



# ADMISSION TO AIM

## **Shanta Gold Limited**

Admission to trading on AIM  
and Placing by WH Ireland Ltd  
and Haywood Securities (UK) Ltd



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and what action you should take, you are recommended immediately to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser who specialises in advising on the acquisition of shares and other securities and is authorised under the Financial Services and Markets Act 2000. Your attention is drawn to the section entitled "Risk Factors" in Part 3 of this document.**

The Directors of Shanta Gold Limited ("Shanta"), whose names appear on page 4 of this document, accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document, which comprises an admission document drawn up in accordance with the AIM Rules, has been issued in connection with the proposed admission to trading of the Existing Ordinary Shares and the Placing Shares on AIM. This document does not constitute a prospectus, however a copy of it has been delivered to the Registrar of Companies in England and Wales for registration under Rule 4(2) of the Public Offers of Securities Regulations 1995 (the "POS Regulations")

**Application will be made for admission of the Existing Ordinary Shares and the Placing Shares to trading on AIM. It is expected that such admission will take place and that dealings in the Ordinary Shares will commence on 11 July 2005. It is emphasised that no application is being made for the Ordinary Shares to be admitted to the Official List or to any other recognised investment exchange.**

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.**

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# Shanta Gold Limited

*(Incorporated and registered in Guernsey under the Companies (Guernsey) Law, 1994  
(as amended) with registered number 43133)*

**Placing of up to 17,224,735 new Ordinary Shares of 0.01p each at a price of 25p per Share**

**Admission to trading on AIM**

**by**

**Nominated Adviser and Co-Broker**

**WH Ireland Limited**

**Co-Broker**

**Haywood Securities (UK) Limited**

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## **ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING COMPLETION OF THE PROPOSALS**

Authorised			Issued and fully paid	
Amount	Number		Amount	Number
£30,000	300,000,000	Ordinary Shares of 0.01p each	£6,222.47	62,224,735

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The Placing Shares will, on Admission, rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares which will be in issue on Admission.

Consent under The Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 to 1989, has been obtained for the raising of funds by the issue of Ordinary Shares. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or the opinions expressed with regard to it.

This document does not constitute an offer to sell, or a solicitation of an offer to buy Existing Ordinary Shares or Placing Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. The Existing Ordinary Shares and Placing Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America or any province or territory of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to any national, citizen or resident of the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan.

WH Ireland Limited ("WH Ireland"), which is authorised and regulated by the Financial Services Authority, is acting for Shanta as Nominated Adviser and Co-Broker for the purposes of the AIM Rules in connection with the Placing and Admission and is not acting for any other person other than Shanta and will not be responsible to any person other than Shanta for providing the protections afforded to its customers or for providing advice to any other person in connection with the Placing and Admission or the contents of this document.

Haywood Securities (UK) Limited ("Haywood") which is authorised and regulated by the Financial Services Authority, is acting for Shanta as Co-Broker in connection with the Placing and Admission and is not acting for any other person other than Shanta and will not be responsible to any other person other than Shanta for providing the protections afforded to its customers or for providing advice to any other person in connection with the Placing and Admission or the contents of this document.

Argent Partners Limited ("Argent Partners"), which is authorised and regulated by the Financial Services Authority, is acting for Shanta as Corporate Finance Adviser in connection with the Placing and Admission and is not acting for any other person other than Shanta and will not be responsible to any other person other than Shanta for providing the protections afforded to its customers or for providing advice to any other person in connection with the Placing and Admission or the contents of this document. Argent Partners has not authorised the contents of any part of this document. In particular, the information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

Neither WH Ireland, Haywood, nor Argent Partners have authorised the contents of any part of this document for the purposes of Regulation 13(1)(g) of the POS Regulations or otherwise and no liability whatsoever is accepted by WH Ireland, Haywood, or Argent Partners for the accuracy of any information or opinions contained in this document, for which the Directors are solely responsible, or for the omission of any information.

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## Placing Statistics

Placing Price	25p
Number of Existing Ordinary Shares	45,000,000
Number of Placing Shares to be issued pursuant to the Placing <sup>(1)</sup>	17,224,735
Number of Ordinary Shares in issue at Admission <sup>(1)</sup>	62,224,735
Number of Ordinary Shares under option at Admission	2,152,973
Market capitalisation on Admission at the Placing Price (excluding options) <sup>(1)</sup>	£15,556,184
Estimated net proceeds of the Placing receivable by the Company <sup>(1)</sup>	£3,486,184
Placing Shares as a percentage of the enlarged issued ordinary share capital of the Company (excluding options) at Admission <sup>(1)</sup>	27.68 per cent
Number of Placing Warrants in issue immediately following Admission <sup>(1)</sup>	62,224,735

(1) assuming full subscription under the Placing

## Expected Timetable of Principal Events

Publication of the Admission Document	5 July 2005
Admission effective and commencement of dealings in Ordinary Shares on AIM	8:00am on 11 July 2005
Placing Shares credited to CREST accounts	11 July 2005
Despatch of definitive share certificates, where applicable, for the Placing Shares	29 July 2005

## Directors, Secretary and Advisers

<b>Directors:</b>	Walton Norman Brian Imrie George Sidney John Bennett Walter Egmund Vorwerk Ketankumar Vinubhai Patel Richard Barry Shead	<i>Non-Executive Chairman</i> <i>Chief Executive Officer</i> <i>Chief Financial Officer</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i>
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*All of:*

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

<b>Secretary and Registered Office:</b>	NMT Trustees Limited Suite A St Peter Port House Sausmarez Street St Peter Port Guernsey GY1 3PG
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<b>Nominated Adviser and Co-Broker:</b>	WH Ireland Limited 11 St James's Square Manchester M2 6WH
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<b>Co-Broker:</b>	Haywood Securities (UK) Limited Ryder Court 14 Ryder Street London SW1Y 6QB
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<b>Corporate Finance Adviser:</b>	Argent Partners Limited 28 Church Row London NW3 6UP
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<b>Reporting Accountants:</b>	BDO Stoy Hayward Lindsay House 10 Callender Street Belfast BT1 5BN
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<b>Auditors:</b>	BDO Novus Limited Elizabeth House Ruelle Braye St Peter Port Guernsey GY1 3LL
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<b>Competent Persons:</b>	Steffen, Robertson and Kirsten (UK) Limited Windsor Court 1-3 Windsor Place Cardiff CF10 3BX
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<b>Solicitors to the Company:</b>	Memery Crystal 44 Southampton Buildings London WC2A 1AP  Carey Olsen 20 King Street London EC2V 8EG
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<b>Solicitors to the Placing:</b>	Cobbetts Ship Canal House King Street Manchester M2 4WB
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**Principal Bankers:**

UBS  
Place Pury 5  
2000 Neuchâtel  
Switzerland

**Registrars:**

Computershare Investor Services  
(Channel Islands) Limited  
31 Pier Road  
St. Helier  
Jersey JE4 8PW

## Definitions

The following terms apply throughout this document unless the context otherwise requires:

“Admission”	the admission of the Existing Ordinary Shares and the Placing Shares to trading on AIM, becoming effective in accordance with the AIM Rules
“Admission Document”	this document dated 5 July 2005
“Adviser Warrants”	the warrants to be issued to WH Ireland and Argent Partners to subscribe for new Ordinary Shares details of which are set out in paragraph 8.2 of Part 5 of this document
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange from time to time governing admission to, and the operation of, AIM
“Argent Partners”	Argent Partners Limited
“Articles”	the articles of association of the Company as amended from time to time
“Combined Code”	the combined code on corporate governance, as set out in an Appendix to the Listing Rules of the UK Listing Authority
“Competent Person’s Report”	the reports prepared by SRK, a copy of which is reproduced in Part 2 of this document
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited and governed by CREST Regulations
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
“Directors” or the “Board”	the directors of the Company whose names are set out on page 4 of this document
“Enlarged Share Capital”	the issued share capital of the Company following the issue of the Placing Shares on Admission
“Existing Ordinary Shares”	the 45,000,000 Ordinary Shares in issue as at the date of this document
“Group”	the Company and its Subsidiary Undertakings
“Haywood”	Haywood Securities (UK) Limited
“Law”	The Companies (Guernsey) Law, 1994 (as amended)
“Licence”	licence, permit, concession or similar right, by whatever name called, granted by the government or one of its agencies of a Relevant Country
“Listing Rules”	the listing rules (as amended from time to time) made by the UK Listing Authority
“London Stock Exchange”	London Stock Exchange plc
“MML”	Mgusu Mining Limited, a company incorporated in Tanzania whose ordinary shares are 99% owned by SGHL and 1% owned by Shanta as nominee shareholder for SGHL
“NML”	Nsimbangu Mining Limited, a company incorporated in Tanzania whose ordinary shares are 99% owned by SGHL and 1% owned by Shanta as nominee shareholder for SGHL
“Official List”	the Official List of the UK Listing Authority
“Option Plan”	the Shanta Gold Limited Employees’ Share Option Plan



“Ordinary Shares”	ordinary shares of 0.01p each in the Company
“PL”	prospecting licence – as described in paragraph 17.1.1.1 of Part 5 of this document
“Placing”	the proposed placing by WH Ireland, as agent of the Company, of the Placing Shares at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 5 July 2005 between (1) the Company (2) the Directors (3) WH Ireland and (4) Haywood, as described in paragraph 9.2 of Part 5 of this document
“Placing Price”	25p per Placing Share
“Placing Shares”	the 17,224,735 new Ordinary Shares to be issued pursuant to the Placing
“Placing Warrants”	warrants to subscribe for Ordinary Shares constituted pursuant to the warrant instrument dated 5 July 2005, each Placing Warrant entitling the holder to subscribe for one Ordinary Share at a subscription price of 30p, further details of which are set out in paragraph 8.1 of Part 5 of this document
“PML”	primary mining licence – as described in paragraph 17.1.2.2 of Part 5 of this document
“POS Regulations”	the Public Offers of Securities Regulations 1995 (SI 1995 No. 1537), as amended
“Registrar” or “Computershare”	Computershare Investor Services (Channel Islands) Limited
“Relevant Country”	means Tanzania or Guernsey as the context so requires
“Reorganisation”	means the reorganisation of the Group as described in paragraph 10 of Part 5 of this document
“SAMREC”	South African Code for the Reporting of Mineral Resources and Mineral Reserves
“SEL”	Shanta Explorations Limited, a company incorporated in Tanzania
“SEL Joint Venture Agreement”	the joint venture agreement between (1) SMCL and (2) SEL dated 16 May 2005 (amended and superseded on 30 June 2005), as described in paragraph 9.5 of Part 5 of this document
“SGHL”	Shanta Gold Holdings Limited, a company incorporated in Guernsey
“Shanta” or the “Company”	Shanta Gold Limited, a company incorporated in Guernsey
“Shareholders”	holders of the Existing Ordinary Shares
“Share Options”	means the options granted by the Company pursuant to the Option Plan defined and described in more detail at paragraph 6 of Part 5
“SMCL”	Shanta Mining Company Limited, a company incorporated in Tanzania whose ordinary shares are 99% owned by SGHL and 1% owned by Shanta as nominee shareholder for SGHL
“SRK”	Steffen, Robertson and Kirsten (UK) Limited
“Subsidiary Undertakings”	means Shanta Gold Holdings Limited, Shanta Mining Company Limited, Mgusu Mining Limited and Nsimbanguru Mining Limited
“Tzs”	Tanzanian Shillings
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000, as amended including where the context so permits, any committee, employee or servant of such authority to whom any function of the UK Listing Authority may, from time to time, be delegated

“US\$” United States dollars, being the lawful currency for the time being of the United States of America

“WH Ireland” WH Ireland Limited

In this document an exchange rate of £1:US\$1.82, prevailing on 23 June 2005, has been used unless otherwise stated. A glossary of technical terms and expressions is set out in Part 6 at the end of this document.

## Part 1 – Information on the Group

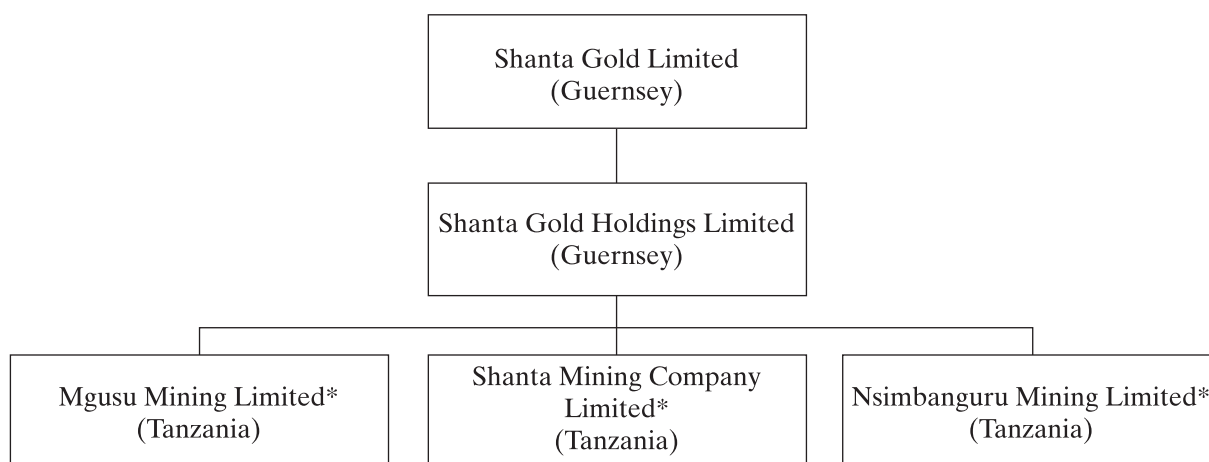
### Introduction

The Group is engaged in the exploration and development of gold deposits in Tanzania.

Shanta and its wholly-owned subsidiary, SGHL, were established on 5 May 2005 to effect the Reorganisation. Pursuant to the Reorganisation, SGHL acquired all the issued share capital of SMCL, MML and NML, excepting one share in each which was acquired by Shanta as nominee shareholder for SGHL in order to comply with the requirements of Tanzania law to have two registered shareholders of any Tanzanian company. Shanta also acquired all outstanding loan notes of SMCL and SMCL's interests in the Mgusu project and the Simba Nguru project were transferred to MML and NML respectively.

### Group Structure

The companies in the Group and the structure of the Group are set out below:



*\*One share is held by Shanta as a nominee shareholder for SGHL in order to comply with the requirements of Tanzanian law to have two registered shareholders of any Tanzanian company.*

The Group's key assets are the PLs which SMCL, MML and NML hold over various areas of Tanzania.

### Overview

SMCL, established in 2001, holds all the interests in the Group's projects other than the interests in the Mgusu Project and Simba Nguru Project now owned by MML and NML respectively. In the period from its establishment to 31 March 2005, SMCL has spent in excess of US\$4.5m acquiring PLs, as well as conducting initial exploration on the Group's portfolio of exploration properties, of which the most notable are:

- *Mgusu* – an advanced gold exploration project located in the Geita Greenstone Belt in Northern Tanzania with a gold resource of 741,000 oz (of which 127,000 oz has been classed as an Indicated Mineral Resource and 614,000 oz as an Inferred Mineral Resource) as detailed in SRK's report.
- *Simba Nguru* – a gold exploration project in central Tanzania which SRK confirms, if the gold grades prove to be consistent, has the potential to host in excess of 300,000 oz of gold.
- *Musoma District* – Shanta's interest in this area consists of three projects (Katario, Ikungu and Suguti) all within 25km of each other. SRK considers, on the basis of the underground sampling, geophysical interpretation and the gold grades seen at the old Tembo mine, that Katario has the potential to host in excess of 300,000 oz of gold. An Inferred Mineral Resource of 185,000 oz of gold has been reported for Ikungu and SMCL has the right to earn up to 75% of the project on the satisfaction of minimum exploration expenditure commitments and completion of a full feasibility study.

Further details of SRK's opinion on these projects are set out in Part 2 of this document.

In addition to those discussed above, SMCL has acquired 40 PLs covering an area of 4,400km<sup>2</sup> in what the Board considers to be some of the most highly prospective areas of Tanzania. The majority (2,954km<sup>2</sup>) of

this prospecting area is in the Singida district, which is the location of recent and significant informal gold mining activity. In addition, the Group has applied for a further 19 PLs covering 2,624km<sup>2</sup>.

The SMCL management team, which already has extensive exploration and mining expertise will now benefit from the advice of the Directors being individuals who have experience at board level in mining companies. The Directors believe that the combined skill set of the Board and management team will ensure that the Group is well placed to recognise and exploit any opportunities available to it within Tanzania whilst at the same time ensuring shareholder interests are considered and protected.

### **Strategy**

The Board believes that the interests acquired by SMCL have significant potential to host gold deposits and, consequently, it has prepared an extensive exploration programme to delineate this potential. The field work, comprising *inter alia* exploration activity and pre-feasibility studies, has been estimated to cost US\$3.1m for the first 12 months following Admission. SRK has confirmed that it believes that the exploration work proposed by the Board is appropriate to test the gold potential of the Group's properties. It should be noted that the planned expenditure figures are taken from the Group's three year exploration plan, as commented on by SRK in Part 2 of this document. However, it is not anticipated that the Group will raise sufficient funds from the Placing to fund the full three year programme, and it is therefore anticipated that further funds will be required to complete this three year exploration programme.

Where the results of the exploration and subsequent feasibility studies demonstrate that a mine is viable the Board is confident that the Directors and the senior management have the required expertise and experience to develop and operate the mine.

The Board also intends, where possible, to acquire additional PLs that are either close to or which otherwise complement Shanta's existing properties, or which are considered to offer a potential gold mining opportunity in their own right.

### **Tanzania**

#### *History*

Tanzania, created by the union of Tanganyika and Zanzibar, is located in East Africa, and borders, amongst others, Mozambique, Malawi and Zambia. The union of Tanganyika and Zanzibar was formalised in 1977 and, in 1992, a multi-party system was introduced. From 1995, following the election of Benjamin William Mkapa, the country has been politically stable and is generally regarded as being one of the most politically stable countries in Africa.

#### *Economy*

The economy reflects the ongoing political stability of the country and has progressed steadily since 1995 with agriculture, tourism and mining all performing well. Mining is the fastest growing sector in Tanzania in terms of its contribution to Gross Domestic Product and exports. This growth was assisted by a new mining policy created in part for Tanzania in 1997 by the World Bank and further investor-friendly mining law was enacted in 1998. The Mining Act of 1998, in particular, guarantees investors' security of tenure, profits and transparency in issuance and administration of mineral rights. Mineral exports increased from US\$30m in 1996 to over US\$550m in 2003.

#### *Gold Mining*

Gold mining has dominated the Tanzanian mining industry for more than a century. Records of organised prospecting and mining date back to the German colonial period with gold discoveries in the Lake Victoria Goldfield in 1895. Tanzania is now Africa's third largest gold producing country after South Africa and Ghana. Nonetheless, the country remains under explored in comparison with other gold producers of its size and there is a high probability of future discoveries.

The first of the large gold mining projects began producing gold in November 1998. One of the key drivers behind the expansion of the Tanzanian gold mining sector is the prospective Greenstone Belt, particularly the Lake Victoria Goldfield.

Significant current operating mines in the Lake Victoria Goldfields include:

- Bulyanhulu (Barrick Gold Corporation), produced 350,000 oz in the year ended December 2004.
- Geita (AngloGold Ashanti), produced 692,000 oz in the year ended December 2004.

- North Mara (Placer Dome), produced 208,000 oz in the year ended December 2004.
- Golden Pride (Resolute Mining Limited), produced 169,000 oz in the year ended June 2004.

### **Shanta Explorations Limited**

Some of the Group's PL areas also have PMLs granted over parts of the area. Under Tanzanian mining law, PLs can be granted over areas where a PML is already in issue and, if that occurs, before the PL holder can carry out work on the area covered by the PML, the holder of the PML must consent to any work being carried out on their land. As PMLs are retained exclusively for Tanzanian citizens, Shanta and any of its Subsidiary Undertakings are prevented from acquiring or holding them. Accordingly SMCL entered into the SEL Joint Venture Agreement pursuant to which SMCL has been granted exclusive rights to undertake prospecting, exploration and mining activities in accordance with the terms of PMLs held by SEL or under option to it. Further details are set out in paragraph 9.5 of Part 5 of this document.

There are 56 PMLs covering parts of the Group's PL areas. Of these, the Group currently has a contractual interest through the SEL Joint Venture Agreement in 10 PMLs (the "Required PMLs"). Of these Required PMLs, 4 are owned by SEL. SEL has also executed option agreements with the owners of the other 6 Required PMLs and has confirmed to SMCL that it will exercise its options to acquire the PMLs if requested by SMCL and, thereafter, it is the intention of SEL to surrender these PMLs if instructed by SMCL (the intention being that SMCL would simultaneously apply for its relevant PL to be extended to incorporate the area formerly covered by the surrendered PML).

Of the remaining PMLs, 42 are located over parts of the Katario PL and 4 are located over parts of the Suguti PLs. Of these, the Katario PMLs do not cover any part of the area which SRK has confirmed to have the potential to host 300,000 oz gold. The remaining 4 PMLs cover parts of the Suguti PL area, which is an early stage exploration project. If, following its planned geophysical structural investigation, SMCL requires access to the areas covered by any of these PMLs it will be required to obtain the consent of the owners of the relevant PML.

Where one of the Group's PLs also has PML's issued in respect of the same area, or where the consent of the PML holder is still being sought, this is discussed in more detail under each project heading below.

Further details of SEL and the Required PMLs are contained in paragraph 13 of Part 5 of this document.

## **Projects**

### ***Mgusu***

The Mgusu project is located in the Geita Greenstone Belt 14km west of the Geita Gold Mine and about 100km west-south-west of Mwanza in northern Tanzania.

Sporadic mining has been carried out in the area since 1913. In 1996, Pangea Minerals Limited ("Pangea") started an exploration programme at Mgusu and carried out just under 3,600m of drilling comprising 23 reverse circulation drill holes and 8 diamond drill holes. The drilling Pangea undertook was widely spaced and some holes stopped short of the mineralisation. The mineralisation was not fully defined, and while there is some potential for strike extensions to mineralisation, SRK believes the project now requires further geological work focusing on establishing the potential for mineralisation to continue at depth with well controlled diamond drilling to upgrade the resource category ready for progression to a full feasibility study.

In 2004, Cheston Minerals (Proprietary) Limited ("Cheston") estimated that the Mgusu deposit contains an Indicated Mineral Resource of 127,000 oz of gold (1.1 Mt @ 3.5g/t Au) and an Inferred Mineral Resource of 614,000 oz of gold (5.1 Mt @ 3.8g/t) in accordance with the SAMREC Code. Cheston has classified the bulk of mineralisation as Inferred as the impact of historical artisanal mining on the Mgusu resource has not yet been quantified. SRK could not independently verify the sampling but has reviewed the reported estimate and carried out check calculations to verify the integrity and appropriateness of the estimation techniques employed. SRK considers the estimate to be unbiased and formed using industry accepted techniques.

Shanta has planned an initial drill programme of 6,000m (2,400m of diamond drilling and 3,600m of reverse circulation drilling) following Admission to seek to verify the Cheston resource estimate. This will be combined with exploration drilling to seek to establish the down dip extent of the mineralisation and potential strike extensions. SRK has also recommended that some verification drilling and possibly twin hole drilling to assist with the quality control should be undertaken. A second phase programme (at least

2,500m of diamond drilling) is planned by the Company for the second year, during pre-feasibility studies, to finalise the resource estimate. Planned expenditure on the Mgusu project is US\$1.1m in the 12 months following Admission and US\$0.8m in the year thereafter.

4 PMLs have been issued over this project area, more details of which are set out in paragraph 13 of Part 5 of this document. All 4 PMLs are owned by SEL and are subject to the SEL Joint Venture Agreement.

### ***Simba Nguru***

The Simba Nguru project is located 120km south-west of Dodoma in central Tanzania. Access to this property is restricted to the dry weather months (March to November).

Geological mapping was carried out in 1936 by the Geological Survey of Tanzania and panned samples from Ilangali towards the Simba Nguru Hills indicated the presence of gold. This was confirmed by further work carried out for the United Nations Development Programme in 1996, when bulk samples from artisanal mine shafts in the Mafalungu area returned average grades of 75g/t Au.

SMCL commenced exploration in 2003 along strike from the known mineralisation at the old Mafalungu mine, and carried out geological mapping, rock sampling and an airborne geophysical survey. The work carried out defined a geochemical gold in soil anomaly along a 1,500m strike to the east of Mafalungu, coinciding with a magnetic lineament identified during a detailed airborne magnetic survey. SMCL carried out an initial programme of 9 diamond drill holes to test the anomaly. The results were promising, with one drill hole, SNU-1, returning an intersection of 13.4g/t Au over 7.18m.

As further set out in the Competent Person's Report in Part 2 of this document, SRK considers that further drilling is warranted to establish the grade and extent of mineralisation at Mafalungu and also to drill test the anomalies defined. Preliminary drilling results indicate that the mineralised zone is fairly wide but that potentially economic zones maybe narrow and erratic. SRK believes that Simba Nguru has the potential to host a mineralised zone of a similar order to Mgusu, and as such, if gold grades prove to be consistent, Simba Nguru has the potential to contain in excess of 300,000 oz of gold.

SMCL has planned an initial drill programme of 2,500m, and a further 5,000m dependent on initial results, to target mineralisation beneath the Mafalungu mine workings and to further test the anomalies generated by the initial exploration along the strike. Planned expenditure on the Simba Nguru project is US\$0.4m in the first 12 months following Admission.

### ***Musoma District***

The Group has three projects in the Musoma Greenstone Belt located within 25km of each other, being Katario, Ikungu and Suguti.

#### ***Katario***

The Katario project is located approximately 35km south of the town of Musoma and is centred on the old Tembo underground mine, which operated from 1934 to 1940. During this time a total of 40.9kg gold was recovered at an average grade of 6.9 g/t Au. The mine consists of three open pit excavations and underground development. The underground development appears to have been mainly exploratory in nature.

Recent channel sampling of the underground workings has returned results including 7.2g/t Au over 9.4m and 6.7g/t Au over 18.6m. Whilst there is little data available to support a resource estimate, SRK consider, on the basis of the underground sampling, geophysical interpretation and the gold grades seen at the old Tembo mine, that Katario has the potential to host in excess of 300,000 oz of gold.

Shanta has initially planned a drill programme of 2,500m, and a further 2,500m dependent on initial results, at Katario to seek to fully delineate the extent of the mineralised zone at the old Tembo mine and to adequately test the geophysical indications of extensions to the mineralised zone. SRK has noted that it is proposed that the mineralisation at Katario could be an exhalative deposit, which, being mostly stratabound requires a different exploration model and strategy to that applied to shear hosted, hydrothermal mineralisation. SRK has advised that it will be important to drill on close spacing initially to establish the geological detail of the proposed model. Planned expenditure on the Katario project is US\$0.3m in the first 12 months following Admission and US\$0.8m in the year thereafter.

3 PMLs in which the Group has a contractual interest are in issue in respect of this project area. More details are set out in paragraph 13 of Part 5 of this document. The holders of these 3 PMLs have entered

into option agreements with SEL, and, pursuant to the SEL Joint Venture Agreement, SEL has agreed to exercise its options if requested by SMCL.

There are also 42 PMLs held by third parties on the project area which do not cover any of the area which SRK has confirmed to have the potential to host 300,000 oz of gold.

#### *Ikungu*

The Ikungu project is located 20km southwest of Musoma in Tanzania. Historical mining activity at the site extracted approximately 20,000 oz of gold between 1934 and 1946. While there is little historical data available describing the mine, there is an indication that although the in-situ grades were reasonable, the recoveries were less than 50% due to the refractory nature of the material. Sampo Resources who carried out exploration work on the site in 1993 reportedly found the results high grade but erratic.

JCI Tanzania (“JCI”) commenced exploration at Ikungu in 1995, drilling 18 reverse circulation drill holes and 11 diamond drill holes to test the mineralised zone. Based on the work carried out, JCI estimated that Ikungu contained an Inferred Mineral Resource of 185,000 oz of gold (2.5 Mt @ 2.3g/t Au). SRK has not been able to independently verify the sampling and assay data used to derive this Mineral Resource estimate, as the exploration work was undertaken several years ago and prior to SRK’s involvement. SRK has, however, again undertaken check calculations to verify the integrity and appropriateness of the estimation methods employed and considers the estimate to have been generated in an unbiased manner and using sound industry accepted techniques.

SMCL entered into a joint venture agreement with Lakota Resources over the Ikungu project in February 2004. SMCL may earn a 65% interest in the Ikungu project by making cash payments totalling US\$245,000 and incurring exploration and/or development expenditure of a minimum US\$500,000 over a maximum five year period resulting in the completion of a pre-feasibility study acceptable to Lakota. SMCL may earn a further 10% interest in the project by completing a full feasibility study.

SMCL has planned a drilling programme of 3,000m in two phases at Ikungu to seek to fully delineate the extent of the mineralised zone and is also planning to undertake further geological and structural studies to assess the possibility of predicting wider zones of mineralisation within dilational zones of the Ikungu structure. Planned expenditure at the Ikungu project is US\$0.2m in the first 12 months following Admission and US\$0.4m in the year thereafter.

3 PMLs are in issue in respect of this project area, more details are set out in paragraph 13 of Part 5 of this document. The holders of these 3 PMLs have entered into option agreements with SEL, and, pursuant to the SEL Joint Venture Agreement, SEL has agreed to exercise its options if requested by SMCL.

#### *Suguti*

Suguti is located approximately 110km north-east of Mwanza and 40km south-west of Musoma. Old workings and diggings occur over 860m of an east-west trending shear zone.

Some 2,900m of reverse circulation and rotary air blast drilling was carried out during 1997 and 1998 by Iscor Mining Limited (“Iscor”) and defined four main mineralisation trends contained within 4 key target areas – Chirorwe, Karuseny, Nyamweke, Rupa.

The data generated by the Iscor drilling is insufficient to support the preparation of a resource estimate to SAMREC standards. Shanta has planned a regional geophysical structural investigation to seek to determine the main structural controls and seek to identify new targets for continued exploration.

There are 4 PMLs held by third parties on the Suguti PL area, which is an early stage exploration project. If following its planned geophysical structural investigation, SMCL requires access to the areas covered by these PMLs it will be required to obtain the consent of the owners.

#### ***Early Stage Exploration Properties***

In addition to the key projects detailed above, SMCL has acquired PLs in respect of other areas within Tanzania.

#### *Tarime Joint Venture*

In August 2004, SMCL entered into a joint venture agreement under which Placer Dome Exploration (Africa Eurasia) Limited (“Placer”) was granted an option to earn an 80% beneficial interest in the Tarime project, on incurring exploration expenditure of US\$0.5m within a four year period, commencing in August 2004. The Tarime project is located 4km north-west of the Nyabigena and Gokona open pits at

Placer's North Mara Gold Mine. Further details of this agreement are set out in paragraph 9.7 of Part 5 of this document.

The original agreement was in respect of 2 PLs, 1893/2002, and 1894/2002. PL 1893/2002 expired on 20 February 2005 and an application, number 2493, for a new PL over the same area with the same coordinates as those in respect of which PL 1893/2002 had been issued to SMCL, has been made by SEL. Should SEL be granted PL 2493, it has agreed to transfer it to SMCL under the terms of the SEL Joint Venture Agreement and this area will continue to be subject to the joint venture agreement with Placer, further details of which are set out in paragraph 9.7 of Part 5 of this document.

Preliminary geological mapping and sampling was completed by SMCL in September 2003.

Placer has informed Shanta that a detailed geological mapping and soil geochemical sampling programme will commence shortly. Placer is also planning a regional airborne gravity survey over the area.

SRK has not visited the site and has reported this information in good faith.

#### *Singida*

SMCL has been granted 16 PLs and controls a further 8 PLs via option agreements, totalling over 2,900km<sup>2</sup> in the Singida District.

This area, identified as highly prospective by SMCL, hosts an unexplored greenstone belt with shear hosted gold mineralisation. There has recently been extensive artisanal exploitation adjacent to several of SMCL's licence areas. SRK has not visited the property but agrees that the area is prospective for gold mineralisation and that further exploration work is warranted.

Shanta is planning to carry out detailed geological mapping in conjunction with a systematic soil sampling campaign to generate targets for follow up drilling. Planned expenditure at the Singida project is US\$0.8m in the 12 months following Admission and US\$1.0m in the year thereafter.

#### *Songea*

SMCL has been granted 4 PLs (totalling 250km<sup>2</sup>) and has applied for a further 11 PLs (totalling 1,244km<sup>2</sup>) in the Songea District in southern Tanzania.

There is a history of artisanal gold mining in the district, and the properties were selected on the basis of previously known gold occurrences and regional aeromagnetic anomalies.

The Company plans to complete first phase geological reconnaissance in the area shortly. Planned expenditure on the Songea project is US\$0.1m in the 12 months following Admission and US\$0.2m in the year thereafter.

#### *Chunya*

SMCL has recently been issued with 4 PLs in Chunya District covering a 427km<sup>2</sup> area. One of the PLs is located within the highly prospective Lupa Gold District. Shanta has also applied for a further five licences totalling 1,071km<sup>2</sup>.

Shanta has not yet completed an initial site investigation in the area. A first phase programme of geological mapping, stream sediment and soil sampling is planned to determine the potential of each claim area. Planned expenditure on the Chunya project is US\$0.1m in the 12 months following Admission and US\$0.3m in the year thereafter.



## **Directors and Senior Management**

### ***Directors of the Company***

The Board currently comprises:

**Walton Imrie**, *Non-Executive Chairman*, aged 53, started his career in stockbroking in South Africa in the early 1970's and then took up employment with Shaw and Co. in London. He started an independent financial consultancy business which eventually became the Swiss based asset management company, Kestrel SA. He has been involved with gold mining and exploration through a number of vehicles including Simmer and Jack Mines Ltd. and Southern Prospecting (Pty) Ltd. The latter company listed Randex, and Potchefstroom Gold Areas in the 1980's in South Africa. Walton was a board member of Francistown Mining Ltd which became the Toronto and Sydney listed Lionore Mining Limited. He is currently a director and shareholder of Pan African Mining (Pty) Ltd, a Zimbabwean gold producer.

He was one of the founders of SMCL.

**George Bennett**, *Chief Executive Officer*, aged 44, is a member of the Johannesburg Stock Exchange with 19 years experience as a stockbroker/investment banker. He joined Menell, Jack Hyman, Rosenberg and Co in 1986 which was taken over by Frankel Kruger Inc in 1988. Between 1988 and 1994 he was a partner at various stockbroking firms including Fergusson, Bros, Hall Stewart & Co. In 1994, while a partner at Simpson McKie Inc, the firm was acquired by HSBC PLC Securities (South Africa) (Pty) Ltd. While at HSBC, he held positions including Head of International and Proprietary Trading, Head of Corporate Sales and his last position was Head of Mining Research Sales. George resigned from HSBC in May 2003.

