13 June 2017

Shanta Gold Limited
("Shanta Gold", "Shanta", the "Group" or the "Company")

Final Results for the year ended 31 December 2016, Posting of Audited Annual Report and Notice of AGM

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, developer and explorer, announces its audited final results for the year ended 31 December 2016 ("FY2016" or the "Period"). The Company's focus remained on its flagship asset, the New Luika Gold Mine ("NLGM"), located in Southwest Tanzania, throughout the Period.

Highlights

Financial

- Revenue of US$107.1 million (2015: US$95.7 million) at average realised gold price of US$1,220 per oz ("/oz") (2014: US$1,163 /oz);
- EBITDA of US$50.2 million, (2015: US$31.9 million);
- Cash generated from operations of US$50.1 million (2015: US$31.8 million);
- All in Sustaining Cost ("AISC") of US$661 /oz against guidance of US$690-740 /oz (2015: US$834 /oz);
- Loss after taxation of US$8.0 million (2015: Loss after taxation of US$17.3 million);
- Capital expenditure of US$54.6 million (2015: US$29.5 million);
- Cash and cash equivalents of US$14.9 million at year end (2015: US$19.1 million); and,
- Net debt at year end of US$44.2 million (2015: US$41.5 million).

Operational

- Gold production of 87,713 oz exceeded guidance of 82,000-87,000 oz (2015: 81,873 oz);
- Gold sales of 86,332 oz at an average price of US$1,220 /oz, compared to average spot price of US$1,163 /oz (2015: 80,622 oz);
- 597,583 tonnes of ore milled (2015: 563,619 tonnes);
- Average ore grade of 5.08 grams per tonne ("g/t") (2015: 4.96 g/t);
- No lost time injuries; and,
- Publication of the Revised Mine Plan (the "RMP") in March 2017.

Corporate

- Prudent hedging program continued with 21,000 oz of gold sold forward at 31 December 2016 at an average price of US$1,318 /oz versus a spot gold price of US$1,151 /oz at year end; and,
- Eric Zurrin returns to the Company as its permanent Chief Financial Officer ("CFO"). Eric is very familiar with Shanta having worked with the Company in 2013 and most recently as Interim CFO leading the financial restructuring that was completed in May 2016.

Revised Mine Plan

- The RMP provides for underground mining, surface mining and a tailings recovery project;
- Incorporates the additional open pit reserves at Elizabeth Hill and additional underground reserves at Ilunga;
- Provides for processing from underground and surface mining of 4.0 million tonnes ("Mt") of ore at an average grade of 4.2 g/t for the production of 500,000 oz from January 2017 to 2023;
- Provides a 39% uplift in reserves from 2017 to 2023 compared to the Base Case Mine Plan for the same period;
- Underground operations accessing high grade orebodies provide the majority of plant feed with 2.4 Mt at 5.8 g/t for 444,500 oz contained over the life of the mine; and,
- Potential remains to further optimise the mine schedule, with optionality through the addition of the high grade Ilunga underground reserve.

Post period end highlights

- Q1 2017 operational highlights:
  - Gold production of 20,416 oz and gold sales of 23,252 oz at an average price of US$1,249 /oz compared to the average spot price of US$1,219 /oz; and
  - Cash Cost of US$553 /oz and AISC of US$768 /oz;
- Underground project development on track and within budget with first ore produced in Q2 2017;
- Forward sales from June to December of 36,000 oz at an average price of US$1,281 /oz; and,
- On-going discussions with the government for refund of US$12 million of VAT that has been paid by Shanta.

Outlook

- Annual guidance for 2017 of 80,000 – 85,000 oz at AISC of US$800 – US$850 /oz; and,
- Underground project development remains on schedule and within budget, 39,000 tonnes of ore mined already with grade of 8.0 g/t.

Toby Bradbury, CEO, commented:

"I am delighted to report on another successful financial year for Shanta, delivering record gold production and cash achieved from its flagship asset, the New Luika Gold Mine. Throughout FY2016 the Company has endeavoured to deliver on the strong foundation it established in FY2015, and yet again the Company pleasingly beat its production and cost guidance for the year. These results were achieved as the Company delivered on its Base Case Mine Plan, published in September 2015. Of particularly importance was the start of the underground development in late June which delivered its first ore in December. Today its progress importantly remains on track.

"Shanta has also successfully produced strong results from its on-going exploration programme throughout FY2016. The Company has more than replaced its mined ounces with new resources and in March 2017, it delivered its Revised Mine Plan, which incorporated the strong results previously reported from Elizabeth Hill and Ilunga, which increased New Luika's reserves significantly. Shanta also has a wealth of resources sitting outside the Revised Mine Plan, demonstrating the true potential of New Luika and the Company's holding in the highly prospective Lupa Goldfield.

"In 2017, Shanta will continue with the delivery of its commitments as it transitions into a predominantly underground low cost operation at New Luika and look for growth opportunities at its Singida project and beyond.

"I would like to take this opportunity to congratulate, and express my sincere appreciation for the hard work put in by all the dedicated Shanta team, members of the Board and partners on a very successful and exciting 2016. I look forward to reporting on Shanta's future progress and prosperity."

This announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

The Annual Report and Notice of Annual General Meeting ("AGM") is available on the Company's website and will be posted to shareholders by 13 June 2017.

The AGM will be held at 11:00 BST on 3 July 2017 at: Suite A, St Peter Port House, Sausmarez Street, St Peter Port, Guernsey, GY1 2PU.

Enquiries:

Shanta Gold Limited	
Toby Bradbury (CEO)	+255 (0) 22 292 5148
Eric Zurrin (CFO)	
Nominated Adviser and Broker	
Peel Hunt LLP	
Matthew Armitt / Ross Allister	+ 44 (0)20 7418 8900
Financial Public Relations	
Tavistock	
Emily Fenton / Jos Simson / Barney Hayward	+44 (0)20 7920 3150

Chairman's Statement

I am pleased to report that Shanta Gold has had another successful year building on the platform established in 2015.

