relates to the Group's cash and cash equivalents and FBN loans. Interest rate risk is the risk that the value of financial instruments will fluctuate due to the changes in market interest rates. All cash deposits as well as FBN loans are at floating rates and the Group exposes itself to the fluctuation of the interest rate that is inherent in such a market.

The current LIBOR rate for US$ (1 month) is 0.15%. The FBN loans bear interest at LIBOR + 6.5%. Currently, the interest charge per month is an average of US$160,000. A 0.1% change in the LIBOR rate will increase or decrease the interest charge by US$2,000.

The Group's cash and cash equivalents are carried at an effective interest rate of 1% (2013: 1%).
The annualised effect of a 1% (2013:1%) decrease in the interest rate at the reporting date on all variable rate loans and cash deposits carried at that date with all other variables held constant, would have resulted in an increase in a post-tax gain for the year of US$88,550 (2013: US$7,590). A 1% (2013:1%) increase in the interest rate would, on the same basis, decrease post tax gain by the same amount.

26.2 Credit risk

Credit risk arises when a failure by counter-parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date.
The Group's exposure to credit risk is explained below:

a) Trade and other receivables
The Group generates revenue from the sale of gold and silver. In the event of a default by a debtor of amounts due from other receivables, the Group will be able to meet those costs. Sales are made principally to one customer. However, the Group has no significant credit risk exposure as majority of the sale is paid for on the same day or soon after the delivery. The Group did not recognise any impairment during the year and there were no other receivables that were past due. As a condition of the forward sales contracts, an amount of US$ 500,000 was paid to Auramet Trading LLC as collateral fees.

b) Cash and cash equivalents
The Group has significant concentration of credit risk arising from its bank holdings of cash and cash equivalents.
To manage this exposure, the Group has a policy of maintaining its cash and cash equivalents with counterparties that have a credit listing of at least A from independent rating agencies. Given this high credit rating, the Directors do not expect any counterparty to fail. The Board has reviewed the maximum exposure on the Group financial assets and has concluded that the carrying values as at reporting date are fully recoverable.

c) Restricted cash
The Group has paid to Auramet Trading LLC, an amount of US$500,000 as collateral fees for the forward sales contracts that it has set up with Auramet. Although the Group has no control over the money, Auramet cannot use the money.

26.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets. Cash and cash equivalents are placed with financial institutions on a short-term basis reflecting the Group's desire to maintain high levels of liquidity in order to enable timely completion of transactions. All financial liabilities have a maturity of less than three years or have no specific repayment dates.

The maturity of financial liabilities is as follows:

	31 December 2014		
	US$'000	**US$'000**	**US$'000**
	On demand	**Within 1 year**	**After 1 year**
Loans from related parties	**(337)**	**-**	**-**
Loans and other borrowings	**-**	**(11,048)**	**(11,250)**
Equipment loan	**-**	**(579)**	**(2,027)**
Finance lease	**-**	**(114)**	**(554)**
Promissory notes	**-**	**(2,376)**	**(2,761)**
Other payables and accruals	**(6,080)**	**-**	**-**
	(6,417)	**(14,117)**	**(16,592)**

Notes to the financial statements (continued)

	31 December 2013		
	US$'000	US$'000	US$'000
	On demand	Within 1 year	After 1 year
Loans from related parties	(337)	–	–
Loans and other borrowings	-	(10,946)	(22,500)
Promissory notes	-	-	(5,534)
Other payables and accruals	(6,006)	–	–
	(6,343)	(10,946)	(28,034)

26.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to change in foreign exchange rates.
Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in the currency that is not the Group's presentational currency.