He joined the Group in September 2004.

**Walter Vorwerk**, B. Com, Dip Datem, CA (SA), *Chief Financial Officer*, aged 54, has had extensive executive and operational experience within the Southern African mining industry and has held directorships of many industry-related companies including Vaal Reefs Mining and Exploration Co. Limited (the precursor to AngloGold Limited), Western Deep Levels Limited, Driefontein Consolidated Limited and Rand Refining Limited. He was Manager of Finance at AngloGold from 1995 to 2002, where he oversaw and was involved in corporate finance, merger, acquisition and disposal activities. He was the Finance Director of Aquarius Platinum Limited from 2002 to 2003. He is involved in a corporate finance practice in South Africa called Interstices (Pty) Ltd. helping small to medium clients in his field of expertise by providing corporate finance services to enable clients to achieve their commercial goals.

He joined the Group in April 2005.

**Ketan Patel**, *Non-Executive Director*, aged 38, attended schools and colleges in Kenya, India and the United Kingdom. He worked extensively in trading organizations in the UK and since 1986 has traded agro-commodities internationally. He is a senior director of Export Trading (Pty) Ltd. and is Managing Director of the Sea Cliff and White Sands Hotels in Dar es Salaam. He is also a director of Cielmac Ltd. a property company in Tanzania.

He was one of the founders of SMCL.

**Richard Shead**, BA CIS (SA), *Non-Executive Director*, aged 52, was an executive director of Oxus Gold, responsible for corporate development from 2003 to 2004, prior to that he was chief executive officer of East Daggafontein Mines from 1997 to 2002. Richard has also been managing director of Southern Prospecting Limited, a South African mineral exploration company, and Lydenburg Exploration Limited and Chief Executive Officer of Benguela Concessions Limited.

He joined the Group in April 2005.

### **Independent Non-Executive Director**

It is the Board's intention, at the appropriate time, to recruit a further director who is independent and would be non-executive.

### ***Senior Management***

**Dr Aidan Edwards**, Fr ENG. BSc(ENG) Met, DIC, PhD, aged 67, is a metallurgist by profession with extensive mining experience. He was the president of Mintek until 2000 and prior to that he ran JCI's exploration programme during the 1990's. In 2000 he was appointed to the board of Harmony Gold Mining Company. He was appointed to the Royal Academy of Engineering in the UK in 2004.

**Michael McChesney**, Pr ENG (Civil), BSc ENG (Mining), MSAIMM, aged 54, gained initial experience at Impala Platinum and various deep level gold mines in South Africa. He also has extensive experience

in various base metals operation and has recently concentrated on gold mining in the greenstone environments of Southern Africa. He is CEO of Cheston Minerals, a resource management company which currently manages a number of producing gold mines in the Barberton area of South Africa and a group of producing gold mines in Zimbabwe.

**Chris Picken**, BSc (Hons) (Geology), aged 42, initially gained 5 years experience as a platinum exploration geologist with Goldfields of South Africa. In 1993 Chris went to Latin America and managed advanced gold exploration projects in greenstone belts in Venezuela. In 1996 he managed GFSA's exploration in Bolivia. In 1999 he joined Solitario Resources exploration team in Brazil developing Platinum Group Metal (PGM) projects. He has been responsible for Shanta's exploration programme since 2002.

**Mahesh Patel**, B.Com, aged 50, started his career as an auditor in Kenya. In 1976 he joined Export Trading. In 1978 he gradually took over ownership of the firm which is engaged in exports of Kenyan processed and manufactured goods and crops to East and Central African countries. He is experienced in marketing, management and collection and storage at village level of agricultural commodities for export and the local market as well as being experienced and knowledgeable in commercial governing rules and regulations in the PTA and SADCC States. He was one of the founders of SMCL.

**Maurice Emery**, CPA, aged 51, has 18 years experience in wealth and asset management and is currently Managing Director and controlling shareholder of Kestrel SA. Kestrel currently has US\$6bn under management. He was one of the founders of SMCL.

The above senior managers together with the CEO, George Bennett, and an independent non-executive Tanzanian national will be invited to join the SMCL Board. The as yet unappointed independent non-executive director will be asked to chair the board of SMCL.

#### **Reasons for the Placing and Admission and the Use of Proceeds**

The Company is proposing to raise up to £3.5 million (net of expenses) by way of the Placing of 17,224,735 new Ordinary Shares at 25p per share representing approximately 27.68 per cent. of the issued share capital of the Company at Admission.

The Directors intend to use the net proceeds of the Placing as follows, in the following approximate amounts:

- \$1.9 million to fund further resource definition drilling and to complete a pre-feasibility study on the Mgusu deposit
- \$0.6 million to fund exploration activity and pre-feasibility studies at:
  - Ikungu and Simba Nguru;
- \$1.4 million to fund exploration at:
  - Katario;
  - Suguti;
  - Singida;
  - Songea; and
  - Chunya.
- \$2.4 million to provide general working capital for the Group.

Further details of the Group's planned exploration programme are contained in the Competent Person's Report in Part 2 of this document. The Group will require further funding to bring any of its projects into production.

#### **Admission to AIM and Dealings in Ordinary Shares**

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. Dealings in the Ordinary Shares are expected to commence on 11 July 2005. No application has been, or will be, made for the Adviser Warrants or Placing Warrants to be admitted to trading on AIM.

#### **Settlement and CREST**

CREST is a computerised paperless share transfer and settlement system, which allows shares and other securities to be held in electronic rather than paper form. The Company has applied for the Ordinary

Shares to be admitted to CREST with effect from Admission. It is expected that Admission will become effective and dealings in Ordinary Shares will commence on 11 July 2005.

CREST is a voluntary system and shareholders who wish to retain their Ordinary Shares in certificated form will be able to do so. Any shareholders wishing to hold their stock through CREST can dematerialise from a certificated holding to a CREST holding by lodging their share certificate and a CREST transfer form with their stockbroker or other CREST member.

### **Details of the Placing**

The Company is proposing to raise £4.3 million before expenses by way of the placing of up to 17,224,735 Placing Shares at 25p per share. The Placing Shares will, assuming full subscription, represent approximately 27.68% of the Enlarged Share Capital. At the Placing Price, the Company will, assuming full subscription, be valued at £15.6 million.

WH Ireland and Haywood have entered into the Placing Agreement pursuant to which they have agreed to use reasonable endeavours to procure subscribers for the Placing Shares. The Placing has not been underwritten by WH Ireland or Haywood. Further details of the Placing Agreement are set out in paragraph 9.2 of Part 5 of this document.

The Placing Shares, following allotment, will rank equally in all respects with the existing Ordinary Shares including in respect of any dividends and distributions paid or made in respect of the Ordinary Shares.

It is expected that the definitive documents of title to the Placing Shares will be delivered by Computershare, the Company's registrar, to those Shareholders who so request by first class post, not later than 14 days after the date of Admission.

### **Warrants**

The Company will issue Placing Warrants to the holders of the Ordinary Share Capital of the Company (including holders of the Placing Shares and the Existing Ordinary Shares). Each Placing Warrant will entitle the holder to subscribe for Ordinary Shares at a subscription price of 30p per share.

Further details of the Placing Warrants are set out in paragraph 8.1 of Part 5 of this document.

The Company will, conditional on Admission, issue Adviser Warrants to WH Ireland and Argent Partners to subscribe for in aggregate 2,737,888 Ordinary Shares, equal to 4.4% of the Enlarged Share Capital. The Adviser Warrants are exercisable at the Placing Price pursuant to and on the terms of warrant instruments, dated 5 July 2005.

Further details of the Adviser Warrants are set out in paragraph 8.2 of Part 5 of this document.

### **Lock-ins and Orderly Market Arrangements**

Upon Admission, the Directors and persons connected with them will own 16,545,338 Ordinary Shares representing 26.59% of the Enlarged Share Capital and in addition will have options over an aggregate 2,152,973 Ordinary Shares representing 3.46% of the Enlarged Share Capital.

The Directors, Export Holdings Limited and Sable Gold (Mauritius) Limited have undertaken to the Company, WH Ireland and Haywood that they will not sell or dispose of, except in certain circumstances, their respective interests in Ordinary Shares for a period of 12 months from Admission and thereafter, for a period of 6 months, except through the broker of the Company for the time being who may in its discretion, acting reasonably, refuse, or impose restrictions, with a view to maintaining an orderly market in the Ordinary Shares.

### **Dividend Policy**

The Directors consider that the Group's existing portfolio of development and exploration interests provides exposure to a range of prospects at varying stages of evaluation. The proceeds of the Placing will enable the Group to undertake further assessment and development of these interests. At this stage of its development, the Group intends to spend significant sums to explore and develop the Group's licence interests and/or to acquire and/or develop other licence interests and does not expect significant revenue to arise while this exercise is proceeding. The Directors do not expect to recommend or pay a dividend in the foreseeable future.

### **Corporate Governance**

The Directors intend that the Company will comply with the provisions of the Combined Code so far as it is practicable for a company of its size. The Company has appointed a non-executive Director with relevant sector experience to complement the executive Directors and to provide an independent view to the Board. It is the Company's intention to appoint another non-executive director.

An audit committee, comprising the non-executive Directors, has been established by the Company to operate from Admission. The audit committee will be chaired by Richard Shead and will meet at least twice each year. The audit committee will be responsible for ensuring the appropriate financial reporting procedures are properly maintained and reported on, and for meeting with the Company's auditors and reviewing their reports and accounts and the Company's internal controls.

The Company has in addition established a remuneration committee, comprising the non-executive Directors. The remuneration committee will also be chaired by Richard Shead and will meet at least once a year. The remuneration committee will be responsible for reviewing the performance of the executive Directors, setting their remuneration, determining the payment of bonuses, considering the grant of options under any share option plan and, in particular, the price per share and the application of the performance standards which may apply to any grant.

The Company has also established a Board committee to underline the importance attached to health, safety, environment and community.

The Board intends to review key business risks regularly, including the financial risks facing the Company in the operation of its business.

The Company will operate a share dealing code for Directors on the basis set out in the Listing Rules.

### **Option Plan**

The Company has established the Option Plan under which options can be granted over Ordinary Shares at the discretion of the remuneration committee, to selected Directors or employees of the Group. It is intended that options over shares representing 3.46% of the Company's issued share capital on Admission be granted to Directors of the Company exercisable at the Placing Price. In addition, it is intended to grant options to subscribe for 1,624,065 Ordinary Shares at the Placing Price, representing 2.61% of the Company's issued share capital to members of the Group's management.

### **Financial Information**

Financial information on the Group is set out in Part 4 of this document.

### **Taxation**

Information regarding taxation with regard to the Admission is set out in paragraph 16 of Part 5 of this document. If you are in any doubt as to your tax position, you should contact your professional adviser immediately.

### **Further Information**

Your attention is drawn to the further information set out in Parts 2 to 6 of this document.

## Part 2 – Competent Person’s Report



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CF10 3BX

5 July 2005

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The Directors  
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28 Church Row  
London NW3 6UP

### Shanta Gold Limited

#### 1 INTRODUCTION

##### 1.1 Background

In December 2004, Steffen, Robertson and Kirsten (UK) Ltd (SRK) was approached by Shanta Mining Company Ltd (SMCL) to conduct a technical review of its exploration assets in Tanzania and to comment upon the resource estimates reported for these.

SRK understands that the results of this review will be included in an Admission Document produced by Shanta Gold Limited (“Shanta”) in support of the admission of the issued, and to be issued, share capital of Shanta to trading on the AIM market of the London Stock Exchange. This report comprises SRK’s independent technical review of the material assets held both directly and indirectly by Shanta in Tanzania. The report also includes a review of Shanta’s planned work programmes and budgeted expenditure for the three year period following Admission. The specific assets reviewed comprise:

- A 100% interest in the PLs constituting the Mgusu Project (Mgusu), an advanced gold exploration project located in the Geita Greenstone Belt 14km west of the Geita Gold Mine and 3km northeast of the Ridge 8 deposit, both owned by AngloGold Ashanti. Cheston Minerals (Pty) Limited (Cheston) has recently reported a Mineral Resource statement for Mgusu of 6.2 million tonnes (Mt) at a mean grade of 3.7 g/t gold (Au) and containing some 740,000 ounces (oz) of which 1.1 Mt at a mean grade of 3.5 g/t was reported as an Indicated Mineral Resource and 5.1 Mt at a mean grade of 3.8 g/t as an Inferred Mineral Resource.
- A 100% interest in the PLs constituting the Simba Nguru Project (Simba Nguru) located 120km south-west of Dodoma in central Tanzania. Shanta commenced exploration here in May 2003 along strike from the known gold mineralisation at the old Mafalungu Mine. A reconnaissance drill programme consisting of 9 shallow inclined boreholes totalling 1,466 metres was completed in late 2003. Four drill holes (SNU-1 to SNU-4) totalling 546 metres were drilled within the central 270 metre section of Mafalungu Mine, and five drill holes (SNU-5 to SNU-9) totalling 920 metres were drilled within the peak 785 metre section of the soil geochemical Au anomaly. SNU-1 intersected a zone averaging 13.4 g/t Au over

7.18 metres, and SNU-4 intersected a zone which averaged 11.6 g/t over 2.36 m in sheared amphibolitic schist. SRK believes that Simba Nguru has the potential to contain in excess of 300,000 oz of gold.

- A 100% interest in the PLs constituting the Katario Project (Katario), an area centred on the old Tembo mine which was operated between 1934 and 1940 and which is located on the northeast flank of the Suguti lineament. This has also been the site of some recent artisanal mining activity. Early stage exploration including trenching, pitting, underground sampling and airborne geophysical surveys has been undertaken and has confirmed the presence of potentially economic gold mineralisation in the area. If geophysical interpretations prove to be correct and the gold grades present in the old Tembo workings persist over the projected zone then SRK believes Katario has potential to host in excess of 300,000 oz of gold.
- Up to a 75% interest in the PLs constituting the Ikungu Project (Ikungu). The Ikungu Prospecting Licence (PL) covers an area of 18.8km<sup>2</sup> and is currently held by Lakota Mining Ltd (Lakota). Shanta signed a JV agreement with Lakota on the 26 February 2004 whereby Shanta will earn a 65% interest in the licence by making cash payments totalling US\$245,000 and incurring exploration and/or development expenditures of a minimum US\$500,000 over a maximum five year period resulting in the completion of a pre-feasibility study acceptable to Lakota. Shanta may earn a further 10% interest in the licence by completing a full feasibility study. The Ikungu Project is a gold exploration project located within the Musoma Greenstone Belt in the Mara region of Tanzania where exploration has been intermittently ongoing since 1933. JCI Tanzania Ltd (JCI Tanzania) reported an “Inferred Resource” of 2.5 Mt at a mean grade of 2.3 g/t Au (185,000 oz) for the three orebodies which it had delineated by exploration undertaken during 1996.
- A 100% interest in the PLs constituting the Suguti Project. The Suguti PL is situated in the Musoma Greenstone Belt, approximately 110km north-east of Mwanza and 40km south-west of Musoma in northeast Tanzania. Old workings and diggings occur over a strike length of 860 m and gold mineralisation is associated with an east-west shear zone. Four main mineralisation trends were delineated by drilling completed by Iscor Tanzania (Iscor) in 1997/8.
- A 100% interest in a PL, which is the subject of an option agreement detailed in paragraph 10.2 of this report under which Placer Dome (Placer) has the option to acquire an 80% interest, which comprises the Tarime Project. A second PL is currently under application by Shanta Exploration Limited and if granted will be subject to the option agreement with Placer. The Tarime Project is situated 4km northwest of the Nyabigena and Gokona open pits at North Mara Gold Mine. Grab samples collected to date have indicated anomalous gold and a programme of detailed mapping and soil geochemical sampling, plus a regional airborne gravity survey is planned.
- Interest in three additional early stage exploration properties and mineral rights in Tanzania: Songea, Singida and Chunya.

SRK’s report is based upon:

- discussions with directors, employees and consultants of Shanta regarding all its projects;
- a review of reported estimates and classifications of Mineral Resources and Ore Reserves inclusive of check calculations and investigative work as required;
- a site visit in January 2005 to the Shanta offices in Dar es Salaam and Mwanza, and field visits to Shanta’s key prospects of Mgusu, Ikungu, Katario, Suguti and Simba Nguru;
- a review of documentation provided by Shanta on the remaining assets which SRK has accepted in good faith; and
- a review of planned exploration expenditures for a three year period following Admission provided by Shanta and its consultants for all its assets.

SRK has not been able to independently verify the sampling and assay data used to derive the Mineral Resource estimates reported here as in each case the exploration work was undertaken several years ago prior to SRK’s involvement. SRK has however, undertaken check calculations to verify the integrity and appropriateness of the estimation methods employed and has only reported estimates in this report which it considers to have been generated in an unbiased manner and using sound industry accepted techniques.

## 1.2 Qualifications of Consultants

SRK is part of an international group that comprises over 500 professional staff offering expertise in a wide range of engineering disciplines.

SRK’s independence is ensured by the fact that it holds no equity in any project and that its ownership rests solely with its staff. SRK has a demonstrated track record in undertaking independent assessments of Mineral Resources and Reserves, project evaluations and audits, competent person’s reports and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies and financial institutions worldwide.

This report has been prepared by SRK using specialists in the field of Exploration Geology and Resource Estimation that have extensive experience in the exploration and mining industry, and are members in good standing of appropriate professional institutions.

Neither SRK nor any of its employees employed in the preparation of this report has any beneficial interest in the assets of Shanta. SRK will be paid a fee for this work in accordance with normal professional consulting practice.

SRK’s project team comprised:

- Mike Armitage, CEng, CGeol, MIMMM, PhD; Principal Resource Geologist and Managing Director of Steffen, Robertson & Kirsten (UK) Ltd as Project Director and Project Manager;
- Gareth O’Donovan, CEng, FIMMM, MSc; Principal Exploration Geologist, who undertook the site visit and assessed the prospectivity of the assets and reviewed the exploration budgets; and
- Nick Fox, BA(Hons), MSc, DIC, ACA; Resource Geologist, who was responsible for the review of the reported Mineral Resource estimates.

## 2 SHANTA ASSETS

### 2.1 Prospecting Licences

Shanta has an interest in a large portfolio of PLs in Tanzania which total some 4,600 km<sup>2</sup>. These are listed in Table 2.1 below and their locations are shown in Figure 2.1. SRK has not reviewed the validity of any of these licences nor any of the joint venture or option agreements under which Shanta controls the licences. SRK has, however, confirmed that the reported Mineral Resource estimates are contained within the respective PLs.

**Table 2.1: Shanta PL holdings**

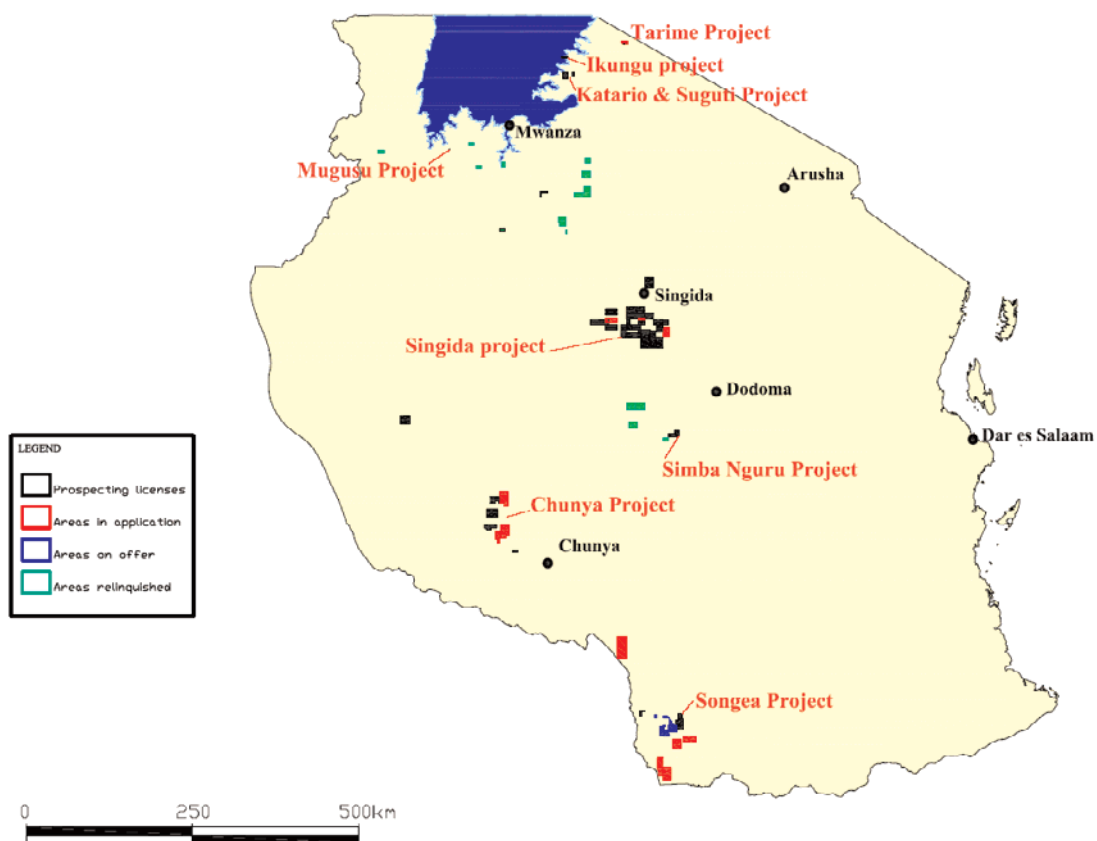
Project	PL Owner	Region	District	Issue Date	PL No	Area (Km <sup>2</sup> )
<b>Mgusu</b>	Mgusu Mining Ltd	Mgusu	Geita	08/09/2003	2324/2003	1.67
<b>Simba Nguru</b>	Nsimbanguru Mining Ltd	Nsimbanguru	Dodoma Rural & Manyoni	26/03/2003	2179/2003	85.27
<b>Katario</b>	Shanta Mining Co. Ltd	Katario	Musoma	02/10/2003	2334/2003	24.03
<b>Suguti</b>	Shanta Mining Co. Ltd	Suguti	Musoma	28/04/2003	2204/2003	68.66
<b>Placer Dome JV</b>	Shanta Mining Co. Ltd	Nyamwaga	Tarime	25/02/2002	1894/2002	22.18
<b>Singida</b>	Shanta Mining Co. Ltd	Singida	Singida	19/10/2001	1808/2001	72.33
	Shanta Mining Co. Ltd	Singida	Singida	10/03/2005	3093/2005	91.86
	Shanta Mining Co. Ltd	Ihanja	Singida	18/05/2004	2512/2004	143.60
	Shanta Mining Co. Ltd	Ihanja	Singida	24/05/2004	2537/2004	154.00
	Shanta Mining Co. Ltd	Ihanja	Singida	24/05/2004	2538/2004	154.00
	Shanta Mining Co. Ltd	Ihanja	Singida	24/05/2004	2532/2004	42.75
	Shanta Mining Co. Ltd	Ihanja-Issuna	Singida	08/11/2004	2846/2004	100.30
	Shanta Mining Co. Ltd	Ihanja	Singida	08/11/2004	2848/2004	129.90
	Shanta Mining Co. Ltd	Ihanja-Ikungi	Singida	08/11/2004	2852/2004	265.50
	Shanta Mining Co. Ltd	Ihanja-Ikungi	Singida	08/11/2004	2853/2004	95.78
	Shanta Mining Co. Ltd	Ihanja	Singida	08/11/2004	2847/2004	205.10
	Shanta Mining Co. Ltd	Ilongero	Singida	08/11/2004	2851/2004	220.30
	Shanta Mining Co. Ltd	Misughaa & Mponde North	Singida	30/10/2004	2792/2004	71.83
	Shanta Mining Co. Ltd	Kwasasa-Mkurusi	Singida	30/10/2004	2789/2004	153.50
	Shanta Mining Co. Ltd	Makata-Mkurusi	Singida	22/11/2004	2876/2004	120.00
	Shanta Mining Co. Ltd	Issuna	Singida	10/03/2005	3086/2005	41.03
	Shanta Mining Co. Ltd	Ikungi	Singida	17/11/2003	2365/2003	164.20
	Shanta Mining Co. Ltd	Singida	Singida	10/12/2003	2383/2003	119.70
	Shanta Mining Co. Ltd	Singida	Singida	10/12/2003	2384/2003	136.60

Project	PL Owner	Region	District	Issue Date	PL No	Area (Km <sup>2</sup> )
	Shanta Mining Co. Ltd	Singida	Singida	10/12/2003	2381/2003	95.76
	Shanta Mining Co. Ltd	Singida	Singida	10/12/2003	2382/2003	68.40
	Shanta Mining Co. Ltd	Mangonyi	Singida	09/11/2003	2325/2003	41.04
	Shanta Mining Co. Ltd	Suna	Singida	18/08/2003	2301/2003	95.73
	Shanta Mining Co. Ltd	Suna	Singida	31/10/2003	2349/2003	171.00
<b>Songea</b>	Shanta Mining Co. Ltd	Makoro-Peramiho	Songea	30/10/2004	2791/2004	43.10
	Shanta Mining Co. Ltd	Lituhi/Mbinga	Songea	30/10/2004	2790/2004	41.92
	Shanta Mining Co. Ltd	Kigonsera-Magagura	Songea	30/10/2004	2788/2004	64.33
	Shanta Mining Co. Ltd	Makoro-Peramiho	Songea	30/10/2004	2786/2004	100.90
<b>Chunya</b>	Shanta Mining Co. Ltd	Lukwati	Chunya	08/11/2004	2854/2004	94.46
	Shanta Mining Co. Ltd	Malambangombe	Chunya	30/10/2004	2787/2004	15.86
	Shanta Mining Co. Ltd	Kapalala	Chunya	08/11/2004	2850/2004	103.40
	Shanta Mining Co. Ltd	Ilomwa Hills	Chunya	08/11/2004	2849/2004	213.60
<b>Miscellaneous</b>	Shanta Mining Co. Ltd	Mulela	Mpanda	08/11/2002	2047/2002	171.10
	Shanta Mining Co. Ltd	Ilangali	Manyoni	28/03/2003	2189/2003	51.15
	Shanta Mining Co. Ltd	Undewa Hills	Manyoni	10/04/2003	2202/2003	119.40
	Shanta Mining Co. Ltd	Iluma	Manyoni	28/04/2003	2220/2003	157.10
	Shanta Mining Co. Ltd	Masikiro	Manyoni	06/06/2003	2255/2003	155.10
	Shanta Mining Co. Ltd	Shinyanga	Shinyanga	21/12/2004	2942/2004	41.28
	Shanta Mining Co. Ltd	Kahama	Kahama	11/03/2004	2460/2004	51.40

Shanta is also earning into an interest in the following PL through a joint venture agreement.

Project	PL Owner	Region	District	Issue Date	PL No	Area (Km <sup>2</sup> )
<b>Ikungu</b>	Lakota Mining Co. Ltd	Ikungu	Musoma	16/06/2000	1533/2000	18.80

Figure 2.1: Locality plan of the Shanta licences





### 3 COUNTRY PROFILE

#### 3.1 History and Background Information

Tanzania was formed in 1964 when shortly after independence, Tanganyika and Zanzibar merged. The first democratic elections were held in 1995 following one-party rule up until that time. The country is a Republic and its current President is Benjamin William Mkapa.

The country has a land area of 945,087 km<sup>2</sup>. The official capital city is Dodoma although the coastal city of Dar es Salaam is the *de facto* commercial capital.

Tanzania has an abundance of natural resources, political stability and a positive market policy (privatisation, investment incentives, liberalised foreign exchange controls and the ongoing establishment of a socially responsible economy).

The mineral sector contributed 2.8% of GDP in 2003. The value of mineral exports in 2003 increased by an estimated 24% to US\$558 million. Gold exports increased by 20% to US\$504 million. Together, the total export value of minerals, fish, manufactured goods, horticultural products etc was approximately US\$800 million with gold continuing to be the major contributor to export revenues accounting for more than 62% of the total.

Tanzania’s growth in the 1990’s was generated from an increase in industrial production and a substantial increase in the output of minerals, predominately gold. Recent banking reforms have helped increase private sector growth and investment. Continued donor support and solid macroeconomic policies have led to forecasts of continued real GDP growth of 5% pa.

Tanzania is generally regarded as being one of the most politically stable countries in Africa.

#### 3.2 Tanzanian Gold Mining Sector

In the space of 10 years, Tanzania has risen from being an insignificant gold producer to become Africa’s third-largest gold-producing country after South Africa and Ghana. Annual production of gold was estimated to be 48 t in 2004. This change has been brought about by the development of six medium-large scale gold mines (Golden Pride, Geita, Bulyanhulu, North Mara, Buhemba and Tulawaka) over the past 7 years.

Numerous other discoveries have been made during this period but, none the less, the country remains under explored in comparison with the other gold producers of its size and there is a high probability of future discoveries.

The key drivers behind the expansion of the Tanzanian gold mining sector are the prospective greenstone belts, particularly the Lake Victoria Goldfield, and the Government’s overhaul of the fiscal and regulatory regime to encourage and provide incentives to invest in the mining industry.

The World Bank assisted Tanzania in drawing up a new mining policy in 1997, and an investor-friendly mining law was enacted in 1998. The Mining Act of 1998 guarantees investors’ security of tenure, security of capital and profits, transparency in issuance, administration of mineral rights and it also addresses environmental concerns.

### 4 GEOLOGICAL SETTING

#### 4.1 Regional Geology

The Central Plateau of Tanzania is primarily composed of Archaean rocks, surrounded by mobile belts of different ages, (the Mozambique Belt in the east, the Paleoproterozoic Ubendian Belt in the southwest and the Mesoproterozoic Karagwe-Ankolean Belt in the northwest) which formed as a result of deformation events along the margins of the stable craton. Continentally derived sediments of Mesoproterozoic and younger age now cover part of the craton. Figure 4.1 shows the geology of Tanzania as a whole.

##### *Archaean*

The main part of the Archaean craton comprises migmatites, biotite gneisses, gneissic granites and local massifs of biotite granites. Granite-greenstone terrain with widespread gold mineralisation has developed in the Lake Victoria region in the north. The east-west stretching Dodoman schist belt dominated by pelitic schists and gneisses, quartzite and amphibolite occurs in the southern part.

The economically important Nyanzian greenstones constitute a sequence of dominantly mafic volcanics and associated sediments including banded iron formations, cherts, shales and conglomerates.

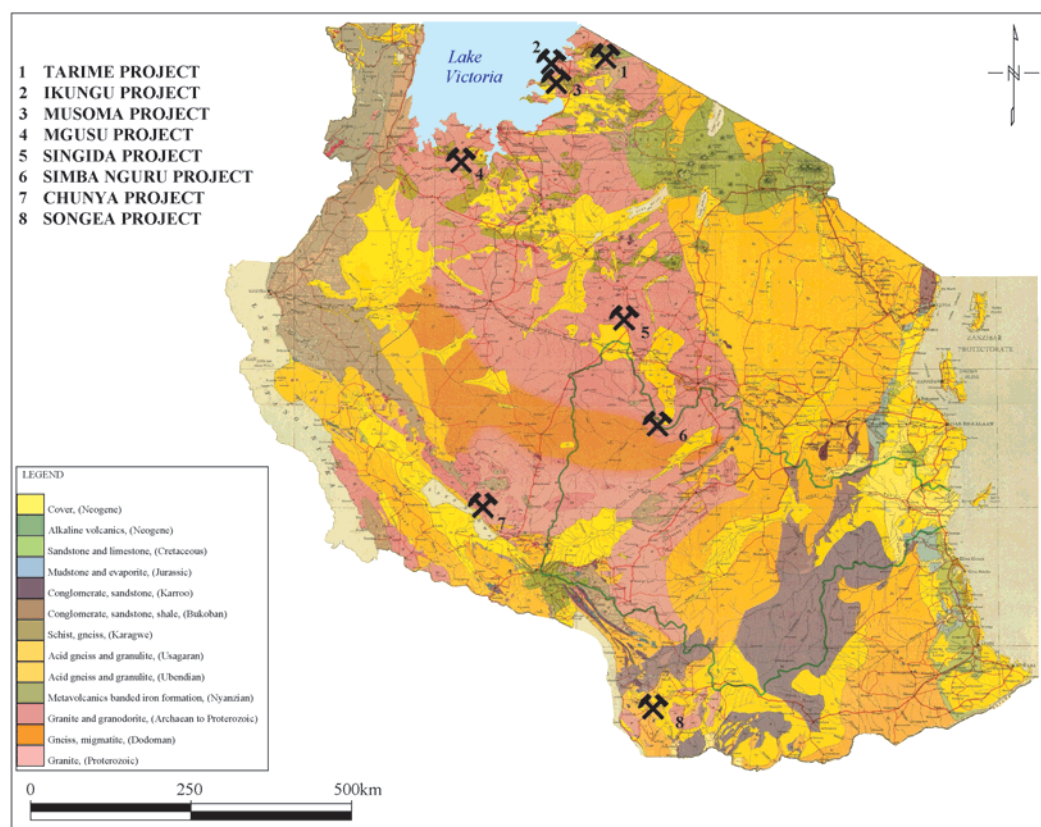
### *Proterozoic*

The northwest trending Ubendian ductile shear belt is made up of medium to high-grade metamorphic gneisses and schists, migmatites, amphibolites and granitoid intrusions. It is located between the cratonic Bangweulu Block in northern Zambia and the Tanzania Craton.

### *Palaeozoic*

The Karoo Supergroup consists of Permo-Triassic continental sediments deposited in a major extensional rift system developed during the break-up of the Gondwana continent. Rifting and sedimentation began in the Upper Carboniferous and continued throughout the Permo-Triassic into the Lower Jurassic forming basins containing up to 10km of sediment in places. North-south trending Karoo basins were established in the coastal region of Tanzania and east-northeast trending basins in the south and southwest extending to the north eastern coast.

**Figure 4.1: Geology of Tanzania**



### *Mesozoic*

Following the termination of the Karoo rifting, marine transgressions into the rift basins started in the Middle Jurassic and the coastal basins evolved as a subsiding passive continental margin. In other parts, the late Jurassic and early Cretaceous is characterised by the accumulation of thick continental, deltaic deposits. A major marine transgression started in the late Cretaceous with the deposition of platform carbonates. The Mesozoic sedimentary sequence, which includes limestone, sandstone, shale, marl and local evaporites, is a potential host for hydrocarbon occurrences.

### *Cenozoic*

The Cenozoic is dominated by the development of the volcanically and seismically active East African Rift System, which consists of an eastern and a western branch. The western branch is composed of a series of deep troughs containing thick Pliocene-Quaternary deposits and in part occupied by the Nyasa, Rukwa and Tanganyika lakes, while the eastern branch is most pronounced

in the north, but becomes less well-defined southwards. The volcanic province of northern Tanzania is the southern youngest expression of the eastern branch of the rift system. The actual rift valley in northern Tanzania is the result of another major faulting period which occurred 1.2 million years ago.