Shanta maintained the operational improvement achieved in 2015 from its flagship asset, the NLGM, located in southwest Tanzania. The philosophy of the Company is to continuously optimise its planning and execution of the mining operations across all disciplines. In 2016, this resulted in Shanta again exceeding its production and cost guidance for the year. Shanta achieved a record gold production for FY2016 of 87,713 oz, beating guidance of 82,000-87,000 oz and AISC for 2016 of US$661 /oz against guidance that reduced twice during the year from US$750-800/oz to US$690-740/oz generating operating cash flows before working capital of US$50.1 million from a revenue of US$107.1 million and an EBITDA of US$50.2 million.

At New Luika, the Base Case Mine Plan presented in September 2015 was progressively delivered through the year as anticipated, with all major projects achieving milestones that ensure continuity of operations. Of particular importance was the start of the underground development in late June which delivered its first development ore in December, as scheduled. This, together with key infrastructure projects, provide New Luika with power, water and tailings deposition facilities for many years to come. Shanta is aptly demonstrating its ability to develop and operate mines and is actively seeking to build on this capability.

During the year, a pilot mining project was initiated for the Singida Project, formerly the principal asset for Shanta. The development of the 2012 Singida mining licence had been delayed due to resettlement and land compensation issues. The Company successfully assisted the community to resolve the issues resulting in independent valuations being concluded for all land packages, in particular for the three families that needed to be relocated for the pilot mining project. Although orders were placed for the pilot process plant, in 2017 the project was put on hold pending the return of VAT from the government of Tanzania, with the priority on available cash placed on completing the capital projects at NLGM. The project remains ready to be restarted subject to funds availability.

The Company had a very successful year with its exploration programme, more than replacing its mined ounces with new resources. At NLGM, the results of exploration in 2015 at Elizabeth Hill and in 2016 at Ilunga were incorporated into a Revised Mine Plan (“RMP”) in March 2017 which increased reserves to 515,000 oz (2015: 506,000 oz), even after depletion of 104,000 oz. Resources sitting outside the RMP also increased to 683,000 oz (2015: 514,000 oz) demonstrating the true prospectivity of New Luika and Shanta’s holding in the Lupa Goldfield. An exploration program was also commenced at Singida on the Gold Tree deposits as part of the strategy to better define the resources as a precursor to a full mining feasibility study.

Shanta continues to contribute significantly to the national and local economy within Tanzania. At 31 December 2016, Shanta and its contractors employed 1,285 (2015 – 1,045) people. Of the Shanta workforce, 95% are Tanzanian, 49% of whom come from the local communities. During the year, Shanta generated US$107.1 million in foreign exchange for Tanzania and paid US$15.4 million in royalties, direct and indirect taxes (excluding VAT) to the Tanzanian Government.

At the end of April 2017, Shanta had US$12.5 million in VAT refunds outstanding and is engaged in top level discussions with the Government, with the aim to release the outstanding VAT refunds and is hopeful that this matter will be resolved in the near future.

Shanta also notes the Tanzanian export ban on gold/copper concentrate that was made by the President of the United Republic of Tanzania, in March 2017. As Shanta has clarified, the Company does not produce or export any concentrate from its operations Shanta only produces and exports gold doré and as such there is no impact to the Company. Further to a recent mineral licencing proclamation in Tanzania, Shanta does not hold a Special Mining Licence on its licences and is thus not subject to recent requirements to list on the Tanzanian Stock Exchange.

Compared to recent years of price decline, the gold market remained relatively stable in 2016 as a whole, taking into account the volatility that we have come to expect. Gold prices started 2016 at around US$1,070 per ounce finishing at around US$1,150 /oz. Within the year, the gold price rose above US$1,300 /oz for over three months; a price maintained until October when prices retreated. Shanta's hedging policy assisted in delivering an average gold price for gold sold over the year of US$1,223 /oz at a time of critical investment in the future of the Company.

As part of its risk management and long-term closure planning, Shanta is actively catalysing alternative economic activity in the districts and regions in which it operates. This has been evidenced in the year with the development of agriculture projects with scalable and commercial potential. In 2016, over 1,000 local farmers received training to enhance productivity and efficiency. Our understanding of and approach to the inter-relationships we have with the local communities are key differentiators for Shanta and a platform for our future growth. Relations between the Company and the community remain strong.

In June 2016, John Rickus, a member of your Board for the last three years, sadly passed away. He brought enviable mining expertise to our Board deliberations and his wide experience of all types of mining in Africa and other emerging markets was most valuable. He was also a man of great personality and humour.

We are fortunate to have another very experienced mining executive join our Board in Keith Marshall whose appointment was approved today and I would like to take this opportunity to welcome him to the Company. We believe Keith's experience in mining and within Africa will bring further expertise to the Board and be of considerable value as the Company develops its portfolio of underground and surface mining operations.

On behalf of the Board, I would like to, once again, sincerely thank the entire Shanta team for their support and commitment in delivering a strong performance. During FY2016 we have continued to demonstrate and deliver on the potential of NLGM's true value. We remain fully confident of delivering a sustainable, strongly cash generative business and I look forward to reporting on our future progress.

A P W Durrant
Chairman
12 June 2017

Chief Executive Officer's Review

I am pleased to report on another successful operational and financial performance for FY2016. Shanta Gold has delivered a record year in terms of its health and safety practices, gold production and operating cost. The Company generated an EBITDA of US$50.2 million on US$107.1 million of revenue. Operations were centred around Shanta's flagship producing asset, New Luika, located in south west Tanzania, and its development project, Singida, located in central Tanzania.

Business Sustainability

As embodied in our Vision and Values, protecting our people, the environment and the community from harm is a pre-requisite to being a "Respected Mining Company that makes a Meaningful Difference". Across the business, the cumulative Total Injury Frequency Rate ("TIFR") for 2016 was 4.60 representing a 33% reduction over 2015 (6.09), and an excellent achievement for the year. I am pleased to report that the injuries that were sustained throughout the year were minor and resulted in no Lost Time ("LTI") Injuries for the Year. This included a six-month period where operations transitioned from open pit to underground which always adds an additional dimension of risk.

