16 April 2017

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

Final Results for the year ended 31 December 2017

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, developer and explorer, announces its audited final results for the year ended 31 December 2017 ("FY2017" or the "Year"). The Company's focus remained on its flagship asset, the New Luika Gold Mine ("NLGM"), located in Southwest Tanzania, throughout the Year.

Highlights

Financial

- Revenue of US$103.4 million (2016: US$107.1 million) at average realised gold price of US$1,263 per oz ("/oz") (2016: US$1,220 /oz);
- EBITDA of US$37.7 million (2016: US$50.2 million) inclusive of revenues from development ore;
- Profit after taxation of US$4.2 million (2016: loss after taxation of US$8.0 million);
- Net debt at year end reduced by US$4.7m to US$39.5 million (2016: US$44.2 million);
- All in Sustaining Cost ("AISC") of US$743 /oz against guidance (restated to World Gold Council basis) of US$781 /oz (2016: US$659 /oz);
- Capital expenditure of US$37.9 million (2016: US$54.6 million);
- Operating cash flow before movement in working capital of US$40.3 million (2016: US$50.1 million); and,
- Cash and cash equivalents of US$13.6 million at year end (2016: US$14.9 million).

Operational

- Gold production of 79,585 oz consistent with guidance of approximately 80,000 oz (2016: 87,713 oz);
- Gold sales of 80,365 (2016: 86,332 oz);
- Milled 632,287 tonnes of ore (2016: 597,583 tonnes);
- Average recoveries of 91.1 per cent achieved (2016: 89.9 per cent);
- Average ore grade of 4.3 grams per tonne ("g/t") (2016: 5.1 g/t);
- TIFR safety record of 4.02, down from 4.60 in 2016; and,
- Commercial production declared at NLGM underground operation in June 2017.

Corporate

- Eric Zurrin appointed as CEO and an Executive Director of Shanta in August 2017 having been previously re-appointed to the Company as CFO in March 2017;
- Luke Leslie appointed as CFO in September 2017 having previously held a Non-Executive position;
- Keith Marshall appointed as a Non-Executive Director in June 2017;
- Prudent hedging programme continued with 22,500 oz of gold sold forward at 31 December 2017 at an average price of US$1,271 /oz; and,

- VAT refund of US$3.4 million received in November 2017.

New corporate strategy announced

- New strategy announced in September 2017 focusing on maximising shareholder returns through a modern and efficient mining approach;
- Cost reductions of US$8.7 m per annum on an annualised basis achieved in November (including US$3.6 m from a new mining method at the Luika underground orebody);
- NLGM headcount reduced from 1,075 at the end of H1 2017 to 759;
- Planned installation of additional pre-leach tank expected to increase recoveries by 1.5 –2.0% with a payback period for the project of 4 months; and,
- Cost saving target (from supplier contracts, G&A costs and redundancies unrelated to the underground operation) increased in January 2018 from US$5.0 million to US$7.0 million per annum on an annualised basis (excluding impact of new mining method at the Luika underground orebody), expected to be executed by third quarter of 2018.

Singida

- Updated JORC compliant Resource declared at Singida during the year totalling 12.3Mt, grading 1.84g/t and containing 728koz of gold using a cut-off grade of 1.0g/t;
- Positive results from Phase 1 exploration and resource infill Reverse Circulation ("RC") drilling conducted at Singida, as announced in April 2018; and,
- Planning completed for IP and Phase 2 drilling at Singida in second quarter of 2018 in advance of a development decision.

Outlook

- Annual guidance for 2018 of 82,000 – 88,000 oz at AISC of US$680 – US$730 /oz.

Eric Zurrin, CEO, commented:

"We are pleased to report a set of full year results that reflect a sustainable transition to underground mining at New Luika, as well as a new management strategy of cost control and optimisation.

Considerable inroads have been made into reducing the net debt position and the continuation of this is central to plans for restructuring the Company's balance sheet. Recording a profit in 2017 for the first time wouldn't have been possible had the underground operation not been transitioned to on time and within budget and our efforts to optimise the Company's recurring cost base will be a key driver towards improving future cash flows.

Our priorities for 2018 remain focussed on continued low-cost operational excellence, balance sheet deleveraging, and targeted growth."

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

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Chairman's Statement

Dear Shareholders,

It is my pleasure to provide a review of your Company in 2017. During the year Shanta successfully transitioned into a predominantly underground mining company, achieving commercial underground production in the second quarter of 2017. Major capital projects to support the operations at the New Luika Gold Mine ("New Luika") were commissioned throughout the year. These included a Heavy Fuel Oil ("HFO") Power Plant and the installation of a Solar Power Plant, while the second Tailing Storage Facility is planned for commissioning in 2018.

Board and Management changes
In June 2017 Keith Marshall joined the Board of Shanta as a Non-Executive Director. Keith is a highly experienced mining engineer and underground mining expert with a track record of developing underground mines. In August and September 2017 Eric Zurrin and Luke Leslie were appointed as Chief Executive Officer and Interim Chief Financial Officer respectively. Prior to their appointments Eric acted as Shanta's Chief Financial Officer and Luke was a Non-Executive Director. Eric joined the Board of Shanta in August 2017.