#### 4.2 The Lake Victoria Goldfield

Over the last 12 years, the Lake Victoria Goldfield (LVGF) of northern Tanzania has become recognized as a world-class gold province. During the 1990s, several major gold discoveries were made, many of which are now in, or entering, production. These developments and discoveries include Geita (AngloGold Ashanti), Bulyanhulu and Tulawaka (Barrick), North Mara (Placer Dome) and Golden Pride (Resolute Mining) which combined currently contain over 20 million ounces (Moz) of gold in Proven and Probable Ore Reserve categories, as reported in the respective companies information releases.

The LVGF occurs in a granite-greenstone terrain that extends from central Tanzania northward into southwest Kenya. The internal stratigraphy of the greenstone belts is reasonably consistent comprising an essentially mafic volcanic series at the base, overlain by carbonaceous and pyritic sediments, tuffs, banded iron formation (BIF) and chert, and then by felsic volcanics. Metamorphism is generally only to greenschist grade, and many original sedimentary textures are retained. This sequence has been named the Nyanzian Group. The greenstone belts occur as lenses surrounded by granitoid rocks.

The Nyanzian Group is unconformably overlain by the Archaean Kavirondian Group, which is composed of conglomerate, quartzite, argillite and pyroclastics. A major period of granitoid emplacement followed the Kavirondian and this was in turn followed by major tectonic deformation. A great many hypabyssal intrusives cut these Archaean sequences, including early felsic porphyries and lamprophyres. Abundant younger dykes are related to Mesozoic and Tertiary tectonic events. The Archaean granitoid-greenstone belts of the LVGF are bordered to the west by the Proterozoic Ubendian mobile belt and to the east by the Neoproterozoic Mozambique mobile belt.

At the end of the Proterozoic the entire region was effectively peneplained and then covered by a group of continental clastic sediments, the Bukoban system. Abundant mafic dykes cut the sequence and appear to have been essentially contemporaneous with sedimentation. Most of the Bukoban rocks have been removed by erosion, but a major outlier is present in the northwest of Tanzania.

The earliest recorded modern gold mining in the LVGF was in 1895 and continued on a small scale into the 1970s in the Mara, Musoma, Serengeti, Iramba Plateau and Geita areas. Mining by local small-scale miners (artisanal mining) has probably been continuous for much longer than this, and is widespread.

Most known deposits and occurrences are in the greenstone belts, but some gold has also been found in the granitoids. The primary gold mineralisation is mainly mesothermal lode gold deposits, of the non-stratiform or “iron-formation-associated gold” types and is geologically similar to deposits in major gold districts in Canada, Brazil, Western Australia and India. Most of the veins and vein systems are associated with faults, shear zones and dykes in the greenstone belts. Dilational openings along shear zones are common hosts for the mineralisation, which is most commonly open space filling, accompanied by replacement of adjacent wallrock at some sites.

Gold is commonly accompanied by quartz and pyrite, with lesser amounts of chalcopyrite, arsenopyrite and galena. Wall rock alteration, also reported with gold mineralisation, generally comprises an inner sericitic, silicified and pyritized zone, and an outer zone of carbonate, chlorite and actinolite alteration.

#### 4.3 The Musoma Greenstone Belt

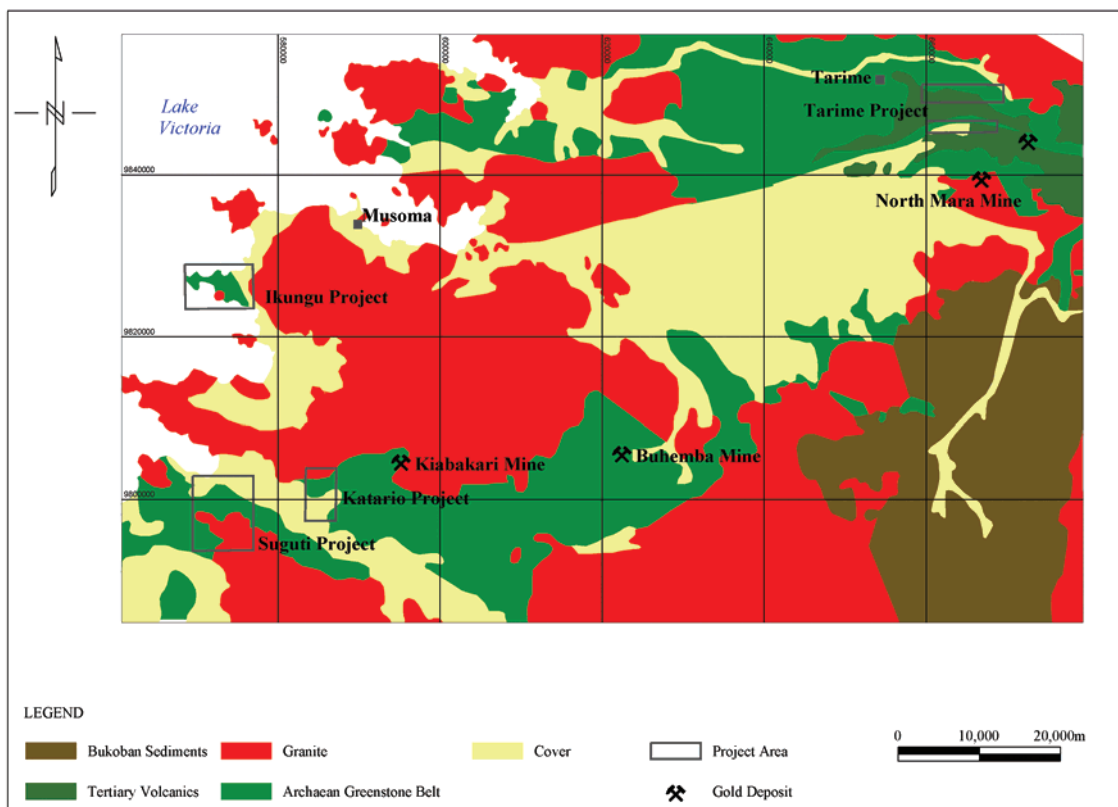
The Musoma Greenstone Belt extends for over 120km from the shores of Lake Victoria in the west to beyond Buhemba mine in the east. In the west, the belt adopts an east-west trend that swings northeast in its eastern parts. The Suguti lineament strikes southeast and cuts the western part of the Musoma belt. It has been intruded by post-orogenic to syn-orogenic plutons, and is bordered by massive to foliated granitoid rocks. Four generations of granitoids have been distinguished ranging from the pre-Nyanzian basement granites, granitic gneisses and migmatites to syn-orogenic granites and granodiorites, and post-orogenic alkali-granites and syenites.

Two major structural trends can be observed in the Musoma Greenstone Belt, northwest-southeast and northeast-southwest. The major structures may represent regional scale mantle-rooted deformation zones, an essential requirement of greenstone terranes hosting large lode-gold deposits. The intersection of the two trends near Golden Glory coincides with the greatest concentration of gold prospects, while most of the other major gold occurrences in the belt are associated with east-west and north-south trending lower-order shears splaying from the regional deformation zones.

The Musoma Greenstone Belt hosts a substantial number of gold deposits and occurrences, a number of which had significant historical production including Buhemba, which was redeveloped and returned to production during 2003, and the Kiabakari deposit.

Shanta has three projects located within the Musoma Greenstone Belt, namely; Ikungu, Katario and Suguti.

**Figure 4.2: Musoma Greenstone Belt regional geology and project locations**



## 5 MGUSU

### 5.1 Overview

Mgusu is located about 100km west-southwest of Mwanza in northern Tanzania and is an advanced gold exploration project situated in the Geita Greenstone Belt 14km west of the Geita Gold Mine and 3km northeast of the Ridge 8 deposit, both owned by AngloGold Ashanti.

Gold was first discovered in the area in 1913 and sporadic mining and prospecting has continued since then. Pangea Minerals (Pangea) started drilling the project area in 1996 completing 23 reverse circulation percussion (RC) drill holes totalling 1,855 m and 8 diamond drill holes totalling 1,716 m and producing just short of 3,400 samples in total for assay. Due to the topography, the holes were widely spaced and did not completely cover the oxide material exposed higher up the slope. Some holes were also stopped short of the mineralised zone.

### 5.2 Licence

The Mgusu PL (2324/2003) was issued to SMCL on 8 September 2003 for a period of three years. The licence covers an area of 1.67km<sup>2</sup>. On 30 May 2005 the PL was transferred to Mgusu Mining Limited a wholly owned subsidiary of Shanta. The Mgusu project also comprises four Primary

Mining Licences (PMLs) held by Shanta Explorations Limited which are subject to a joint venture agreement between SMCL and Shanta Explorations Limited.

### 5.3 Geology

The gold at Mgusu is associated with shearing within an intrusive quartz feldspar porphyry hosted by upper Nyanzian Tuffs. The mineralisation occurs as auriferous sulphides and stockwork quartz-sulphide veins in the porphyry and is largely confined to a tabular zone which strikes approximately 330°, is some 300 m long and up to 60 m wide and dips steeply to the southwest near surface and shallows with depth to about 40° some 200 m below surface where it is still open. The immediate footwall to the mineralisation is a hard and massive, banded ferruginous chert.

Weathering appears to extend to 30 to 40 m below surface, and the water table appears to be around about 75 m below the surface.

### 5.4 Mineral Resources

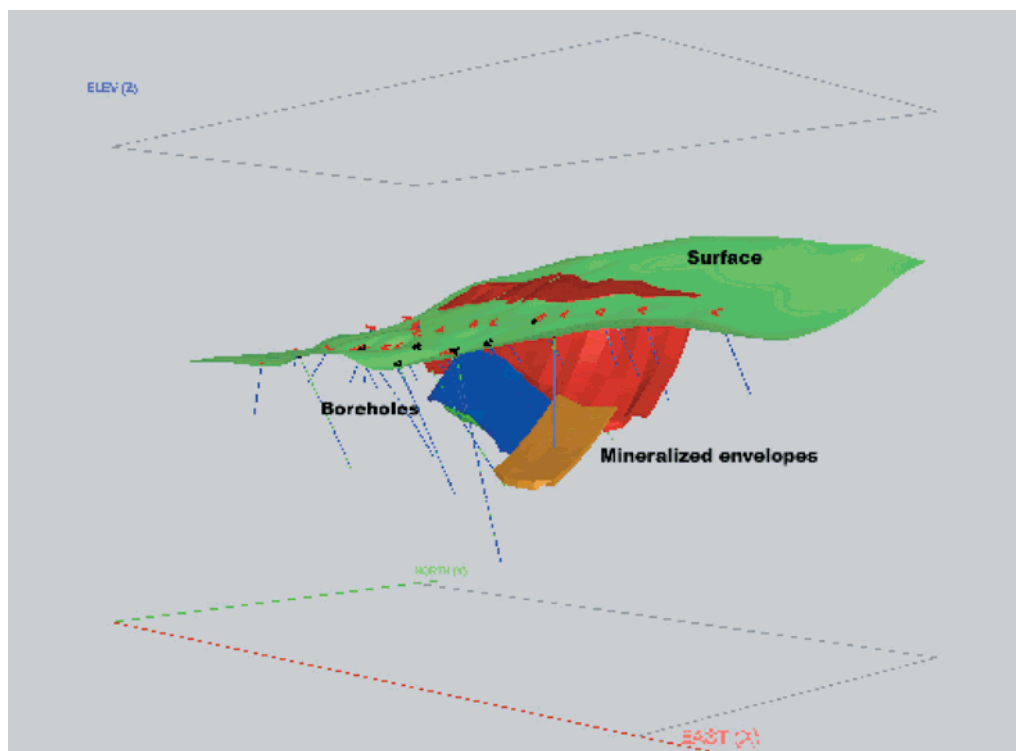
Several resource estimates have been reported for Mgusu, the most recent of which was produced by Cheston in November 2004. It is this estimate and model that is commented on here.

The Cheston resource estimate is based on:

- 490 channel and grab samples collected at surface and underground which have been assayed for gold, arsenic and copper. Most of the samples are channel samples with some dump and rubble grab samples included.
- 23 RC drill holes totalling 1,855 m giving 1,939 samples (completed by Pangea in 1997).
- 8 diamond drill holes totalling 1,716 m giving 1,452 samples (completed by Pangea in 1997). In general the borehole spacing is in excess of 100 m.
- Density determinations on 7 samples collected in 2004 by the Makonjwaan Imperial Mining Company (MIMCO) laboratory.

Cheston used the above information to create a three-dimensional geological model for four mineralised envelopes from 41 cross sections covering the full strike length (approximately 500 m) of the mineralised zone. These are shown in Figure 5.1.

**Figure 5.1: The model of the four mineralised envelopes at Mgusu**



The mineralised envelopes extend up to 300 m along strike and up to 200 m below surface.

Only the 508 samples from within the mineralised envelopes were used to derive the estimate.

A block model was developed using dimensions of 10 m on strike by 5 m wide and 5 m in depth, the search radii used were determined from the range of semi-variograms on the assays within the mineralised envelopes and an Inverse Distance Squared algorithm was used to determine block grades within the mineralised envelopes from the sample grades.

Cheston has reported the Mgusu Mineral Resource in accordance with the South African Code for the Reporting of Mineral Resources and Mineral Reserves (SAMREC Code), as detailed below in Table 5.1.

**Table 5.1: Resource Classification at Mgusu**

Resource category	Tonnes	Au Grade (g/t)	Contained Au (oz)
Indicated	1,120,000	3.5	127,000
Inferred	5,050,000	3.8	614,000
<b>Total</b>	<b>6,170,000</b>	<b>3.7</b>	<b>741,000</b>

Cheston has classified the bulk of mineralisation as Inferred as the impact of historical artisanal mining on the Mgusu Resource has not yet been quantified.

While SRK has not been able to independently verify the sampling and assay data used to derive this Mineral Resource estimate, as the exploration work was undertaken several years ago prior to SRK’s involvement and there is little information regarding the historical mining, SRK has undertaken check calculations to verify the integrity and appropriateness of the estimation methods employed and considers the estimate to have been generated in an unbiased manner using sound industry accepted techniques.

### 5.5 Planned Work

Shanta plans to undertake 6,000m of RC and diamond drilling during the next phase of work. This will include twin drilling to verify the existing database, exploration drilling to establish the possibility of further mineralisation on strike and down dip combined with infill drilling designed to bring the resource up to indicated or measured categories.

A second phase of at least 2,500m of diamond drilling is planned subsequent to initial drilling.

Detailed mineralogical and process studies will be conducted in the first phase. Detailed topographic mapping and the mapping and sampling of surface workings is also planned.

### 5.6 SRK Comments

The Mgusu project is an advanced project which has already been demonstrated to have a Mineral Resource containing over 740,000 oz of gold. While there is some potential for strike extensions to mineralisation, further geological work should focus on establishing the potential for mineralisation to continue at depth. The project now requires well controlled diamond drilling to upgrade the resource category ready for progression to a full feasibility study.

SRK agrees with the proposed two phase infill drilling programme. The first programme should include some verification drilling and possibly twin hole drilling to assist with the quality control. In addition, further exploration drilling is required along strike to the west to close off the mineralised zone with some degree of certainty.

As this drilling will provide the bulk of the data for a feasibility study, great care should be taken to ensure that all the drilling is conducted to international standards and that all of the necessary data is collected during the programme inclusive of geotechnical data and hydrogeological data.

Due to the level of previous artisanal mining, detailed survey information of the existing voids will also be required during this first phase.

## 6 SIMBA NGURU

### 6.1 Overview

Simba Nguru is located 120km south-west of Dodoma in central Tanzania. Access to the property is restricted to the dry weather months between March and November via Mwitikira, Huzi and Manda. The dirt roads to the prospect are poorly maintained with travel time from Dodoma averaging four hours.

The Geological Survey of Tanganyika completed geological mapping in the region in 1936 and mapped the Simba Nguru Hills as a 12km long arcuate raft of fuchsitic metaquartzite surrounded by migmatitic gneiss. This work also detected quantities of gold in the Kisigo River and included the panning of concentrate samples from Ilangali towards the Simba Nguru Hills. This indicated a short transport distance and lead the survey to conclude that the probable source of the gold was in the contact area around the metaquartzite raft.

Primary gold was first discovered by artisanal miners at Mafalungu village in 1992. In 1996, Henner Barth (Director of Geology at the Tanzanian Government Survey) noted the artisanal mine shafts were focused along a 1,500 metre section of prominent sheared amphibolite zone in basement migmatites in close proximity to the quartzite ridge. Barth described the orebody as a brown saccharoidal quartz vein with limonite pseudomorphs after pyrite and reported the assay of three bulk samples to average 75 g/t Au.

### 6.2 Licence

The Simba Nguru PL (2179/2003) was issued to SMCL on 26 March 2003 for a period of three years. On 30 May 2005 the PL was transferred to Nsimbanguru, a wholly owned subsidiary of Shanta. The licence covers an area of 85.27km<sup>2</sup>.

### 6.3 Regional Geology

The Simba Nguru project area is situated in central parts of the granitoid Tanzanian Shield, with the Usagaran and Ubendian mobile belts flanking the Shield on its eastern and western margins respectively. The entire region has undergone strong shear deformation with the development of a regional east-west foliation. The Dodoman Series geology is distinguished from the overlying Nyanzian Series by its relatively high metamorphic grade (amphibolite rather than greenschist facies) and the absence of thick sequences of volcanic and volcanoclastic rocks. Lithologies comprise migmatites, biotite and hornblende gneisses, granite gneisses, intrusive granites and metamorphic relics comprising quartzites, amphibolites, hornblende and pyroxene gneisses, diorites, meta-volcanics and dolerite.

Basement migmatites generally form the flat peneplains in the region with intrusive granites and sheared granite margins forming tors and smaller chains of hills. The presence of large metamorphic remnants in basement gneisses/migmatites suggest that the Dodoman Series is a deeply eroded granitised greenstone belt similar to the overlying Nyanzian Series. At the regional scale, Simba Nguru is situated on the contact between basement migmatites and Dodoman metamorphic relics.

### 6.4 Recent Work

Shanta commenced exploration in May 2003 along strike from the known gold mineralisation at the old Mafalungu Mine.

A first phase exploration programme conducted by Shanta, comprising geological mapping, soil geochemistry, rock sampling and airborne geophysics, was completed between June and October 2003. The aim of this was to assess the economic potential of the artisanal gold mine at Mafalungu village. This work identified narrow, erratic high grade gold mineralisation in existing mine workings within and marginal to amphibolitic shear zones within gneissic basement rocks. At least four sub-parallel mineralised structures occur in a 300 by 60 m wide zone along a 290° strike with the majority of the shallow mine workings focussing along the sheared contact between narrow amphibolitic lenses and gneissic basement. Channel sampling identified grades of 9.6 g/t Au over 0.60 m and 17.5 g/t Au over 0.20m in sheared amphibolite. Fine disseminated gold was observed in several samples.

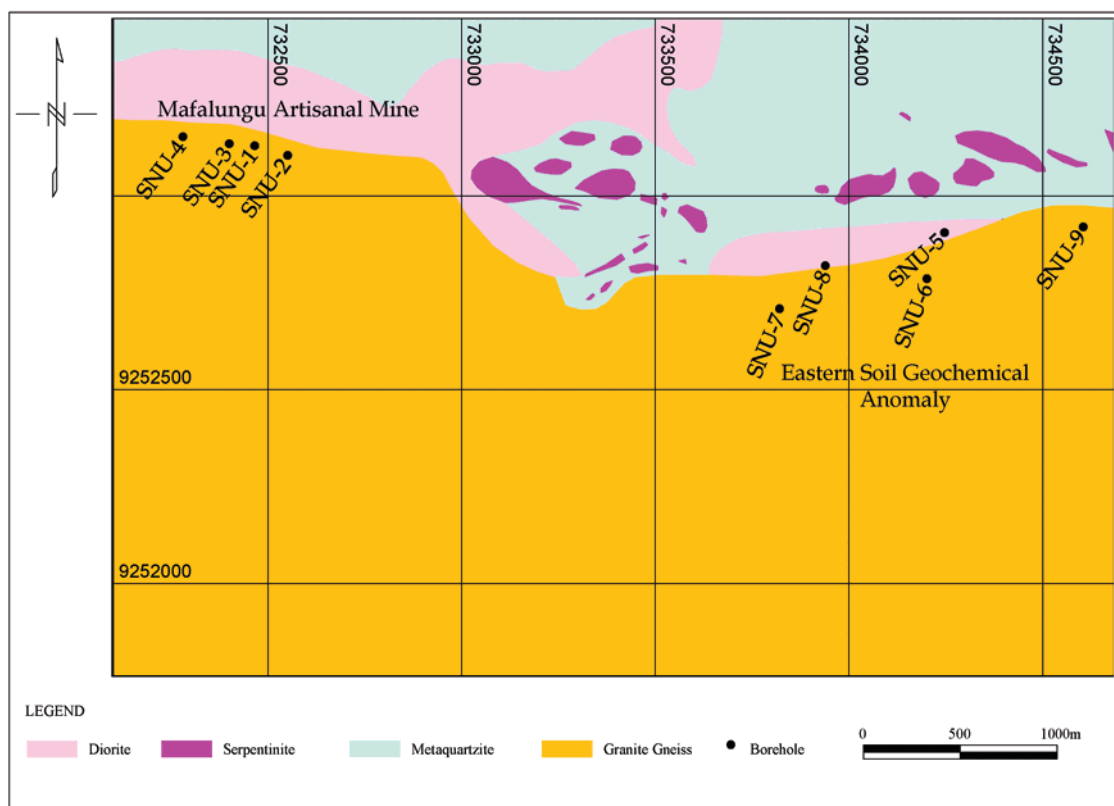
Regional and semi-detailed mapping has been completed along the northern part of the PL. The geological mapping displayed at 1:10,000 scale in Figure 6.1 shows the relationships between basement, greenstone and intrusive lithologies. Basement lithologies comprise flaser, augen and

migmatitic gneisses, with minor poikiloblastic metadiorite, thin amphibolitic stringers, granitic intrusion breccias and dolerite. Extensive outcrops of relatively unfoliated metagranite occur in central and eastern areas.

A serpentinised, fine grained contaminated ultramafic sill intrudes the basal parts of the metaquartzites. The strongly magnetic serpentinite forms a relatively continuous slightly folded layer in central parts and becomes increasingly boudinaged and dismembered in a westerly direction. As the intensity of deformation increases, it becomes sheared into narrow slices within hybrid metadiorite east of Mafalungu Mine. A late undeformed diorite/granodiorite intrudes the contact between metaquartzites and basement rocks in the Mafalungu mine area and along strike to the east. This varies from a coarse grained hybrid clinopyroxene rich meta-diorite into coarse grained granodiorite porphyry. Minor pegmatitic quartz-muscovite veins and ophitic textured dolerite intrude in the vicinity of Mafalungu Mine.

Shear fabrics observed within the mine workings and surrounding areas indicate a dextral displacement along the shear zone.

**Figure 6.1: Simba Nguru project local geology and drillhole locations**



## 6.5 Exploration Results

Geochemical exploration has delineated a prominent geochemical gold in soil anomaly along a 1,500 metre strike between 1.0 and 2.5km east of Mafalungu Mine corresponding with a prominent magnetic lineament identified during a detailed airborne magnetic survey by Fugro Airborne Surveys (Pty) Ltd.

A reconnaissance programme consisting of 9 shallow inclined drillholes totalling 1,466 m was completed in late 2003. Four drillholes (SNU-1 to SNU-4) totalling 546 m were drilled within the central 270m section of Mafalungu Mine, and five holes (SNU-5 to SNU-9) totalling 920 m were drilled within the peak 785 m section of the soil geochemical Au anomaly.

SNU-1 intersected a zone averaging 13.4 g/t Au over 7.18 m, and SNU-4 averaged 11.6 g/t over 2.36 m in sheared amphibolitic schist.



## 6.6 **Planned Work**

A 2,500 m reconnaissance diamond drilling programme is planned by Shanta to intersect mineralised structures beneath the Mafalunga Mine workings and to prospect some of the targets generated by geochemical exploration along strike. Depending on the initial results a second phase of 5,000m will be completed.

## 6.7 **SRK Comments**

Geological mapping and geochemical sampling along strike from known gold mineralisation at Mafalunga Mine has identified an apparently structurally controlled anomalous zone with strike continuity of approximately 2.5km. The structure is situated in basement gneisses adjacent to the contact with metaquartzite.

Sampling of old mine workings has shown gold mineralisation to be associated with several narrow, subparallel, sheared amphibolite zones with high grades associated with thin ferruginous quartz veins developed along the contacts. Preliminary drilling results indicate that the mineralised zone is fairly wide but that potentially economic zones maybe narrow and erratic.

The mineralised zone that has been exploited at Mafalunga extends at depth and SRK considers that further drilling is warranted to establish the grade and extent of the mineralisation. While there is insufficient data available to enable the preparation of a resource estimate, the lateral and vertical extent of the mineralised zone is of a similar order to that seen at Mgusu. If the gold grades prove to be consistent then Simba Nguru has the potential to contain in excess of 300,000 oz of gold.

It is SRK’s opinion that further drilling below the Mafalunga Mine and along strike is warranted.

## 7 **KATARIO**

### 7.1 **Overview**

The Katario project area is centred on the old Tembo Mine, which is located on the northeast flank of the Suguti lineament. The Tembo Mine operated between 1934 and 1940 during which time a total of 40.9kg gold is reported to have been recovered at an average grade of 6.9 g/t Au.

Previous geological investigations of the prospect have included surface and underground mapping and four holes were drilled by the Commonwealth Development Corporation (CDC) in the early 1950s, and exploration was undertaken by Anglo American Corporation (Anglo American) in the late 1990s. The Anglo American investigation included soil geochemistry and unspecified geophysical surveys, and culminated with the drilling of a number of drillholes.

The Tembo Mine consists of three open pit excavations and some underground development. The underground development appears to have been mainly exploratory in nature and there is no evidence of any stopes. There are a number of trenches scattered around the mine workings and some long trenches lie across the east-northeast strike extent of the mine area. The original excavators of the trenches are unknown, but some have been reopened, cleared, mapped and sampled by Shanta.

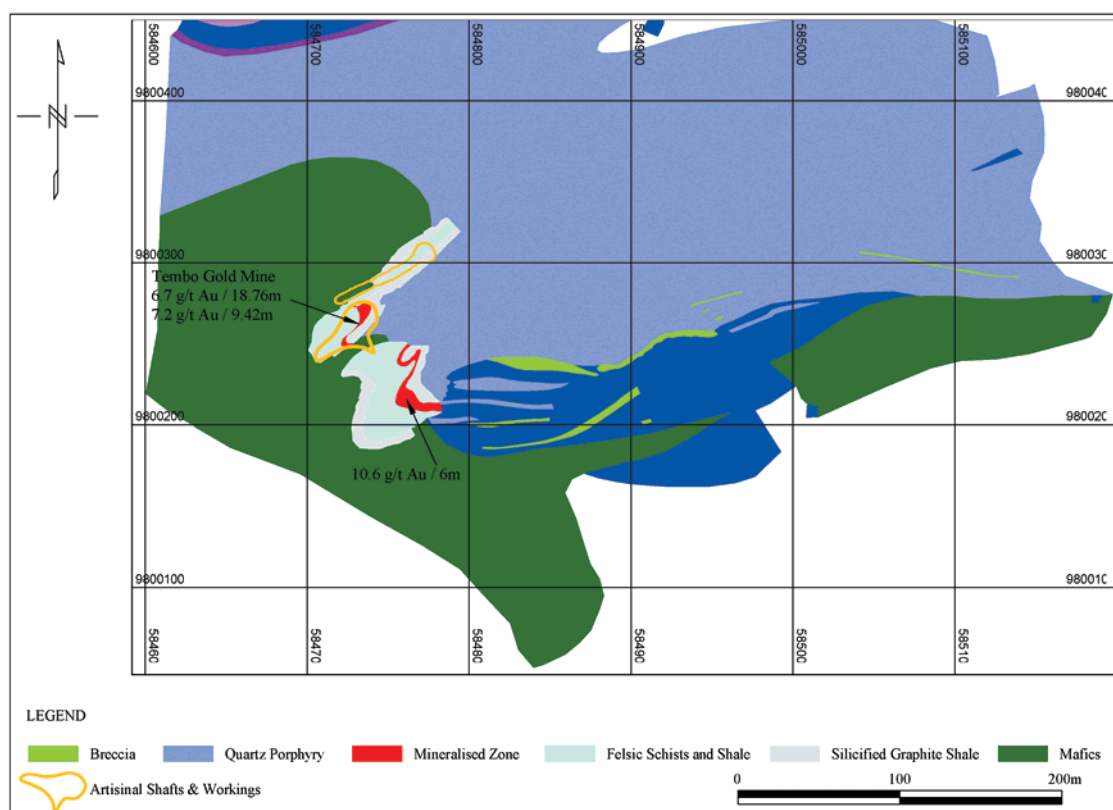
### 7.2 **Licence**

The Katario PL (2334/2003) was issued to Aphi General Enterprises Limited on 2 October 2003 for a period of three years and transferred to Shanta on 16 May 2005. The licence covers an area of 24.03km<sup>2</sup>. The area covered by the PL includes 45 PMLs. SEL has an agreement with 3 PML owners, with the remaining 42 being owned by third parties. This is not an unusual situation in Tanzania.

### 7.3 **Geology**

The Katario prospect comprises a sequence of mafic volcanic rocks overlain by carbonaceous, phyllitic, chloritic and felsic schists. Silicified shales and cherts can also be observed in and around the old mine workings. BIF, chlorite-actinolite, and chlorite-sericite schists are reported on the government maps. Sulphide (pyrite) rich acid volcanic rocks crop out on the western flanks of the hill. A quartz porphyry body situated on the eastern flanks of the hill intrudes the sequence.

The carbonaceous schists are tightly folded with a pervasive axial planar cleavage that has a near vertical dip, strikes east-northeast and pervades most of the other rock-types in the area. This cleavage is notably absent from the acid porphyry intrusive.

**Figure 7.1: Katario project geology**

The mineralisation in the Tembo Mine is associated with a number of parallel and sub parallel, siliceous and gossanous zones hosted by a sequence of locally silicified, felsic and carbonaceous schists, Figure 7.1. These zones generally have steep to vertical dips but in the vicinity of the Tembo Mine, they have been folded with axes plunging from 30° east-northeast to vertical and have been locally off-set by faults. The main mineralised zone followed by the main, two level drive cuts across the pervasive cleavage and has been deformed by minor folds that appear axial planar to the cleavage. Where the hangingwall of the mineralisation is exposed in the open excavations it consists of silicified carbonaceous shale and chert and carries significant gold grades.

The footwall and distant hangingwall to the mineralised zones is a soft, phyllitic to micaceous schist.

The underground workings have followed the main zone of mineralisation to the east-northeast for a total distance of about 72 m on the second level but only the first 48 m is currently accessible. Here the workings have exposed a mineralised width of about 16 m across the approximate position of the down-plunge extension of the anticline exposed in the open workings above. In the inaccessible parts of the mine, historical sampling results indicate patches of mineralisation.

The mineralised zones exposed in the main workings at Tembo can be traced beyond these workings to the east-northeast and southeast.

Trenching to the southwest of the main pit has revealed some good but erratic gold mineralisation in tightly folded carbonaceous shales.

#### 7.4 Exploration Results

Two sets of samples were collected from the underground workings by Applied Geology Services (AGS) during a visit to the prospect in March 2004. The first channel sample from the underground workings indicated a grade of 7.2 g/t over a width of 9.4 m. The second channel sample was collected from an underground cross-cut on approximately the same elevation as the first sample set, about 25 m along strike. The results indicate a grade of 6.7 g/t over a width of 18.6 m.

Trenches and pits have exposed mineralisation in strongly foliated phyllitic schists over a strike of approximately 100 m, but no discrete shear zone is evident.

## 7.5 **Planned Work**

Shanta has budgeted for an initial 2,500m drilling programme and a further 2,500m, dependent on initial results, at Katario. This programme is being designed to fully delineate the extent of the mineralised zone in the vicinity of the old Tembo workings and to adequately test the possible extension of this mineralisation to the east as indicated by the geophysical anomalies.

## 7.6 **SRK Comments**

The exploration model for Katario is slightly different to those commonly associated with greenstone hosted mineralisation however it is well supported by structural mapping, sampling and extensive geophysics.

AGS has proposed that the mineralisation at Katario displays many of the characteristics of an exhalative deposit being hosted in carbonaceous shales in the vicinity of volcanic sequences. Exhalative mineralisation is mostly stratabound and requires a different exploration model and strategy to that applied to shear hosted, hydrothermal mineralisation and the interface between cherts or silicified shales and the volcanosedimentary units has been proposed as a possible target.

The mineralisation appears to predate the pervasive regional cleavage and has been deformed by folds with axial planes parallel to this cleavage. The occurrence of the mineralisation in carbonaceous shales and felsic schists, its association with chert and silicification and its predating of the regional deformation suggests a possible exhalative origin to the mineralisation, although a folded shear hosted model cannot be excluded.

Although the Suguti and Katario prospects lie on roughly the same strike projection, they have very different modes of occurrence and ages and the Katario mineralisation probably predates the lineament.

Whilst there is little truly quantitative data to support a resource estimate at this stage, SRK considers that there is sufficient geological information to indicate the potential of the project and to justify the drilling campaign proposed by Shanta, which will follow the plunge direction of the mapped synform.

If the geophysical interpretation proves to be correct and the gold grades seen in the old Tembo workings persist over the projected zone then SRK considers Katario to have the potential to host in excess of 300,000 oz of gold. The third party PMLs within the project area lie outside the zone of interest.

It will be important to drill on close spacing initially to establish the geological detail of the proposed model before stepping out and investigating the down dip and strike potential outlined by the geophysics.

Further prospecting should include geological mapping of the cherts, BIF and silicified carbonaceous shales, rock-chip sampling of outcrops for gold and arsenic to locate anomalous haloes, and trenching directed at exposing and sampling the chert or silicified shale contact with the shales. Drilling should follow the fold plunges.

## 8 **IKUNGU**

### 8.1 **Overview**

The Ikungu Project is a gold exploration project located within the Musoma Greenstone belt in the Mara region of Tanzania.

The area has been periodically explored by a number of individuals and companies since the early 1930s and the first gold was discovered at what became the 18DWT Mine in 1934. Several other sites were located and exploited between 1934 and 1946 and 47,000 t of material containing slightly less than 20,000 oz of gold was reportedly extracted during this period. While there is little historical data available describing the mine, there is an indication that although the in-situ grades were reasonable (12 g/t Au), the recoveries were less than 50% due to the refractory nature of the material.