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Tanzanian Shilling and Sterling, but these are not significant as most of the transactions are in USD. However, the Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

	31 December 2014			
	US$	TZS	GBP	Total
	US$'000	US$'000	US$'000	US$'000
Trade and other receivables	**8,355**	**-**	**-**	**8,355**
Cash and cash equivalents	**14,057**	**788**	**33**	**14,878**
Trade and other payables	**(5,912)**	**(98)**	**(70)**	**(6,080)**
Loans payable to related parties	**(337)**	**-**	**-**	**(337)**
Restricted cash	**500**	**-**	**-**	**500**
Loans and other borrowings	**(30,709)**	**-**	**-**	**(30,709)**
Convertible loan notes	**(21,843)**	**-**	**-**	**(21,843)**
Net exposure	**(35,889)**	**690**	**(37)**	**(35,236)**

	31 December 2013			
	US$	TZS	GBP	Total
	US$'000	US$'000	US$'000	US$'000
Trade and other receivables	8,334	-	-	8,334
Cash and cash equivalents	14,429	110	99	14,638
Trade and other payables	(5,889)	(73)	(581)	(6,543)
Loans payable to related parties	(337)	-	-	(337)
Restricted cash	600	-	-	600
Loans and other borrowings	(38,288)	-	-	(38,288)
Convertible loan notes	(20,240)	-	-	(20,240)
Net exposure	(41,391)	37	(482)	(41,836)

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency. In order to monitor the continuing effectiveness of this policy, the Board reviews quarterly the liabilities, analysed by the major currencies held by the Group of liabilities due for settlement and expected cash reserves.

The following significant exchange rates applied during the year:

	Average rate		Spot rate	
	2014	2013	2014	2013
TZS 1	**0.001**	0.001	**0.001**	0.001
GBP 1	**1.6484**	1.5643	**1.5586**	1.6488

26.5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital.

In order to maintain or adjust the capital structure the Company may return capital to shareholders and issue new shares, or when profitable, adjust the amount of dividends paid to shareholders.

The Group has a US$33.75 million loan facility from FBN Bank in the United Kingdom, all of which has been drawn down. At 31 December 2014, US$11.25 million had been repaid leaving an outstanding balance of US$ 22.5 million. Additional funding could be required in 2015 if revenue is not as expected.

Notes to the financial statements (continued)

27. Related party transactions

Details of the Directors' remuneration, share options and other key management personnel are contained within note 6 and the Directors report. Michael Houston, the CEO, was the only Executive Director during the year. Directors are considered key management.

Details of Directors' share based payments are disclosed in the Directors' Report.

The loans from related parties (Note 17) are from a company in which Messrs. K Patel and M Patel have an indirect interest namely Export Holdings Limited and Trade Finance Services Limited (in which former directors have an interest) – each lending US$168,294 to the Group.

Payments of US$43,336 as Directors' fees were made to N Davis, a partner of Memery Crystal LLP. This firm also provides legal services to the Group. Mr. N Davis resigned from the Board of Directors in May 2014. Fees totaling US$70,181 were paid to Memery Crystal during the year for both the services of Mr. Davis as a Director of the Group as well as the firm's legal services to the Group. At 31 December 2014, there were no balances owing to Memery Crystal.

Payments of US$6,250 were made to Mr. J Leslie, Strategic Advisor to the Board, for work carried out for the Group. Mr. Leslie resigned as Advisor to the Board in May 2014. Mr. Leslie now provides consultancy work for the Group on an adhoc basis.

28. Commitments

The Directors confirm that the Group has a capital commitment of US$11.95 million (2013: US$9.87 million) relating to plant equipment, infrastructure projects and feasibility studies at New Luika Gold Mine. As at 31 December 2014, the Group had forward sales commitments of 30,000 ounces of gold at an average price of US$1,245 per oz. Since the year end, the Group has entered into additional forward sales contracts for 1,500 oz of gold to bring the total forward sales commitments to 31,500 oz at an average price of US$1,240.

29. Contingent liabilities

Shanta Mining Company Limited ("SMCL") has acquired certain prospecting licences and mining licences under agreements which provide for payments to be made in certain circumstances to the party from whom the licence was acquired. Payments under these agreements are unquantified at this time but are not considered to be material. Such payments are linked to the proven and probable reserves once established.

The Directors confirm that there are no other contingent liabilities against the Group as at 31 December 2014 (2013: US$ Nil).

30. Events after reporting date

a. On 30 March 2015, Shanta Mining Company Limited, a 100% owned subsidiary signed a facilities agreement in respect of loans totalling US$40 million with Investec Bank Limited.