New Strategy
In September 2017, management implemented a new strategy of cost control and optimisation, focusing on net present value and shareholder returns. In quarter 4 of the year Shanta achieved cost reductions of US$8.7 million per annum from renegotiated supplier contracts, lower general and administrative expenditure and a change in the mining method. The Company also announced a project to add an additional leach tank which is expected to increase recoveries. Additionally, changes in the senior employees' incentive structure have been implemented including replacement of cash bonuses with share ownership to improve alignment with the shareholders.

Deleveraging in advance of shareholder returns
The Company is going through a period of rapid deleveraging with US$16.4 million of debt repayments scheduled in 2018. Lower costs and the steady tapering of capital expenditure will help Shanta meet these obligations. As the Company's financial position strengthens, the Board expects to be in a position to evaluate the timing of a dividend policy in the final quarter of 2018.

Resilience of lower cost company to the cycle
Shanta operates in a cyclical sector. The Company goes into 2018 with a lower cost base. This will help provide some comfort from the vagaries of the gold price while enhancing the Company's net present value. Our focus on effective cost management is ongoing and we expect further reductions in costs and new efficiencies in 2018.

Tanzanian revision to the Mining Code
In July 2017, the Tanzanian government announced changes to the country's Mining Code. These included among other things, an increase in royalty and settlement payments to the government from 4% to 7% (which has been discussed in greater detail within the Chief Executive Officer's Review). Other changes focused on "local content" and the localisation of services to the mining industry.

Shanta has made great strides in creating a Tanzanian operated company. By the end of 2017, Shanta's workforce comprised 98% Tanzanian nationals.

Economic and social contribution

Shanta is a significant tax contributor and provider of foreign exchange to the Tanzanian economy. In Songwe, the New Luika mine supports a local economy of over 20,000 people. In 2017, Shanta's livelihood programs have introduced best practice farming, bee keeping and improved education to the local communities. The New Luika mine sources goods from the local communities where possible, providing working capital to help local businesses grow. Over 40% of New Luika's employees come from the local villages surrounding the mine. Shanta's Corporate Social Responsibility ("CSR") pillars of livelihood, health, water and education reflects the government's priorities. In 2017 we brought in new partners to provide additional funding through donations and teaching services to support our efforts. As we look to 2018 and beyond, we have high expectations for our Singida project to start delivering similar benefits to Tanzania's Singida region.

Outlook

Throughout 2018, Shanta will continue to see the benefits from the new management's strategy of deleveraging the balance sheet, delivering cost reductions and productivity improvements throughout our operations. Shanta's financial position should therefore become significantly stronger as the focus of the business clearly targets maximising net present value and delivering shareholder returns.

A P W Durrant
Chairman
13 April 2018

Chief Executive Officer's Review

It is with great pleasure that I report on a successful operational and financial performance during the 2017 financial year. This has not only been a year in which Shanta Gold has faced and overcome a number of significant challenges, but also one of transition both at an operational and corporate level. Our team has worked tirelessly to meet production targets and have delivered these whilst also exercising control over the fundamental shift in our mining methods alongside important changes to our organisational structure.

2017 has marked the beginning of an exciting new chapter for Shanta with our flagship and only producing asset, New Luika, now thoroughly equipped with comprehensive capital investment and poised to begin generating significant free cash flows. New Luika transitioned to a predominantly underground operation during the year and the Company declared commercial production in June 2017. Our objective is to quickly repay the Company's debt and to reward shareholders for their patience. In the second half of 2017 we implemented "a disciplined and modern approach to driving operational efficiencies" across the organisation, a philosophy which has been fully embraced by the entire Shanta team. This will ensure that Shanta runs an efficient operation without compromising on growth opportunities as we continue to build on strong foundations to take the Company forward.

HIGHLIGHTS

Safety is our top priority

The safety and wellbeing of our people is of paramount importance and we conduct our business as an exemplary corporate citizen within the areas that we influence. The cumulative Total Injury Frequency Rate ("TIFR") for 2017 was 4.02, representing a second successive annual decline in injuries and a 13% reduction from 2016 (4.60).

NPV in place of volume

At New Luika, exploration will continue to add resources. During 2018 we will evaluate how to resequence the Revised Mine Plan ("RMP"), to maximise project net present value ("NPV"). Since the new management team took over in September 2017, the focus has been shifted to NPV which includes implementing a new approach to cost control and project optimisation. Shareholders' returns form the basis of all key strategic decision making.

Cost reduction and productivity improvements

With a management team dedicated to deleveraging the Company, New Luika is now well positioned to begin delivering improved and stable cash flow generation in the near future. Production guidance for 2018 is 82,000 – 88,000 ounces ("oz") at an All-In Sustaining Cost ("AISC") of US$680–730 per oz.

In the final quarter of 2017 Shanta announced cost reductions of US$8.7 million per annum, including the $3.6 million impact of a change in mining method at the Luika deposit from cut and fill to long-hole open stoping, and subsequently executed on these prior to the year-end. With several other ongoing initiatives, including a targeted increase in the recurring cost reductions achieved during the final quarter of 2017, management are confident that the future cost base at New Luika will continue to reduce.

Furthermore, a number of operational improvements, including the addition of a new pre-leach tank, are expected to enhance on-mine productivity and revenues.

Cash flow generation as capital expenditure tapers
Capital expenditure at New Luika reduced substantially during the course of 2017 and this decline is expected to continue now that all key infrastructure is in place, following over US$85 million of investment during 2015 and 2016 including development of the underground operation. This is expected to result in significantly increased future annual free cash flows compared to prior years.