Tangold Mining Co Ltd (Tangold) conducted some exploration work during the 1960s comprising trenching, geological mapping and surface sampling. In 1993, Sampo Resources continued the work with geochemical soil sampling and following this entered into a JV with Patrician Gold Mines Ltd

who drilled nine diamond holes on the property in 1994. Results from the drilling were reportedly high grade but erratic.

In 1995, JCI Tanzania conducted a due diligence exercise on the Ikungu property and concluded that there was open pit potential and proceeded with airborne geophysics, air photographic interpretations and a regional geochemical survey. Following on from this work, JCI Tanzania drilled 18 RC holes and 11 diamond holes to test the strike extent and down dip continuity of the mineralised zone.

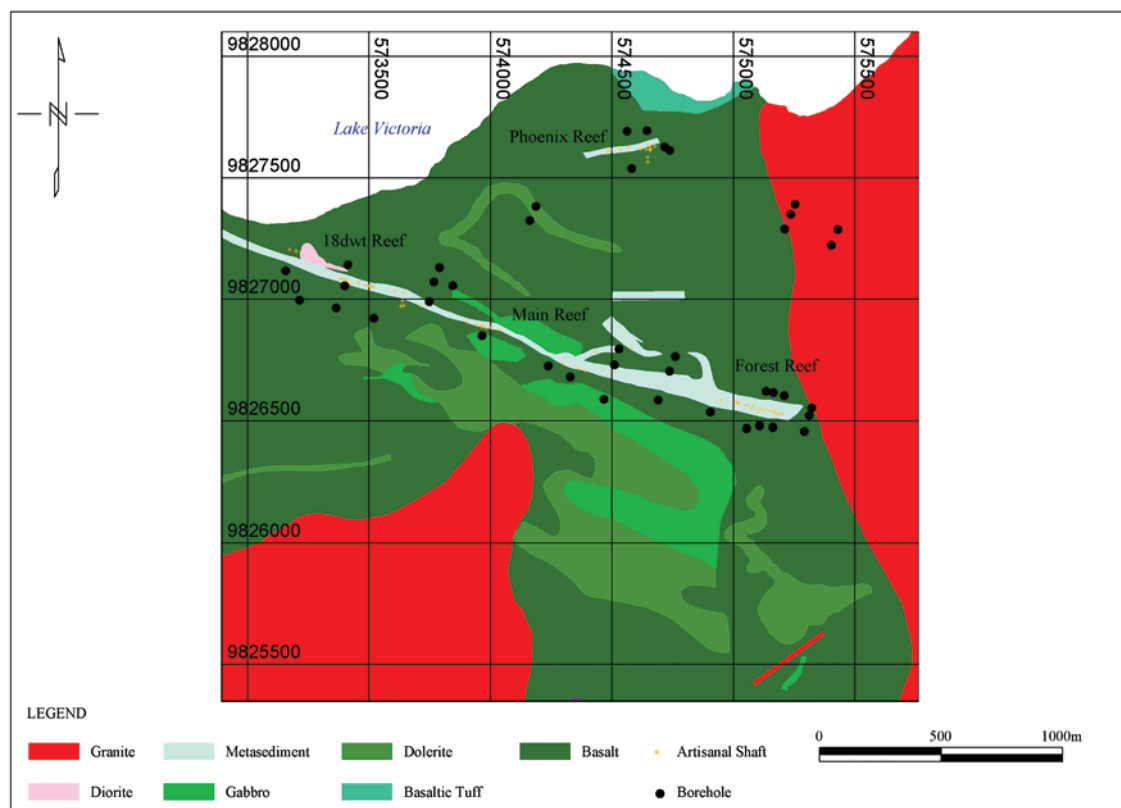
## 8.2 Licence/Joint Venture

The Ikungu PL (1533/2000) covers an area of 18.8km<sup>2</sup> and is currently held by Lakota Mining Company Limited (Lakota).

Shanta signed a JV agreement with Lakota Mining Company Limited, a 100% owned Tanzanian subsidiary of Lakota Resources Inc., a Canadian (TSX Venture Exchange) listed exploration company on the 5 March 2004.

Shanta will earn a 65% interest in the Ikungu licence by making cash payments totalling US\$245,000 and incurring exploration and/or development expenditures of a minimum US\$500,000 over a maximum five year period resulting in the completion of a pre-feasibility study acceptable to Lakota. Shanta may earn a further 10% interest in the licence by completing a full feasibility study. Once Shanta has earned a 75% interest any further expenditure on the licence will be on the basis of a joint venture, with Lakota responsible for 25% of subsequent costs.

**Figure 8.1: Ikungu project local geology and drillhole locations**



### 8.3 Recent Exploration Results

Shanta recently conducted further drilling in previously untested parts of the mineralised zone. Three diamond drillholes, IKD13, 14 and 16, were drilled to test the westerly strike extension of the Forest Reef Mine structure. A summary of mineralised intersections at Ikungu are shown in Table 8.1:

**Table 8.1: Selection of drilling results**

Hole	Intersection (m)	Width (m)	Gold (g/t)	Drilled by	Highlights
IKD 02	90.21-104.34	14.13	1.2	JCI	Including 2.89m @ 3.6 g/t Au
IKD 03	66.50-69.15	2.65	2.1	JCI	Including 1.65m @ 2.9 g/t Au
IKD 04	149.62-150.62	1.00	6.3	JCI	
	206.72-212.19	5.47	2.0	JCI	
	226.04-230.88	4.84	6.7	JCI	Including 2.02m @ 13.26 g/t Au
IKD 06	66.81-67.81	1.00	11.3	JCI	
IKD 07	176.00-180.00	4.00	2.3	JCI	Including 2.00m @ 3.9 g/t Au
IKD 08	142.80-143.30	0.50	55.5	JCI	
IKD 12	49.60-52.60	3.00	1.5	Shanta	
	54.10-55.60	1.50	1.3		
IKD 13	44.08-47.58	3.50	3.3	Shanta	
IKD 16	44.30-48.06	3.76	1.9	Shanta	
	65.50-66.50	1.00	7.0		
SIK 01	139.88-145.64	5.76	16.7	Sampo Resources/ Patrician GML	Including 3.84m @ 24.5 g/t Au
SIK 08	205.90-212.81	6.91	9.9	Sampo Resources/ Patrician GML	Including 5.00m @ 13.11 g/t Au
IKBH 25	56.00-56.50	0.50	6.4	JCI	

### 8.4 Mineral Resources

This section summarises and comments upon the most recent Mineral Resource estimate presented for Ikungu which was prepared by JCI Tanzania in 1996.

The estimate covered three separate orebodies: 18DWT, Forest and Main respectively and was based on:

- trench chip sampling data gathered by Tangold MCL in 1961 along the outcrops of all three orebodies;
- channel samples collected from underground operations at Forest by Ikungu Mines Ltd;
- assays of Patrician GML/Sampo Resources Tanzania Ltd diamond drill core;
- assays of 9 diamond drill holes drilled by JCI Tanzania.

JCI Tanzania’s estimate is essentially based on volumetric estimations derived from assumed strike lengths, average widths and by assuming continuity of the mineralised zones down to a depth of 100 m and by applying average specific gravities and grades from intersections to these volumes. The results are shown below in Table 8.2

**Table 8.2: Resource Summary of Ikungu orebodies**

Resource category	Reef	Tonnes	Au Grade (g/t)	Contained Au (oz)
Inferred	18DWT	573,000	1.9	35,000
Inferred	Forest	314,000	8.1	82,000
Inferred	Main	1,650,000	1.3	68,000
<b>Inferred</b>	<b>Total</b>	<b>2,537,000</b>	<b>2.3</b>	<b>185,000</b>

As at Mgusu, SRK has not been able to independently verify the sampling and assay data used to derive this Mineral Resource estimate, as the exploration work was undertaken several years ago and prior to SRK’s involvement. SRK has, however, again undertaken check calculations to verify the integrity and appropriateness of the estimation methods employed and considers the estimate to have been generated in an unbiased manner and using sound industry accepted techniques.

### 8.5 Planned Work

Shanta is planning to undertake further geological and structural studies to assess the possibility of predicting wider zones of mineralisation within dilational zones of the Ikungu structure. If a reasonable geological model for this can be established, a limited amount of drilling to test the model will then also be completed.

### 8.6 SRK Comments

The mineralised structure at Ikungu is robust and continuous for several kilometres but is for the most part fairly narrow. It has, however, been exploited by colonial miners at several locations along its strike length. SRK visited several of these historical workings and it was apparent that the mineralised zone was substantially wider at these locations. SRK agrees with Shanta that further study and possibly more drilling is justified to locate the wider dilation zones within the main structure. If present, these may substantially increase the current resource estimates and could thus open the possibility for economic small scale production.

## 9 SUGUTI

### 9.1 Overview

The Suguti PL is situated in the Musoma Greenstone Belt, northeast Tanzania, approximately 110km north-east of Mwanza and 40km south-west of Musoma. The linear Musoma Greenstone Belt strikes due east for about 120km and is 25km wide at its widest point, but for the most part closer to 5-10km wide.

The property is close to Lake Victoria and the south-western half is characterised by a series of prominent hills, whilst a major depression corresponding to the Suguti Lineament occupies the north-eastern half. The Chirorwe target area is the most prominent gold occurrence in the Suguti PL and is characterised by sheared mafic volcanic rocks adjacent to a granite intrusion and strikes east-west with numerous and irregular quartz veins, quartz stringers and leucogranitic dykes.

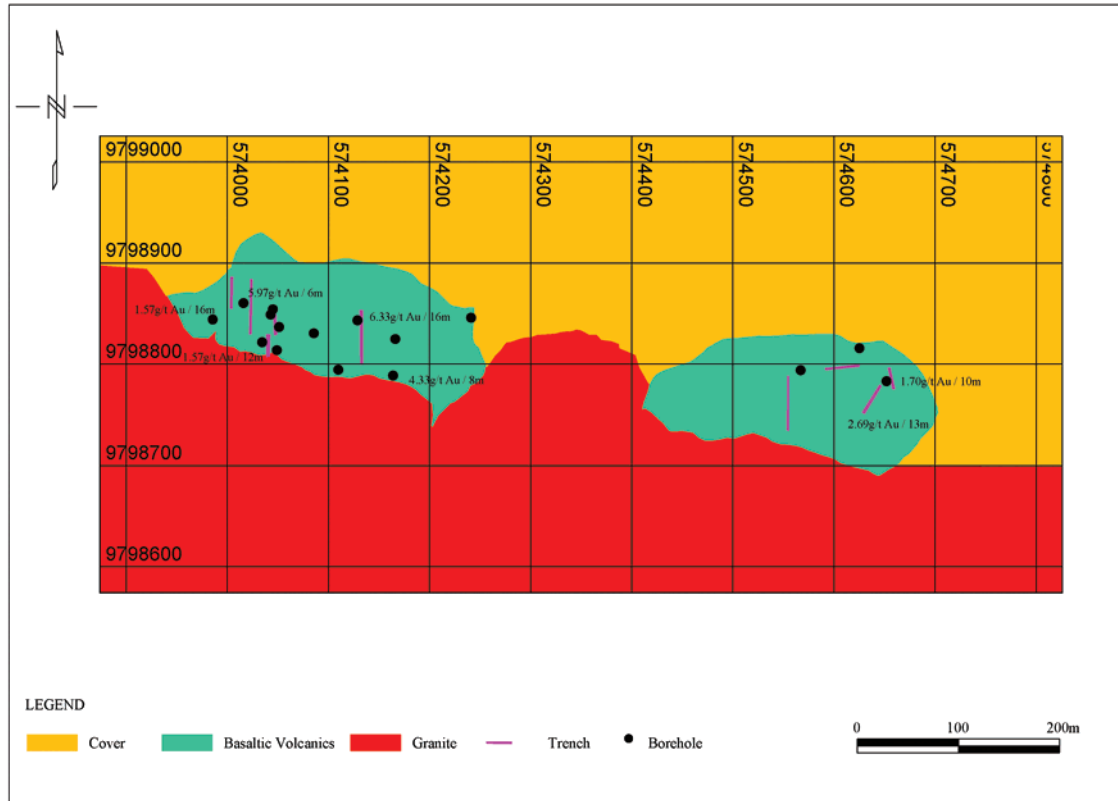
The Suguti PL was granted in April 1996 to MTD Company Ltd, a partner of Pangea in Tanzania. Subsequently Pangea joint ventured the licence with Iscor Tanzania. Iscor conducted a geochemical soil survey covering the entire prospecting licence area, geological mapping and an assessment of the various known gold prospects and most prominent geochemical anomalies.

First-order targets identified included Chirorwe, Karusenye, Nyamweke, Rupa and Katario. Detailed work conducted prior to drilling included regional mapping, detailed mapping, infill geochemical soil sampling, ground magnetic surveys, trenching, pitting and rock chip sampling.

In October 1997, the first phase of drilling was conducted on the four first-order target areas and some encouraging results were returned, particularly at the Nyamweke and Chirorwe target areas. A total of 1,610 m of RC drilling was completed during this phase. In January 1998, a high-resolution airborne magnetic and radiometric survey was conducted to assist in the structural interpretation.

In June 1998, a second phase drilling programme was conducted at the Nyamweke, Chirorwe and Mmanyago target areas and good results were returned from Chirorwe. A total of 1,292 m of RC and RAB drilling was completed during this phase.

**Figure 9.1: Suguti project local geology and drillhole locations**



## 9.2 Licence

The Suguti PL (2204/2003) was issued to MTD Mining Co Limited on 28 April 2003 for a period of three years and was transferred to Shanta on 16 May 2005. The licence covers an area of 68.66km<sup>2</sup>.

## 9.3 Geology

The exposed geology of the licence area comprises predominantly mafic and felsic volcanic sequences overlying the basal (unexposed) cycle of the lower Nyanzian system. The basal cycle comprises a series of intercalated volcanic rocks, tuffs and chemical clastic sediments. The lithologies strike east-west and dip to the north at an angle of 60°.

The Nyambono granite covers most of the central part of the Suguti PL and consists of a coarse-crystalline pinkish rock that intrudes both the felsic and mafic volcanic rocks.

Numerous structures are present of which the Suguti Lineament and the Seka Shear are the most important. The Seka Shear strikes east-west over a distance of 11km and is situated just north of the Nyambono granites.

Several intrusions also run parallel to the strike of the Suguti Lineament. It is assumed that the Suguti depression masks a series of sympathetic step faults with the northernmost of the set situated approximately 1km south-west of Katario Hill.

Gold mineralisation identified to date is typical of greenstone deposits, occurring in quartz veins within sheared mafic volcanic rocks, and closely associated with the granite-mafic contacts.

The Chirorwe mineralisation occurs in two separate shears that follow the more regional, east trending Seke-Marangi shear. The shears are hosted by mafic volcanic rocks close to the contact with the Nyambono granite. The Nyambono granite post dates the mineralisation and cuts the

shears in places, locally remobilising gold mineralisation to its contacts with the mafic volcanic rocks. It appears that the northern contact of the Nyambono granite may have been controlled by, and may have removed parts of, the Seke-Marangi shear. The relationship between the mineralised shears and Nyambono granite makes those close to the contact unpredictable exploration targets, complicating any continuity of mineralisation.

#### 9.4 Exploration Results

Old workings and diggings occur over a strike length of 860 m and mineralisation is associated with an east-west shear zone (the Seka Shear) with numerous quartz veins, quartz stringers and leucogranitic dykes. Four main mineralisation trends were delineated by Iscor based on its drilling.

Rock chip sampling and trenching by Shanta has revealed the following:

- quartz veins with gold grades from up to 14.8 g/t Au;
- sheared mafic volcanic rocks with gold grades of up to 13.2 g/t Au;
- trench SICHT3.1 with an average gold grade of 6.3 g/t over 16 m;
- trench SICHOT1 with an average gold grade of 2.7 g/t over 13 m; and
- trench SICHOT2 with an average gold grade of 1.2 g/t over 15 m.

#### 9.5 Planned Work

Shanta has planned a regional geophysical structural investigation to determine the main structural controls and identify new targets for continued exploration.

#### 9.6 SRK Comments

Although there are several mineralised zones or structures in the proximity of the Suguti prospect, the current data is insufficient to support the preparation of a resource estimate. The existence of some interesting gold grades is, however, sufficient to indicate that there is a mineralised system at Suguti. SRK would suggest that any further work at Suguti is focused on structural and geological data and that this data is fully utilised to establish a reasonable geological model for the mineralisation. If this model supports the possibility of larger areas of mineralisation, then a limited drilling programme would be warranted to test this. Targets should be sought along the trace of the Seke-Marangi shear both to the east and the west, beyond the Nyambono granite.

### 10 TARIME

#### 10.1 Overview

Shanta currently has a 100% interest in PL 1894/2002 which is the subject of an option agreement between Shanta and Placer, details of which are outlined below. A second PL is currently under application by Shanta Explorations Limited and if granted will be subject to the option agreement with Placer. The PL is situated 4km northwest of the Nyabigena and Gokona open pits at North Mara Gold Mine. The company has no previous exploration data on this licence.

#### 10.2 Licence/Option Agreement

The PL covers a total area of 22.18km<sup>2</sup> and is currently the subject of an option agreement between Shanta and Placer signed on 6 August 2004 (amended on 24 November 2004).

Under the terms of the agreement Placer acquired the right to an option to earn an 80% interest in the PL and thereafter participate with Shanta in further exploration and if warranted, the operation of one or more mines on the property.

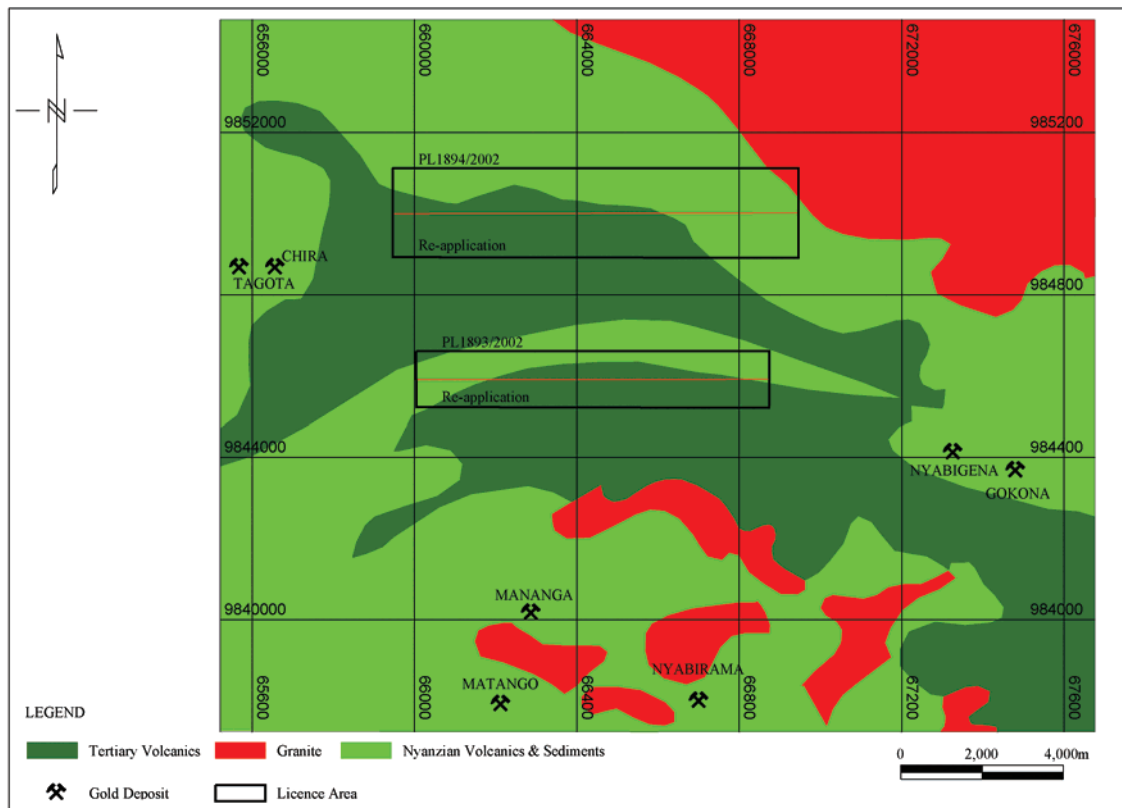
To exercise its option to earn an 80% interest in the property, Placer made payments to Shanta of US\$20,000, agreed to pay a further US\$20,000 on or before the first anniversary of signing the agreement, and agreed to incur work costs of US\$500,000 in the area on, or before, the fourth anniversary of signing the agreement.

Under the terms of the agreement, Placer is responsible for all exploration and maintenance costs on the property up to the option being exercised.



If, on satisfaction of all conditions, Placer chooses to exercise its option, then both parties will incorporate a mining company to be owned 20% by SMCL and 80% by Placer to which SMCL will transfer the property. Thereafter all work costs would be incurred by the new company.

**Figure 10.1: Tarime project local geology and licence boundaries**



### 10.3 Geology

The PL is located within the Mara greenstone belt and the geology comprises felsic and mafic volcanics intercalated with metasediments.

### 10.4 Exploration Results

Preliminary geological mapping and sampling was completed by Shanta in September 2003. Anomalous gold values of 0.4 g/t and 0.8 g/t were reported in two sheared ferruginous siliceous grab samples on PL 1894/2002 associated with sheared quartz veins in rhyolitic tuffs.

### 10.5 Planned Work

The geological mapping undertaken by Shanta is currently being digitised. Placer has informed Shanta that a detailed geological mapping and a soil geochemical sampling programme will commence shortly. The company is also planning a regional airborne gravity survey.

### 10.6 SRK Comments

SRK has not visited the project and has accepted information provided to it in good faith. Notwithstanding this, the geology of the area looks interesting and the work proposed by Placer appears appropriate.

## 11 EARLY STAGE EXPLORATION PROPERTIES

### 11.1 Singida

SMCL has secured a large 2,945km<sup>2</sup> ground position in a highly prospective area in central Tanzania, south of the town of Singida. The company has been granted the rights to explore for gold mineralisation on 24 PLs. Granite-gneiss lithologies of the Tanzanian Craton dominate the regional geology of the Singida region, however, extensive sequences of greenstone belt rocks are also

known to occur. An intercalated sequence of sediments and volcanics similar to the Nyanzian System in the Lake Victoria Region was mapped within the granite-gneiss terrain during reconnaissance by the Geological Survey of Tanzania in 1976. Basalt, diabase lava, gabbro-diabase, gabbro, shale, quartzite and ferruginous chert were mapped by Haidutov (1976) within the greenstone belt over a 25km by 25km area. Late stage granites intrude and contact metamorphose the greenstones.

Shanta completed airborne magnetic and radiometric surveys over the project area in 2004 which defined the extent of greenstone lithologies and indicated the main structural elements. Landsat images have also recently been obtained and filtered by specialists to enhance lithological variation and alteration. The images are assisting in geological mapping and in selecting additional licences for acquisition.

There have been several recent gold strikes by artisanal miners adjacent to the village of Londoni that are directly adjacent to several of Shanta’s properties. Gold mineralisation is currently being exploited by artisanal miners at several localities along a series of north-westerly trending amphibolitic shears that extend for up to 4km. The structures controlling gold mineralisation continue into Shanta’s licence areas.

Shanta considers the area to be highly prospective, and a number of other exploration and mining companies are looking to acquire licences in the region.

SRK has not visited the property, but has briefly reviewed the currently available geological data and would agree that the area is prospective for gold mineralisation and that further exploration work is warranted.

## 11.2 Songea

SMCL has been granted four PLs covering a 250.25km<sup>2</sup> in the Songea District. In addition a further 11 licences totalling 1,244km<sup>2</sup> are under application.

The Songea licences are situated within the southern portion of the Usagaran mid Proterozoic metamorphic belt to the south and west of Songea in southern Tanzania. The Usagaran system in Tanzania is part of the Mozambique orogenic belt which consists of high grade metamorphic rocks comprising garnet-sillimanite-cordierite granulites, metagabbros, pyroxene granulites, migmatitised granulites, charnockites with syenite and granite intrusives.

The properties were selected on the basis of regional aeromagnetic anomalies and known gold occurrences.

There is a history of artisanal gold mining activity in the district, with gold being exploited from structurally controlled hydrothermal quartz veins along sheared granite margins.

Shanta is planning an aggressive grassroots exploration campaign to target gold and base metal mineralisation and plans to complete first phase geological reconnaissance in the area shortly.

## 11.3 Chunya

SMCL has recently been issued with four PLs in the Chunya District covering a 427km<sup>2</sup> area. PL 2787/2004 is located within the Lupa Gold District in the vicinity of the Saza Shear Zone near the Blacktree, Luika and Razorback gold deposits.

Lupa is the second largest goldfield in Tanzania after the Lake Victoria Zone, with gold mineralisation hosted in a 2,600km<sup>2</sup> triangular block of deformed, folded, sheared and metamorphosed Proterozoic rocks with major fold axes trending ESE-WNW. It is bounded on the western and eastern margins by the Ruckwa and Usangu Tertiary East African Rift Faults and to the north by an ancient east-west trending fault.

Granite and diorite intrusions emplaced along the main structures, are generally interpreted as being the source of gold mineralisation. Most mineralised veins are shear and intrusive related with lenticular quartz veins ranging from tens to several hundreds of metres in length and from centimetre scale up to 5 m wide. PLs 2849/2004, 2850/2004 and 2854/2004 situated outside of the Lupa Field are interpreted to be underlain by variably foliated and sheared Precambrian granite and granodiorite. Recent Quaternary cover largely conceals the underlying geology in these areas.

Shanta has not yet completed an initial site investigation in the area. A first phase programme of geological mapping, stream sediment and soil sampling is planned to determine the potential of each claim area.

## 12 EXPLORATION PROGRAMME BUDGET

Table 12.1 below outlines Shanta’s proposed budget for the three year period following Admission.

**Table 12:1: Three Year Budget Forecast**

	Year 1 US\$000	Year 2 US\$000	Year 3 US\$000	Totals US\$000
Net Corporate including listing	2,305	1,032	1,158	<b>4,495</b>
Field Costs (Tanzania) – Projects	2,018	1,606	2,035	<b>5,659</b>
Field Costs (Tanzania) – Regional	969	1,561	1,125	<b>3,655</b>
Field Costs (Tanzania) – General	423	245	353	<b>1,021</b>
<b>Total funds Required</b>	<b>5,715</b>	<b>4,444</b>	<b>4,671</b>	<b>14,830</b>

SRK has reviewed the above budget and consider the amounts sufficient to achieve the objectives of the exploration programme and justified by the information available to date and the potential of the assets. While further expenditure will be required to fully evaluate all of the assets and also if a decision is made to establish a mining operation at any of the assets, the amounts illustrated are to move each asset along to a key decision point in its assessment.

## 13 SUMMARY AND CONCLUSION

Shanta’s portfolio contains exploration assets ranging from early stage grassroots projects to advanced exploration stage projects. The key project at present is Mgusu where a significant resource has already been outlined and a feasibility study is now planned.

In undertaking this review, SRK’s aim has been to assess the potential of Shanta’s assets sufficiently to determine whether the work planned for the next three years to further explore and advance these, and the expenditure required to do this, is justified by the information currently available.

While significant revisions to Shanta’s plans should be expected as the work proceeds, SRK considers the work planned for this period and the estimated cost of this to be appropriate and justified.

**For and on behalf of Steffen, Robertson & Kirsten (UK) Ltd**

**Mike Armitage**  
Managing Director



**Gareth O’Donovan**  
Principal Exploration Geologist



**Nick Fox**  
Resource Geologist



## **Part 3 – Risk Factors**

### **AN INVESTMENT IN THE COMPANY IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK.**

In addition to the other relevant information set out in this document, the following specific risk factors should be considered carefully in evaluating whether to make an investment in the Company. If any of the following risks actually occur, the Group's business, financial condition, results or future operations could be materially adversely affected. In such a case, the price of the Company's shares could decline and investors may lose part or all of their investment. The investment offered in this document may not be suitable for all of its recipients. If you are in any doubt about the action you should take you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

In addition to the usual risks associated with an investment in a business the Directors consider that the factors and risks described below are the most significant and should be carefully considered, together with all other information contained in this document, prior to investing in the Ordinary Shares. It should be noted that the risks described below are not the only risks faced by the Company; there may be additional risks that the Directors currently consider not to be material or of which they are currently unaware.

#### **Limited operating history**

The Group has no properties producing positive cash flow and its ultimate success will depend on its ability to generate cash flow from producing properties in the future. The Group has not earned profits to date and there is no assurance that it will do so in the future.

#### **General exploration and extraction risks**

There is no certainty that the Company will identify commercially recoverable reserves in its licence areas. The Company is currently in the early stages of exploration. The exploration for and development of mineral deposits involves significant uncertainties and the Company's operations will be subject to all of the hazards and risks normally encountered in such activities. These hazards and risks include unusual and unexpected geological formations, rock falls, flooding and other climatic conditions, any one of which could result in damage to, or destruction of, the Company's facilities, damage to life or property, environmental damage or pollution and legal liability which could have a material adverse impact on the business, operations and financial performance of the Company. Although precautions to minimise risk will be taken, even a combination of careful evaluation, experience and knowledge may not eliminate all of the hazards and risks.

As is common with all exploration ventures, there is also uncertainty and therefore risk associated with the Company's operating parameters and costs which can be difficult to predict and are often affected by factors outside the Company's control. Few properties which are explored are ultimately developed into producing assets. There can be no guarantee that the estimates of quantities and grades of gold and minerals disclosed will be available to extract. With all natural resources operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Natural resources exploration is speculative in nature and there can be no assurance that any potential gold deposits will be discovered.

#### **Project development risks**

There can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations. Any failure of management to manage effectively the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations. There is no certainty that all or, indeed, any of the elements of the Company's current strategy will develop as anticipated.

#### **Operational considerations**

The Company's operational targets are subject to the completion of planned operational goals on time and according to budget, and are dependent on the effective support of the Company's personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of

operational targets with a consequent material adverse impact on the business, operations and financial performance of the Company.

The locations of all of the Company's current exploration activities dictate that climatic conditions have an impact on operations and, in particular, severe weather could disrupt the delivery of supplies, equipment and fuel. It is, therefore, possible that exploration and extraction activity levels might fluctuate. Unscheduled interruptions in the Company's operations due to mechanical or other failures, or industrial relations related issues, or problems or issues with the supply of goods or services could have a serious impact on the financial performance of those operations.

#### **Dependence on key personnel**

The Company has a small management team and the loss of any key individual could affect the Group's business. The Company will investigate key man insurance policies for such key individuals and employees as and when appropriate post Admission.

#### **Resource estimates**

The resource figures in this document are estimates and there can be no assurances that they will be recovered or that they can be brought into profitable production. Resource estimates may require revisions and or changes in the market price of gold.

#### **Economic, political, judicial, administrative, taxation or other regulatory factors**

The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Company operates and holds its major assets.

#### **Mining licence and regulatory environment**

There is no guarantee that if the Company applies for a mining licence in respect of minerals it has discovered that it will be granted a mining licence. There is no guarantee of the terms of any mining licence. The exploration and extraction activities of the Company are subject to various laws governing prospecting, development, production taxes, labour standards and occupational health, site safety, toxic substances and other matters. Although the Directors believe that the Company's exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing or future rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing operations and activities of exploration and extraction, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company.

#### **Title matters**

Whilst the Group has diligently investigated its title to, and rights and interests in, the PLs held by it, and, to the best of its knowledge, such title and interests are in good standing, this should not be construed as a guarantee of the same. The PLs and PMLs may be subject to undetected defects. If a defect does exist it is possible that the Group may lose all or part of its interest in those of the PLs and PMLs to which the defect relates.

#### **PMLs and Company's licences**

There are 46 PMLs owned by third parties in respect of areas over which the Group holds PLs and in respect of which the Group has no purchase or option agreements. In the event that the Group wishes to exploit these areas it must seek the consent of the PML holders. There is no guarantee that an economically viable agreement can be reached with the holder of the PMLs. Under these circumstances the Group will not be able to explore or exploit these areas.

SMCL is reliant upon SEL complying with its obligations under the SEL Joint Venture Agreement in respect of the Required PMLs. In the event that SEL does not comply with its obligations the Group will not have access to the areas covered by the Required PMLs, which may affect the Group's exploration programme and prospects.

In addition, SEL is currently applying for PL 2493 which covers the same area as previously covered by PL 1893/2002 until it expired on 20 February 2005, and which is part of the project area of the joint

venture with Placer regarding the Tarime project. SMCL is reliant upon SEL complying with its obligations under the SEL Joint Venture Agreement in respect of this PL.

#### **HIV/AIDS**

HIV/AIDS is prevalent in eastern and southern Africa. Employees of the Group may have or could contract this potentially deadly virus. The prevalence of HIV/AIDS could cause lost employee man hours and loss of trained and experienced employees.

#### **Environmental issues**

The Company's exploration and extraction activities are subject to various laws and regulations relating to the protection of the environment. The operations of the Company may require approval by relevant environmental authorities. Whilst the Company intends to continue to operate in accordance with such laws and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to the current laws and regulations governing the protection of the environment, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company.

#### **Volatility of price of gold**

The market price of gold is volatile and is affected by numerous factors which are beyond the Company's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, and the rate of inflation, global or regional political events and international events as well as a range of other market forces. Sustained downward movements in gold prices could render less economic, or uneconomic, some or all of the exploration activities to be undertaken by the Company.

#### **Currency risk**

The expenditures made by the Company are subject to exchange rate fluctuations and any potential income may become subject to exchange control or similar restrictions.

#### **Litigation**

Legal proceedings may arise from time to time in the course of the Company's business. The Directors cannot preclude that litigation may be brought against the Company.

#### **Uninsured risks**

The Company, as a participant in exploration and potential extraction activities, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, the Company may incur a liability to third parties (in excess of any insurance cover) arising from negative environmental impact or other damage or injury.

#### **Additional requirements for capital**

Substantial additional financing may be required if the Company is to be successful pursuing its ultimate strategy. No assurances can be given that the Company will be able to raise the additional finance that it may require for its anticipated future operations. Gold prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures and operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. Any additional equity financing may be dilutive to investors and debt financing, and if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its properties and licences, incur financial penalties or reduce or terminate its operations.

#### **Market perception**

Market perception of junior extraction and exploration companies may change, potentially affecting the value of investors' holdings and the ability of the Company to raise further funds by the issue of further Ordinary Shares or otherwise.

### **AIM and liquidity of the Ordinary Shares**

AIM is not the Official List and the Ordinary Shares will not be listed on the Official List. Notwithstanding that Admission becomes effective and dealings commence in the Ordinary Shares, this should not be taken as implying that there will be a liquid market for the Ordinary Shares. An investment in the Ordinary Shares may thus be difficult to realise. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up. Investors may, on disposing of Ordinary Shares, realise less than their original investment or may lose their entire investment. The Ordinary Shares may, therefore, not be suitable as a short-term investment. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. The price at which the Ordinary Shares will be traded and the price at which investors may realise their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its proposed operations, and some which may affect the business sectors in which the Company operates. Such factors could also include the performance of the Company's operations, large purchases or sales of the Ordinary Shares, liquidity or the absence of liquidity in the Ordinary Shares, legislative or regulatory changes relating to the business of the Company and general economic conditions.