   Facility A of the loan is for an amount of US$20 million and will be used to repay the existing bank loan from FBN Bank (UK) Limited. The facility has a five year tenure, inclusive of a 15 month repayment holiday. Repayment in sixteen equal quarterly instalments commences on 30 June 2016.

   Facility B of the loan is for an amount of US$20 million and is a standby facility to be used as and when required. The facility has a five year tenor and is available for draw down until 30 April 2017. The facility amount drawn down is repayable in equal quarterly instalments over the remainder of the tenure with the final repayment due on 31 March 2020. Both loans bear interest at a rate of LIBOR + 4.9%.

b. There was a fire on the Crusher/Screening Circuit which the Group does not consider to be a material event as no loss of production was suffered.

c. On 1 January 2015, Dr. Toby Bradbury the Chief Operating Officer and Chief Executive Officer designate was granted two sets of Performance Award shares totalling 1,000,000 and Retention shares totalling 500,000.

Meeting

Shanta Gold Limited

(a non-cellular company limited by shares incorporated under the laws of the Island of Guernsey with registered number 43133) (the "Company")

Notice is hereby given that the Tenth Annual General Meeting of the shareholders of the Company will be held at Suite A, St Peter Port House, Sausmarez Street, St Peter Port, Guernsey, on 29th May 2015 at 10.00am. All details including the resolutions and the proxy forms will be sent in due course.

Ordinary resolutions

1. To receive and consider the statements of consolidated income and of financial position for the year ended 31 December 2014.

2. To receive and consider the report of the directors of the Company.

3. To receive and consider the report of the auditors of the Company.

4. To fix the directors' remuneration as US$1,156,000

5. To re-appoint BDO LLP as the auditors of the Company.

6. To authorize the directors to fix the remuneration of the auditors as the directors see fit.

7. To consider and if thought fit re-elect the following directors of the Company who retire by rotation and who make themselves available for re-election as directors of the Company:
a) Ketankumar Patel
b) Luke Leslie

8. To consider and accept the retirement of Michael Houston as a Director of the Company.

9. Any other business of which due notice has been given and which the Meeting is competent to consider.

Dated: 17 April 2015

By order of the board

____

Director

Any member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies, who need not be members of the Company, to attend the Meeting and vote on his behalf.

Form of proxy for Shanta Gold Limited (a non-cellular company limited by shares incorporated under the laws of the Island of Guernsey with registered number 43133) (the "Company")

As a shareholder of the Company you have the right to attend, speak and vote at the Tenth Annual General Meeting of the Company (the "Meeting"). If you cannot, or do not want to, attend the Meeting, but still want to vote, you can appoint someone to attend the Meeting and vote on your behalf. That person is known as a 'proxy'.

I/We____

of____

being (a) member(s) of the Company entitled to attend and vote at meetings, hereby appoint:

____

failing whom, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Meeting to be held at Suite A, St Peter Port House, Sausmarez Street, St Peter Port, Guernsey on 29th May 2015 at 10.00am and at any adjournment thereof and to attend and vote thereat as indicated below. To allow effective constitution of the Meeting, if it is apparent to the Chairman that no shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, then the Chairman may appoint a substitute to act as proxy in his stead for any shareholders provided that such substitute proxy shall vote on the same basis as the Chairman. Please indicate with an 'X' in the appropriate box how you wish your votes to be cast (see Note 4):

	For	Against	Vote Withheld
1. Ordinary Resolution to receive and consider the profit and loss account and the balance sheet of the Company for the financial year ended 31 December 2014			
2. Ordinary Resolution to receive and consider the report of the directors of the Company.			
3. Ordinary Resolution to receive and consider the report of the auditors of the Company			
4. Ordinary Resolution to fix the directors' remuneration at US$1,156,000			
5. Ordinary Resolution to re-appoint BDO LLP as the auditors of the Company			
6. Ordinary Resolution to authorise the directors to fix the remuneration of the auditors as the directors see fit.			
7. Ordinary Resolution to re-elect Ketankumar Patel as a director of the Company.			
8. Ordinary Resolution to re-elect Luke Leslie as a Director of the Company.			
9. To consider and accept the retirement of Michael Houston as a Director of the Company			
10. Ordinary Resolution to approve any other business of which due notice has been given and which the Meeting is competent to consider.			