Future growth at New Luika and Singida
Shanta continued investing in its long-term future through an exploration program targeting both on-mine exploration and expansion drilling at Singida. At New Luika the exploration team is reviewing mineral resources, which are outside the RMP, with a view to converting a portion of the Indicated and Inferred Resources of 683,000 oz into the RMP.

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

A drilling program was completed in the final quarter of 2016 at the Nkuluwisi prospect, which is located about 12km to the north-west of the New Luika plant. Results of the drilling program were released in March 2017 and a maiden resource of 141,000 oz was announced in May 2017. Nkuluwisi has potential as a satellite deposit for the Askari target, which is located 14km to the west of Nkuluwisi. There are 20 targets within 20km of the New Luika Mining Licenses, which have been prioritised for further studies. Separately, drilling is being planned during 2018, to upgrade the underground Inferred Resource at Bauhinia Creek to Measured and Indicated status.

Following up on the investments and commitments already made at Singida, the Company declared a 728,000 oz gold resource that is JORC compliant in the final quarter of 2017. Following the resettlement activities that remain ongoing a targeted drilling campaign was carried out during the first quarter of 2018, aimed at upgrading the Inferred Resource to Measured and Indicated status.

Positive engagement with local stakeholders remains a top priority and Shanta continues to actively participate in the development of the local area around its licences. We have been particularly encouraged by our meetings with regional and district-level leaders and remain entirely committed to the longevity of our projects in Tanzania, and the prosperity of communities living within their respective vicinities.

Management as owners
One cornerstone of the philosophy that management have been communicating across the business is the importance of behaving like the owners of the business. All decisions made across the Company are made in the best interests of the ultimate owners, our shareholders. Changing the incentive structure for senior employees, by reducing salaries and replacing cash bonuses with higher share

ownership of the Company, has improved management's alignment with shareholders. Discretionary performance-related bonuses are also now aligned to shareholder interests. This has been a pivotal change in culture that will contribute towards maximum shareholders' returns in the future.

Tanzanian legislative environment
A new Finance Act was approved by the Tanzanian Parliament in June 2017 and a number of new legislative Bills were enacted as Laws in early July 2017. Since July, gold shipments have attracted higher royalty rates of 6%, up from 4% previously, and a Clearing Fee of 1% has been applied. These legislative bills also made provision to the Government of Tanzania of a free-carried interest in all mining projects of no less than 16% and the right to acquire up to 50% of the shares in a mining company commensurate with the value of historic tax benefits provided to it. Since the incorporation of its Tanzanian subsidiaries, Shanta has not been the recipient of any preferential tax arrangements in Tanzania nor has it been party to a Mining Development Agreement.

These changes in the legislation have proven to be a poignant catalyst for streamlining the Company's cost structure and significant strides have been taken since the implementation of these news laws to reshape our supplier base and headcount in order to ensure cost optimisation across the business. The Company's recurring cost base going forwards is now lined up to be significantly lower than it has been historically, including the impact of increased royalty rates and clearing fee.

OPERATIONS REVIEW

New Luika Gold Mine Operations Review
New Luika delivered a consistent mill feed throughout 2017 from both its underground operation and from surface mining during the first half of the year, in line with the Revised Mine Plan. Total mill feed was 632,287 tonnes at an average grade of 4.3 grams per tonne ("g/t") for the production of 79,585 oz of gold, which was a significant achievement in what was the Company's first year of underground mining.

May 2017 was a significant milestone for Shanta as stope ore was produced for the first time from the underground operation. This ore was sourced using long-hole open stoping between the 900 - 880 metre levels in the Bauhinia Creek orebody and the operation has exceeded 7,000 metres of development ore underground. The number of stopes available for production is now in the process of increasing to three on a stable basis.

2017 was the first year in which New Luika's Bauhinia Creek underground orebody has been operational and since commencing development in July 2016 it has produced in excess of 250,000 tonnes of ore at an average grade exceeding 6 g/t. Initial mining in the western stopes encountered a nose fault, with a reduction in grade in a confined area which is not considered material. In the eastern margins of the orebody, the Company has benefited from a positive grade reconciliation. The operational flexibility provided by the decline advance rates will not impact production.

Several initiatives are ongoing to further enhance the capacity of the operation including, excitingly, a planned revision in mining method for the Luika underground orebody from cut and fill to long hole open stoping which will remove the requirement for backfilling with cement altogether.

Quarter on Quarter AISC

	2015 US$'000	2016 US$'000	2017 US$'000
Q1	1,381	624	697
Q2	1,076	682	733
Q3	570	618	769
Q4	536	664	767

The Company has revised its measure of AISC to align itself with the World Gold Council's published guidance. The revised calculation includes the impact of exploration and study costs (sustaining) and excludes interest costs.

AISC for the year was US$743/oz, significantly ahead of guidance of US$781/oz (restated to World Gold Council basis) and achieved at least in part as a result of cost reduction initiatives implemented during the third quarter of the year. AISC has improved despite numerous headwinds since publishing the RMP in March 2017, including the 2% increase in royalties and new 1% clearing fee. The cost savings that have been achieved more than offset these headwinds and have been generated largely through a reduction in corporate overheads and renegotiation of contracts with suppliers.