### **Possible volatility of the price of the Ordinary Shares**

Following Admission the market price of the Ordinary Shares could be subject to significant fluctuations due to various factors and events, including any regulatory or economic changes affecting the Company's operations, variations in the Company's operating results, the price of gold, developments in the Company's business or its competitors, or to changes in market sentiment towards the Ordinary Shares. The Company's operating results and prospects from time to time may be below the expectations of market analysts and investors. In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities and which may be unrelated to the Company's operating performance. Any of these events could result in a decline in the market price of the Ordinary Shares.

### **General**

The risks noted above do not necessarily comprise all those potentially faced by the Company and are not intended to be presented in any assumed order of priority.

**Although the Directors will seek to minimise the impact of the Risk Factors, an investment in the Company should only be made by investors able to sustain a total loss of their investment. Investors are strongly recommended to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in investments of this nature before making any decision to invest.**

## Part 4(A) – Financial Information on Shanta Gold Limited

The Directors  
Shanta Gold Limited  
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Saumarez Street  
St Peter Port  
Guernsey  
GY1 3PG

BDO Stoy Hayward  
Lindsay House  
10 Callender Street  
Belfast  
BT1 5BN

5 July 2005

The Directors  
W H Ireland Limited  
11 St James's Square  
Manchester  
M2 6WH

Dear Sirs

### **SHANTA GOLD LIMITED (“SGL” or “the Company”)**

#### **Introduction**

We report on the financial information of SGL set out below. This financial information has been prepared for inclusion in the AIM Admission Document dated 5 July 2005 of SGL (the “Admission Document”).

SGL and its wholly owned subsidiary, Shanta Gold Holdings Limited (“SGHL”), were established on 5 May 2005 as holding companies. On 26 May 2005 SGHL Limited acquired all the issued share capital, excepting 1 share, which SGL holds as nominee, of Shanta Mining Company Limited (“SMCL”), Mgusu Mining Limited (“MML”) (into which SMCL’s Mgusu interests were transferred) and Nsimbanguru Mining Limited (“NML”) (into which SMCL’s Simba Nguru interests were transferred).

SGL is proposing to raise £4.3m by way of a placing of 17,224,735 new ordinary shares representing 27.68% of the issued share capital of SGL at Admission.

#### **Basis of Preparation**

Since incorporation to 5 July 2005, the Company has not traded, has received no income and incurred no expenditure. Consequently, no profit and loss account is presented.

The financial information is based on the balance sheet of the Company at incorporation to which no adjustments were considered necessary.

#### **Responsibility**

The balance sheet is the responsibility of the Directors of the Company and has been approved by them. The Directors of the Company are responsible for the contents of the Admission Document dated 5 July 2005 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the balance sheet provided, to form an opinion on the financial information and to report our opinion to you.

#### **Basis of Opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board of the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. This evidence included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the



financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion the financial information gives, for the purposes of the AIM Admission Document, a true and fair view of the state of affairs of the Company at 5 July 2005.

**Consent**

We consent to the inclusion in the AIM Admission Document date 5 July 2005 of this report and accept responsibility for this report for the purposes of paragraph 45 (8)(b) of Schedule 1 of the Public Offers of Securities Regulations 1995.

**FINANCIAL INFORMATION**

**Profit and Loss Account**

During the period the Company did not trade and received no income and incurred no expenditure. Consequently, during the period the Company made neither a profit nor loss and no profit and loss account is presented.

<b>Company Balance Sheet at 5 May 2005</b>	\$'000
<b>Assets</b>	
<b>Current Assets:</b>	
Other debtors	–
<b>Total Assets</b>	<u>–</u>
<b>Equity and Liabilities</b>	
<b>Capital and Reserves:</b>	
Share Capital	–
<b>Total Equity and Liabilities</b>	<u>–</u>

**Notes (forming part of the financial information)**

1. **Accounting Policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial information.

2. **Basis of Preparation**

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

3. **Called Up Share Capital**

	5 May 2005 £
Authorised	
Equity: 300,000,000 ordinary shares of 0.01 pence each	<u>30,000</u>
<i>Allotted, called up and fully paid</i>	
Equity: 2 ordinary shares of 0.01 pence each	<u>–</u>

The Company was incorporated with an authorised share capital of £30,000 divided into 300,000,000 ordinary shares of 0.01p each of which two were issued and paid.

4. **Related Party Disclosures**

The directors do not consider there to be an ultimate controlling party.

## 6. **Contingent Liabilities**

SMCL has acquired certain Prospecting Licences (“PLs”) under agreements which provide for payments to be made to the party from whom the PL was acquired in certain circumstances. Payments under these agreements are unquantifiable at this time, but may cause the Company to have a material cash requirement at some time in the future. These potential payments are summarised below:

- Agreement dated 15 October 2003 between SMCL and M/S I M Holdings Company Limited relating to PL 2365/2003:
  - \$2.0 per ounce of any recoverable gold contained in a proven and probable reserves report within thirty (30) days of commencement of production.
- Agreement dated 4 October 2003 between SMCL and M/S GL Josue & JB Joel relating to PL 2383/2003, PL 2381/2003, PL 2382/2003 and PL 2384/2003:
  - \$2.00 per ounce of any recoverable gold contained in a proven and probable reserves report within 30 days of commencement of production.
- Agreement dated 24 September 2003 between SMCL and Jaha Investment Limited relating to PLs No. 2301/2003, 2325/2003 and 2349/2003:
  - After expiry of the 5 year exploration period in order to continue exploration or mine development, 2% of the then indicated gold resource on the PLs at the then gold price.
- Agreement dated 24 September 2003 between SMCL and APhi General Enterprises Limited relating to PL No. 2334/2003:
  - After expiry of the 5 year exploration period in order to continue exploration or mine development, 2% of the then indicated gold resource of the PLs at the then gold price.
- Agreement between SMCL and MTD Mining Company Limited dated 13 May 2003 relating to PL No. 2204/2003:

Potentially material payments to Licence Holders:

- After expiry of the 3 year exploration period in order to continue exploration or mine development, 2% of the then indicated gold resource on the PLs at the then spot gold price.

## 7. **Post Balance Sheet Events**

- On 16 May 2005 SMCL entered into a joint venture agreement allowing SMCL to exploit the Primary Mining Licences that are held by Shanta Exploration Limited.
- On 26 May 2005 SGHL acquired the entire issued share capital, excepting 1 ordinary share, which SGL holds as nominee, of NML. SGL accepted 1 ordinary share as nominee shareholder for SGHL in order to comply with the requirements of Tanzanian law to have two registered shareholders of any Tanzanian company. On 27 May 2005 an additional 98 shares were allotted to SGHL.
- On 26 May 2005 the entire issued share capital, excepting 1 ordinary share, which SGL holds as nominee, of SMCL was acquired by SGHL. SGL accepted 1 ordinary share as nominee shareholder for SGHL in order to comply with the requirements of Tanzanian Law to have two registered shareholders of a Tanzanian company. On 27 May 2005, an additional 92 shares were allotted to SGHL.
- On 26 May 2005 a new Tanzanian company, MML, was formed by SGHL and SGL, holding one share each, to hold the Mgusu PL.
- On 27 May 2005 SGHL acquired an additional 98 ordinary shares in the share capital of MML by subscription.
- On 30 May 2005 SMCL transferred its interest in PL No 2179/2003 to MML, for an amount equivalent to the expenditure incurred to date by SMCL.
- On 30 May 2005 SMCL transferred its interest in PL No: 2324/2003 to MML for an amount equivalent to the expenditure incurred to date by SMCL.

- On 20 June 2005 SMCL formalised its loan relationships with both Export Holdings Ltd and Sable Gold (Mauritius) Ltd by issuing loan notes in respect of the outstanding balances due to these companies at 31 March 2005, being:

Export Holdings Ltd:	\$2,161,351
Sable Gold (Mauritius) Ltd:	\$2,161,351
- On 20 June 2005 SGHL formalised its loan relationships with both Export Holdings Ltd and Sable Gold (Mauritius) Ltd by issuing loan notes in respect of expenditure incurred on its behalf, being:

Export Holdings Ltd:	\$297,848
Sable Gold (Mauritius) Ltd:	\$297,848
- On 20 June 2005 Export Holdings Ltd and Sable Gold (Mauritius) Ltd assigned the loan notes each held from SMCL and SGHL to SGL, each in exchange for the issue of a \$2,459,199 Convertible Loan Note.
- On 20 June 2005 Export Holdings Ltd and Sable Gold (Mauritius) Ltd gave notice to convert, in accordance with the terms of their respective convertible loan note from SGL, and exchanged their loan notes for an allotment of ordinary shares, being:

Export Holdings Ltd:	22,499,999
Sable Gold (Mauritius) Ltd:	22,499,999
- Since incorporation to 5 July 2005 the Company has not traded, has received no income and incurred no expenditure.

## **Part 4(B) – Financial Information on Shanta Mining Company Limited**

The Directors  
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10 Callender Street  
Belfast  
BT1 5BN

5 July 2005

The Directors  
WH Ireland Limited  
11 St James's Square  
Manchester  
M2 6WH

Dear Sirs

### **SHANTA MINING COMPANY LIMITED (“SMCL”)**

#### **Introduction**

We report on the financial information of SMCL set out below. This financial information has been prepared for inclusion in the AIM Admission Document dated 5 July 2005 of Shanta Gold Limited (“SGL”).

SMCL has been carrying out exploration and development activity on gold opportunities in Tanzania since 2001.

SGL and its wholly owned subsidiary, Shanta Gold Holdings Limited (“SGHL”), were established on 5 May 2005 as holding companies. On 26 May 2005 SGHL acquired all the issued share capital, excepting 1 share, which SGL holds as nominee shareholder, of SMCL, Mgusu Mining Limited (“MML”) (into which SMCL’s Mgusu interests were transferred) and Nsimbanguru Mining Limited (“NML”) (into which SMCL’s Simba Nguru interests were transferred).

SGL is proposing to raise £4.3m by way of a placing of 17,224,735 new ordinary shares representing 27.68% of the issued share capital of SGL at Admission.

#### **Basis of Preparation**

The financial information is based on the audited financial statements of SMCL for the 18 months ended 31 December 2002 (FY02), the year ended 31 December 2003 (FY03) and the year ended 31 December 2004 (FY04) (together the “Relevant Period”) to which no adjustments were considered necessary.

KPMG Tanzania, 11th Floor, PPF Tower, Garden Avenue, Ohio Street, Dar es Salaam, were auditors to SMCL in the Relevant Period. Each of the audit reports throughout the Relevant Period was unqualified.

#### **Responsibility**

Such financial statements are the responsibility of the directors of SMCL who approved their issue.

The Directors of SGL are responsible for the contents of the Admission Document dated 5 July 2005 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

#### **Basis of Opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment

of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the relevant information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 5 July 2005, a true and fair view of the state of affairs of SMCL as at the dates stated and of its losses for the periods then ended.

### Consent

We consent to the inclusion in the AIM Admission Document dated 5 July 2005 of this report and accept responsibility for this report for the purposes of paragraphs 45(2)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

## FINANCIAL INFORMATION

### Accounting Policies

The financial information has been prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information:

### Basis of Preparation

The financial statements underlying the financial information were prepared on a going concern basis. The shareholders and directors are of the opinion that the company will remain a going concern in the coming year.

### Exploration Expenditure

SMCL is a mineral exploration and development company that is focused on gold opportunities in Tanzania. Exploration expenditure, which is defined as expenses incurred until an ore body is considered commercially recoverable, is expensed. Expenditure on prospecting licences and primary mining licences is capitalised and deferred to the future to be amortised when mineral development commences. The licences are then amortised over the shorter of mine life and life of licence. The capitalised expenditure is assessed for impairments at each balance sheet date.

### Profit and Loss Accounts

	FY02 \$'000	FY03 \$'000	FY04 \$'000
Turnover	–	–	–
Exploration and Evaluation Expenditure	(78)	(688)	(695)
Operating and Administration Expenses	(94)	(320)	(515)
<b>(Loss) for the period</b>	<b>(172)</b>	<b>(1,018)</b>	<b>(1,210)</b>
	\$	\$	\$
<b>(Loss) per share:</b>			
– Basic	(57)	(339)	(403)
– Diluted	(57)	(339)	(403)

All amounts relate to continuing activities.

All recognised gains and losses are included in the Profit and Loss account.

**Balance Sheets**

	Notes	FY02 \$'000	FY03 \$'000	FY04 \$'000
<b>ASSETS</b>				
<b>Non Current Assets:</b>				
Intangible Assets	vii	166	464	1,186
Property, plant and equipment	viii	3	176	202
		<b>170</b>	<b>640</b>	<b>1,388</b>
<b>Current Assets:</b>				
Other Debtors and Prepayments	ix	66	91	126
Cash and Bank Balances		–	4	–
		<b>66</b>	<b>95</b>	<b>126</b>
<b>Total Assets</b>		<b>236</b>	<b>735</b>	<b>1,514</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves:</b>				
Share Capital	x	–	–	–
Accumulated Loss	xi	(172)	(1,190)	(2,400)
		<b>(172)</b>	<b>(1,190)</b>	<b>(2,400)</b>
<b>Non Current Liabilities:</b>				
Shareholders' Loans	xii	402	1,874	3,819
		<b>402</b>	<b>1,874</b>	<b>3,819</b>
<b>Current Liabilities:</b>				
Other Creditors and Accruals		5	51	94
		<b>5</b>	<b>51</b>	<b>94</b>
<b>Total Equity and Liabilities</b>		<b>236</b>	<b>735</b>	<b>1,514</b>

**Cash Flow Statement**

	FY02 \$'000	FY03 \$'000	FY04 \$'000
<b>Cash Flow from Operating Activities</b>			
Loss Before Tax	(171)	(1,018)	(1,210)
<b>Adjustments:</b>			
Depreciation	3	53	83
Loss on Disposal of Property and Equipment	–	1	–
<b>Operating Loss Before Working Capital Charges</b>	<b>(168)</b>	<b>(965)</b>	<b>(1,126)</b>
(Increase)/Decrease in other Debtors and Prepayments	(66)	(25)	(35)
Increase/(Decrease) in other Creditors and Accruals	5	46	43
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>(229)</b>	<b>(943)</b>	<b>(1,119)</b>
<b>Cashflows from Investing Activities:</b>			
Proceeds from Disposal of Motor Vehicle	–	3	–
Purchase of Exploration and Evaluation Equipment	(7)	(229)	(109)
Purchase of Prospecting and Primary Mining Licenses	(166)	(298)	(722)
<b>Net Cash Used in Investing Activities</b>	<b>(173)</b>	<b>(524)</b>	<b>(831)</b>
<b>Cashflows from Financing Activities:</b>			
Loans Received from Related Parties	402	1,471	1,945
Proceeds from issue of Share Capital	–	–	–
<b>Net Cash Flow From Financing Activities</b>	<b>402</b>	<b>1,471</b>	<b>1,945</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>–</b>	<b>4</b>	<b>4</b>
Cash and Cash Equivalents at the Beginning of Period	–	–	4
<b>Cash and Cash Equivalents at the End of Period</b>	<b>–</b>	<b>4</b>	<b>–</b>

**Notes to the Financial Information****(i) Turnover, Loss and Net Liabilities**

SMCL has not made sales during the Relevant Period. All losses and net liabilities in the Relevant Period related to the gold exploration activities in Tanzania. This is regarded as a single activity and geographical segment. All activities are regarded as continuing.

**(ii) Employees**

The average number of employees during the year, including executive directors, was:

	FY04
Directors	3
Employees	17

Staff costs for all employees, including directors, consist of:

	FY02 \$'000	FY03 \$'000	FY04 \$'000
Wages and Salaries	–	31	114
Social Security Costs	–	–	–
<b>Total</b>	<b>–</b>	<b>31</b>	<b>114</b>

**(iii) Directors**

The directors have confirmed that no salaries have been paid to the directors during the three periods ended 31 December 2004.

**(iv) Taxation on Profit From Ordinary Activities**

At 31 December 2004 there was no tax payable by SMCL.

**(v) Dividends**

SMCL has paid no dividends to date and there are none foreseen in the near to medium future.

**(vi) Loss Per Share**

Loss per Share is presented for basic and diluted net loss. Basic loss per Share is computed by dividing net loss (the numerator) by the weighted-average number of outstanding common Shares (the denominator) for the period.

**(vii) Non Current Assets – Intangible Assets**

The intangible assets relate to amounts spent on the purchase of prospecting licences to acquire rights to explore and evaluate mineral deposits on various areas held by SMCL.

Impairments relate to projects which have been assessed for impairment and found to be no longer viable or where licences have expired and there is no intention of renewing them.

A summary of intangible assets follows:

	Owned Licences \$'000	Related Party Licences \$'000	Third Party Licences \$'000	Total \$'000
At Incorporation	–	–	–	–
Additions	104	–	62	166
At 31 December 2002	104	–	62	166
Additions	178	–	119	298
At 31 December 2003	282	–	182	464
Additions	679	143	128	951
Impairments	(131)	–	(98)	(229)
<b>At 31 December 2004</b>	<b>830</b>	<b>143</b>	<b>212</b>	<b>1,186</b>

**(viii) Non-Current Assets – Property, Plant & Equipment**

	Mining & Related Equipment \$'000	Motor Vehicles \$'000	Office Equipment, Fixtures & Fittings \$'000	Total \$'000
<b>Cost</b>				
As at 1 July 2001	–	–	–	–
Additions	–	7	–	7
As at 31 December 2002	–	7	–	7
Additions	29	156	44	229
Disposals	–	(7)	–	(7)
As at 31 December 2003	29	156	44	229
Additions	23	50	37	109
<b>As at 31 December 2004</b>	<b>51</b>	<b>206</b>	<b>81</b>	<b>338</b>



	Mining & Related Equipment \$'000	Motor Vehicles \$'000	Office Equipment, Fixtures & Fittings \$'000	Total \$'000
<b>Depreciation</b>				
As at 1 July 2001	–	–	–	–
Provided for the Period	–	3	–	3
As at 31 December 2002	–	3	–	3
Provided for the Period	7	39	7	53
Disposals	–	(3)	–	(3)
As at 31 December 2003	7	39	7	53
Provided for the Period	13	52	18	83
<b>As at 31 December 2004</b>	<b>20</b>	<b>91</b>	<b>25</b>	<b>136</b>

	Mining & Related Equipment \$'000	Motor Vehicles \$'000	Office Equipment, Fixtures & Fittings \$'000	Total \$'000
<b>Net Book Value</b>				
As at 31 December 2002	–	3	–	3
As at 31 December 2003	21	116	39	176
<b>As at 31 December 2004</b>	<b>31</b>	<b>115</b>	<b>56</b>	<b>202</b>

(ix) **Current Assets – Other Debtors and Prepayments**

	FY02 \$'000	FY03 \$'000	FY04 \$'000
Prepayments	–	31	21
Other Debtors	65	60	104
<b>Total</b>	<b>65</b>	<b>91</b>	<b>125</b>

(x) **Capital and Reserves – Share Capital**

	FY02 \$'000	FY03 \$'000	FY04 \$'000
<b>Authorised</b>			
500,000 ordinary shares of Tzs 1,000 each	512	512	512
<b>Issued &amp; Fully Paid</b>			
3 ordinary shares of Tzs 1,000 each	0	0	0

**(xi) Capital and Reserves – Accumulated Loss**

	FY02 \$'000	FY03 \$'000	FY04 \$'000
Accumulated Loss	172	1,190	2,400

**(xii) Non Current Liabilities – Shareholders' Loans**

	FY02 \$'000	FY03 \$'000	FY04 \$'000
Export Holdings Ltd	394	582	1,150
Export Trading Company Ltd	6	251	514
Sable Gold Ltd	2	1,041	2,155
<b>Total</b>	<b>402</b>	<b>1,874</b>	<b>3,819</b>

At 31 December 2004, the shareholders of SMCL were Export Holdings Limited and Sable Gold (Mauritius) Limited, companies incorporated in Tanzania and Mauritius respectively. Export Trading Company Limited is a wholly owned subsidiary of Export Holdings Limited.

The Company obtains its finances from Export Holdings Ltd, Export Trading Co Ltd and Sable Gold Ltd by way of interest-free company loans. There are no set terms of repayment. The year-end balances are shown above.

**(xiii) Current Liabilities – Other Creditors and Accruals**

	FY02 \$'000	FY03 \$'000	FY04 \$'000
Other Creditors and Accruals	5	51	94

Other creditors and accruals consist mainly of payroll taxes.

**(xiv) Contingent Liabilities**

SMCL has acquired certain Prospecting Licences (“PLs”) under agreements which provide for payments to be made to the party from whom the PL was acquired in certain circumstances. Payments under these agreements are unquantifiable at this time, but may cause the Company to have a material cash requirement at some time in the future. Details of these potential payments are summarised below:

- Agreement dated 15 October 2003 between SMCL and M/S I M Holdings Company Limited relating to PL 2365/2003:
  - \$2.0 per ounce of any recoverable gold contained in the proven and probable reserves report within thirty (30) days of commencement of production.
- Agreement dated 4 October 2003 between SMCL and M/S GL Josue & JB Joel relating to PL 2383/2003, PL 2381/2003, PL 2382/2003 and PL 2384/2003:
  - \$2.00 per ounce of any recoverable gold contained in the proven and probable reserves report within 30 days of commencement of production.
- Agreement dated 24 September 2003 between SMCL and Jaha Investment Limited relating to PLs No. 2301/2003, 2325/2003 and 2349/2003:

- After expiry of the 5 year exploration period in order to continue exploration or mine development, 2% of the then indicated gold resource on the PLs at the then gold price.
- Agreement dated 24 September 2003 between SMCL and APhi General Enterprises Limited relating to PL No. 2334/2003:
  - After expiry of the 5 year exploration period in order to continue exploration or mine development, 2% of the then indicated gold resource of the PLs at the then gold price.
- Agreement between SMCL and MTD Mining Company Limited dated 13th May 2003 relating to PL No. 2204/2003:
  - After expiry of the 3 year exploration period in order to continue exploration or mine development, 2% of the then indicated gold resource on the PLs at the then spot gold price.

(xv) **Post Balance Sheet Events**

- On 16 May 2005 SMCL entered into a joint venture agreement allowing SMCL to exploit the Primary Mining Licences that are held by Shanta Exploration Limited.
- On 26 May 2005 SGHL acquired the entire issued share capital, excepting 1 ordinary share, which SGL holds as nominee, of NML. SGL accepted 1 ordinary share as nominee shareholder for SGHL in order to comply with the requirements of Tanzanian law to have two registered shareholders of any Tanzanian company. On 27 May 2005 an additional 98 shares were allotted to SGHL.
- On 26 May 2005 the entire issued share capital, excepting 1 ordinary share, which SGL holds as nominee, of SMCL was acquired by SGHL. SGL accepted 1 ordinary share as nominee shareholder for SGHL in order to comply with the requirements of Tanzanian Law to have two registered shareholders of a Tanzanian company. On 27 May 2005, an additional 92 shares were allotted to SGHL.
- On 26 May 2005 a new Tanzanian Company, MML, was formed by SGHL and SGL, each holding one share, to hold the Mgusu PL.
- On 27 May 2005 SGHL acquired an additional 98 ordinary shares in the share capital of MML by subscription.
- On 30 May 2005 SMCL transferred its interest in PL No 2179/2003 to NML, for an amount equivalent to the expenditure incurred to date by SMCL.
- On 30 May 2005 SMCL transferred its interest in PL No: 2324/2003 to MML for an amount equivalent to the expenditure incurred to date by SMCL.
- On 20 June 2005 SMCL formalised its loan relationships with both Export Holdings Ltd and Sable Gold (Mauritius) Ltd by issuing loan notes in respect of the outstanding balances due to these companies at 31 March 2005, being:
 

Export Holdings Ltd:	\$2,161,351
Sable Gold (Mauritius) Ltd:	\$2,161,351
- On 20 June 2005 SGHL formalised its loan relationships with both Export Holdings Ltd and Sable Gold (Mauritius) Ltd by issuing loan notes in respect of expenditure incurred on its behalf, being:
 

Export Holdings Ltd:	\$297,848
Sable Gold (Mauritius) Ltd:	\$297,848
- On 20 June 2005 Export Holdings Ltd and Sable Gold (Mauritius) Ltd assigned the loan notes each held from SMCL and SGHL to SGL, each in exchange for the issue of a \$2,459,199 Convertible Loan Note.
- On 20 June 2005 Export Holdings Ltd and Sable Gold (Mauritius) Ltd gave notice to convert, in accordance with the terms of their respective convertible loan note from SGL, and exchanged their loan notes for an allotment of ordinary shares, being:
 

Export Holdings Ltd:	22,499,999
Sable Gold (Mauritius) Ltd:	22,499,999

## Part 5 – Additional Information

### 1. The Company and its Subsidiary Undertakings

#### 1.1 The Company

- (a) The Company was incorporated and registered in Guernsey on 5 May 2005 as a limited liability company under the provisions of the Law, with registered number 43133.
- (b) The Company's registered office is located at Suite A, St Peter Port House, Saumarez Street, St Peter Port, Guernsey GY1 3PG.
- (c) The liability of the members of the Company is limited.

#### 1.2 The Subsidiary Undertakings

The Company is the ultimate holding company directly or indirectly of the following subsidiaries:

<i>Name of Company</i>	<i>Holding</i>	<i>Country of Incorporation</i>	<i>Principal Activity</i>
Shanta Gold Holdings Limited	100%	Guernsey	Holding Company
Shanta Mining Company Limited	100%	Tanzania	Exploration and Mining
Mgusu Mining Limited	100%	Tanzania	Exploration and Mining
Nsimbanguru Mining Limited	100%	Tanzania	Exploration and Mining

### 2. Share capital of the Company

2.1 Since incorporation, the following changes to the authorised and issued share capital of the Company have taken place:

- (a) On incorporation, the authorised share capital of the Company was £30,000 divided into 300,000,000 ordinary shares of 0.01p each, two of which were issued, nil paid, to the subscribers to the memorandum of association.
- (b) On 20 June 2005, 22,499,999 Ordinary Shares of 0.01p each were allotted by the Company to Sable Gold (Mauritius) Limited and on the same date 22,499,999 to Export Holdings Limited through conversion and capitalisation of loan notes held by such companies.

2.2 (a) The authorised and issued fully paid-up share capital of the Company as it is at the date of this document are as follows:

<i>Authorised Share Capital</i>			<i>Issued and Fully Paid Up Share Capital</i>	
<i>£</i>	<i>Number</i>	<i>Ordinary Shares of</i>	<i>£</i>	<i>Number</i>
30,000	300,000,000	0.01p	4,500	45,000,000

(b) The authorised and issued fully paid-up share capital of the Company as it is expected to be on Admission are as follows:

<i>Authorised Share Capital</i>			<i>Issued and Fully Paid Up Share Capital on Admission</i>	
<i>£</i>	<i>Number</i>	<i>Ordinary Shares of</i>	<i>£</i>	<i>Number</i>
30,000	300,000,000	0.01p	6,222.47	62,224,735

- (c) Save as stated in this paragraph 2 there has been no increase or reduction in the authorised or issued share capital of the Company since the date of incorporation.
- (d) The Placing Shares to be issued on Admission will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after Admission on the ordinary share capital.

- 2.3 Save as disclosed in this paragraph 2, no share capital or loan capital of the Company or any of its Subsidiary Undertakings since such Subsidiary Undertakings became wholly owned (other than inter group issues by wholly owned subsidiaries) has been issued for cash or other consideration since the date of incorporation of the Company and no such issue is proposed.

### **3. Memorandum and Articles of Association**

#### **3.1 Memorandum of Association**

The Memorandum of Association of the Company provides that the Company's principal object is, *inter alia*, to carry on business as a general commercial company. The objects of the Company are set out in Clause 3 of its Memorandum of Association.

#### **3.2 Articles of Association**

##### *Voting of class rights and changes of capital*

- (a) If at any time the share capital of the Company is divided into shares of different classes all or any of the rights attached to any share or class of shares may be varied or abrogated in such manner (if any), as may be provided by such rights or in the absence of such provision either with the consent in writing of the holders of not less than three quarters of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class.
- (b) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its shares into shares of a larger amount, cancel any shares not taken or agreed to be taken by any person and sub-divide its shares into shares of a smaller amount or convert all or any of its fully paid shares the nominal amount of which is expressed in a particular currency into fully paid shares of a nominal amount of a different currency, the conversion being effected at the rate of exchange (calculated to not less than three significant figures) current on the date of the resolution or on such other date specified by the resolution.
- (c) The Company may by special resolution reduce its share capital or any capital redemption reserve fund or any share premium account in any way subject to authority required by the Law. Subject to applicable law, the Company may purchase its own shares.

##### *Pre-emption rights on allotment of shares*

The Articles of Association of the Company provide that, the unissued Shares in the Company shall be at the disposal of the Board of Directors.

The Articles of Association of the Company further provide that the Company may resolve before the issue of any new shares that all or some of such new shares shall be offered to the shareholders in proportion to their existing shares at such price as the Company or the Board may fix, and such offers shall be made by notice specifying the number of shares to which the shareholder is entitled and limiting a time within which the offer if not accepted will be deemed to be declined.

##### *Class Meetings*

The provisions of the Articles to general meetings apply *mutatis mutandis* to every such meeting but the necessary quorum is two persons holding or representing by proxy not less than one third of the issued shares of that class.

##### *Votes of members*

Subject to any rights or restrictions as to voting attached to any class of shares, at any general meeting, on a show of hands, every member who is present in person has one vote and, in the case of a poll, every member present in person or by proxy has one vote for every share of which he is the holder. No member is entitled to attend or vote at a general meeting either personally or by proxy if he or any person appearing to be interested in shares held by him has been duly served with a direction notice (as defined in the Articles) and is in default for the prescribed period in supplying to the Company the information required thereby or, unless the Directors determine otherwise, if any calls from him have not been paid.

The quorum for a general meeting shall be two members present in person.

*Directors*

- (a) A director is not required to hold any qualification shares.
- (b) The amount of any fees payable to Directors (in their capacity as such) shall be determined by the Directors provided that they shall not in any year exceed an aggregate amount of US\$100,000 or such other higher amount as may from time to time be approved by ordinary resolution. The Directors are also entitled to be repaid all expenses properly incurred by them respectively in the performance of their duties. Any director holding an executive office or otherwise performing services which in the opinion of the Directors are outside the scope of his ordinary duties as a director may be paid such remuneration as the Directors may determine.
- (c) The Directors may from time to time appoint one or more of their body to be the holder of any executive office (including the office of managing director) on such terms as they think fit provided that a managing director or other director holding executive office must be non-resident in the United Kingdom.
- (d) Subject to the provisions of the Articles of Association of the Company and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a Director notwithstanding his office:
  - (i) may be a party to, or otherwise interested in, any contract or arrangement with the Company or in which the Company is otherwise interested;
  - (ii) may be a director or other officer of, or employed by, or a party to, any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;
  - (iii) may hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of Director and may act in a professional capacity to the Company on such terms as to remuneration and otherwise as the Directors may arrange; and
  - (iv) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such contract, transaction or arrangement or from any interest in any such body corporate, and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.
- (e) Save as specifically provided in the Articles, a Director may not vote in respect of any contract or arrangement in which he is materially interested otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company. A Director will not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (f) Subject to applicable law, a director is (in the absence of some material interest other than is indicated below) entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
  - (i) the giving of any guarantee, security or indemnity in respect of a debt or obligations incurred by him or any other person at the request or for the benefit of the Company or any of its subsidiary undertakings;
  - (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part either alone or jointly with others under a guarantee or indemnity or by the giving of security;
  - (iii) any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting thereof;
  - (iv) any contract or arrangement concerning any other company in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise, provided

that he does not hold an interest in one per cent. or more of the issued shares of any such body corporate;

- (v) any proposal concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to the directors and employees of the Company or any of its subsidiaries;
- (vi) any proposal, contract, transaction or arrangement concerning the purchase or maintenance of insurance for the benefit of directors or persons who include directors.

#### *Transfer of shares*

All transfers of shares may be effected by transfer in any usual form or in any other form acceptable to the Directors and shall be executed by or on behalf of the transferor and, if the share is partly paid, the transferee. The Directors may refuse to register any transfer of a share which is not fully paid or over which the Company has a lien. The Articles do not contain any restriction on the transferability of fully paid shares, provided that the Company has no lien over the shares, the instrument of transfer is in favour of not more than four joint transferees and in respect of only one class of shares.

#### *Dividends and distribution of assets on liquidation*

The Company may be wound up at any time in accordance with the provisions of the Law.

If, in accordance with the provisions of the Law the Company is wound up, the liquidator will, as soon as is practicable, realise the assets of the Company. The liquidator will be required to apply the assets of the Company to satisfy liabilities incurred by the Company and, after paying thereout or retaining adequate provision for all liabilities properly so payable and retaining for the costs of the winding-up, distribute proceeds of that realisation to the holders of Shares, in each case upon production by holders of such evidence as the liquidator may reasonably require as to their entitlement thereto.

The holders of Shares are entitled *pari passu* amongst themselves, but in proportion to the numbers of shares held by them and to the amounts paid up or credited as paid up, to share in the proceeds of realisation.

The liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in specie the whole or any part of the assets of the Company and (whether or not the assets consist of property of one kind or of properties of different kinds) may, for that purpose, value any assets and determine how the division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, again with the sanction of a special resolution of the Company, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the Shareholders as he determines. However no Shareholder shall be compelled to accept any assets on which there is a liability.

#### *Unclaimed dividends*

Any dividend unclaimed after a period of five years from the date of its declaration shall be forfeited and shall revert to the Company.

#### *Takeover Provisions*

Except with the consent of the Board, when:

- (a) any person acquires, whether in a single transaction, or by a series of transactions over a period of time, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of the Company; or
- (b) any person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights and such person, or any person acting in concert with him, acquires additional shares which increase his percentage of the voting rights;

such person (the “Offeror”) shall extend an offer, on the basis set out in Article 39 of the Articles and summarised below, to the holders of all the issued shares in the Company.

Any such offer must be conditional only upon the Offeror having received acceptances in respect of shares which, together with shares acquired or agreed to be acquired before or during the offer, will result in the Offeror and any person acting in concert with it holding shares carrying more than 50 per cent. of the voting rights.

No acquisition of shares which would give rise to a requirement for any offer under this Article may be made or registered if the making or implementation of such offer would or might be dependent on the passing of a resolution at any meeting of shareholders of the Company or upon any other conditions, consents or arrangements.