Similarly, on the Environmental side, there were no significant reportable incidents for 2016, a continuation from 2015. Internal programs such as the solar power project and waste segregation initiatives have resulted in the Company establishing best practice across the operations.

For 2016, Shanta produced a separate detailed Sustainability Report, in line with the Global Reporting Initiatives. This report provided the detail behind our initiatives in Safety, Health, Environment, Asset Protection, and Community and is a standard that Shanta aims to improve each and every year.

New Luika Gold Mine Operations

	FY 2016	FY 2015	FY 2014
Tonnes ore mined	615,432	478,144	529,850
Tonnes ore milled	597,583	563,619	580,664
Grade (g/t)	5.08	4.96	5.18
Recovery (%)	89.9	89.6	87.8
Gold production (ounces)	87,713	81,873	84,028
Gold sales (ounces)	86,332	80,622	87,758
Silver production (ounces)	126,572	121,682	101,347
Realised gold price (US$/oz)	1,220	1,163	1,289

In line with the BCMP delivered in September 2015, New Luika maintained a consistent mill feed through 2016 from its surface mining activity together with a sound Run of Mine ("ROM") stockpile strategy. Total mill feed was 598,000 tonnes at an average grade of 5.08 g/t for the production of 87,713 oz of gold. Significantly, this is a new gold production record for New Luika and reflects the high quality of the mineral resources as well as the skills and efficiencies that Shanta has endeavoured to bring to the operation. AISC for the year were US$661 /oz rounding off a successful financial year that delivered quarter-after-quarter of reliable performance enabling the Company to beat its guidance on both production and cost.

	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016	FY 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Tonnes ore mined	**615,432**	62,978	93,507	266,686	192,262	**478,144**	184,167	147,324	89,368	57,285
Tonnes ore milled	**597,583**	151,827	144,930	151,698	149,128	**563,619**	155,622	150,216	119,857	137,924
Grade (g/t)	**5.08**	4.26	4.90	5.48	5.69	**4.96**	6.50	5.68	4.27	3.38
Recovery (%)	**89.9**	90.8	90.2	89.5	89.3	**89.6**	89.5	89.5	89.3	90.1
Gold production (ounces)	**87,713**	18,897	20,580	23,896	24,341	**81,873**	29,139	24,532	14,686	13,516
Gold sales (ounces)	**86,332**	15,285	23,426	26,134	21,486	**80,622**	29,228	26,254	11,590	13,551
Silver production (ounces)	**126,572**	24,731	30,381	36,316	35,144	**121,682**	39,153	36,107	22,145	24,278
Realised gold price	**1,220**	1,187	1,301	1,246	1,132	**1,163**	1,087	1,175	1,222	1,252

(US$/oz)

Of the open pits within NLGM's licence area, Luika was completed in June 2016 and Bauhinia Creek in September 2016. A large stockpile of high grade ore was established at the ROM pad as a key strategic component of the transition to underground. This will allow for a consistent level of ore to be fed through the plant as the underground mining program develops. The final grades achieved at the base of Bauhinia Creek pit were exceptional and bode well for the future of the underground extraction.

The Ilunga Pit was opened up in July 2016 and will complete in 2017. Operations at Jamhuri Pit, which had been suspended in January 2016, were resumed in the last quarter to source low-cost waste material for the starter walls of the new Tailings Storage Facility ("TSF"). Jamhuri remains available as a back source of open pit ore.

Total NLGM Reserves (as at 31 December 2016)

Deposit and classification	**Ore tonnes (kt)**	**Ore grade (g/t Au)**	**Contained metal (koz)**
Bauhinia Creek			
Probable Reserve	1,263	6.24	253
Luika			
Probable Reserve	466	4.88	73
Ilunga			
Probable Reserve	660	5.56	118
Total Ore Reserve - Underground	**2,389**	**5.79**	**445**
Ilunga OP			
Probable Reserve	188	2.75	17
Elizabeth Hill OP			
Probable Reserve	734	1.34	32
Jamhuri OP			
Probable Reserve	101	2.05	7
Shamba OP			
Probable Reserve	232	2.17	16
Total Ore Reserve - Open Pits	**1,255**	**1.76**	**71**
Total Ore Reserve - Open Pits + Underground[1]	**3,644**	**4.40**	**515**
Deposit and classification	**Ore tonnes (kt)**	**Ore grade (g/t Au)**	**Contained metal (koz)**
Total Ore Reserve - Underground	**2,389**	**5.79**	**445**
Total Ore Reserve - Open Pits	**1,255**	**1.76**	**71**
Total Ore Reserve - Open Pits + Underground[1]	**3,645**	**4.40**	**515**

1. Rounding

With the change in emphasis of mining from surface to underground and the completion of the two major open pits, the mining contract at NLGM was replaced with a plant hire agreement on a portion of the existing mobile fleet. The mining fleet is now provided on an operate-and-maintain basis and all activities from front line supervisor up, planning and pit services are under the direct control of the Shanta management team. These changes were a significant contributor to cost savings achieved in this 2016 financial year.

New Luika Underground Project

A major development focus for NLGM has been the establishment of an underground mine to extract the high-grade extensions of the Bauhinia Creek and Luika deposits. Highwall preparations for the portal on the 960 RL bench were started in 2015 and completed in the first quarter of 2016, on time and on budget. In parallel, key infrastructure projects to provide service water, electrical power, mine pumping, workshops, offices, a rescue room and change house facilities were established through the course of the year. All water from underground is recycled, thus reducing abstraction from the Luika River.

Environmental approval was received on 23 June 2016 and the first round in the portal was taken on 24 June 2016. New Luika purchased new mining equipment through the course of the year from Sandvik, received on a schedule, to meet the development demands of the project. The new owner-operated fleet has high availability and provides a source of reasonable cost finance to the Company.

During the year, recruitment and training of an in-house team, again to suit the project delivery, was put into effect. After the decline advanced only around 130 metres, the turn-out to the Luika deposit was established providing multiple working places from early on in the program. By the end of 2016, 1,234 metres had been developed, beating the plan by 3% and also delivering in December 2016 its first ore on the 915 level, a key deliverable as set out in the BCMP. The ore intersection was importantly two weeks ahead of schedule with a total of 29 meters ore development completed in the year, containing 2,044 tonnes at an average grade of 9.93 g/t gold.