Looking ahead, the target for recurring cost reductions per year has been increased to US$7.0 million from US$5.0 million (excluding the impact of changing the mining method at the Luika deposit), which is due to be executed by the third quarter of 2018. This will further reduce AISC and will be complemented in 2018 by the full impact of the cost reductions that were executed during late 2017.

New Luika Revised Mine Plan

Shanta presented New Luika's RMP in March 2017, which incorporated the results of the exploration programme conducted within the mining licence at Elizabeth Hill and Ilunga in previous periods. The total reserve position provided for by this RMP amounted to 3.64 million tonnes at an average grade of 4.4 grams per tonne, equating to 515,500 oz contained. After accounting for additional reserves and depletion, the RMP added 174,000 oz of production, a 33% increase from the Base Case Mine Plan ("BCMP"), at an AISC of US$779/oz. The RMP also provided a four-year extension of the maximum utilisation of the New Luika plant.

On-going exploration is expected to further enhance and extend the Mine Plan in the future adding additional years to the Life of Mine. Group Measured and Indicated Mineral Resources also increased during the year following the announcement of a JORC 2012 compliant resource at Singida of 5.11Mt at 2.09 g/t for 345,000 oz. This has increased Company gold resources to 2.1 million oz.

New Luika Projects

7.5MW HFO Power Station

The 7.5MW Heavy Fuel Oil ("HFO") Power Station at New Luika was fully commissioned in February 2017. It comprises six HFO engines designed to operate at any given time to provide maximum operating capacity. Power is transmitted to all consumers on the mine and removes any requirement for the mine to be connected to the local power grid.

The capacity of the Power Station was determined in consideration of increased power demand resulting from the transition from open pit to underground mining operations. Given the mine's remote, off-grid location, power generation from HFO provides the most robust and lowest cost solution.

Power consumption at the mine increased by 33% during 2017 following the ramp up of the underground mining operation. The power plant produced 29,033 Megawatthours (MWhr) of power during its first 12 months of operation, utilizing 6,990,000 litres of HFO with greater than 99.78% average availability and utilization. Consumption of higher cost Diesel Fuel Oil has decreased drastically, resulting in a significant drop in the cost of powering the operation.

The Power Station is supported by a 400,000 litre fuel storage facility sufficient to sustain up to 3 weeks operation in the event of a disruption to fuel supply. Shanta has not made use of this storage facility to date due to reliable fuel.

Solar power plant
A 693kWp Solar Power Plant was commissioned at New Luika in July 2017 to optimise the unit cost of energy generated across the operation. In advance of installation, an area of approximately 14,000m^2 was cleared, levelled, compacted, fenced and provided with rainwater drainage facilities and the 28 solar panel arrays now occupy 8,000m^2 of fenced area making this the largest solar power plant in Tanzania. Operation of the Solar Power Plant is remotely monitored by the vendor and since commissioning this facility has been providing approximately 2% of New Luika's energy demand, optimising the unit cost of power and in turn reducing carbon dioxide emissions by approximately 50 tonnes per annum. The Solar Power Plant is currently the Company's cheapest source of power.

Tailings Storage Facility 2 ("TSF 2")
The new Tailings Storage Facility at New Luika remains the final large-scale infrastructure project at site and is expected to support operations at the current production rates for eight years from commissioning. Significant progress has been made in finalising the build of this project during the year and by the end of the period all quality control testing had been successfully completed to the required standards. This new Tailings Storage Facility will use advanced methods to safely and efficiently accommodate tailings from future underground operations.

FINANCIAL OVERVIEW

Turnover for the year amounted to US$103.4 million, compared to US$107.1 million in 2016. The decrease of 3.5% was due in part to a reduced production profile in 2017 in line with the RMP and prior to the full ramp up of the underground operation. The Company continued with its hedging program and the average gold price realised for the year was US$1,263/oz compared to the average price for the previous year of US$1,220/oz. Cost of sales for the year amounted to US$82.5 million (2016: US$88.3 million) with an overall gross margin of 19% achieved (2016: 14%). Cost of sales included the impact of US$10.5 million of net revenue from development ore offset against capital.

Administration costs for the year amounted to US$6.6 million (2016: US$7.1 million), with the reduction representing the beginning of management's cost reduction initiatives.

Exploration expenditure for the year amounted to US$1.6 million (2016: US$4.7 million), in addition to US$3.4 million capitalised development expenditure at Singida where a JORC compliant resource was announced in the final quarter of the year. The reduction in expenditure at New Luika follows a drive for efficiencies in our exploration programme which has seen the exploration camp within New Luika licences moved to combine with the New Luika mine camp and a refocus on high impact / low cost exploration activities including trenching. Exploration continues to be integral to the Group's long-term strategy and exploration drilling is planned in 2018 at both Singida and New Luika.

An operating profit for the year of US$11.0 million (2016: US$3.0 million) was generated, mainly due to a significant reduction in annual depreciation compared to the prior year now that the open pits are fully depreciated, whilst EBITDA amounted to US$37.7 million (2016: US$50.2 million) inclusive of revenues from development ore. Net finance expense amounted to US$7.5 million (2016: US$7.5 million).

As a result of the above, a profit before tax of US$3.5 million (2016: loss of US$4.3 million) was recorded. A tax gain amounting to US$0.6 million (2016: charge amounting to US$3.6 million) resulted in a profit after tax of US$4.2 million (2016: loss after tax of US$8.0 million).