Any such offers must, in respect of each class of share capital involved, be in cash or be accompanied by a cash alternative at not less than the highest price paid by the Offeror of any person acting in concert with it for shares of that class during the offer period and within 12 months prior to its commencement. The cash offer or the cash alternative must remain open after the offer has become or is declared unconditional as to acceptances for not less than 14 days after the date on which it would otherwise have expired.

No nominee of an offeror or persons acting in concert with it may be appointed as a Director, nor may an offeror and persons acting in concert with it exercise the votes attaching to any shares held in the Company until the offer document has been posted.

Any offer required to be made pursuant to Article 39 of the Articles shall be made on terms that would be required by the then current City Code on Takeovers and Mergers (the “City Code”), save to the extent that the Board otherwise determines.

Except with the consent of the Board, members shall comply with the requirements of the City Code and the Rules Governing Substantial Acquisitions of Shares (the “SARS”), as may from time to time be published by the Panel on Takeovers and Mergers, in relation to any dealings in any shares of the Company and in relation to their dealings with the Company in relation to all matters. Any notice which under the City Code or SARS is required to be given to the Panel on Takeovers and Mergers or any person (other than the Company) shall be given to the Company at the registered office.

If at any time the Board is satisfied that any member having incurred an obligation under Article 39 of the Articles to extend an offer to the holders of all the issued shares in the Company shall have failed so to do, or that any member is in default of any other obligation imposed upon members pursuant to Article 39 of the Articles, then the Board may, in its absolute discretion at any time thereafter by notice (a “Direction Notice”) to such member and any other member acting in concert with such member (together the “Defaulters”) direct that:

- (c) in respect of the shares held by the defaulters (the “Default Shares”) the Defaulters shall not be entitled to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company;
- (d) except in a liquidation of the Company, no payment shall be made of any sums due from the Company on the Default Shares, whether in respect of capital or dividend or otherwise, and the Company shall not meet any liability to pay interest on any such payment when it is finally paid to the member; or
- (e) no other distribution shall be made on the Default Shares.

The Board may at any time give notice cancelling a Direction Notice.

#### *Notification of Interest in Shares*

In accordance with the provisions of the Articles, where any person alone or in concert acquires an interest in shares which amounts to three per cent. or more of the issued share capital of any class of share of the Company, he must notify the Company of his interest within two days following the date he became aware of the acquisition. In addition, for so long as his interest amounts to three per cent. or more of the issued share capital of any class of share of the Company he must notify the Company of any change in his interest amounting to one per cent. or more of the issued share capital of any class of share of the Company within two days following the date on which he became aware of such change. Upon failure to notify the Company the Directors may, in their discretion, serve notice on the person stating that the registered holder is not entitled to vote or otherwise



exercise the rights referred to in Article 6 of the Articles for a period of up to 180 days following the service of such notice.

#### 4. Directors' and other interests

- 4.1 The interests of the Directors (all of which are beneficial unless otherwise stated) in the issued ordinary share capital of the Company which are required to be notified by each Director to the Company under the provisions of the Articles of Association of the Company and which are required to be disclosed in the Register of Directors' Interests required to be maintained pursuant to Article 21.14 of the Articles of Association of the Company as at the date of this document and as they are expected to be on Admission, are as follows:

Director	At Present		On Admission	
	Number of Ordinary Shares	Percentage of Issued Ordinary Share Capital	Number of Ordinary Shares	Percentage of Enlarged Ordinary Share Capital <sup>(3)</sup>
Ketankumar Vinubhai Patel <sup>(1)</sup>	10,406,250	23.13%	10,406,250	16.72%
Walton Norman Brian Imrie <sup>(2)</sup>	6,073,088	13.50%	6,073,088	9.76%
George Sidney John Bennett	Nil	Nil	44,000	0.07%
Walter Egmund Vorwerk	Nil	Nil	22,000	0.04%

(1) Ketankumar Vinubhai Patel is a beneficiary of a trust that owns 50% of Export Holdings Limited. Export Holdings Limited owns 20,812,500 shares in Shanta.

(2) Walton Norman Brian Imrie is a beneficiary of a trust that owns 29.18% of Sable Gold (Mauritius) Limited. Sable Gold (Mauritius) Limited owns 20,812,500 shares in Shanta.

(3) Assuming full subscription under the Placing.

- 4.2 Share Options over the following number of unissued Ordinary Shares, all of which are exercisable at the Placing Price, are intended to be granted to the following Directors under the Option Plan following Admission:

	Number of ordinary Shares under Option <sup>(1)</sup>	% of Enlarged Share Capital
Walton Imrie	168,006	0.27%
George Bennett	416,905	0.67%
Walter Vorwerk	466,685	0.75%
Richard Shead	933,371	1.50%
Ketan Patel	168,006	0.27%
Total	2,152,973	3.46%

(1) Assuming full subscription under the Placing.

- 4.3 The terms of the above grant of Share Options will be as follows:

- The exercise price shall be at the Placing Price;
- the exercise period shall be from the first anniversary of the date of grant up to the day prior to the tenth anniversary of the date of grant;
- There will be no performance conditions.

The Share Options shall vest and be exercisable as follows:

- on or after the first anniversary of the date of grant in respect of 25% of the Ordinary Shares under option;
- on or after the second anniversary of the date of grant in respect of a further 25% of the Ordinary Shares under option;
- on or after the third anniversary of the date of grant in respect of all remaining Ordinary Shares under option.

- 4.4 Save as set out in this paragraph 4, following Admission none of the Directors will have, and no person connected with them is expected to have, any interest in the share capital of the Company or any of its Subsidiary Undertakings.

- 4.5 Save for the above, no Director has or has had any interest, whether direct or indirect, in any transaction which is or was unusual in its nature and conditions or significant to the business of the Company taken as a whole and which was entered into by any member of the Company during the current or immediately preceding financial year or which was effected during any earlier financial year and which remains in any respect outstanding or unperformed.
- 4.6 There are no outstanding loans granted by the Company to any of the Directors nor any guarantees provided by any member of the Company for their benefit.
- 4.7 Other than the holdings of the Directors disclosed in paragraph 4.1 the Directors are aware of the following persons who now or who are expected to be at Admission directly or indirectly interested in three per cent. or more of the ordinary share capital of the Company:

	<i>At Present</i>		<i>On Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Issued Ordinary Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Ordinary Share Capital<sup>(1)</sup></i>
Export Holdings Limited	20,812,500	46.25%	20,812,500	33.45
Sable Gold (Mauritius) Limited	20,812,500	46.25%	20,812,500	33.45
Pipestone Capital Inc.	2,250,000	5.00%	2,250,000	3.62

(1) Assuming full subscription under the Placing.

- 4.8 As at 4 July 2005 (being the last practicable date prior to publication of this document) and save as disclosed in this paragraph 4, the Directors are not aware of any person or persons who, directly or indirectly, jointly or severally, at the date of this document, exercise or could exercise control over the Company.
- 4.9 No Director or any member of a Director's family, have a related financial product referenced to the Ordinary Shares.

## **5. Directors' Service Agreements and Letters of Appointment**

- 5.1 On 5 July 2005, the Company entered into a service agreement with George Bennett to act as an executive director at a current annual salary of US\$159,600, terminable by the Company giving three months' written notice (such notice not to be given earlier than twelve months from Admission). He is also entitled to private medical insurance for himself and his dependents, and to life assurance cover of four times basic salary. The service agreement is conditional upon and takes effect from Admission.
- 5.2 On 5 July 2005, the Company entered into a service agreement with Walter Vorwerk to act as an executive director at a current annual salary of US\$124,500, terminable by the Company giving three months' written notice (such notice not to be given earlier than twelve months from Admission). His service agreement requires him to devote such hours as are necessary to the fulfillment of his duties subject to a minimum commitment of hours equivalent to two days per week. He is entitled to life assurance of four times basic salary. The service agreement is conditional upon and takes effect from Admission.
- 5.3 On 5 July 2005, the Company entered into a letter of appointment with Walton Imrie, to act as non-executive chairman, for a fee of US\$1,500 per board meeting, and to provide life assurance cover of the higher of US\$200,000 and four times his director's fees, terminable by either party giving to the other not less than three months' written notice (such notice not to be given earlier than twelve months from Admission). The appointment is conditional on and takes effect from Admission.
- 5.4 On 5 July 2005, the Company entered into a letter of appointment with Richard Shead, to act as a non-executive director, terminable by either party giving to the other not less than three month's notice (such notice not to be given earlier than twelve months from Admission). No fee will be payable in connection with this appointment, for as long as Richard Shead remains a consultant, as described in paragraph 5.6 below, to the Company. If the consultancy is terminated and Richard remains a director, he shall then be entitled to a fee and life assurance cover at the same level as is then paid to the other non-executive directors. The appointment is conditional on and takes effect from Admission.

- 5.5 On 5 July 2005, the Company entered into a letter of appointment with Ketan Patel, to act as a non-executive director, for a fee of US\$1,500 per board meeting, and to provide life assurance cover of the higher of US\$200,000 and four times his director's fees, terminable by either party giving to the other not less than three months' written notice (such notice not to be given earlier than twelve months from Admission). The appointment is conditional on and takes effect from Admission.
- 5.6 On 5 July 2005, Richard Shead entered into a consultancy agreement with the Company pursuant to which he shall act as a consultant to the Company for a fee of US\$7,500 per month and to life assurance cover at the higher of US\$200,000 and four times the consultancy fee. The consultancy agreement is conditional on and takes effect from Admission and shall continue until terminated upon not less than three months' written notice by either party.
- 5.7 Save as set out in paragraphs 5.1 to 5.6 above, there are no existing or proposed service contracts between the Directors and the Company.
- 5.8 It is estimated that under the arrangements currently in force, the aggregate remuneration be paid to the Directors for the financial period ending 31 December 2005 will be US\$205,050. In addition, Executive Directors are entitled to discretionary bonuses, and discretionary share options.
- 5.9 Change of control provisions apply to the executive and non-executive Directors, such that within one month of the acquisition by any person (and or by any other persons acting in concert with such person) of 50% or more of the issued share capital of the Company, the Directors may give notice of termination of their respective agreements, with immediate effect and on giving such notice will be entitled to payment forthwith of 18 months basic pay or director's consultancy fees.

## **6. Details of the rules of the Option Plan**

- 6.1 The Option Plan was adopted by the Board on 1 July 2005. The rules of the Option Plan ("Rules") provide for the following:
- (a) the Board may select from time to time in its absolute discretion any number of persons who are at the intended date of grant a director, officer or employee of the Group ("Eligible Employee") and grant options to them under the Option Plan;
  - (b) the number of shares in respect of which options may be granted under the Option Plan shall not, when added to the number of shares issued or capable of being issued on exercise of options granted by the Company, under any other employees' option scheme approved by the Company or adopted by the Board, exceed 10% of the shares of the Company in issue from time to time ("Plan Limits"). The Plan Limits shall exclude shares under options which have lapsed or been surrendered and/or any options which were granted prior to Admission;
  - (c) the Board has discretion to require that the exercise of an option may be subject to the satisfaction of performance conditions which must be specified by the Board at the date of grant of the option and set out in detail in the option certificate;
  - (d) if events happen which the Board reasonably considers have affected the viability of the performance conditions and that they no longer represent a fair measure of performance, the Board may waive or vary the performance conditions so long as the variation is not more onerous than the original;
  - (e) it is a condition of the grant of an option that each option holder indemnifies the Company to the extent permitted by law against any charge to income tax and/or national insurance contributions or any similar employment or withholding tax or costs, arising as a consequence of the grant, exercise, disposal or release of an option or in respect of any shares acquired pursuant to the exercise of the option under the Option Plan ("Tax Liability");
  - (f) there should be no monetary consideration for the grant of the option, which shall be effected by way of an option certificate;
  - (g) each option shall be exercisable only by the option holder to whom it is granted and may not be transferred, assigned or charged and the option shall lapse on any purported transfer, assignment or charge;
  - (h) an option holder may exercise an option granted under the Option Plan during a period which shall commence no earlier than the first anniversary of the date of grant and end on the day prior to the tenth such anniversary or end on such earlier date as the Board may have determined at the date of grant of the option ("Exercise Period");

- (i) the Board shall set terms whereby the Option becomes exercisable in respect of a proportion of shares thereunder (“Vesting Terms”/“Vested”) but such Vesting Terms shall be within the Exercise Period;
- (j) the price at which a share subject to an option may be acquired on exercise of the option shall be not less than the higher of the nominal value of the share and the market value of the share on the date of grant (“Option Price”);
- (k) a option may not ordinarily be exercised prior to the commencement of the Exercise Period nor in any event after the expiry of the Exercise Period nor during any close period or by an option holder at any time when he is not an Eligible Employee save as specifically provided for in the Rules;
- (l) the option shall cease to be exercisable and shall lapse forthwith:
  - (i) on the expiry of the Exercise Period;
  - (ii) when an option holder does anything the result of which would be that he would or might be deprived of legal or beneficial ownership of the option;
  - (iii) when an option holder ceases to be an Eligible Employee (save in certain circumstances); or
  - (iv) on any lapsing events arising from the assignment or transfer of the option, the takeover of the Company, or the winding up of the Company;
- (m) if an option holder, while continuing to hold an office or employment with the Group is transferred to work in another country and as a result of the transfer the option holder will either becomes subject to a liability to tax in the country to which he is transferred or becomes subject to restrictions on his ability to exercise the option or deal in the shares he will acquire on the exercise of the option under the laws of the country to which he is transferred, the Board may at its discretion permit the option holder to exercise the option in the period commencing three months before and ending three months after the transfer date;
- (n) Subject to any performance conditions having been satisfied and so long as the option has vested, save in the event the Board uses its discretion to waive such vesting requirement:
  - (i) if an option holder dies before exercising an option which has not lapsed at a time when he is an Eligible Employee, the option may (and must if at all) be exercised by his personal representatives within the period ending on the earlier of the expiry of the period of twelve months after the date of death and the expiry of the Exercise Period, failing which the option shall lapse;
  - (ii) if an option holder ceases to be an Eligible Employee by reason of ill-health, injury, disability, redundancy, or retirement then an option may be exercised at any time up to the last day of the six months following the date of cessation, and an option not so exercised shall automatically lapse;
  - (iii) if an option holder ceases to be an Eligible Employee for any reason whatsoever other than as specified in paragraphs n(i) and n(ii) above then an option not exercised by the time of cessation shall immediately cease to be exercisable and shall lapse three months after the cessation of employment unless within three months the Board in its absolute discretion permits the option to be exercised, in which event the option may be so exercised but failing which it shall lapse;
- (o) in the event of a change of control of the Company an option holder may within certain specified periods exercise an option notwithstanding any performance conditions which may be attached to the option and whether or not the option has vested. Any option which is not exercised shall lapse at the end of the specified period;
- (p) if at any time holders of any shares in the Company enter into negotiations which will or may give rise to a change of control of the Company (“Sale”), the Board on becoming aware of such negotiations shall make representations to such shareholders to procure that each option holder shall be given the opportunity to join in such a Sale and if an opportunity is so given the Board shall notify each option holder (so long as the proposed Sale is not confidential and sensitive) and each option holder may, if (but only if) he agrees to join in such Sale in respect

- of all the shares under option held by him but if not so exercised the option shall lapse upon such completion of the Sale;
- (q) in the event of a Sale and such an opportunity is not given to each option holder but pursuant to negotiations the Sale is completed, each option holder may exercise his options within six months after such completion but if not so exercised the option shall lapse;
  - (r) if the Board enters into negotiations in respect of the sale of the whole of the business or assets of a Company it shall inform all option holders and each option holder shall be entitled to exercise his options within such reasonable time period as permitted by the Board, prior to and subject to the completion of the sale but in the event there is no such completion any purported exercise shall be invalid;
  - (s) in the event that the Company is acquired by another company any option holder may by agreement with the acquiring company at any time within certain time periods release his rights in respect of any option held under the Option Plan in consideration of the grant to him of rights which relate to shares in the acquiring company or a company associated with the acquiring company;
  - (t) in the event of any increase or variation of the capital of the Company by way of capitalisation or rights issues, or sub-division, consolidation redemption or reduction or otherwise the Board may make appropriate adjustments to the number of shares in respect of which an option may be exercised and the Option Price;
  - (u) pursuant to paragraph (t) above, except in the case of a capitalisation issue no adjustment may be made without the prior confirmation in writing by the auditors of the Company that such adjustment is in their opinion fair and reasonable and no adjustment shall be made as a result of which the aggregate amount payable on exercise of an option in full would be increased;
  - (v) if at any time while an option remains unexercised, notice is given at a general meeting of the Company at which a resolution will be proposed for the voluntary liquidation of the Company, any option which has not lapsed prior to the resolution shall be exercisable in whole or in part until the commencement of such winding up, but if not so exercised it shall lapse on such commencement;
  - (w) the Board may by resolution at any time alter the Rules as it thinks fit but no alteration shall be made which would materially increase the liability of any option holder or which would materially decrease the value of the subsisting rights attached to his options without in each case the option holder's prior written consent;
  - (x) participation in the Option Plan by an option holder shall not form part of his entitlement to remuneration or benefits pursuant to his contract of employment and rights granted to an option holder upon the grant of an option shall not afford him any rights to compensation or damages in consequence of the loss or termination of his office or employment with the Company for any reason whatsoever;
  - (y) the governing law for the Rules and the Option Plan and any document executed in connection therewith shall in all respects be covered by the laws of Guernsey.
- 6.2 It is intended to grant Share Options to the Directors, following Admission and as set out in paragraph 4.2 of this Part 5, over Ordinary Shares in respect of 3.46% of the Enlarged Share Capital ("Directors' Options") and Share Options to the Tanzanian management over 2.61% of the Company's Enlarged Share Capital following Admission ("Management Options") in each case, assuming full subscription under the Placing. The terms of the grant of the Management Options shall be the same as the terms of the Directors' Options.

## **7. Additional Information on the Board**

- 7.1 In addition to directorships of the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships, within the five years prior to the date of this document:

<i>Director</i>	<i>Current Directorships / Partnerships</i>	<i>Past Directorships / Partnerships</i>
Walton Imrie	Sable Gold (Mauritius) Limited Shanta Mining Company Limited Superstrike Investment 29 (Pty) Ltd Zelpy 2722 (Pty) Ltd	Francistown Mining & Exploration Limited Simmer & Jack Mines Limited S & J Landholdings Limited
George Bennett	Casadove Props 13 (Pty) Limited Double Ring Trading (Pty) Limited Shanta Mining Company Limited	Ferguson Bros Limited HSBC Securities SA Limited Imara SP Reid (Pty) Limited
Walter Vorwerk	Equip Securities Consultants (Pty) Ltd Interstices (Pty) Ltd	Advanced Mining Software Limited African Gold and Base Metals Holdings Limited AGRe Insurance Company Limited Anglo American (O.F.S.) Housing Company Limited AngloGold Offshore Investments Limited Aquarius Platinum Limited Aquarius Platinum (SA) (Pty) Limited Biprops 76 (Proprietary) Limited Dagga Number One (Proprietary) Limited Dagga Number Two (Proprietary) Limited Deelkraal Gold Mining Company Limited East Rand Gold and Uranium Company Limited Eastern Gold Holdings Limited Eastland Centre (Proprietary) Limited Eastvaal Gold Holdings Limited Elandsrand Gold Mining Company Limited Eria Limited Amazing Laundry (Proprietary) Limited Free State Consolidated Gold Mines (Operations) Limited Free State Consolidated Gold Mines Limited Garbin Holdings Limited Goldridge Gold Mining Company (Proprietary) Limited H J Joel Gold Mining Company Limited I.S.S. Pacific (Pty) Limited Inter-Mine Services O.F.S. (Pty) Limited International Gold Corporation Limited

<i>Director</i>	<i>Current Directorships / Partnerships</i>	<i>Past Directorships / Partnerships</i>
Walter Vorwerk		ISS Geophysics (Proprietary) Limited ISS International Limited Jeannette Gold Mines Limited KX Technology Limited (UK) La Riviera (Pty) Limited Laelia Limited Lamprey Investment Holdings Limited Lycaste Limited Masakhisane Investment Limited Metisella Investments Limited Naledi Mining Services (Pty) Limited Northern Gold Holdings Limited Nuclear Fuels Corporation of South Africa (Proprietary) Limited Nufcor International Limited Orange Free State Investments Limited Oro Group (Proprietary) Limited Rand Refinery Limited Risana Estates Limited ISS Geophysics (Pty) Limited ISS Geophysics (Pty) Limited Southvaal Holdings Limited Stone and Allied Industries (O.F.S.) Limited Transvaal Sand Supply Company (Proprietary) Limited Vyfhoek Exploration and Mining Company Limited Welkom Gold Holdings Limited Welkom Gold Investments Limited Weltevreden Mines Limited Western Deep Levels Limited Western Reefs Exploration and Development Company Limited Western Ultra Deep Levels Limited
Ketan Patel	Cielmac Limited Hotel Sea Cliff Limited Export Holdings Limited Export Trading Company Limited Nsimbanguru Mining Company Limited Shanta Mining Company Limited Techno Brain (T) Limited	

<i>Director</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships / Partnerships</i>
Richard Shead	Craighill Nominees (Pty) Limited High-Tech Nominees Limited Inhlasi Mining (Pty) Limited MFC Exploration (Pty) Limited Mbewu Resources (Pty) Limited Mineral Enhancement S A (Pty) Limited Northridge Field Operations (Pty) Limited Portion 2 of ERF 206 Bedfordview CC R N H Style Management Services (Pty) Limited Southern Prospecting (Pty) Limited Southern Prospecting Holdings (Pty) Limited Southern Prospecting Management Services (Pty) Limited S P Mineral Rights (Pty) Limited Zarara Energy Limited	Benguela Concessions Limited Benguela Nominees (Pty) Limited Benguela Concessions (Namibia) (Pty) Limited East Daggafontein Mineral Holdings (Pty) Limited Incentive Holdings (Pty) Limited Industrial & Commercial Holdings Group Limited Marine West Diamond Concessions Holders (Pty) Limited Moonstone Diamonds S A (Pty) Limited Moonstone Diamonds (Namibia) (Pty) Limited Mvelaphanda Resources Limited Ndowana Exploration (Pty) Limited Oxus Mining Plc

## 7.2 None of the Directors have:

- (a) any unspent convictions in relation to indictable offences;
- (b) had any bankruptcy order made against him or made an individual voluntary arrangement;
- (c) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (e) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he as a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (f) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

## 8. Warrants

### 8.1 Placing Warrants

The Placing Warrants are constituted pursuant to an instrument dated 5 July 2005 by the Company. Each Placing Warrant entitles the holder upon exercise and payment of 30 pence to the allotment and issue of one Ordinary Share, fully paid. The Placing Warrants are exercisable at any time up to the second anniversary of Admission (“Final Subscription Date”). One Placing Warrant will be issued in respect of each Ordinary Share held by Shareholders and each Placing Share subscribed for pursuant to the Placing.

Ordinary Shares allotted or transferred pursuant to the exercise of Placing Warrants will rank *pari passu* in all respects with the Ordinary Shares in issue on the date of exercise of the Placing Warrants.



The number of Ordinary Shares the subject of the Placing Warrants, and/or the exercise price is subject to adjustment, in accordance with the terms of a certificate to be obtained by the Company from its auditors as to the appropriate adjustments, upon the occurrence of certain events or circumstances, including any sub-division, consolidation or reduction of capital of the Company.

In the case of any offer or invitation (whether by rights issue or otherwise) made by the Company to the holders of Ordinary Shares, or any offer or invitation to the holders of Ordinary Shares made otherwise than by the Company, prior to the Final Subscription Date, the Company is required, so far as it is able, to procure that at the same time a like offer or invitation is made to the holders of the Placing Warrants as if their Placing Warrants had been exercised on the day immediately preceding such offer or invitation. In the case of any offer or invitation made by the Company, the Directors may resolve not to extend the offer or invitation to the holders of the Placing Warrants subject to the subscription price payable upon the exercise of the Placing Warrants being adjusted in such a manner as the auditors of the Company shall certify to be appropriate.

If an order is made or an effective resolution is passed on or before the Final Exercise Date for the voluntary winding up of the Company each holder of the Placing Warrants is entitled to be treated as if he had immediately before the date of passing of the resolution fully exercised his rights to acquire Ordinary Shares pursuant to his Placing Warrants and is entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such a sum as he would have received had he been the holder of all such Ordinary Shares to which he would have become entitled by virtue of such exercise, after deducting a sum equal to the amount which would have been payable in respect of such exercise.

All or any of the rights for the time being attached to the Placing Warrants may from time to time be altered or abrogated with the consent in writing of the Company and with the consent in writing of holders of the Placing Warrants entitled to acquire not less than 75% of the Ordinary Shares which are subject to outstanding Placing Warrants or with the sanction of an extraordinary resolution of the holders of the Placing Warrants passed at a separate meeting of the holders of the Placing Warrants.

In the case of any offer or invitation made to holders of the Ordinary Shares to acquire the whole or any part of the issued ordinary share capital of the Company made before the Final Subscription Date, the Company shall so far as it is able to procure that a like offer or invitation is made or extended at the same time to each holder of Placing Warrants.

## **8.2 Adviser Warrants**

The Adviser Warrants are constituted pursuant to instruments dated 5 July 2005 by the Company. Each Adviser Warrant entitles the holder upon exercise and payment of 25 pence to the allotment and issue of one Ordinary Share, fully paid. The Adviser Warrants are exercisable at any time up to the third anniversary of Admission (“Final Subscription Date”).

The Company will, conditional upon Admission, issue in aggregate 2,488,989 and 248,898 Adviser Warrants to WH Ireland and Argent Partners respectively. If exercised in full the Ordinary Shares to be issued up on exercise of the Advisors Warrants will represent 4.4% of the Enlarged Share Capital (assuming full subscription under the Placing).

Ordinary Shares allotted or transferred pursuant to the exercise of Adviser Warrants will rank *pari passu* in all respects with the Ordinary Shares in issue on the date of exercise of the Adviser Warrants.

The number of Ordinary Shares which are the subject of the Adviser Warrants, and/or the exercise price is subject to adjustment, in accordance with the terms of a certificate to be obtained by the Company from its auditors as to the appropriate adjustments, upon the occurrence of certain events or circumstances, including any sub-division, consolidation or reduction of capital of the Company.

In the case of any offer or invitation made to holders of the Ordinary Shares to acquire the whole or any part of the issued ordinary share capital of the Company made before the Final Subscription Date, the Company shall so far as it is able to procure that a like offer or invitation is made or extended at the same time to each holder of Adviser Warrants.

If an order is made or an effective resolution is passed on or before the Final Exercise Date for the voluntary winding up of the Company each holder of the Adviser Warrants is entitled to be treated as if he had immediately before the date of passing of the resolution fully exercised his rights to

acquire Ordinary Shares pursuant to his Advisor Warrants and is entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such a sum as he would have received had he been the holder of all such Ordinary Shares to which he would have become entitled by virtue of such exercise, after deducting a sum equal to the amount which would have been payable in respect of such exercise.

All or any of the rights for the time being attached to the Advisor Warrants may from time to time be altered or abrogated with the consent in writing of the Company and with the consent in writing of holders of the Advisor Warrants.

## **9. Material contracts**

The following contracts, not being contracts entered into the ordinary course of business, have been entered into by the Group within the two years prior to the date of this document and are, or may be, material:

### **9.1 Nominated Adviser Agreement**

On 1 March 2005, the Nominated Adviser Agreement was entered into between (1) the Company and (2) WH Ireland pursuant to which WH Ireland has been appointed to act as nominated adviser to the Company conditional upon Admission. WH Ireland is to be paid an annual advisory fee of £15,000 plus VAT and expenses for its services as nominated adviser.

The Nominated Adviser Agreement contains indemnities from the Company in favour of WH Ireland together with provisions enabling WH Ireland to terminate the Nominated Adviser Agreement prior to Admission if market conditions are unsuitable for the Placing and Admission to be successful.

The appointment is for an initial period of 12 months and thereafter terminable upon six months notice given by either party. The Company need not wait until the expiry of six months notice before appointing a new nominated adviser. The appointment can be terminated immediately by either party in the case of a material breach of the terms of the Nominated Adviser Agreement.

### **9.2 Placing Agreement**

On 5 July 2005, the Placing Agreement was entered into between (1) the Company, (2) the Directors, (3) WH Ireland and (4) Haywood pursuant to which WH Ireland and Haywood have agreed to use their reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. Neither WH Ireland nor Haywood is under any obligation to subscribe for any Placing Shares for which it is unable to procure subscribers. The Placing Agreement contains, *inter alia*, warranties and indemnities from the Company and the Directors (the Directors' liability being capped) in favour of WH Ireland and Haywood together with provisions enabling WH Ireland and Haywood to terminate the Placing Agreement prior to Admission if certain warranties are found not to be true or accurate in any material respect.

WH Ireland will upon Admission receive a corporate finance fee of £55,000, a broking success fee of £15,000 and be issued with 2,488,989 Adviser Warrants. In addition, WH Ireland will receive a commission of 2.5 per cent. of the aggregate of the Placing Shares multiplied by the Placing Price, together with a further commission of 2.5 per cent. of such number of Placing Shares in respect of which Placees have been procured by WH Ireland multiplied by the Placing Price. Haywood will be entitled to be reimbursed for all its expenses and will share the commissions payable to WH Ireland on a 50:50 basis. In addition, 50% of the Adviser Warrants to be allotted to WH Ireland will be assigned to, or issued, at the direction of WH Ireland to Haywood.

### **9.3 Broker Agreement**

On 3 March 2005, a Broker Agreement was entered into between (1) the Company and (2) WH Ireland under which, conditional upon Admission, WH Ireland has been appointed as Broker to the Company for an initial period of 12 months and to continue thereafter unless terminated on one month's notice. In consideration of its services as Broker to the Company, WH Ireland shall be paid an annual fee of £15,000 plus VAT and expenses. The Broker Agreement also contains indemnities from the Company in favour of WH Ireland.

#### **9.4 Lock-in Agreement**

By an agreement dated 5 July 2005, (1) the Company, (2) WH Ireland, (3) Haywood and (4) the Directors, Export Holdings Limited, and Sable Gold (Mauritius) Limited entered into a lock-in agreement, pursuant to which they have undertaken to the Company, Haywood and WH Ireland that they will not sell or dispose of, except in certain circumstances, their respective interests in Ordinary Shares for a period of 12 months from Admission and thereafter, for a period of 6 months, except through the broker of the Company for the time being who may in its discretion, acting reasonably, refuse, or impose restrictions, with a view to maintaining an orderly market in the Ordinary Shares.

#### **9.5 SEL Joint Venture Agreement**

A joint venture agreement between SMCL and SEL dated 16 May 2005 (amended and superseded on 30 June 2005) pursuant to which SMCL has agreed to assume various obligations of SEL under the terms of various sale agreements and various purchase option agreements in respect of the acquisition by SEL of PMLs. SMCL is granted the exclusive rights to undertake prospecting, exploration and mining activities in accordance with the conditions of the PMLs. Upon the instruction of SMCL, SEL agrees that it will exercise its option, acquire the relevant PML and thereafter surrender the relevant PML (the intention being that SMCL would simultaneously apply for its relevant PL to be extended to incorporate the area formerly covered by the surrendered PML). In addition, the agreement gives SMCL the right to have PL 2493, covering the same area with the same coordinates as those in respect of which PL 1893/2002 had been issued to SMCL, which is currently under application by SEL, transferred into its ownership in the event that SEL is granted the PL.

SMCL has the right to elect to ask SEL to take various actions under the agreement in consideration for paying to SEL a royalty of 2.5% of net income derived from any mining operations arising from the exploitation of an area covered by the relevant PML. The SEL Joint Venture Agreement also contains certain indemnities given by each of SMCL and SEL.

#### **9.6 Lakota Joint Venture Agreement**

Joint venture agreement between SMCL and Lakota Resources Inc. (“Lakota”), dated 26 February 2004.

Lakota is the current holder of prospecting PL 1533/2000 relating to the Musoma District with an area of approximately 18.8km<sup>2</sup>.

SMCL has made an initial payment of US\$25,000 to Lakota and undertaken to expend US\$50,000 on the PL area within 6 months of signing the agreement and thereafter US\$50,000 in every 6 month period until a pre-feasibility study has been completed.

In addition, SMCL has agreed to pay to Lakota US\$30,000 and US\$40,000 on the first and second anniversaries respectively of the agreement and to pay US\$50,000 on each of the third, fourth and fifth anniversary.

On completion of the pre-feasibility study, SMCL will, assuming all conditions have been met, have earned a 65% interest in the PL. Upon the completion of a bankable feasibility study, SMCL can earn a further 10% interest in the PL. Having achieved a 75% interest in the PL, all further expenditure will be met by SMCL and Lakota on a 75:25 split respectively.

All of SMCL's conditions under this agreement have been met as at the date of this document.

#### **9.7 Placer Joint Venture Agreement**

Joint venture agreement between Placer Dome Exploration (Africa Eurasia) Limited (“Placer”) and SMCL dated 6 August 2004 (amended 24 November 2004).

The agreement relates to PL 1893/2002 and 1894/2002 relating to the Nyamwaga area and provides an option for Placer to earn an 80% interest in those PLs.

On 20 February 2005 PL 1893/2002 expired. An application, number 2493, for a new PL over the same area with the same coordinates as those in respect of which PL 1893/2002 had been issued to SMCL, has been made by SEL. If SEL is granted this PL, SMCL has the option to have the PL transferred to its ownership. Under circumstances where SMCL secures ownership of PL 2493, the area will continue to be subject to the joint venture agreement with Placer.

Placer paid US\$20,000 to SMCL following the completion of its due diligence exercise, and to maintain its rights will pay a further US\$20,000 on or before the first anniversary of the agreement. In addition, under the agreement, Placer is required to expend US\$500,000 on work costs on the property comprised in the said PLs on or before the fourth anniversary of the agreement.

Upon Placer satisfying the above payment requirements, it will be deemed to have exercised its option and will have earned an 80% interest in the said PLs, it is then the intention that Placer and SMCL will incorporate a mining company into which SMCL will transfer the PL or PLs. The initial share structure of such a company will be 80:20 to Placer and SMCL respectively.