New Luika's underground development has been achieved with an in-house team, with every major milestone to the end of the year, and to date, delivered on time and on budget. This is an enormous testament to the high calibre and dedication of the people engaged in this project. As well as employing our own team of experienced engineers, managers, supervisors and operators, Shanta is training employees from the local community, some of whom were previously artisanal miners.

Notwithstanding, contractors are brought in for specialised tasks as required and at the end of 2016, Master Drilling had commenced the raise boring of the first of four ventilation shafts, two each to serve Bauhinia Creek and Luika respectively. At the time of writing, all four shafts are nearing completion and the main fan for Bauhinia Creek commissioned.

A key feature of the underground mine at Bauhinia Creek and part of the rationale for the shift from surface to underground was to access the plunging orebody in the west that had been cut out of the open pit plan. This meant that only 45 metres of vertical development was required to access the Bauhinia Creek orebody in its western extension, despite the fact that the open pit went down to 870 RL, 90 metres below the portal elevation. The western plunge of the Bauhinia Creek orebody was switched from the open pit design to underground in Q1 2015, substantially reducing the strip ratio of the open pit from 21:1 down to 9:1 while at the same time increasing reserves for the underground. A clear win for both operations that has been reflected in the AISC since Q3 of 2015.

At the time of writing, the cross drive to Luika was complete with the Luika decline in progress and the first ore access level in development at 937 RL. At Bauhinia Creek, the turn-out has been established on the 845 level, orebody development on-going on the 865 level and the orebody fully developed, east and west on the 915, 900 and 880 levels. The first stope has been established between 880 and 900 level which has delivered first stope ore production in Q2 2017 as committed in the BCMP in Q2 2017.

New Luika Revised Mine Plan

As mentioned previously, Shanta presented its BCMP in September 2015. This was the first time Shanta had prepared a detailed plan for NLGM that incorporated all of its reserves, and highlighted the additional known resources that would be made available to incorporate in the future.

Post the year end, in March 2017, Shanta presented New Luika's RMP. The RMP incorporated the results of the exploration programme conducted within the mining licence in 2015 at Elizabeth Hill and in 2016 at Ilunga. The RMP highlights the true prospectivity and future long life of NLGM. The RMP provides for a longer mine life, increased production and most importantly, greater returns for all stakeholders. It also showcases the value and potential that exists by virtue of the Company's holding of prospecting licences in close proximity to the mine.

With the benefit of the increased resources through exploration and also reduced operating costs, reserves were increased from 2.66 Million tonnes ("Mt") at 5.93 g/t for 506,000 oz to 3.64 Mt at 4.40 g/t for 515,000 oz. Importantly, this increase is after accounting for depletion of 615,000 tonnes at 5.27 g/t for 104,000 oz contained since the previous resource and reserve statement in September 2015.

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

Additional resources of 9.47 Mt at 2.24 g/t for 683,000 oz sit outside the RMP, increased from 6.64 Mt at 2.41 g/t for 514,000 oz in the BCMP, (1 g/t cut-off for open pit; 3.0 g/t cut-off for underground). The RMP also provides a four-year extension of the maximum utilisation of NLGM plant based on current reserves.

Further work on these resources is on-going and is expected to deliver additional reserves in the future to further extend the life of mine. This cycle of ounce replenishment is the future story for NLGM.

New Luika Major Projects

In parallel with delivering a successful year operationally, NLGM started, and substantially completed, a number of major projects that will support the business for many years to come and help maintain its low production cost status, something Shanta prides itself on.

In a region of seasonal and sometimes unpredictable rainfall, a mass gravity dam was built on the Luika River upstream of NLGM with a capacity of 350 million litres. This dam supplements existing on-mine storage of 150 million litres which together provides sufficient water to see the operation through a typical dry season of five to seven months when the Luika River stops flowing. The capacity of the dam can be increased should there be an opportunity for a process plant expansion.

A project started in 2015, developed right through 2016 and commissioned in February 2017 is the new 7.5 MW Heavy Fuel Oil ("HFO") Power Plant at a cost of US$16 million. This is an expanded facility necessary to power the new underground mine and to replace the aging rental plant that preceded it. The efficiency of the purpose-built HFO engines is much higher than the replaced HFO-converted diesel units operating previously and will help reduce power costs by 20%. Also on the power side, NLGM has committed to a five year power purchase agreement from a 700 Kw solar plant that will be commissioned at NLGM in Q2 2017.

The final large scale infrastructure project is a new Tailings Storage Facility 2 ("TSF 2") for NLGM that will support operations at current production for a further eight years. The project had a delayed start for approvals in 2016 but was approximately 50% complete at the end of the year with commissioning expected in the second quarter of 2017.

A plant upgrade incorporating a 1,000m^3 pre-leach tank was completed in Q3 2016 which has helped increase recoveries by between 1% and 2%.

Singida

With a stable operating base at NLGM, attention was drawn once again to the Singida Project, formerly the base on which Shanta was listed on the AIM. A mining licence had been awarded in 2012 but challenges with resettlement delayed the start of the project. In April 2016, Shanta re-engaged with the local community and helped it find the resolution to its issues. Subsequently, plans were launched to establish a small-scale pilot plant at Singida to treat 10 tonnes per hour of surface and near surface material. It is envisaged that the pilot plant would operate for at least two years while additional drilling and feasibility study work be done to update the understanding and potential for a full-scale mining operation. The exploration camp has been upgraded and core storage yards relocated in preparation for the operations. Three families have been relocated to new accommodation nearby. As a consequence of a temporary withholding of VAT refunds which amounted to US$12.5 million at end of April 2017, by the government of Tanzania, the completion of this project has been put on hold.

Exploration

Shanta has successfully produced strong results from its on-going exploration programme throughout FY2016. The Company has more than replaced its mined ounces with new resources and in March 2017, it announced its Revised Mine Plan, which incorporated the strong results previously reported from Elizabeth Hill and Ilunga, which increased New Luika's reserves significantly.