In the statement of financial position, non-current assets increased to US$131.8 million (2016: US$122.8 million), after capital spend of US$37.9 million, offset by a US$18.4 million depreciation charge and US$10.5 million income generated from development of the underground operation at no margin. Current assets totalled US$53.0 million (2016: US$49.2 million), a higher level than that of the prior year primarily due to continued delays in outstanding VAT refunds. Net working capital was higher at US$21.0 million (2016: US$20.5 million) primarily due to an increased VAT receivable.

For the first time since 2016 Shanta received a VAT refund, which was in the final quarter of 2017. This refund totalled US$3.4 million, comprising US$1.9 million offset against corporate taxes payable in 2016 and 2017 and a cash payment to the Company of US$1.5 million. In July 2017, an amendment to the VAT Act 2014 came into effect, treating any exportation of raw materials as an exempt supply for which no input tax is deductible. Shanta exports doré gold bars which we do not consider to be a raw material.

Overall liabilities decreased to US$88.5 million (2016: US$93.6 million) due to the concerted effort to begin deleveraging the balance sheet as seen during the final quarter of the period. This has included US$17.1 million of capital repayments towards loans and borrowings in the period.

The cash balance at the year-end was slightly lower than the prior year and totalled US$13.6 million (2016: US$14.9 million), however this was a significant improvement on the US$8.0 million cash position at the end of the third quarter of the period. Net debt at 31 December 2017 amounted to US$39.5 million (2016: US$44.2 million) inclusive of US$14.8 million Convertible Loan Notes.

Hedging
The Company continued with its prudent hedging program during the year to protect cash flow albeit it has begun reducing its hedge book to better provide investors with exposure to gold price. As at the end of December 2017, the Company had sold forward 22,500 oz of gold at an average price US$1,271/oz. Post year-end, the total forward sales commitments at the end of March 2018 (2016: June 2018) was 17,600 oz (2016: 36,000 oz) at an average price of US$1,287/oz (2016: US$1,281 oz).

Financings
In 2017, several important financings were completed relating to the funding of the RMP and smoothing the debt servicing for the Company.

The Company entered into €2.1 million of underground equipment financings with Sandvik Mining and Construction OY at a fixed rate of 6.5% over three years. The equipment purchases were part of Shanta's capital programme outlined in the RMP and followed a previous similar arrangement entered into during 2016.

The Company also entered into US$10.0 million of financing from Exim Bank (Tanzania) Limited ("EXIM") following the commissioning in February 2017 of its 7.5 Mega Watts ("MW") Power Station at the New Luika Gold Mine. This facility comprised US$7.5 million long term funding and US$2.5 million short-term funding for working capital only, with the term loan bearing variable interest at 7.25% per annum (2.75% below the Exim Base Lending Rate). The US$2.5 million short-term funding portion of this facility is restricted and prior approval from Exim is required prior to use. The term loan is secured against the New Luika Power Station, which following installation has now more than doubled the mine's power capacity to 7.5 MW.

Lastly, the Company raised gross proceeds of US$14.0 million (£11.0 million) through a placing of 182,805,808 new shares at a price of 6.0 pence per share. The proceeds of the fundraising provided funds for growth allowing Shanta to deliver its RMP and to seek out and firm up high grade opportunities in the surrounding area.

CORPORATE SOCIAL RESPONSIBILITY

People
Shanta prides itself in having a team comprised almost exclusively of Tanzanian staff. At the end of 2017, 98% of the Company's entire workforce was Tanzanian (2015: 95%) and of these over 40% have been hired from the local communities surrounding New Luika. Shanta is committed to and invested in the livelihood of the local area surrounding the mine and hopes to support these communities by providing opportunity to their people.

The Company is committed to the development of its employees and believes that all individuals working within the organisation should reap the benefits of working within a meritocracy.

At the end of the fourth quarter of 2017 the Company's headcount had reduced to 759 people (127 contractors and 632 direct employees), a 41% reduction from the end of 2016. This was following a concerted effort to optimise the organisational structure, targeted as part of the value improvement initiatives rolled out in the third quarter of 2017.

Business Sustainability

The responsibility associated with operating our projects alongside neighbouring communities is a high priority and great lengths are being taken to ensure that Shanta has a positive and beneficial relationship with its local stakeholders. Local businesses are regularly used within the Company's supply chain, which is having a growing impact on the local economy.

Shanta is a Tanzanian business in almost all respects and this is something that the Company takes enormous pride in. The vast majority of senior positions across the organisation are filled by highly skilled Tanzanian nationals and, by the end of 2017, 98% of the entire workforce were Tanzanian. The Company is fully committed to ensuring that its footprint, especially in the Songwe and Singida districts where there are active projects, is for the greater benefit of Tanzania on a long-lasting basis.

Shanta aims to conduct itself as a responsible corporate citizen at all times, an ethos implemented through active engagement in numerous day to day issues ranging from Education, Water, Livelihood and Health. This was exemplified during a recent Cholera outbreak which affected over 600 Songwe District residents. The District was faced with a shortage of water and they turned to Shanta for assistance. Shanta provided water, logistics, fuel for vehicles and a boat, as most affected communities belonged to fishermen residing along the shore of Lake Rukwa. After two weeks the outbreak was brought under control.

One of the biggest problems facing communities surrounding New Luika is water availability. Mbangala Village has been particularly hard hit by water shortages and Shanta is maintaining both a generator and submersible water pump to be used in the bore hole that the Company sponsored in 2014, the only one in the village. Furthermore, Shanta has also worked on two village water dams, repaired an entire water system in two local villages and plans on providing two more boreholes to Mbangala Village plus one to Saza Village.