### **9.8 Potentially Material Payments Relating to the Acquisition of Certain PLs**

SMCL has acquired certain PLs under agreements which provide for payments to be made to the party from whom the PL was acquired under certain circumstances. Payments under these agreements are unquantifiable at this time, but may be material and may cause the Company to have a material cash requirement at some time in the future. Details of these potential payments are summarised below:

- (1) Agreement dated 15 October 2003 between SMCL and M/S I. M Holdings Company Limited relating to PL 2365/2003:
  - US\$ 2.0 per ounce of any recoverable gold contained in the proven and probable reserves report within thirty (30) days of commencement of production on the PL 2365/2003 area.
- (2) Agreement dated 4 October 2003 between SMCL and M/S GL Josue & JB Joel relating to PL 2383/2003, PL 2381/2003, PL 2382/2003 and PL 2384/2003:
  - US\$ 2.00 per ounce of any recoverable gold contained in the proven and probable reserve report within 30 days of commencement of production on the PL 2383/2003, PL 2381/2003, PL 2382/2003 and PL 2384/2003 areas.
- (3) Agreement dated 24 September 2003 between SMCL and Jaha Investment Limited relating to PL 2301/2003, PL 2325/2003 and PL 2349/2003:
  - After expiry of the 5 year exploration period in order to continue exploration or mine development, 2% of the then indicated gold resource on the PL 2301/2003, PL 2325/2003 and PL 2349/2003 areas at the then gold price.
- (4) Agreement dated 24 September 2003 between SMCL and APhi General Enterprises Limited relating to PL 2334/2003:
  - After expiry of the 5 year exploration period in order to continue exploration or mine development, 2% of the then indicated gold resource on the PL 2334/2003 area at the then gold price.
- (5) Agreement between SMCL and M.T.D Mining Company Limited dated 13 May 2003 relating to PL 2204/2003:
  - After expiry of 3 the year exploration period in order to continue exploration or mine development, 2% of the then indicated gold resource on the PL 2204/2003 area at the then spot gold price.

### **9.9 Advisers' Warrants**

By warrant instruments dated 5 July 2005 the Company constituted the Adviser Warrants. The terms of the Adviser Warrants are set out in warrant instruments dated 5 July 2005 the terms of which are identical, further details of which are set out in paragraph 8.2 of this Part 5 of this document.

### **9.10 Placing Warrants**

By a warrant instrument dated 5 July 2005 the Company constituted the Placing Warrants. The terms of the Placing Warrants are set out in a warrant instrument dated 5 July 2005 further details of which are set out in paragraph 8.1 of this Part 5 of this document.

### 9.11 Pre-emption Agreement

On 30 June 2005, (1) SMCL and (2) Mahesh Patel, Ketan Patel, Walton Imrie, Maurice Emery, Sapremkumar Patel, SEL and Antoneta Fialho (“the Covenantors”) entered into an agreement pursuant to which the Covenantors have granted to SMCL a right of first refusal in respect of all gold exploration projects in Tanzania which are offered to them. The Covenantors have also undertaken not to compete with the business of SMCL in Tanzania for three years from the date of the agreement.

## 10. Reorganisation

The following are the principal steps which constitute the Reorganisation:

- On 5 May 2005 two new Guernsey companies, Shanta and SGHL were formed by Sable Gold (Mauritius) Ltd and Export Holdings Ltd to act as holding companies for the Group’s projects.
- On 16 May 2005, SMCL entered into the SEL Joint Venture Agreement with SEL.
- On 26 May 2005 SGHL acquired the entire issued share capital, excepting 1 ordinary share, which Shanta holds as nominee, of NML from Sable Gold (Mauritius) Ltd and Export Holdings Ltd. Shanta accepted 1 ordinary share as nominee shareholder for SGHL in order to comply with the requirements of Tanzanian law to have two registered shareholders of any Tanzanian company.
- On 26 May 2005 SGHL acquired the entire issued share capital, excepting 1 ordinary share, which Shanta holds as nominee, of SMCL. Shanta accepted 1 ordinary share as nominee shareholder for SGHL in order to comply with the requirements of Tanzanian Law to have two registered shareholders of a Tanzanian company.
- On 26 May 2005 a new Tanzanian company, MML, was formed by SGHL and Shanta, holding one share each, to hold the Mgusu PL.
- On 27 May 2005 an additional 98 ordinary shares in NML were allotted to SGHL.
- On 27 May 2005 an additional 92 ordinary shares in SMCL were allotted to SGHL.
- On 27 May 2005 an additional 98 ordinary shares in MML were allotted to SGHL.
- On 30 May 2005, SMCL transferred its interest in PL 2179/2003 to NML, for an amount equivalent to the expenditure incurred to date by SMCL.
- On 30 May 2005, SMCL transferred its interest in PL 2324/2003 to MML for an amount equivalent to the expenditure incurred to date by SMCL.
- On 20 June 2005, SMCL formalised its loan relationships with both Export Holdings Ltd and Sable Gold (Mauritius) Ltd by issuing loan notes in respect of the outstanding balances due to these companies at 31 March 2005, being:
 

Export Holdings Ltd:	\$2,161,351
Sable Gold (Mauritius) Ltd:	\$2,161,351
- On 20 June 2005, SGHL formalised its loan relationships with both Export Holdings Ltd and Sable Gold (Mauritius) Ltd by issuing loan notes in respect of expenditure incurred on its behalf, being:
 

Export Holdings Ltd:	\$297,848
Sable Gold (Mauritius) Ltd:	\$297,848
- On 20 June 2005, Export Holdings Ltd and Sable Gold (Mauritius) Ltd assigned the loan notes each held from SMCL and SGHL to Shanta, each in exchange for the issue of a \$2,459,199 Convertible Loan Note.
- On 20 June 2005, Export Holdings Ltd and Sable Gold (Mauritius) Ltd gave notice to convert, in accordance with the terms of their respective convertible loan note from Shanta, and exchanged their loan notes for an allotment of ordinary shares, being:
 

Export Holdings Ltd:	22,499,999
Sable Gold (Mauritius) Ltd:	22,499,999

**11. Prospecting Licences**

A list of PLs issued by the Tanzanian Government directly to SMCL is as shown in Table 1 below:

**Table 1**

	<i>PL No.</i>	<i>Location</i>	<i>Licence Holder</i>	<i>Date Issued</i>	<i>Ist Renewal Date</i>	<i>Area</i>	<i>Valid to</i>
1.	2179/2003	Nsimbanguru	SMCL	26/03/03	25/03/06	85.27	25/03/06
2.	2202/2003	Undewa Hills	SMCL	10/04/03	09/04/06	119.40	09/04/06
3.	2255/2003	Masikiro	SMCL	06/06/03	05/06/06	155.10	05/06/06
4.	2846/2004	Ihanja-Issuna	SMCL	08/11/04	07/11/07	100.30	07/11/07
5.	2848/2004	Ihanja-Ngongosoro	SMCL	08/11/04	07/11/07	129.90	07/11/07
6.	2852/2004	Ihanja-Ikungi (Block I)	SMCL	08/11/04	07/11/06	265.50	07/11/06
7.	2853/2004	Ihanja-Ikungi (Block II)	SMCL	08/11/04	07/11/06	95.78	07/11/06
8.	2847/2004	Ihanja-Issuna	SMCL	08/11/04	07/11/06	205.10	07/11/06
9.	2851/2004	Ilongero	SMCL	08/11/04	07/11/06	220.30	07/11/06
10.	2792/2004	Misughaa Mponde	SMCL	30/10/04	29/10/07	71.83	29/10/07
11.	2789/2004	Kwasasa-Mkurusi	SMCL	30/10/04	29/10/06	153.50	29/10/06
12.	2876/2004	Makata-Mkurusi	SMCL	22/11/04	21/11/07	120.00	21/11/07
13.	2791/2004	Makoro-Peramiho (A)	SMCL	30/10/04	29/10/07	43.10	29/10/07
14.	2854/2004	Lukwati (Ivunampemb)	SMCL	08/11/04	07/11/06	94.46	07/11/06
15.	2790/2004	Lithui/Mbinga	SMCL	30/10/04	29/10/07	41.92	29/10/07
16.	2787/2004	Malambangombe/Chunya	SMCL	30/10/04	29/10/07	15.86	29/10/07
17.	2788/2004	Kigonsera-Magagura	SMCL	30/10/04	29/10/07	64.33	29/10/07
18.	2786/2004	Makoro-Peramiho (B)	SMCL	30/10/04	29/10/07	100.90	29/10/07
19.	2850/2004	Kapalal/Chunya	SMCL	08/11/04	07/11/07	103.40	07/11/07
20.	2849/2004	Ngwala (Ilombwa Hills)	SMCL	08/11/04	07/11/06	213.60	07/11/06
21.	3093/2005	Singida	SMCL	10/03/05	09/03/08	91.86	09/03/08

A list of PLs issued by the Tanzanian Government initially to third party licencees and subsequently transferred to SMCL under various agreements is as shown in Table 2 below:

**Table 2**

	<i>PL. No.</i>	<i>Location</i>	<i>Original Licence Holder</i>	<i>Date Issued</i>	<i>Date of Transfer Acknowledgement</i>	<i>Sq.km</i>	<i>Valid up to</i>
1.	2189/2003	Ilangali	Sanasi Freight Express. Ltd.	28/03/03	14/07/03	51.15	27/03/06
2.	2220/2003	Iluma	Sanasi Freight Express. Ltd.	28/04/03	13/01/04	157.10	27/04/06
3.	2460/2004	Kahama	Sanasi Freight Express. Ltd.	11/03/04	26/11/04	51.40	10/03/07
4.	2324/2003	Mugusu	Catheleen Mapunda	08/09/03	29/03/05	1.67	07/09/06
5.	1808/2001	Singida	Sanasi Freight Express. Ltd.	19/10/01	23/11/04	72.33	18/10/06
6.	2512/2004	Ihanja & Ngongosoro	Afri- Reef Exploration Ltd.	18/05/04	12/07/04	143.60	17/05/07
7.	2537/2004	Ihanja	I.M Holding Company Ltd.	24/05/04	12/07/04	154.00	23/05/07
8.	2538/2004	Ihanja	I.M Holding Company Ltd.	24/05/04	17/08/04	154.00	23/05/07
9.	2532/2004	Ihanja	Sabani Musa	24/05/04	05/04/05	42.75	23/05/07
10.	2365/2003	Ikungi Singida	I.M Holding Company Ltd.	17/11/03	10/03/04	164.2	16/11/06
11.	2383/2003	Singida	GL Josue & JB Joel	10/12/03	12/07/04	119.7	09/12/06
12.	2384/2003	Singida	GL Josue & JB Joel	10/12/03	12/07/04	136.6	09/12/06
13.	2381/2003	Singida	GL Josue & JB Joel	10/12/03	12/07/04	95.76	09/12/06
14.	2382/2003	Singida	GL Josue & JB Joel	10/12/03	12/07/04	68.4	09/12/06
15.	2325/2003	Mangonyi Singida	Jaha Investment Ltd.	11/09/03	18/05/05	41.04	10/09/06
16.	2301/2003	Suna Singida Rural	Jaha Investment Ltd.	18/08/03	18/05/05	95.73	17/08/06
17.	2349/2003	Suna Singida Rural	Jaha Investment Ltd.	31/10/03	18/05/05	171	30/10/06
18.	1894/2002	NyamwaNga North	Sanasi Freight Express Ltd.	25/02/02	04/07/03	22.18	25/02/07
19.	2047/2002	Mulela/ Mpanda	Sanasi Freight Express Ltd.	18/11/02	(Note 1)	171.1	18/11/05
20.	2942/2004	Shinyanga	Sanasi Freigh Express Ltd.	18/12/04	(Note 1)	41.25	13/12/07
21.	3086/2005	Singida	Isihaka Balama	10.03.05	05/04/05	41.03	10/03/08
22.	2334/2003	Kiabakari Musoma	Aphi General Enterprises Ltd.	2/10/03	16/05/05	24.03	01/10/06
23.	2204/2003	Suguti Musoma	MTD Mining Company Ltd.	28/4/03	16/05/05	68.66	27/04/06

*Note 1: PLs not to be renewed*

## 12. Primary Mining Licences

The following PMLs exist on ground within the Company's PL areas

### 12.1 Katario PL 2334/2003

<i>PML No</i>	<i>Latitude</i>	<i>Longitude</i>	<i>Easting UTM</i>	<i>Northing UTM</i>	<i>PML Owner</i>	<i>Option Agreement</i>	<i>Area</i>
232A	S01°48'44.00"	E033°45'42.00"	584716	9799695	Mr N Musira	Yes	8.36 Ha
232B	S01°48'27.00"	E033°45'42.00"	584717	9800217			
232C	S01°48'27.00"	E033°45'49.00"	584933	9800217			
232D	S01°48'44.00"	E033°45'49.00"	584933	9799695			
234A	S01°48'44.00"	E033°45'48.00"	584902	9799695	Mr J Magessa	Yes	8.36 Ha
234B	S01°48'51.00"	E033°45'48.00"	584902	9799480			
234C	S01°48'51.00"	E033°46'07.00"	585489	9799480			
234D	S01°48'44.00"	E033°46'07.00"	585489	9799695			
403A	S01°48'29.00"	E033°45'53.00"	585056	9800155	Mr S Odongo	Yes	10.47 Ha
403B	S01°48'29.00"	E033°45'46.00"	584840	9800155			
403C	S01°48'13.00"	E033°45'46.00"	584840	9800647			
403D	S01°48'13.00"	E033°45'53.00"	585057	9800647			
404A	S01°47'25.00"	E033°46'07.00"	585490	9802120	Mr S Odongo	No	10.53 Ha
404B	S01°47'31.00"	E033°46'11.00"	585613	9801936			
404C	S01°47'38.00"	E033°45'55.00"	585119	9801721			
404D	S01°47'32.00"	E033°45'52.00"	585026	9801905			
4503A	S01°47'27.00"	E033°46'25.00"	586046	9802059	Mr J Magwisha	No	11.33 Ha
4503B	S01°47'44.00"	E033°46'25.00"	586046	9801537			
4503C	S01°47'44.00"	E033°46'18.00"	585829	9801537			
4503D	S01°47'27.00"	E033°46'18.00"	585830	9802059			
4504A	S01°47'27.00"	E033°46'31.00"	586231	9802058	Mr J Magwisha	No	9.60 Ha
4504B	S01°47'44.00"	E033°46'31.00"	586231	9801537			
4504C	S01°47'44.00"	E033°46'25.00"	586046	9801537			
4504D	S01°47'27.00"	E033°46'25.00"	586046	9802059			
4505A	S01°47'27.00"	E033°46'37.80"	586441	9802058	Mr J Magwisha	No	11.17 Ha
4505B	S01°47'43.80"	E033°46'37.80"	586441	9801543			
4505C	S01°47'43.80"	E033°46'31.20"	586237	9801543			
4505D	S01°47'27.00"	E033°46'31.20"	586237	9802058			
4506A	S01°47'44.00"	E033°46'31.00"	586231	9801537	Mr J Magwisha	No	12.42 Ha
4506B	S01°48'06.00"	E033°46'31.00"	586231	9800861			
4506C	S01°48'06.00"	E033°46'25.00"	586045	9800861			
4506D	S01°47'44.00"	E033°46'25.00"	586046	9801537			
4507A	S01°47'44.00"	E033°46'25.00"	586046	9801537	Mr J Magwisha	No	11.48 Ha
4507B	S01°48'06.00"	E033°46'25.00"	586045	9800861			
4507C	S01°48'06.00"	E033°46'18.00"	585829	9800861			
4507D	S01°47'44.00"	E033°46'18.00"	585829	9801537			
MU1A	S01°47'44.00"	E033°46'38.00"	586447	9801536	Mr A Mwangosi	No	14.45 Ha
MU1B	S01°48'06.00"	E033°46'38.00"	586447	9800861			
MU1C	S01°48'06.00"	E033°46'31.00"	586231	9800861			
MU1D	S01°47'44.00"	E033°46'31.00"	586231	9801537			
MU2A	S01°48'08.00"	E033°46'38.00"	586447	9800800	Mr A Mwangosi	No	2.40 Ha
MU2B	S01°48'08.00"	E033°46'25.00"	586045	9800800			
MU2C	S01°48'06.00"	E033°46'25.00"	586045	9800861			
MU2D	S01°48'06.00"	E033°46'38.00"	586447	9800861			
MU3A	S01°48'08.00"	E033°46'11.00"	585613	9800800	Mr A Mwangosi	No	2.59 Ha
MU3B	S01°48'06.00"	E033°46'11.00"	585613	9800861			
MU3C	S01°48'06.00"	E033°46'25.00"	586045	9800861			
MU3D	S01°48'08.00"	E033°46'25.00"	586045	9800800			
MU4A	S01°48'06.00"	E033°46'11.00"	585613	9800861	Mr A Mwangosi	No	14.24 Ha
MU4B	S01°47'44.00"	E033°46'11.00"	585613	9801537			
MU4C	S01°47'44.00"	E033°46'18.00"	585829	9801537			
MU4D	S01°48'06.00"	E033°46'18.00"	585829	9800861			
4116A	S01°47'35.00"	E033°45'42.00"	584717	9801813	Tanganyika General Mining	No	11.28 Ha
4116B	S01°47'52.00"	E033°45'42.00"	584717	9801292			
4116C	S01°47'52.00"	E033°45'35.00"	584501	9801292			
4116D	S01°47'35.00"	E033°45'35.00"	584501	9801814			
4117A	S01°47'35.00"	E033°45'35.00"	584501	9801814	Tanganyika General Mining	No	9.56 Ha
4117B	S01°47'52.00"	E033°45'35.00"	584501	9801292			
4117C	S01°47'52.00"	E033°45'29.00"	584315	9801292			
4117D	S01°47'35.00"	E033°45'29.00"	584316	9801814			
4118A	S01°47'35.00"	E033°45'29.00"	584316	9801814	Tanganyika General Mining	No	11.18 Ha
4118B	S01°47'52.00"	E033°45'29.00"	584315	9801292			
4118C	S01°47'52.00"	E033°45'22.00"	584099	9801292			
4118D	S01°47'35.00"	E033°45'22.00"	584099	9801814			
4119A	S01°47'35.00"	E033°45'22.00"	584099	9801814	Tanganyika General Mining	No	11.18 Ha
4119B	S01°47'52.00"	E033°45'22.00"	584099	9801292			
4119C	S01°47'52.00"	E033°45'15.00"	583883	9801292			
4119D	S01°47'35.00"	E033°45'15.00"	583883	9801814			



Part 5 – Additional Information

<i>PML No</i>	<i>Latitude</i>	<i>Longitude</i>	<i>Easting UTM</i>	<i>Northing UTM</i>	<i>PML Owner</i>	<i>Option Agreement</i>	<i>Area</i>
4120A	S01°47'52.00"	E033°45'15.00"	583883	9801292	Tanganyika General Mining	No	11.18 Ha
4120B	S01°47'52.00"	E033°45'22.00"	584099	9801292			
4120C	S01°48'11.00"	E033°45'22.00"	584099	9800708			
4120D	S01°48'11.00"	E033°45'15.00"	583883	9800709			
4121A	S01°47'52.00"	E033°45'22.00"	584099	9801292	Tanganyika General Mining	No	11.18 Ha
4121B	S01°47'52.00"	E033°45'29.00"	584315	9801292			
4121C	S01°48'11.00"	E033°45'29.00"	584315	9800708			
4121D	S01°48'11.00"	E033°45'22.00"	584099	9800708			
4122A	S01°47'52.00"	E033°45'29.00"	584315	9801292	Tanganyika General Mining	No	10.79 Ha
4122B	S01°47'52.00"	E033°45'35.00"	584501	9801292			
4122C	S01°48'11.00"	E033°45'35.00"	584500	9800708			
4122D	S01°48'11.00"	E033°45'29.00"	584315	9800708			
4123A	S01°47'52.00"	E033°45'35.00"	584501	9801292	Tanganyika General Mining	No	12.47 Ha
4123B	S01°47'52.00"	E033°45'42.00"	584717	9801292			
4123C	S01°48'11.00"	E033°45'35.00"	584500	9800708			
4123D	S01°48'11.00"	E033°45'42.00"	584717	9800708			
4124A	S01°48'11.00"	E033°45'42.00"	584717	9800708	Tanganyika General Mining	No	12.47 Ha
4124B	S01°47'52.00"	E033°45'42.00"	584717	9801292			
4124C	S01°47'52.00"	E033°45'49.00"	584933	9801291			
4124D	S01°48'11.00"	E033°45'49.00"	584933	9800708			
4125A	S01°47'52.00"	E033°45'47.00"	584871	9801291	Tanganyika General Mining	No	12.47 Ha
4125B	S01°47'52.00"	E033°45'55.00"	585119	9801291			
4125C	S01°48'11.00"	E033°45'55.00"	585118	9800708			
4125D	S01°48'11.00"	E033°45'47.00"	584871	9800708			
4126A	S01°47'52.00"	E033°45'55.00"	585119	9801291	Tanganyika General Mining	No	12.47 Ha
4126B	S01°47'52.00"	E033°46'02.00"	585335	9801291			
4126C	S01°48'11.00"	E033°45'55.00"	585118	9800708			
4126D	S01°48'11.00"	E033°46'02.00"	585335	9800708			
4127A	S01°47'52.00"	E033°46'02.00"	585335	9801291	Tanganyika General Mining	No	14.38 Ha
4127B	S01°47'52.00"	E033°46'10.00"	585582	9801291			
4127C	S01°48'11.00"	E033°46'10.00"	585582	9800708			
4127D	S01°48'11.00"	E033°46'02.00"	585335	9800708			
4128A	S01°47'52.00"	E033°46'10.00"	585582	9801291	Tanganyika General Mining	No	12.47 Ha
4128B	S01°47'52.00"	E033°46'17.00"	585798	9801291			
4128C	S01°48'11.00"	E033°46'17.00"	585798	9800708			
4128D	S01°48'11.00"	E033°46'10.00"	585582	9800708			
4129A	S01°48'37.00"	E033°46'10.00"	585582	9799910	Tanganyika General Mining	No	17.29 Ha
4129B	S01°48'11.00"	E033°46'10.00"	585582	9800708			
4129C	S01°48'11.00"	E033°46'17.00"	585798	9800708			
4129D	S01°48'37.00"	E033°46'17.00"	585798	9799909			
4130A	S01°48'37.00"	E033°46'02.00"	585334	9799910	Tanganyika General Mining	No	19.29 Ha
4130B	S01°48'11.00"	E033°46'02.00"	585335	9800708			
4130C	S01°48'11.00"	E033°46'10.00"	585582	9800708			
4130D	S01°48'37.00"	E033°46'10.00"	585582	9799910			
4131A	S01°48'37.00"	E033°46'02.00"	585334	9799910	Tanganyika General Mining	No	17.29 Ha
4131B	S01°48'11.00"	E033°46'02.00"	585335	9800708			
4131C	S01°48'11.00"	E033°45'55.00"	585118	9800708			
4131D	S01°48'37.00"	E033°45'55.00"	585118	9799910			
4132A	S01°48'49.00"	E033°45'15.00"	583882	9799542	Tanganyika General Mining	No	8.60 Ha
4132B	S01°48'49.00"	E033°45'22.00"	584098	9799542			
4132C	S01°49'02.00"	E033°45'22.00"	584098	9799143			
4132D	S01°49'02.00"	E033°45'15.00"	583882	9799143			
4133A	S01°48'49.00"	E033°45'22.00"	584098	9799542	Tanganyika General Mining	No	8.72 Ha
4133B	S01°48'49.00"	E033°45'29.00"	584315	9799542			
4133C	S01°49'02.00"	E033°45'29.00"	584500	9799142			
4133D	S01°49'02.00"	E033°45'22.00"	584098	9799143			
4134A	S01°48'49.00"	E033°45'29.00"	584315	9799542	Tanganyika General Mining	No	7.40 Ha
4134B	S01°48'49.00"	E033°45'35.00"	584500	9799542			
4134C	S01°49'02.00"	E033°45'35.00"	584500	9799142			
4134D	S01°49'02.00"	E033°45'29.00"	584314	9799143			
4135A	S01°48'49.00"	E033°45'29.00"	584315	9799542	Tanganyika General Mining	No	6.75 Ha
4135B	S01°48'37.00"	E033°45'29.00"	584315	9799910			
4135C	S01°48'37.00"	E033°45'35.00"	584500	9799910			
4135D	S01°48'49.00"	E033°45'35.00"	584315	9799542			
1186A	S01°47'28.00"	E033°46'19.00"	585861	9802028	Dr Temu	No	10.18 Ha
1186B	S01°47'28.00"	E033°46'13.00"	585675	9802028			
1186C	S01°47'10.00"	E033°46'13.00"	585675	9802581			
1186D	S01°47'10.00"	E033°46'19.00"	585861	9802581			
1187A	S01°47'10.00"	E033°46'13.00"	585675	9802581	Dr Temu	No	10.34 Ha
1187B	S01°47'10.00"	E033°46'07.00"	585490	9802581			
1187C	S01°46'52.00"	E033°46'13.00"	585676	9803133			
1187D	S01°46'52.00"	E033°46'07.00"	585490	9803133			
1188A	S01°47'28.00"	E033°46'13.00"	585675	9802028	Dr Temu	No	10.34 Ha
1188B	S01°47'28.00"	E033°46'07.00"	585490	9802028			
1188C	S01°47'10.00"	E033°46'07.00"	585490	9802581			
1188D	S01°47'10.00"	E033°46'13.00"	585675	9802581			

Part 5 – Additional Information

<i>PML No</i>	<i>Latitude</i>	<i>Longitude</i>	<i>Easting UTM</i>	<i>Northing UTM</i>	<i>PML Owner</i>	<i>Option Agreement</i>	<i>Area</i>
1189A	S01°47'28.00"	E033°46'07.00"	585490	9802028	Dr Temu	No	1.65 Ha
1189B	S01°47'28.00"	E033°46'06.00"	585459	9802028			
1189C	S01°47'09.99"	E033°46'06.00"	585459	9802581			
1189D	S01°47'09.99"	E033°46'07.00"	585490	9802581			
1190A	S01°47'28.00"	E033°46'06.00"	585459	9802028	Dr Temu	No	18.70 Ha
1190B	S01°47'28.00"	E033°45'55.00"	585119	9802028			
1190C	S01°47'10.00"	E033°45'55.00"	585119	9802581			
1190D	S01°47'10.00"	E033°46'06.00"	585459	9802581			
1191A	S01°47'28.00"	E033°45'55.00"	585119	9802028	Dr Temu	No	10.18 Ha
1191B	S01°47'28.00"	E033°45'49.00"	584934	9802028			
1191C	S01°47'10.00"	E033°45'49.00"	584934	9802581			
1191D	S01°47'10.00"	E033°45'55.00"	585119	9802581			
1192A	S01°47'28.00"	E033°45'49.00"	584934	9802028	Dr Temu	No	11.83 Ha
1192B	S01°47'28.00"	E033°45'42.00"	584717	9802028			
1192C	S01°47'10.00"	E033°45'42.00"	584718	9802581			
1192D	S01°47'10.00"	E033°45'49.00"	584934	9802581			
1193A	S01°47'10.00"	E033°45'42.00"	584718	9802581	Dr Temu	No	6.18 Ha
1193B	S01°47'10.00"	E033°45'31.00"	584378	9802581			
1193C	S01°47'16.00"	E033°45'42.00"	584717	9802397			
1193D	S01°47'16.00"	E033°45'31.00"	584378	9802397			
1194A	S01°47'10.00"	E033°45'42.00"	584718	9802581	Dr Temu	No	6.18 Ha
1194B	S01°47'10.00"	E033°45'31.00"	584378	9802581			
1194C	S01°47'04.00"	E033°45'31.00"	584378	9802765			
1194D	S01°47'04.00"	E033°45'42.00"	584718	9802765			
1195A	S01°47'10.00"	E033°45'42.00"	584718	9802581	Dr Temu	No	42.44 Ha
1195B	S01°47'10.00"	E033°46'07.00"	585490	9802581			
1195C	S01°46'52.00"	E033°45'42.00"	584718	9803134			
1195D	S01°46'52.00"	E033°46'07.00"	585490	9803133			
MU01/2002a	S01°48'49.00"	E033°46'17.01"	585798	9799541	Mr S Odongo	No	28.28 Ha
MU01/2002b	S01°48'22.00"	E033°46'17.00"	585798	9800370			
MU01/2002c	S01°48'22.00"	E033°46'28.00"	586138	9800370			
MU01/2002d	S01°48'49.00"	E033°46'28.01"	586138	9799541			
4629A	S01°48'29.42"	E033°45'55.40"	585131	9800142	Mr S Odongo	No	0.37 Ha
4629B	S01°48'29.42"	E033°45'55.76"	585142	9800142			
4629C	S01°48'19.30"	E033°45'55.76"	585142	9800453			
4629D	S01°48'19.30"	E033°45'55.40"	585131	9800453			

**12.2 Suguti PL 2204/2003**

<i>PML No</i>	<i>Latitude</i>	<i>Longitude</i>	<i>Easting UTM</i>	<i>Northing UTM</i>	<i>PML Owner</i>	<i>Option Agreement</i>	<i>Area</i>
404A	S01°49'04.44"	E033°37'42.63"	569905	9799073	Mr H Matondo	No	9.86 Ha
404B	S01°48'58.45"	E033°37'45.25"	569986	9799257			
404C	S01°48'58.93"	E033°51'24.09"	595286	9799232			
404D	S01°49'05.96"	E033°51'31.54"	595516	9799016			
405A	S01°49'08.50"	E033°38'15.91"	570933	9798948	Mr H Matondo	No	9.86 Ha
405B	S01°49'09.44"	E033°38'35.36"	571534	9798919			
405C	S01°49'03.58"	E033°38'35.29"	571532	9799099			
405D	S01°49'00.26"	E033°38'16.36"	570947	9799201			
206A	S01°48'29.41"	E033°38'28.64"	571327	9800148	Mr F Katondo	No	10.00 Ha
206B	S01°48'22.80"	E033°38'28.51"	571323	9800351			
206C	S01°48'23.09"	E033°38'45.05"	571834	9800342			
206D	S01°48'29.90"	E033°38'44.76"	571825	9800133			
207A	S01°48'22.73"	E033°38'45.05"	571834	9800353	Mr F Katondo	No	10.00 Ha
207B	S01°48'23.02"	E033°39'01.33"	572337	9800344			
207C	S01°48'29.60"	E033°39'01.33"	572337	9800142			
207D	S01°48'29.90"	E033°38'44.76"	571825	9800133			

**12.3 Mgusu PL 2324/2003**

<i>PML No</i>	<i>Latitude</i>	<i>Longitude</i>	<i>Easting UTM</i>	<i>Northing UTM</i>	<i>PML Owner</i>	<i>Option Agreement</i>	<i>Area</i>
225A	S02°50'45.13"	E032°03'42.47"	395723	9685430	SEL	N/A	8.36 Ha
225B	S02°50'40.18"	E032°03'48.44"	395907	9685582			
225C	S02°50'46.15"	E032°03'55.43"	396123	9685399			
225D	S02°50'51.13"	E032°03'50.47"	395970	9685246			
201A	S02°50'55.13"	E032°03'46.48"	395847	9685123	SEL	N/A	8.36 Ha
201B	S02°50'51.13"	E032°03'50.47"	395970	9685246			
201C	S02°51'04.13"	E032°04'01.47"	396310	9684847			
201D	S02°51'06.70"	E032°03'53.60"	396067	9684768			
202A	S02°50'51.13"	E033°03'50.47"	395970	9685246	SEL	N/A	8.36 Ha
202B	S02°50'46.15"	E032°03'55.46"	396124	9685399			
202C	S02°51'00.13"	E032°04'06.46"	396464	9684970			
202D	S02°51'04.13"	E032°04'01.47"	396310	9684847			
203A	S02°50'49.68"	E032°03'35.93"	395521	9685290	SEL	N/A	8.36 Ha
203B	S02°50'45.13"	E032°03'42.47"	395723	9685430			
203C	S02°50'51.13"	E032°03'50.47"	395970	9685246			
203D	S02°50'55.13"	E032°03'46.48"	395847	9685123			

**12.4 Ikungu PL 1533/2000**

<i>PML No</i>	<i>Latitude</i>	<i>Longitude</i>	<i>Easting UTM</i>	<i>Northing UTM</i>	<i>PML Owner</i>	<i>Option Agreement</i>	<i>Area</i>
2523A	S01°33'52.35"	E033°39'46.93"	573755	9827075	Mr J Machibya	Yes	8.36 Ha
2523B	S01°33'56.71"	E033°39'46.64"	573746	9826941			
2523C	S01°33'56.03"	E033°39'34.51"	573371	9826962			
2523D	S01°33'51.21"	E033°49'34.41"	573368	9827110			
2295A	S01°34'01.72"	E033°40'09.46"	574451	9826787	Mr M Guyama	Yes	8.36 Ha
2295B	S01°34'08.08"	E033°40'06.61"	574363	9826592			
2295C	S01°34'01.92"	E033°39'53.83"	573968	9826781			
2295D	S01°33'57.30"	E033°39'55.54"	574021	9826923			
2294A	S01°33'32.28"	E033°40'17.60"	574703	9827691	Estate of Mr D Kapaya	Yes	8.36 Ha
2294B	S01°33'37.03"	E033°40'17.22"	574691	9827545			
2294C	S01°33'37.91"	E033°40'08.84"	574432	9827518			
2294D	S01°33'33.09"	E033°40'07.67"	574396	9827666			

**13. Shanta Explorations Limited**

SEL is a Tanzanian company established on 16 June 2003.

The shareholders of SEL are:

- Mr Sapremkumar Thakorbbhai Patel, holding one share; and
- Mrs Antoneta Fiahlo, holding two shares.

SEL has three shares in issue.

The two individuals listed above are also the only directors of SEL.

*Agreement between SEL and SMCL*

SEL and SMCL entered into the SEL Joint Venture Agreement. Further details of the SEL Joint Venture Agreement are given in paragraph 9.5 of Part 5 of this document.