New Luika On-Mine Exploration

Following the upgraded resource at Elizabeth Hill announced in September 2015, reserves increased from 70,000 tonnes at 2.3 g/t for 5,000 oz to 667,000 tonnes at 1.33 g/t for 28,000 oz. Using the lower achieved mining costs, this has since been upgraded to 734,000 tonnes at 1.34 g/t for 32,000 oz making a valuable contribution to the recently announced RMP.

A promising first phase drilling program at the Ilunga deposit in April 2016 was followed with a second phase in July 2016. The results, released in September 2016, upgraded the resource from 74,000oz at 3.51 g/t to 258,000 oz at 4.55 g/t. This high grade resource was made the subject of a mine planning exercise through the rest of 2016 culminating in a new underground reserve of 660,000 tonnes at 5.56 g/t for 118,000 oz announced in March 2017. Potential extensions of Ilunga on strike are being assessed and the deposit, importantly, remains open at depth.

New Luika – Economic Circle Exploration

Shanta has the rights to 1,500 km^2 of prospecting permits in the Lupa Goldfield in the areas surrounding NLGM. This ground is highly prospective and has been the location of many colonial and artisanal mine activities.

The first drilling program in 2016 was at a prospect called Askari approximately 14 kilometres west-northwest of NLGM. While the drill intersections were exciting, the overall scale of the deposit was small. Askari may feature in conjunction with other mining in the proximity.

One such deposit could be the Nkuluwisi prospect located approximately 12 kilometres northwest of NLGM for which drilling was conducted in the final quarter of 2016. Drill results were released in March 2017 and a maiden resource was announced in May 2017.

There are 20 targets which have been prioritised for further study in close proximity to NLGM's mining licence area. During the course of 2016, the understanding of these opportunities was enhanced with the flying of 700km^2 of Lidar survey providing up to date Digital Terrain Model ("DTM") and hyperspectral data to assist with structural interpretation and anomaly identification.

Singida Exploration

Drilling announced in October 2016 was undertaken at Singida to better define the deposits of Gold Tree 2 and Gold Tree 3 that were incidentally intersected during early exploration of Gold Tree 1. This work is part of a program to increase the understanding of the Singida prospects which, as part of a greenstone formation, have the potential to extend substantially at depth.

Capital Expenditure

The capital program presented as part of the BCMP in 2015 has been substantially delivered, overall on time and on budget. Over-expenditure due to an upgraded design on the TSF 2 has been more than offset by savings on the underground operation.

Capital expenditure for the year amounted to US$54.6 million. 2016 was a year of major investment at NLGM with commercial production from the underground and completion of all the major infrastructure projects scheduled in the first half of 2017 following which the capital intensity reduces substantially.

Finance

Turnover for the year amounted to US$107.1 million, compared to US$95.7 million in 2015, the increase of 12% due the higher gold price and increased gold sales in 2016. The Company continued with its prudent hedging program and the average gold price realised for the year was US$1,220/oz compared to the average price for the previous year of US$1,163/oz. Cost of sales for the year amounted to US$88.3million (2015: US$96.4 million) representing a gross margin of 14% (2015: 2%). This substantial improvement in the margin is primarily due to operational efficiencies achieved in FY2016 as well cost savings initiatives and improved operational controls in all disciplines.

	2016 Oz's	2015 Oz's
Gold Sales	86,332	80,622
Silver Sales (including Silver Stream)	100,647	125,580

Administration costs for the year amounted to US$7.1 million (2015: US$10.3 million), lower due to the non-recurring charges incurred in 2015 on remuneration and statutory deductions, exchange rate gains and improved cost containment.

Exploration expenditure for the year amounted to US$4.7 million (2015: US$2.4 million), higher due to the increased activities that have resulted in the increased reserve and resource bases as well as additional charges arising from non-refundable VAT.

An operating profit for the year of US$3.0 million (2015: operating loss of US$11.1 million) was generated, whilst EBITDA amounted to US$50.2 million (2015: US$31.9 million), mainly due to higher gold revenues from higher sales at a higher price, together with significantly improved cost efficiencies. Net finance expense amounted to US$7.4 million (2015: US$7.0 million), at a similar level to 2015.

As a result of the above, a loss before tax of US$4.4 million (2015: loss before tax of US$18.1 million) was recorded. A tax charge amounting to US$3.6 million (2015: credit of US$0.8 million) resulted in losses after tax of US$8.0 million (2015: US$17.3 million).

In the statement of financial position, non-current assets increased to US$122.8 million (2015: US$114.3 million), after a reduction of US$47.1 million depreciation charge, inclusive of the write off deferred stripping for BC and Luika pits that have now been mined out, and an increased capital development on the underground. Current assets totalled US$49.2 million (2015: US$39.1 million), a higher level than that of the prior year due to delays in VAT refunds, additional Run of Mine stock material as well as Gold in Process but offset by lower cash on hand. Net working capital was lower at US$22.2 million (2015 US$29.1 million) due to the increased short term portion of debt as well as increased accounts payable balances as mining activities increase, which have been offset by the increased investment in Inventory. Overall liabilities increased to US$93.6 million (2015: US$76.7 million) due to the draw down on the Investec facility, the additional Sandvik mobile fleet financing and advance on silver stream. A further US$10 million of the Investec facility was drawn down in 2016 and has subsequent to year end been converted to a term loan.

Cash generated from operations before working capital amounted to US$50.1 million (2015: US$31.8 million), an increase on the prior year due to higher gold sales and lower operating cost.

The cash, the additional Investec debt and further sources detailed below made it possible to fund the extensive capital program at New Luika as it progresses with the underground development of these high grade reserves and extends the life of mine. Cash balance at year end was slightly lower at US$14.9 million (2015: US$19.1 million). Net debt at 31 December 2016 amounted to US$44.2 million (2015: US$41.5 million) inclusive of the US$15.0 million Convertible Loan Notes. Repayment of the first US$20 million Investec Facility A commenced in June 2016.