In addition to these works, several Livelihood Programs were initiated during 2017 to further expand our ongoing efforts to provide local communities with a platform for durable and sustainable prosperity.

Local Farming Projects in Collaboration with ETG

In June 2016 Shanta introduced Export Trading Group ("ETG") to the four villages surrounding New Luika with a view to addressing challenges facing farmers in these communities. These include inferior crop harvests which have been insufficient to comfortably feed families and have resulted in a dependency on illegal artisanal mining for income generation. ETG has an agricultural consultancy division that assists farmers with commercialising produce.

Phase two of this collaboration commenced in October 2017, which was designed to provide food crops for families resettled nearby New Luika. Expert agricultural work has been carried out to examine optimal crop bases for use in the local soils and following this the first crop of Maize, Sorghum, Ground Nuts, Sweet Potatoes and Bambara were planted in early 2018. Moving forward, training and mentoring will be provided to these local farmers as well as monitoring of their progress towards successful application of new methods initially taught during phase one of the initiative. These transferrable skills will enable these farmers to sustain a more moderate and independent income into the future.

Maleza Primary School

In its plans for Corporate Social Responsibility, Shanta has included improvements in education to its strategy for increasing employability for future generations residing in the area, with a view to radically enhancing literacy and minimizing the community's dependence on New Luika as a long-term source of income.

Upon inspection of the existing primary school in Maleza, a village less than 5 kilometres from New Luika, Shanta's engineers noted that one building with two classrooms and an office was at risk of collapsing. Shanta agreed to demolish this building and introduce a new type of interlocking brick made from local products which avoided the need to use significant amounts of water, as the local method of brick making previously had. Community members and all leaders from regional to village level are likely to adopt this method in the future, which will benefit both the local environment and economy. The new school was under construction by the end of 2017 and was completed in early 2018 ready for use.

Teacher training programme

Levels of school attendance and quality of teaching in the Songwe district are in great need of support in order to unlock the long-term prospects for the younger generations within the local area. Having been providing scholarships for vocational training for some time now, Shanta has commenced a programme with teachers from a school in the UK who have agreed to volunteer by training local teachers to improve their methods for educating students in the villages around New Luika. This is aimed towards improving the teaching of Mathematics, English and various other subjects.

Sports leagues

In collaboration with a separate UK school who have been generously donating large quantities of sports equipment, Shanta has organised football and netball classes and tournaments for the local school children. This was supplemented by an adult football tournament in which each local village club competed with each other and a representative team from Shanta, using sports attire again donated to the cause. Plans have been made to establish the Shanta Mahusiano Cup (Shanta Relations Cup), for which there has been great appetite regionally.

SUMMARY

The entire Shanta team has worked tirelessly throughout what has been a challenging, yet successful year and I would like to take this opportunity to thank everybody, including our shareholders, our employees, members of the Board and our partners, for their strong commitment and continuing dedication to ensure that Shanta remains a success story with an incredibly exciting future ahead of it. I am delighted to have the opportunity to lead your Company into what I hope will be a highly prosperous period and I'm looking forward to reporting progress to you as we continue to drive your Company forward along its journey.

Eric Zurrin
Chief Executive Officer
13 April 2018

Consolidated statement of comprehensive income

	Notes	31-Dec 2017 US$'000	31-Dec 2016 US$'000
Revenue		**103,353**	107,142
Loss on non-hedge derivatives and other commodity contracts		**(1,623)**	(4,066)
Cost of sales		**(82,447)**	(88,267)
Gross Profit		**19,283**	14,809
Administration expenses		**(6,646)**	(7,075)
Exploration and evaluation costs		**(1,630)**	(4,697)
Operating profit		**11,007**	3,037
Finance income		**77**	98
Finance expense		**(7,539)**	(7,474)
Profit / (loss) before taxation		**3,545**	(4,339)
Taxation		**615**	(3,634)
Profit / (loss) for the year attributable to the equity holders of the parent Company		**4,160**	(7,973)
Profit / (loss) after taxation		**4,160**	(7,973)
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		**(9)**	(418)
Total comprehensive income / (loss) attributable to the equity shareholders of the parent		**4,151**	(8,391)
Earnings / (loss) per share attributable to the equity holders of the parent Company			
Basic earnings / (loss) per share (US$ cents)	**4**	**0.612**	(1.473)
Diluted earnings / (loss) per share (US$ cents)	**4**	**0.604**	(1.473)