Date: ____

Signature(s) or common seal (see Note 3 on next page) ____

Notes to the Proxy Form

1. A proxy need not be a member of the Company.

2. If you do not indicate how you wish your proxy to use your vote in a particular manner, the proxy will exercise his/her discretion as to how he/she votes and as to whether or not he/she abstains from voting.

3. The Form of Proxy must be in writing under the hand of the appointer or of his/her attorney duly authorized in writing or if the appointer is a corporation under its common seal or under the hand of the officer or attorney duly authorized.

4. If you wish your proxy to cast all of your votes for or against a resolution, you should insert an "X" in the appropriate box. If you wish your proxy to cast only certain votes for and certain votes against, insert the relevant number of shares in the appropriate box.

5. The "Vote Withheld" option is provided to enable you to instruct your proxy to abstain from voting on a particular resolution. A "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" or "Against" a resolution.

6. Forms of Proxy, to be valid, must be lodged, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, at the Company's registered off ice by fax +44 1481 729200 or email to: companysecretary@shantagold.com or posting the original to: P.O. Box 240, Suite A, St Peter Port House, Sausmarez Street, St Peter Port, Guernsey, GY1 3PG not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

7. In the case of joint holders, the signature of any one of them will suffice, but if a holder other than the first-named holder signs, it will help the Registrars if the name of the first-named holder is given.

8. Any alteration to this Form of proxy must be initialed.

9. Completion and return of this Form of Proxy does not preclude a member subsequently attending and voting at the Meeting.

All Correspondence to:
Computershare Investor Services (Jersey) Limited
Queensway House,
Hilgrove Street,
St Helier,
Jersey,
JE1 1ES
Tel: 0870 707 4040

Recent changes in the Companies Act allow the default option for receiving and accessing shareholder communications (including your annual report) to be via a company's website. You now have the choice of receiving an email when your annual report and other shareholder communications become available or continuing to receive a printed copy.

PLEASE MAKE YOUR SELECTION BELOW

Your communications - your choice

Regulated by the Jersey Financial Services Commission Registered in Jersey No 75005.

Dear shareholder,

We encourage you to play your part in reducing our impact on the environment and elect to be notified by email when your shareholder communications are available online. This means you will now receive timely, cost-effective, and greener online annual reports (and other communications as they become available) unless you request a printed copy.

WHAT ARE YOUR OPTIONS?
Receive email notification when your shareholder communications become available online*
Continue receiving a printed copy of all your communications

If you take no action, information on accessing your online shareholder communications will be posted to you at the time of the mailing.* Please note that we will continue to send personalized communications, such as dividend warrants, tax vouchers and share certificates, to you in hard copy.

* Shanta Gold Limited reserves the right to send documents and information to you in hard copy

Please refer below to make your selection. If you have any questions about this letter please contact us.

Yours sincerely,

Patrick Maseva-Shayawabaya
Chief Financial Officer

PLEASE MAKE YOUR SELECTION HERE
www.investorcentre.co.uk/je

Access your shareholdings online
Why not also manage your shareholdings online? Investor Centre is our free self-service website, available 24/7, where you can utilise the following services:

- **View your share balance**
- **View your payment and tax information**
- **Change your address**
- **Update your payment instructions**

For information on all the services available, visit www.investorcentre.co.uk/je today. It's the fast and simple way to manage your shareholdings.

Continue receiving a printed copy of all your communications.
To continue to receive a printed copy of the annual report and other shareholder communications please tick and send this letter back to us in the enclosed reply paid envelope.

If you take no action
If you take no action, information on accessing your online shareholder communications will be posted to you at the time of the mailing. We will continue to send personalised communications, such as dividend warrants, tax vouchers and share certificates, to you in hard copy.