Hedging

As stated above, the Company continued with its prudent hedging program during the year to protect cash flow at a time of substantial capital commitment. A total of 38,978 oz (2015: 40,500 oz) were sold under the hedging program at an average price of US$1,223 /oz (2015: US$1,236 /oz). As at end of December 2016, the Company had sold forward 21,000 oz at an average price US$1,318 /oz. Post year end, the total forward sales commitments at June 2017 was 36,000 oz (2015 32,000 oz) at an average price of $1,281/oz (2015: US$1,172 oz).

Financings

In 2016, a number of important financings were completed relating to the funding of the BCMP and smoothing the debt servicing for the Company.

The Company raised gross proceeds of US$10.4 million (£7.2 million) through a placing of 111,442,800 new shares at a price of 6.5 pence per share. An Open Offer resulting in 2,702,918 shares for proceeds of US$0.25 million (£0.18 million) was also completed at 6.5 pence per share following the Placing. The proceeds were used to help fund the development of the BCMP at NLGM.

The Company reached an agreement with the holders of over 75% of the US$25.0 million senior unsecured subordinated convertible loan notes to buyback US$10.0 million of the Notes and to extend the term of the repayment of the remaining notes by two years to April 2019 with a concurrent increase to the coupon from 8.5% to 13.5% Despite the coupon increase, the overall interest payable on the notes reduced and there was no change in the conversion price. The buyback was funded from existing cash reserves and smooths the debt servicing for the Company in 2017 and 2018, and particularly during the capital development program.

The Company also entered into €4.6 million of underground equipment financings with Nordea Bank plc for purchases from Sandvik Mining and Construction Oy at a fixed rate of 7.0% over three years. The equipment purchases were part of Shanta's capital programme outlined in the BCMP.

The Company entered into a Silver Stream Agreement (SSA) with Silverback Limited, a privately held Guernsey-based investment company, under which Silverback paid the Company an advanced payment of US$5.25 million. Silverback also pays the Company an ongoing payment of 10 per cent. of the value of silver sold at the prevailing silver price at the time of deliveries which will be made annually. The SSA relates solely to silver by-product production from NLGM with minimum silver delivery obligations totalling 608,970 oz Gold over a 6.75 year period. The term of the SSA is 10 years during which time the Company will sell silver to SSA and receive ongoing payments of 10% of the silver sold at the prevailing silver price. However, the Company has no minimum ounce obligations after 2022. These have been included under Borrowings in the financial statements as prescribed by IAS 32 and adjusted for fair value as well included in interest paid due to the imputed interest charges arising on this advance sale.

Lastly the Company entered into a US$9.1 million Letter of Credit with Bank M in Tanzania in March 2016 to fund the construction of the New Luika power plant. Shanta subsequently retired from the US$9.1 million Letter of Credit and the construction of the New Luika power plant was funded and paid for from cash available within the business.

People

Shanta has worked hard to attract and retain high calibre Tanzanian staff for the business. The proportion of Tanzanian employees increased through the year and now stands at 95%.

In the meanwhile, the Company is committed to the development of its employees to assist them to reach their full potential. The Company has a policy of advertising all roles internally providing all employees with the opportunity to grow within.

Four graduate mining engineers completed a structured two year development program that was initiated in 2015. Ten undergraduate engineers were given vacation work experience at NLGM. We aim to have graduates in training in all the major disciplines of the business as a key platform for growth of the business.

Additionally, the Company supports four apprentices in full time learning at the Moshi Technical College and sponsors a number of students and employees through their courses of study.

More details are provided in our Sustainability Report on line at:
http://www.shantagold.com/sustainability

Outlook

The transition to underground commercial production at NLGM will consolidate through the second half of 2017 to provide the cornerstone source of high grade feed into the plant. The progress achieved to date has significantly de-risked the project with the fourth level of ore now being developed in the high-grade Bauhinia Creek deposit. Major infrastructure projects of power and water are in place and the new tailings storage facility is expected to be commissioned in Q2 2017, giving NLGM a solid and sustainable operating platform for the future.

New Luika presents a stable low cost operating base to which on-going exploration will provide additional resources that should see the mine operating consistently for many years to come. Guidance for 2017 is 80-85,000 oz at an AISC of US$800-850 /oz and the year to date performance is on track to achieve this.

A feasibility and mine development at Singida provides the opportunity to supplement existing production from NLGM.

At New Luika, exploration will continue to add resources to strengthen the centralised process facility concept, and at Singida, a diamond drilling program is the pre-cursor to its feasibility study.

Capital expenditure at New Luika reduces substantially from the second half of 2017, enabling strong cash generation from Shanta going forward.

Shanta also has a wealth of resources sitting outside the Revised Mine Plan, demonstrating the true potential of New Luika and the Company's holding in the highly prospective Lupa Goldfield

Acknowledgement

I would like to take this opportunity to congratulate, and express my sincere appreciation for the hard work put in by all the dedicated Shanta team, members of the Board and our partners on a very successful and exciting 2016. I look forward to reporting on the future progress and prosperity of your Company.

T J Bradbury

Chief Executive Officer
12 June 2017

SHANTA GOLD LIMITED

Consolidated statement of comprehensive income

	Notes	**31-Dec 2016 US$'000**	31-Dec 2015 US$'000
Revenue		**107,142**	95,705
(Loss)/ gain on non-hedge derivatives and other commodity contracts		**(4,066)**	2,253
Other cost of sales		**(41,808)**	(54,075)
Depreciation		**(46,459)**	(42,319)
Total cost of sales		**(88,267)**	(96,394)
Gross Profit		**14,809**	1,564
Administration expenses		**(7,075)**	(10,255)
Exploration and evaluation costs		**(4,697)**	(2,434)
Operating profit / (loss)		**3,037**	(11,125)
Finance income		**98**	112
Finance expense		**(7,474)**	(7,097)
Loss before taxation		**(4,339)**	(18,110)
Taxation		**(3,634)**	804
Loss for the year attributable to the equity holders of the parent Company		**(7,973)**	(17,306)
Loss after taxation		**(7,973)**	(17,306)
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		**(418)**	100
Total comprehensive loss attributable to the equity shareholders of the parent		**(8,391)**	(17,206)
Loss per share attributable to the equity holders of the parent Company			
Basic and diluted loss per share (US$ cents)	**3**	**(1.473)**	(3.737)

The loss for the year and the total comprehensive loss 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.