The profit / (loss) after tax for the year and the total comprehensive income / (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 2017 US$'000	31-Dec 2016 US$'000
ASSETS			
Non-current assets			
Intangible assets		**23,284**	23,262
Property, plant and equipment		**108,528**	99,556
Total non-current assets		**131,812**	122,818
Current assets			
Inventories		**19,533**	20,291
Trade and other receivables		**17,752**	13,975
Income tax receivable		**338**	-
Restricted cash		**1,875**	-
Cash and cash equivalents		**13,551**	14,945
Total current assets		**53,049**	49,211
TOTAL ASSETS		**184,861**	172,029
CAPITAL AND RESERVES			
Equity			
Share capital and premium		**157,268**	143,870
Share option reserve		**1,037**	2,248
Convertible loan note reserve		**5,374**	5,374
Shares to be issued		**512**	60
Translation reserve		**454**	463
Retained deficit		**(68,240)**	(73,536)
TOTAL EQUITY		**96,405**	78,479
LIABILITIES			
Non-current liabilities			
Loans and other borrowings	**5**	**27,132**	34,156
Convertible loan notes		**14,843**	14,298
Provision for decommissioning		**8,099**	7,471
Provision for deferred taxation		**6,320**	8,948
Total non-current liabilities		**56,394**	66,873
Current liabilities			
Trade and other payables		**13,977**	11,148
Loans and other borrowings	**5**	**18,085**	16,272
Income tax payable		**-**	1,257
Total current liabilities		**32,062**	28,677
TOTAL LIABILITIES		**88,456**	93,550
TOTAL EQUITY AND LIABILITIES		**184,861**	172,029

The financial statements were approved and authorised for issue by the board of Directors on 13 April 2018 and signed on its behalf by:

Eric Zurrin
Chief Executive Officer

Anthony P W Durrant
Chairman

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 2015	**76**	**133,766**	**3,202**	**5,374**	**881**	**82**	**(66,712)**	**76,669**
Loss for the year	-	-	-	-	-	-	(7,973)	(7,973)
Other comprehensive income 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**
Profit for the year	-	-	-	-	-	-	4,160	4,160
Other comprehensive income for the year	-	-	-	-	(9)	-	-	(9)
Total comprehensive income for year	**-**	**-**	**-**	**-**	**(9)**	**-**	**4,160**	**4,151**
Share based payments	-	75	127	-	-	452	-	654
Shares issued (net of expenses)	23	13,098	-	-	-	-	-	13,121
Exercise of options	-	202	(202)	-	-	-	-	**-**
Lapsed options	-	-	(1,136)	-	-	-	1,136	**-**
Total equity 31 December 2017	**116**	**157,152**	**1,037**	**5,374**	**454**	**512**	**(68,240)**	**96,405**

Consolidated statement of cash flows

	Notes	31-Dec 2017 US$'000	31-Dec 2016 US$'000
Net cash flows generated from operating activities	**6**	**34,935**	40,330
Investing activities			
Purchase of intangible assets		**(47)**	(66)
Purchase of plant and equipment		**(1,090)**	(2,132)
Asset under construction		**(30,776)**	(41,377)
Mine development expenditure		**(5,976)**	(5,796)
Net cash flows used in investing activities		**(37,889)**	(49,371)
Financing activities			
Ordinary shares issued (net of expenses)		**13,121**	10,023
Buy-back of convertible loan note (net of costs)		**-**	(9,950)
Loans repaid		**(12,730)**	-
Equipment loan repaid		**(2,213)**	(579)
Finance lease payments		**(600)**	(1,061)
Silver Stream advance (net of costs and payments)		**-**	4,011
Loan interest paid		**(4,605)**	(4,546)
Movements in restricted cash		**(1,875)**	500
Loans received (net of loan arrangement fees)		**7,975**	6,471
Equipment loan received		**2,487**	-
Net cash flows received from financing activities		**1,560**	4,869
Net decrease in cash and cash equivalents		**(1,394)**	(4,172)
Cash and cash equivalents at beginning of year		**14,945**	19,117
Cash and cash equivalents at end of year		**13,551**	14,945

1. General information

Shanta Gold Limited (the Company) is a limited company incorporated in Guernsey. The address of its registered office is 1 New Street, St Peter Port, Guernsey, GY1 3EG. The nature of the Group's operations and its principal activities are set out in the Chairman's statement, the Chief Executive Officer's review and the Directors' report published within the 2017 Annual Report.

2. Basis of preparation

The financial information set out herein does not constitute the Group's statutory financial accounts. This information has been derived from the Group's Annual Report and full financial statements for the year ended 31 December 2017 which were approved and authorised for issue on 13 April 2018 and upon which the auditors have reported without qualification.

The Group's 2017 Annual Report and financial statements will be distributed to shareholders and made available on the Company's website at http://www.shantagold.com on 16 April 2018.

The Group's consolidated financial statements, which form part of the 2017 Annual Report, 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's 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 the 2017 Annual Report.

3. Going Concern

Based on a review of the Group's budgets, cashflow forecasts and its ability to flex its forecast spending to suit prevailing circumstances, the Directors consider that the Group has adequate resources to continue its operational existence for the foreseeable future.

A new Finance Act was approved by the Tanzanian Parliament in June 2017 and a number of new legislative Bills were enacted as Laws in early July 2017. These changes in the legislation, including the impact of increased royalty rates and clearing fee, have been specifically considered within the Group's budgets and cashflow forecasts.

At 31 December 2017 the Group had a cash balance of US$13.6m and access to the remaining undrawn unrestricted Exim Bank facility of US$1.9m. At 31 December 2017 the Group's net current assets amounted to US$21.0m.

The Group has executed cost saving targets set in the year to minimise its cash outflows by renegotiating a number of its supplier contracts and optimising headcount. This has significantly reduced anticipated future recurring costs.

The Directors have concluded that these circumstances give rise to a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

For these reasons, they continue to adopt the going concern basis in preparing the Annual Report and accounts.