Consolidated statement of financial position

	Notes	31-Dec 2016 US$'000	31-Dec 2015 US$'000
ASSETS			
Non-current assets			
Intangible assets		**23,262**	23,201
Property, plant and equipment		**99,556**	91,093
Total non-current assets		**122,818**	114,294
Current assets			
Inventories		**20,291**	10,737
Trade and other receivables		**13,975**	8,717
Restricted cash		**-**	500
Cash and cash equivalents		**14,945**	19,117
Total current assets		**49,211**	39,071
TOTAL ASSETS		**172,029**	153,365
CAPITAL AND RESERVES			
Equity			
Share capital and premium		**143,870**	133,842
Share option reserve		**2,248**	3,202
Convertible loan note reserve		**5,374**	5,374
Shares to be issued		**60**	82
Translation reserve		**463**	881
Accumulated deficit		**(73,536)**	(66,712)
TOTAL EQUITY		**78,479**	76,669
LIABILITIES			
Non-current liabilities			
Loans and other borrowings	4	**35,768**	30,630
Convertible loan notes		**14,298**	23,446
Provision for decommissioning		**7,471**	5,979
Provision for deferred taxation		**8,948**	6,696
Total non-current liabilities		**66,486**	66,751
Current liabilities			
Trade and other payables		**11,148**	5,883
Loans and other borrowings	4	**14,660**	4,062
Income tax payable		**1,257**	-
Total current liabilities		**27,065**	9,945
TOTAL EQUITY AND LIABILITIES		**172,029**	153,365

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	Accumulated deficit US$'000	Total Equity US$'000
Total equity 31 December 2014	**76**	**132,865**	**4,067**	**5,374**	**781**	**416**	**(50,228)**	**93,351**

(Loss) for the year	-	-	-	-	-	-	(17,306)	**(17,306)**
Other comprehensive profit for the year	-	-	-	-	100	-	-	**100**
Total comprehensive (loss) for year	**-**	-	-	-	100	-	(17,306)	**(17,206)**
Share based payments	-	-	367	-	-	-	-	**367**
Shares issued	-	491	-	-	-	(334)	-	**157**
Exercise of options	-	410	(410)	-	-	-	-	**-**
Lapsed options	-	-	(822)	-	-	-	822	**-**
Total equity 31 December 2015	**76**	**133,766**	**3,202**	**5,374**	**881**	**82**	**(66,712)**	**76,669**
(Loss) for the year	-	-	-	-	-	-	(7,973)	(7,973)
Other comprehensive (loss) for the year	-	-	-	-	(418)	-	-	**(418)**
Total comprehensive (loss) for year	-	-	-	-	(418)	-	(7,973)	**(8,391)**
Share based payments	-	-	200	-	-	(22)		**178**
Shares issued (net of expenses)	17	10,006	-	-	-	-	-	**10,023**
Exercise of options	-	5	(5)	-	-	-	-	**-**
Lapsed options	-	-	(1,149)	-	-	-	1,149	**-**
Total equity 31 December 2016	**93**	**143,777**	**2,248**	**5,374**	**463**	**60**	**(73,536)**	**78,479**

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
Accumulated deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

Consolidated statement of cash flows

	Notes	31-Dec 2016 US$'000	31-Dec 2015 US$'000
Net cash flows generated from operating activities	5	**40,330**	35,017
Investing activities			
Purchase of intangible assets		**(66)**	(71)
Purchase of plant and equipment		**(2,132)**	(2,048)
Asset under construction		**(41,377)**	(8,509)

Open pit development expenditure	**(5,796)**	(18,904)
Net cash flows used in investing activities	**(49,371)**	(29,532)
Financing activities		
Ordinary shares issued (net of expenses)	**10,023**	-
Buy-back of convertible loan note (net of costs)	**(9,950)**	-
Loans repaid (net)	**-**	(25,237)
Equipment loan repaid	**(579)**	(579)
Finance lease payments	**(1,061)**	(165)
Silver Stream advance (net of costs and payments)	**4,011**	-
Loan interest paid	**(4,546)**	(4,398)
Refund of restricted cash	**500**	-
Loans received (net of loan arrangement fees)	**6,471**	29,133
Net cash flows received / (used in) financing activities	**4,869**	(1,246)
Net (decrease) / increase in cash and cash equivalents	**(4,172)**	4,239
Cash and cash equivalents at beginning of year	**19,117**	14,878
Cash and cash equivalents at end of year	**14,945**	19,117

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 included in the Annual Report.

These financial statements were approved and authorised for issue on 12 June 2017 by Toby J Bradbury and Anthony P W Durrant on behalf of the Board.

The Directors have reviewed the Group's cash flow forecasts for the period to December 2018 and after taking into account existing financing facilities, available cash and cash flow projections from operations, 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.

2. 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 judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3 of the Annual Report.

Standards in issue but not yet effective

The following standards and interpretations which have been recently issued or revised and are mandatory for the
Group's accounting periods beginning on or after 1 January 2017 or later periods have not been adopted early:

Standard	Detail	Effective date
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue with contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 12	Amendment – Recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 7	Amendment – Disclosure initiative	1 January 2017
IFRS 2	Amendment – Classification and measurement of share based payment transactions	1 January 2018

IFRS 15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. Management have assessed the point of revenue recognition and do not expect there to be any material impact on the consolidated financial statements.

IFRS 16 introduces a single lease accounting model, in which leases are capitalised as assets with an associated lease liability with the exception of certain low value leases and leases with a term under 12 months. Management are currently assessing the impact of this standard but there are no material operating leases in the Group.

IFRS 9 introduces significant changes to the classification and measurement requirements for financial instruments. Management are currently assessing the impact of this standard.

3. (Loss) per share

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

The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share is:

	31- Dec 2016 US$'000	**31- Dec 2015 US$'000**
Loss for the year attributable to equity holders of Company	**(7,973)**	(17,306)
Loss used in calculation of basic profit per share (see below)	**(7,973)**	(17,306)

Basic loss per share (US cents)	**(1.473)**	(3.727)
Weighted average number of shares in issue	**541,157,213**	464,388,679

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:

	31-Dec 2016 Number	**31-Dec 2015** Number
The Group has the following instruments which could potentially dilute basic earnings per share in the future:		
Share options	**3,164,557**	7,652,598
Convertible loan notes	**-**	-
Warrants	**-**	-

As the Group is in a loss making position, the potential ordinary shares are anti-dilutive and therefore a diluted loss per share has not been calculated.

4. Loans and other borrowings

	31-Dec 2016 US$'000	**31-Dec 2015 US$'000**
Current liabilities		
Promissory notes (1)	**3,158**	-
Loans payable to Investec Bank less than 1 year (2)	**9,148**	3,356
Equipment loan (3)	**579**	579
Finance lease (4)	**143**	127
Finance lease (5)	**1,632**	-
	14,660	4,062
Non-current liabilities		
Promissory notes (1)	**-**	2,929
Loans payable to Investec Bank after more than 1 year (2)	**26,730**	25,877
Equipment loan (3)	**1,013**	1,448
Finance lease (4)	**155**	376
Finance lease (5)	**2,337**	-
Silver stream (6)	**5,533**	-
	35,768	30,630
Total loans and other borrowings	**50,428**	34,692

(1) Promissory Notes
Promissory notes relate to Promissory Note 2 of US$3.1 million issued in consideration for the acquisition of Boulder and is repayable on 15 April 2017. The notes bear annual interest of 2.6% and is 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 promissory notes of US$3.1 million was calculated to be US$3.1 million.

(2) Loan from Investec Bank in South Africa relates to a drawdown of US$40 million from two facilities totalling US$40 million obtained in May 2015.The facilities bear an annual interest rate of 3-month USD LIBOR +4.9% and are secured on the bank account which is credited with gold sales, the shares in Shanta Mining Company Limited (SMCL) and a charge over the assets of SMCL.

Facility A is for US$20 million and was used to pay the outstanding FBN Bank Ltd loan, accrued interest of US$101,000 and loan arrangement fees of US$600,000. Capital repayments of US$1.17 million are due every quarter end starting on 30 June 2016.

Facility B of US$20 million is a standby facility to be drawn as and when required to meet working capital requirements. Subsequent to year end this was termed out and converted into a term facility of which repayment of the drawn facility amount commences in the quarter ending 30 June 2017 on a quarterly basis over 3 years with the capital repayments of US$1.54 million.

Both these facilities are secured by means of

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

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

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

(5) Finance Lease
This is in respect of a lease to acquire mobile equipment from Sandvik, a capital amount of €4,634,000

(US$5,261,000) repayable monthly over thirty six months commencing on 112 June 2016 for Tranche 1 and 14 September 2016 for Tranche 2 and payable quarterly. This is classified as a finance lease because the rentals period amounts to the estimated useful economic life of the asset and after three years, the assets will be bought outright by the Company by paying a nominal amount.

(6) Silver Stream
The Company entered into a silver streaming agreement ("SSA") with Silverback Limited ("Silverback"), a privately held Guernsey-based investment company, under which Silverback paid the Company an advanced payment of US$5.25 million on closing. Silverback will also pay the Company an ongoing payment of 10 per cent. of the value of silver sold at the prevailing silver price at the time of deliveries which will be made annually. The SSA relates solely to silver by- product production from NLGM with minimum silver delivery obligations totalling 608,970 oz Gold over a 6.75 year period. The term of the SSA is 10 years during which time the Company will sell silver to SSA and receive ongoing payments of 10% of the silver sold at the prevailing silver price. However, the Company has no minimum ounce obligations after 2022.

Silver Stream	**31-Dec 2016 US$'000**
Balance at 1 January	**-**
Advance	**(5,250)**
Value of Silver transferred	**1,660**
Interest at the effective interest rate	**(924)**
Adjustments for value in future estimates	**(1,019)**
At 31 December	**(5,533)**

5. Net cash flows from operating activities	**31-Dec 2016 US$5ecs**	**31-Dec 2015 US$5ecs**
(Loss) before taxation for the year	**(4,260)**	(18,110)
Adjustments for:		
Depreciation/depletion of assets	**47,114**	43,015
Amortisation/write off of intangible assets	**5**	78
Loss on disposal of assets	**-**	368
Share based payment costs	**200**	527
Gain on non-hedge derivatives	**(256)**	(1,312)
Unrealised exchange losses	**(34)**	276
Finance income (note 5)	**(98)**	(112)
Finance expense (note 6)	**7,474**	7,097
Operating cash flow before movement in working capital	**50,145**	31,827
(Increase) / Decrease in inventories	**(9,553)**	1,970
(Increase) / Decrease in receivables	**(5,503)**	1,718
Increase / (Decrease) in payables	**5,266**	(260)
	40,354	35,255
Taxation paid	**(122)**	(287)
Interest received	**98**	49
Net cash flow from operating activities	**40,330**	35,017

6. Events after reporting date

Completion of €2.1 million underground equipment financing

On 18 May 2017 the Company announced that it has completed a finance agreement with Sandvik Mining and Construction OY. The approximately €2.1 million (US$2.3 million) financing will be used to purchase underground mobile equipment and is repayable quarterly in two tranches over respective 36 month periods. The first tranche will be repayable from June 2017 and the second from October 2017. Both tranches will carry a fixed interest cost of 6.5%.

Power Station equipment financing

On 22 May 2017 the Company announced that it has received US$10.0 million financing from Exim Bank (Tanzania) Limited following the commissioning in March 2017 of its 7.5 Mega Watts ("MW") Power Station (the "Power Station") at the New Luika Gold Mine ("NLGM" or "the Mine") located in the Lupa Goldfield in southwest Tanzania. The facility is for US$10.0 million, and is a four-year term loan amortizing quarterly, bearing variable interest at 7.25% per annum (2.75% below the Exim Base Lending Rate). The facility is split into a US$7.5 million long term funding and US$2.5 million short-term funding for working capital. The term loan is secured against the NLGM Power Station.

ENDS