4. Earnings per share

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

	31-Dec 2017 US$'000	**31-Dec 2016 US$'000**
Profit / (loss) for the year attributable to equity holders of Company	4,160	(7,973)
Profit / (loss) used in calculation of basic earnings / (loss) per share	4,160	(7,973)
Basic earnings / (loss) per share (US cents)	0.612	(1.473)
Weighted average number of shares in issue	**679,437,723**	**541,157,213**

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 2017 Number	**31-Dec 2016 Number**
The Group has the following instruments which could potentially dilute basic earnings per share in the future:		
Share options	**1,330,662**	3,164,557
Shares to be issued	**8,556,374**	-
Convertible loan notes	**-**	-

In 2016 the potential ordinary shares were anti-dilutive as the Group was in a loss making position and therefore the conversion of potential ordinary shares would serve to decrease the loss per share from continuing operations. Where potential ordinary share are anti-dilutive a diluted earnings per share is not calculated and is deemed to be equal to the basic earnings per share.

In 2017 the potential ordinary shares were dilutive as the Group was in a profit making position and therefore a diluted earnings / (loss) per share has been calculated as follows:

	31-Dec 2017 US$'000
Profit for the year attributable to equity holders of Company	4,160
Profit used in calculation of diluted earnings per share	4,160
Diluted earnings per share (US cents)	0.604
Weighted average number of shares and potential shares	**689,324,759**

5. Loans and other borrowings	**31-Dec 2017**	**31-Dec 2016 as restated***
	US$'000	**US$'000**
Current liabilities		
Promissory notes (1)	**-**	3,158
Loans payable to Investec Bank less than 1 year (2)	**10,686**	9,148
Equipment loan (3)	**579**	579
Finance lease (4)	**154**	143
Finance lease (5)	**1,844**	1,632
Silver Stream (6)	**1,533**	1,612
Loans payable to Exim Bank less than 1 year (7)	**2,465**	-
Equipment loan (8)	**824**	-
	18,085	16,272
Non-current liabilities		
Loans payable to Investec Bank after more than 1 year (2)	**16,044**	26,730
Equipment loan (3)	**290**	1,013
Finance lease (4)	**-**	155
Finance lease (5)	**795**	2,337
Silver Stream (6)	**3,611**	3,921
Loans payable to Exim Bank less than 1 year (7)	**5,256**	-
Equipment loan (8)	**1,136**	-
	27,132	34,156
Total loans and other borrowings	**45,217**	50,428

* For presentational purposes the 2016 year-end Silver Stream obligation has been split between current and non-current liabilities.

(1) Promissory Notes
Promissory notes relate to Promissory Notes 2 of US$3.1 million issued in consideration for the acquisition of Boulder which were repaid in full during 2017.

(2) Investec loan
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. Both facilities were fully drawn in previous years.

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. During 2017 this was termed out and converted into a term facility of which repayment of the drawn facility amount commenced in the quarter ending 30 June 2017 on a quarterly basis over 3 years with 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 15 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 New Luika Gold Mine with minimum silver delivery obligations totalling 608,970 oz. Ag over a 6.75 year period. There is a requirement to settle any shortfall in silver delivery from the minimum obligation in cash. The term of the SSA is 10 years during which time the Company will sell silver to Silverback 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 2017 US$'000**	**31-Dec 2016 US$'000**
Balance at 1 January	**(5,533)**	-
Advance	**-**	(5,250)
Value of Silver transferred	**1,852**	1,660
Interest at the effective interest rate	**(1,674)**	(924)
Adjustments for value in future estimates	**211**	(1,109)
At 31 December	**(5,144)**	(5,533)

(7) Loans payable to Exim Bank

The Company entered into a US$10.0 million financing from Exim Bank (Tanzania) Limited ("EXIM") following the commissioning in March 2017 of its 7.5 Mega Watts ("MW") Power Station at the New Luika Gold Mine. This facility comprised US$7.5 million long term funding and US$2.5 million short-term funding for working capital, with the four-year term loan bearing variable interest at 7.25% per annum (2.75% below the Exim Base Lending Rate). The term loan is secured against the New Luika Power Station. 25% of the drawn down balance is held as restricted cash in accordance with the conditions of the agreement.

(8) Equipment Loan

This loan is in respect of a €2.1 million underground equipment financing entered into during the year with Sandvik Mining and Construction OY at a fixed rate of 6.5% over three years. The equipment purchases were part of Shanta's capital programme outlined in the RMP and followed a previous similar arrangement entered into during 2016.

6. Net cash flows from operating activities	**31-Dec 2016 US$'000**	**31-Dec 2016 US$'000**
Profit / (loss) before taxation for the year	**3,545**	(4,260)
Adjustments for:		
Depreciation/depletion of assets	**18,406**	47,114
Amortisation/write off of intangible assets	**25**	5
Share based payment costs	**653**	200
Loss / (gain) on non-hedge derivatives	**1,623**	(256)
Unrealised exchange (gains) / losses	**(69)**	45
Non-cash settlement of Silver Stream obligation	**(1,852)**	-
Finance income	**(77)**	(98)
Finance expense	**7,539**	7,474
Pre-production revenue	**10,484**	-
Operating cash flow before movement in working capital	**40,277**	50,145
Decrease / (Increase) in inventories	**758**	(9,553)
Increase in receivables	**(4,760)**	(5,503)
Increase in payables	**2,189**	5,266
	38,464	40,354
Taxation paid	**(3,606)**	(122)
Interest received	**77**	98
Net cash flow from operating activities	**34,935**	40,330

ENDS