*PMLs held by SEL*

SEL is owner of the following PMLs:

<i>PML Owner</i>	<i>Region</i>	<i>District</i>	<i>PML No.</i>	<i>Area hectares<sup>2</sup></i>	<i>PML dated</i>	<i>Renewal Date</i>
1. SEL	Mgusu	Geita	201	8.36	16/03/00	15/03/10
2. SEL	Mgusu	Geita	202	8.36	16/03/00	15/03/10
3. SEL	Mgusu	Geita	203	8.36	16/03/00	15/03/10
4. SEL	Mgusu	Geita	225	8.36	16/03/00	15/03/10

SEL has entered into purchase option agreements over the following PMLs pursuant to which SEL has been granted rights to carry out exploration on the PML areas:

<i>PML Owner</i>	<i>Region</i>	<i>District</i>	<i>PML No.</i>	<i>Area hectares<sup>2</sup></i>	<i>PML dated</i>	<i>Renewal Date</i>
1. Joseph Wambura Magessa	Katario	Musoma	234	8.36	16/03/00	15/03/10
2. Nyamsukura M. Musira	Katario	Musoma	232	8.36	16/03/00	15/03/10
3. Sioman Odongo	Katario	Musoma	403	10.47	14/03/00	15/03/10
4. Joseph Machibya	Ikungu	Musoma	2523	8.36	28/12/00	28/12/05
5. Morandi Manyama Guyama	Ikungu	Musoma	2295	8.36	13/11/00	13/11/05
6. Estate of Dickson Kapaya	Ikungu	Musoma	2294	8.36	31/03/00	31/03/10

Certain of the PMLs listed above cover land over which PLs have been granted to SMCL. Details of these areas and the work that has been carried out by SMCL to date are listed below:

- PML 201 falls partially within the area of PL 2324/2003. The PML covers the Mgusu mineralisation and has Pangea boreholes MG10, MG22, MG9, MG8, MG7, MG23, MG21, MG13, MG1, MG2, MD1, MD2, MD3 and MD7 collared within the PML boundary. The area of the PML which falls outside PL 2324/2003 is 0.046 km<sup>2</sup>.
- PML 202 falls partially within the area of PL 2324/2003. The PML covers the Mgusu mineralization with surface mine workings and underground samples taken by SMCL. The area of the PML which falls outside PL 2324/2003 is 0.016 km<sup>2</sup>.
- PML 203 falls wholly within the area of PL 2324/2003. The PML covers the Mgusu mineralization and has Pangea boreholes MG3, MG4, MG14, MG5, MG19, MG18, MG20, MG17, MD4 & MD8 collared within the PML boundary.
- PML 225 falls wholly within the area of PL 2324/2003. The PML covers the Mgusu mineralization and has Pangea boreholes MG6, MG12, MG11 & MG16 collared within the PML boundary.
- PML 234 falls wholly within the area of PL 2334/2003, the Katario PL. There has been no drilling within the PL or PML by Shanta.
- PML 232 falls wholly within the area of PL 2334/2003, the Katario PL. There has been no drilling within the PL or PML by Shanta. Only trenching has been completed within PML 232.
- PML 403 falls wholly within the area of PL 2334/2003, the Katario PL. There has been no drilling within the PL or PML by Shanta.
- PML 2523 falls wholly within the area of PL 1533/2000 which is owned by Lakota Resources and which is subject to a joint venture agreement between SMCL and Lakota Resources. The PML covers parts of the 18dwt Reef mineralization and has Sampo boreholes SIK4 and JCI boreholes IKD-08 and IKBH-02 collared within the PML Boundary.
- PML 2295 falls wholly within the area of PL 1533/2000 which is owned by Lakota Resources and which is subject to a joint venture agreement between SMCL and Lakota Resources. The PML covers parts of the Main Reef mineralization and has Shanta boreholes IKD-12 and IKD-13 collared within the PML Boundary.
- PML 2294 falls wholly within the area of PL 1533/2000 which is owned by Lakota Resources and which is subject to a joint venture agreement between SMCL and Lakota Resources. The PML covers the Phoenix Reef mineralization and has JCI boreholes IKD-01, IKD-10 and IKD-11 collared within the PML Boundary.

#### *PML Option Agreements*

Under the option agreements SEL has the right to introduce a third party to carry out exploration activities and the grantor agrees to permit SEL and its agents free access to the option PML to evaluate the PML by whatever means SEL elects.

*PL Under Application by SEL*

An application number 2493, for a new PL over the same area with the same coordinates as those in respect of which PL 1893/2002 had been issued to SMCL, has been made by SEL. PL 1893/2002 had been owned by SMCL and related to the joint venture with Placer. The application for PL 2493 was made by SEL on the expiration of the original period of PL 1893/2002.

**14. Litigation**

The Group is not involved in any legal or arbitration proceedings which may have or have had since incorporation a significant effect on any member of the Group's financial position and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.

**15. Working capital**

The Directors are of the opinion, having made due and careful enquiry, that following Admission, the Company and the Group will have sufficient working capital for their present requirements upon receiving the minimum subscription under the Placing, for at least the 12 months following Admission.

**16. Taxation**

**16.1 UK Taxation**

The following statements are intended only as a general guide to the UK taxation treatment of holders of ordinary shares in a company, based on the law currently in force in the UK as well as the practice of HM Inland Revenue. The statements are not exhaustive and may not apply to certain shareholders, such as dealers in securities. Unless otherwise stated, they relate to persons who are for taxation purposes resident and ordinarily resident in the UK. Any person who is in any doubt as to his tax position, or who is subject to taxation in any jurisdiction other than the UK, should consult his professional advisers immediately.

**16.1.1 Taxation of chargeable gains**

If a shareholder disposes of all or some of his ordinary shares in a company, a liability to tax on chargeable gains may, depending on his circumstances, arise. A shareholder who is neither resident nor ordinarily resident for tax purposes in the UK who sells or otherwise disposes of his ordinary shares will not normally be liable for capital gains tax in the UK on the gain which is realised. A liability to tax may arise in respect of a gain if such shareholder (i) carries on a trade in the UK through a branch or agency and such shares are or have been used, held or acquired for the purposes of such trade, branch or agency, or (ii) is an individual who, in certain circumstances, becomes resident for tax purposes in the UK subsequent to the sale or disposal of the shares.

**16.1.2 Dividends**

A company is not required to withhold tax at source from its dividend payments. Individual shareholders should generally be entitled to a tax credit in respect of any dividend received equal to one ninth of the dividend. Liability to income tax is calculated on the aggregate of the dividend and tax credit which will be regarded as the top slice of the individual's income

Individual shareholders liable to tax at the starting rate (10%) or basic rate (22%) will have no further liability to income tax. The tax credit satisfies the whole of the starting and basic rate liability. Individuals liable to tax at the higher rate (40%) are subject to income tax at the rate of 32.5% on the aggregate of the dividend and tax credit. After taking account of the tax credit, the shareholder will be liable to income tax at the rate of 32.5% of the aggregate of the dividend and tax credit, equal to 25% of the dividend.

A corporate shareholder will not normally be liable to corporation tax on any dividend received. With limited exceptions (relating to charities) corporate shareholders cannot claim repayment of the tax credit. Tax exempt pension funds will not normally be liable to corporation tax or income tax on any dividend received and cannot claim repayment of the tax credit.

Individual shareholders who are resident for tax purposes in countries other than the UK but who are Commonwealth citizens, nationals of states which are part of the European Union, residents of the Isle of Man or the Channel Islands as well as certain other persons, are entitled to a tax credit in the UK as if they were resident for tax purposes in the UK. Such shareholders will normally not be able to claim repayment of the tax credit.

#### 16.1.3 *Stamp Duty and Stamp Duty Reserve Tax*

No stamp or stamp duty reserve tax (“SDRT”) will generally arise on the issue of the Ordinary Shares.

So long as the Ordinary Shares are not registered in a register kept in the United Kingdom by or on behalf of the Company or are paired with shares issued by a body corporate incorporated in the United Kingdom they will not be chargeable securities for the purposes of SDLT and SDLT should not ordinarily arise on their transfer.

So long as there is no instrument of transfer executed in the United Kingdom in respect of the Ordinary Shares no stamp duty should arise on the transfer of the Ordinary Shares. Therefore any transfer effected through CREST should not be chargeable to stamp duty.

### 16.2 *Tanzanian taxation*

The Tanzanian operating companies, Shanta Mining Company Limited, Mgusu Mining Limited and Nsimbanguru Mining Limited, are subject to corporation tax in Tanzania on the income and gains arising from their operations in Tanzania.

Non-Tanzanian group shareholders will suffer a Tanzanian withholding tax charge on dividends paid, which currently amounts to 10%.

Services supplied to the Tanzanian operating companies by non-resident group companies will suffer Tanzanian withholding tax charge at source, at the following rates:

- Management Fees 3-15%
- Technical Service Fees 15%

The Tanzanian operating companies are required to reverse charge Value Added Tax (“VAT”) at the standard rate of 20% on imported services.

There are currently no plans to pay dividends within the Group, nor to provide services that would give rise to a withholding tax or VAT liability.

### 16.3 *Guernsey taxation*

The Company is applying for exemption from liability to Guernsey Income Tax. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee which is currently fixed at £600, provided that the Company continues to qualify under the applicable legislation for exemption. It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to qualify. No capital gains or similar taxes are levied in Guernsey on realised or unrealised gains resulting from the Company’s investment activities.

Shareholders (unless they are resident in Guernsey for tax purposes) will not suffer any income tax in Guernsey on any income distributions to them and there will accordingly be no tax withheld at source in respect of such distributions.

No Guernsey stamp duty or stamp duty reserve tax should be payable on the issue, transfer, conversion or redemption of Ordinary Shares.

On 25 November 2002, the Advisory & Finance Committee of the States of Guernsey (“A&F”), now the States of Guernsey Policy Council announced the proposed framework for a structure of corporate tax reform within an indicative timescale. In the announcement, the A&F stated that any specific recommendations for change would only be placed before the Guernsey States of Deliberation after further consultation with local businesses and review of taxation in other financial centres.

The relevant parts of the announcement are as follows:

- (a) The general rate of income tax paid by Guernsey companies will be reduced to 0 per cent. in respect of the tax year 2008 and subsequent years.
- (b) It is intended that personal income tax will be maintained at 20 per cent. and VAT will not be introduced.
- (c) The A&F has stated that there is no intention to introduce capital gains tax, inheritance, gift or other wealth taxes.

The foregoing summary does not address tax considerations which may be applicable to certain shareholders under the laws of jurisdictions other than Guernsey. The Company has no present plans to apply for any certifications or registrations, or to take any other actions under the laws of any jurisdictions which would afford relief to local investors therein from the normal tax regime otherwise applicable to an investment in Ordinary Shares. It is the responsibility of all persons interested in purchasing the Ordinary Shares to inform themselves as to any income or other tax consequences arising in the jurisdictions in which they are resident or domiciled for tax purposes, as well as any foreign exchange or other fiscal or legal restrictions, which are relevant to their particular circumstances in connection with the acquisition, holding or disposition of the Ordinary Shares.

Any person who is in any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult an appropriate professional adviser.

## **17. Tanzanian Mining Regime**

Rights of prospecting for or extraction of minerals are granted in the form of licences under Tanzania's Mining Act, No. 5 of 1998, ("The Mining Act"). The Government Minister responsible for minerals has power to grant, renew, suspend or cancel any prospecting or mining licence. The powers of the Minister or, where the law so specifies, the Commissioner for Minerals, are exercisable in accordance with the Mining Act. A minerals right is deemed sufficient authority over the land in respect of which the right is granted. All licences issued under the Mining Act are referred to as mineral rights.

### **17.1 Mining licence**

Businesses operating in the minerals sector are governed by the Mineral Policy, 1997, the Mining Act, and the Mining Regulations, 1999.

#### **17.1.1 Mineral Rights**

##### **17.1.1.1 Prospecting Licence ("PL")**

Application shall be made by filing form MTF1 with the Registrar of Mineral Rights in duplicate. The maximum area for a PL with a preliminary reconnaissance period is 5,000km<sup>2</sup>. The application fee is US\$50. Requirements include:

- A plan of a licence area drawn on a topographical map to a scale of 1:50,000;
- Evidence of the registration of a company;
- A statement giving financial and technical resources available; and
- Details of any mineral rights previously granted to the applicant.

##### *PL regime*

PLs are normally granted for up to two or three years, subject to renewal. They may be renewed for two successive periods of two years each. This means that if the PL is initially issued for two years its life span will be only six years. The maximum life span of a PL will be seven years if the initial period was for three years. Where the holder is not in default and if at the end of the second renewal period more time is required to complete a feasibility study already commenced, the PL may be renewed for such further periods as may be reasonably required for the purpose. The Mining Act stipulates that upon the first renewal, the holder of a PL should relinquish fifty percent of the areas held during the initial prospecting period and a further fifty percent of the balance upon the second renewal.

#### 17.1.1.2 Special Mining Licence

Application shall be made by filing form MRF 3 and paying an application fee of US\$1,000. Every application for a special mining licence shall be accompanied by:

- A statement of the area for which the licence is sought;
- Information on the mineral deposits in the proposed area;
- A proposed programme for mining operations;
- An environmental management plan;
- Expected infrastructure requirements;
- Employment and training of Tanzania citizens; and
- Any other information as may be required by the Minister.

A special mining licence may be granted for a period not exceeding twenty five years.

#### 17.1.1.3 Mining Licence

The maximum area for all minerals other than building materials or gemstones is 10km<sup>2</sup>. An applicant must pay an application fee of US\$500. Every application for a mining licence should be accompanied by:

- Relevant PL;
- Description of the area and the mineral deposits in it;
- Feasibility study;
- State the duration not exceeding ten years;
- Environmental impact assessment; and
- Any other information as may be required by the Minister.

#### 17.1.1.4 Retention Licence

A retention licence may be granted for a period not exceeding five years. An application fee of US\$1,000 should be paid by the applicant. The holder of a prospecting licence may apply for a retention licence on the grounds that:

- They have identified mineral deposits within the prospecting area;
- The mineral deposits cannot be developed immediately by reasons of technical constraints, adverse market conditions etc; and
- They have demonstrated through studies and assessments by experts acceptable to the Minister on the extent, prospect for recovery and the commercial significance of the recovery.

### 17.1.2 Primary Licences

#### 17.1.2.1 Primary Prospecting Licence

Primary prospecting licences are retained exclusively for Tanzanian citizens. An application for a primary prospecting licence shall be made by filing form MRF 7 accompanied by TZS 10,000 as an application fee. Requirements for a successful application include:

- In case of an individual, his full name and place of residence; and
- In case of a Company; its corporate name and evidence of registration.

The maximum size of the demarcated area for a primary prospecting licence for all minerals other than building materials shall be 10 hectares. The licence shall be granted for a period of one year, renewable upon request.



#### 17.1.2.2 Primary Mining Licence (“PML”)

PMLs are retained exclusively for Tanzanian citizens covering a period of five years and subject to renewal. An application for a PML shall be made to the Commissioner by filing form MRF 8 accompanied by TZS 10,000 as an application fee. The maximum size for a PML for all minerals other than building materials shall be 10 hectares. Requirements for a successful application include:

- Duly filed application form and payment of prescribed application fee above; and
- Description of the area over which the licence is sought.

#### 17.1.3 Mineral Trading Licences

##### 17.1.3.1 Dealer’s Licence

Every application for a dealer’s licence shall be submitted in duplicate to the Commissioner accompanied by a dully filed form MTF 5 and the application fee of TZS 40,000. The mineral dealer’s licence costs TZS 250,000 for a period of 15 months. Requirements include:

- Information on the names and nationality of directors, types of precious minerals, experience in dealing with precious minerals, description and address of business premises, details of arrangements for safe custody of precious minerals and evidence of financial resources available;
- Copy of Memorandum and Articles of Association;
- Previous dealer’s licence (if any); and
- 25% of the shares are owned by Tanzanian nationals.

##### 17.1.3.2 Mineral Broker’s Licence

Every application for a broker’s licence shall be made to the Commissioner accompanied by the application fee of TZS 10,000 and a dully filed form MTF 8. The broker’s licence costs TZS 100,000 for a period of 12 months. Requirements include:

- Information on the address and nationality of the applicant, types of precious minerals, experience in dealing with precious minerals, types of minerals;
- Applied zones where the application is made and evidence of financial resources available; and
- If it is a company, a copy of Memorandum and Articles of Association must be attached.

Please note that the licence does not authorize the licensed broker to export precious minerals and the licence is issued to Tanzanian citizens only.

#### 17.1.4 Exporting Minerals

All mineral exports either from authorised miners and /or licensed dealers shall have to obtain an export permit issued by the Commissioner for Minerals after filling form MTF 1.

### **18. General**

- 18.1 BDO Stoy Hayward has given and has not withdrawn its written consent to the inclusion in Part 4 of this document of their report, the references thereto and to their name in the form and context in which they appear and have accepted responsibility for their reports pursuant to paragraphs 45(2)(b)(iii) and 45(8)(b) of Schedule 1 to the POS regulations.
- 18.2 WH Ireland, which is regulated by the Financial Services Authority, has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.
- 18.3 Haywood, which is regulated by the Financial Services Authority, has given and not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears.

- 18.4 Argent Partners, which is regulated by the Financial Services Authority, has given and not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears.
- 18.5 SRK has given and has not withdrawn its written consent to the inclusion in Part 2 of this document of their report, the references thereto and to their name in the form and context in which they appear and accept responsibility for their report for the purposes of regulation 13(l)(g) of the POS Regulations.
- 18.6 Save as disclosed in this document, there has been no significant adverse change in the trading or financial position of SMCL since 31 December 2004, being the date to which audited accounts for SMCL have been prepared, nor to Shanta and SGHL since 5 May 2005 being the date of incorporation of these companies, nor to MML since 26 May 2005 being the date of incorporation of this company, nor NML since 31 December 2004 being the date of the last Annual Return of this company it being a dormant company.
- 18.7 The financial information contained in this document does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.
- 18.8 The Company's accounting reference date is 31 December.
- 18.9 Save as disclosed in this document, there have been no significant trends concerning the development of the business of the Company nor any significant acquisition or disposal of assets since 31 December 2004.
- 18.10 The expenses of and incidental to the Placing and Admission including commissions which are payable by the Company are estimated to amount to £820,000 excluding VAT.
- 18.11 For the purpose of paragraph 21(a) of Part IV of Schedule I to the POS Regulations, the minimum amount which must be raised is £3,200,000, made up as follows:
- (a) purchase price of property £nil;
  - (b) commissions and expenses (excluding VAT) £820,000;
  - (c) repayment of monies borrowed in respect of (i) and (ii) above £nil, and
  - (d) working capital £2,380,000.
- There are no amounts to be provided for otherwise than from the proceeds of the Placing in respect of matters specified in this paragraph.
- 18.12 The Placing Shares have not previously been sold.
- 18.13 No admission or listing or trading of the Placing Shares is being sought on any stock exchange other than AIM.
- 18.14 The Placing Price represents a premium of 24.99p over the nominal value of 0.01p per Ordinary Share.
- 18.15 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts, which are of fundamental importance to the Company's business.
- 18.16 Except as detailed in this document, no person (excluding professional advisers as stated in this document and trade suppliers) has received, directly or indirectly, from the Company within twelve months preceding the Company's application for Admission, and no persons have entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:
- (a) fees totalling £10,000 or more;
  - (b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
  - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 18.17 Monies received by applicants pursuant to the Placing will be held in accordance with the terms of the application procedures determined by WH Ireland. If Admission does not take place, monies shall be returned to applicants as soon as practicable at their own risk and without interest.

**19. Availability of Admission Document**

Copies of this document are available free of charge from the Company's registered office and at the offices of WH Ireland, 62-64 Cannon Street, London EC4N 6AE during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and shall remain available for one month from Admission.

5 July 2005

## Part 6 – Glossary of Technical Terms

Actinolite	Mineral composed of hydrous calcium, magnesium and iron silicate;
Airborne surveys	A prospecting technique where properties of rocks are measured with devices mounted in aircraft and flown over the area of interest;
Air photographic interpretations	A technique of interpreting large scale geological features from aerial photographs;
Alkali Granite	A variety of granite composed of alkaline minerals;
Alkaline	Pertaining to igneous rocks containing feldspathoids and/or alkali amphiboles or pyroxenes;
Alteration	Changes in the chemical or mineralogical composition of a rock;
Amphibole	A group of rock forming silicate minerals that occur most frequently in igneous and metamorphic rocks;
Amphibolite	A metamorphic rock consisting mainly of amphibole and plagioclase;
Amphibolite facies	One of the major divisions of metamorphic mineral; assemblages, the rocks of which form under conditions of moderate to high temperatures and pressure;
Andesite	A fine-grained dark coloured volcanic rock;
Anomalous	Samples that differ significantly from all the others in a group of population;
Anticline	A fold of generally inverted U-shape;
Archaean	An early part of geological time dating from 4,000 to 2,500 million years ago;
Arcuate	Curved or bowed;
Argillite	A rock derived from mudstone or shale that has been altered by pressure and cementation;
Arsenopyrite	An arsenic-iron sulphide mineral (FeAsS);
As	The chemical symbol for arsenic;
Assay	The analysis of minerals, rocks and mine products to determine and quantify their constituent parts;
Au	The chemical symbol for gold;
Augen	Large lenticular mineral grains or aggregates in foliated metamorphic rock;
Auriferous	Containing gold;
Axial plane	Planar surface connecting the hinge lines of the stata in a fold;
Axial plane cleavage	Cleavage that is generally parallel with the axial planes of folds in rock;
Axis	A line passing through a body on which the body may imagine to be rotated;
Banded	Showing alternating layers differing in texture or colour and possibly mineral composition;
Banded Iron Formation	Sedimentary rocks that are typically bedded or laminated, and composed of at least 25% iron and layers of chert, chalcedony, jasper or quartz;
Bankable Feasibility Study	A Feasibility Study that is sufficiently advanced to secure debt finance;

Barren	Unprofitable or unsuccessful;
Basalt	A dark coloured, fine grained basic volcanic rock;
Basement	The igneous, metamorphic, granitised or highly deformed rock underlying sedimentary rocks;
Basin	A general region with an overall history of subsidence and thick sedimentary section;
Biotite	A silicate mineral widely distributed in a variety of rocks;
Block model	The representation of an orebody by subdividing it into a matrix of blocks whose dimensions are governed by mining methods and geology;
Borehole	A subsurface means of geological exploration made with a drilling machine;
Boudinage	A structure found in greatly deformed sedimentary and metamorphic rocks, in which an originally continuous rigid layer between relatively plastic layer is stretched and thinned until rupture occurs;
Breccias	A rock composed of broken, angular fragments enclosed in a fine-grained matrix;
Bulk samples	A large volume sample commonly taken for metallurgical testing or trial mining purposes;
Carbonaceous	A rock consisting of or containing carbon;
Carbonate	A sediment composed of calcium, magnesium and/or iron; or a mineral containing the carbonate radical ( $\text{CO}_3$ ) <sup>2-</sup> ;
Carbonatites	An extrusive or intrusive igneous rock than contains more than 50% carbonate minerals;
Carboniferous	A period of geological time between 360 and 290 Ma;
Cenozoic	An era of geological time covering 65Ma to present;
Chalcopyrite	A copper-iron sulphide mineral ( $\text{CuFeS}_2$ );
Channel sample	A rock sample usually selected across the face of a rock body or vein to provide an average value;
Charnockite	A coarse grained rock of approximately granitic composition;
Chert	A dense, hard, microcrystalline siliceous sedimentary rock;
Chlorite	A representative of a group of greenish silicate clay minerals;
Clast	An individual fragment of a larger rock mass removed by physical disintegration of the larger mass;
Clastic	Pertaining to a sediment or rock composed chiefly of fragments derived from pre-existing rocks or minerals;
Cleavage	The characteristic or tendency of a rock to split along parallel, closely spaced planar surfaces produced by deformation or metamorphism;
Clinopyroxene	A member of the pyroxene group sometimes containing significant calcium;
Coeval	At the same time;
Conglomerate	A coarse grained clastic sedimentary rock composed of more or less rounded fragment or particles;
Contact area	The zone where contact metamorphism has occurred;

Contact metamorphism	Occurs primarily as a result of temperature increases with a near constant pressure, such as a restricted area surrounding a body of igneous rock;
Cordierite	A silicate mineral commonly found in metamorphic rocks;
Craton	A part of the continental crust that has been stable for at least 1,000Ma;
Cretaceous	A period of geological time between 140 to 65 Ma;
Cross cut	A horizontal underground drive developed perpendicular to the strike direction of the stratigraphy;
Crystalline	Minerals developed in a clearly crystalline state;
Cu	The chemical symbol for copper;
Cut off	The grade above which the commodity could be considered ore in a particular deposit;
Deformation	The alteration such as faulting, folding, shearing, compression or extension of rock formations by tectonic forces;
Deltaic	Pertaining to where a river enters a body of water;
Deposit	A naturally occurring accumulation of minerals that may be considered economically valuable;
Dextral	Inclined/moving to the right;
Diabase	Synonym for dolerite;
Diamond drilling	A drilling method which obtains a cylindrical core of rock by drilling with an annular bit set with diamonds;
Dilation	Deformed by change in volume but not configuration;
Diorite	A dark coloured, coarse-grained plutonic rock with a mixture of dark and light colours;
Dip	Inclination of a geological feature/rock from the horizontal (perpendicular to strike);
Disseminated	Fine grained material scattered evenly throughout the rock;
Dolerite	A medium grained intrusive igneous rock of basaltic composition;
Ductile	A response to stress where material undergoes plastic deformation;
Due diligence	The process of investigation into the details of a potential investment, such as an examination of operations and management and the verification of material facts;
Dykes	A sub-vertical tabular igneous intrusion which cuts across the bedding or other planar structures in the country rock;
Emplacement	The intrusion of igneous rocks or the development of ore deposits in a particular place or position;
Erosion	The wearing away of any part of the Earth's surface by natural agencies;
Evaporite	Sediment deposited from a saline solution as a result of extensive or total evaporation of the water;
Exhalative deposit	Massive sulphide deposits usually lenticular to sheet-like in form typically occurring at the interface between volcanic units or between volcanic and sedimentary units;

Exploration drilling	Drilling in an unproved area or to an untried depth either to seek new areas of mineralization or the possibility of increasing the area of known mineralization;
Fabric	The texture and structure of a rock body;
Fault	A fracture in a rock along which the opposite sides have been relatively displaced parallel to the plane of the movement;
Feasibility Study	A detailed study of the economics of a project based on technical calculations and specific mine designs undertaken to a sufficiently high degree of confidence to justify a decision on construction;
Feldspar	A silicate mineral group, most important group of rock forming minerals being essential constituents of igneous rocks, present in most metamorphic rocks and in many sedimentary rocks;
Felsic	A term for a rock that contains an abundance of feldspar and silica;
Ferruginous	Pertaining to iron or containing it;
Flaser	Discontinuous curved lenses;
Float	Loose rock fragments that are often found in the soil on a slope;
Fold	Bend or buckle in any pre-existing structure in a rock as result of deformation;
Foliation	A continuous or discontinuous layer structure in metamorphic rocks formed by the segregation of minerals in streaks or lenticles;
Footwall	The underlying side of a fault, orebody or mine working;
Fuchsite metaquartzite	A metaquartzite containing fuchsite (a chromium rich muscovite);
g/t	Grams per tonne;
Gabbro	An intrusive igneous rock composed chiefly of plagioclase and pyroxene commonly with small amounts of ferromagnesian minerals;
Galena	A lead sulphide mineral (PbS);
Garnet	A silicate mineral/mineral group;
Geochemical anomaly	A concentration of one or more elements in a rock, sediment, soil, water or vegetation that differs significantly from the normal concentrations;
Geochemical sampling	A prospecting technique which measures the content of certain minerals in soils and rocks and defines anomalies for further testing;
Geological mapping	Recording geological information;
Geophysical surveys	A prospecting technique which measures the physical properties (magnetism, conductivity, density) of rocks and defines anomalies for further testing;
Geotechnics	A branch of engineering which determines the factors influencing the stability of excavations;
Gneiss	A foliated metamorphic rock formed under conditions of high pressure, often coarse grained with layering;
Gneissic	Showing the texture typical of gneisses;
Gneissic granite	A granite which has been metamorphosed and shows a gneissic texture;
Gondwana	A southern supercontinent formed in the later Palaeozoic to early Mesozoic;

Gossanous	Coloured rock composed of hydrated oxides of iron that forms a superficial cover over sulphides of iron and/or other metals;
Grade	The quantity of ore or metal in a specified quantity of rock;
Granite	A medium to coarse grained plutonic igneous rock usually light coloured and consisting largely of quartz and feldspar;
Granite gneiss	Gneiss derived from a sedimentary or igneous rock and having the mineral composition of a granite;
Granite intrusion	A granite body emplaced into the pre-existing rock;
Granitoid	Pertaining to a granite;
Granodiorite	A coarse grained plutonic igneous rock of similar composition to a granite but containing more alkali feldspar;
Granulite	A metamorphic rock composed of equal sized interlocking grains;
Grass roots	The earliest phase of geological exploration and knowledge gathering;
Greenschist	A green schistose metamorphic rock;
Greenschist facies	A low grade metamorphic facies;
Greenstone	Any green weakly metamorphosed igneous rock;
Haematite	An oxide mineral of iron (Fe <sub>2</sub> O <sub>3</sub> );
Halo	A circular or lunate distribution about a source;
Hanging wall	The mass of rock above a fault, orebody or mine working;
Hornblende	A dark green or black silicate mineral found in igneous and metamorphic rocks;
Hydrocarbon	Any class of organic compounds consisting of carbon and hydrogen only;
Hydro geology	Branch of geology associated with the study of underground water;
Hydrothermal	Of or pertaining to heated water;
Hypabyssal	Classification for igneous rocks formed at shallow depths in the crust;
Indicated or Indicated Mineral Resource	The part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed;
Inferred or Inferred Mineral Resource	The part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability;
Infill drilling/sampling	Drilling or sampling in between locations that have already been drilled/sampled;
In-situ	In place;
Interbedded	Being positioned between or alternating with other layers of dissimilar character;



Intercalated	Existing or introduced between layers of a different type;
Intrusion	A body of igneous rock that is emplaced into pre-existing older rocks;
Inverse Distance Squared	A means of taking less influence from data which is further away, a simple method of interpolation;
Iron formation	An iron rich chemical sedimentary rock, thin bedded or laminated and commonly containing layers of chert;
Jurassic	Period of geological time from 210-140 Ma;
JV	Joint Venture;
Kimberlites	A volatile rich ultramafic igneous rock containing a variety of minerals;
Km	Kilometres;
Lacustrine	Relating to lakes;
Lamprophyres	A group of igneous rocks that typically occur as dykes and small intrusions;
Landsat TM	Multispectral data from satellite remote sensing imagery that provides landscape patterns reflecting geologic structures, types of rocks, and vegetation;
Lava	Molten rock that issues from openings at the Earth's surface or on the ocean floor;
Lenses	Geological bodies that are thick in the middle and thin at the edge;
Leucogranite	A light coloured alkali granite relatively deficient in mafic minerals;
Limestone	A sedimentary rock composed almost entirely of calcium carbonate (CaCO <sub>3</sub> );
Limonite	An amorphous hydrated iron oxide, one of the chief constituents of gossan;
Lineament	A linear topographical feature;
Lithology	The description of the characteristics of rocks;
Lode	A mineral deposit consisting of an entire zone of dissemination;
m	Metre;
M	Million;
Ma	Million years;
Mafic	Describing an igneous rock of low silica and high magnesium and iron content, usually dark in colour;
Magnetic survey	A prospecting technique which measures the magnetic properties of rocks and defines anomalies for further testing;
Mantle	Zone within the earth that extends below the crust to the core;
Marble	A fine to coarse grained metamorphosed limestone;
Marl	A rock composed of a friable mixture of clay minerals;
Massif	A large elevated feature, usually in an orogenic belt, differing topographically and structurally from the lower adjacent terrain;
Massive	Having homogeneous structure or texture;

Measured Mineral Resource	The portion of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through workings and drill holes. The locations are spaced closely enough to confirm geological and/or grade continuity;
Meso-	Prefix meaning middle;
Mesothermal	Describing ore minerals of hydrothermal origin formed at medium temperatures;
Mesozoic	An era of geological time spanning 250-65Ma, including the Triassic, Jurassic and Cretaceous periods;
Meta-	Prefix denoting a metamorphosed igneous or sedimentary rock in which the original texture is still recognisable;
Metamorphic grade	A measure of the intensity of metamorphism that a rock has been subjected to;
Metamorphic relic	A feature/fabric persisting in a later rock despite metamorphism;
Metamorphism	Altering in composition, texture, or internal structure by processes involving pressure, heat and/or the introduction of new chemical substances;
Micaceous	Consisting of or pertaining to mica, a group of silicate minerals characterized by their platy habit;
Migmatites	A highly complex rock with a banded appearance thought to be formed by partial melting under very high temperatures and pressures;
Mineralisation	The concentration and process of metals and their chemical compounds introduced within a body of rock;
Mineralised envelope	A volume containing ore minerals;
Mineral Resource	A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such a form and quantity that there are reasonable prospects for eventual economic extraction;
Mobile belt	A long narrow belt within the continental crust where tectonic and metamorphic activity occur;
Molybdenite	A molybdenum sulphide mineral (MoS <sub>2</sub> );
Muscovite	A silicate mineral common in granite and metamorphic rocks;
Neo-	A prefix meaning recent;
Open pit	A method of surface mining in which the ore is extracted from an excavation open to the sky;
Ophitic	A texture of an igneous rock whereby randomly orientated plagioclase crystals are surrounded by a single large pyroxene crystal;
Ore	Mineral bearing rock that contains one or more minerals, at least one of which can be mined and treated profitably under current or immediately foreseeable economic conditions;
Orebody	The volume of rock containing the Mineral Resource;
Ore shoot	Zones within a deposit which are higher grade and/or thicker than the remainder of the deposit;
Orogenic belt	A linear or arcuate zone in the Earth's crust characterised by deformed and metamorphosed rocks, usually associated with large plutonic intrusions in the deeper levels of the belt;

Orogeny	The process by which features such as thrusting, folding and faulting within fold-belt mountainous regions were formed;
Out crop	An area where rocks occur at the surface;
Outlier	An area of rock surrounded by rocks of older age;
Oxide	Soft, weathered rock formed by the process of weathering near the surface;
Oz	Ounce;
Palaeo-	Prefix meaning old or ancient;
Palaeozoic	An era of geological time from 590-250Ma;
Pb	The chemical symbol for lead;
Pegmatite	Very coarse grained igneous rocks often in veins formed around the margins of large deep-seated plutons usually extending from the pluton itself into the surrounding rock;
Pelitic	A metamorphosed argillaceous (rocks or sediments composed of clay minerals) rock;
Penepplain	A hypothetical surface to which landscape features are reduced through the continued erosion;
Percussion drilling	Drilling in which the drilling bit falls with force onto rock;
Permian	A period of geological time from 290-250 Ma;
Petrographic	Of or pertaining to rocks;
Phonolite	A fine grained extrusive igneous rock;
Phyllite	A metamorphic rock derived from argillaceous sedimentary rocks formed by intermediate levels of pressure;
Pillow lavas	Spherical or ellipsoidal structures usually composed of basaltic lava formed as a result of rapid cooling on contact with water;
Pits	Exploration excavations to determine nature and structure of the underlying rocks and to obtain samples;
PL	Prospecting licence;
Pliocene	The uppermost division of the Tertiary Period;
Plunge	The inclination of a fold axis, measured in the vertical plane;
Plutons	Any massive body of igneous rock formed beneath the surface of the Earth;
PML	Primary mining licence;
Poikiloblastic	A texture in metamorphic rocks caused by the development during recrystallisation of a new mineral around remnants of the original minerals;
Porphyry	An igneous rock in which relatively large crystals (phenocrysts) constitute 25% or more of the volume and are set in a fine-grained ground mass. Can also be used in conjunction with a mineral name where the pheocrysts are of the named mineral e.g. quartz porphyry;
Precambrian	The period of time from the formation of the Earth (4500Ma) to about 590Ma;
Pre Feasibility Study	A geological, technical and economic study to determine whether a deposit can be exploited;
Pressure oxidation	Oxidation of sulphide ore under high pressure conditions;

Probable Ore Reserve	The economically mineable part of an Indicated, and in some cases Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed, mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could be reasonably justified;
Prospect	An area of ground considered worthy of investigation with respect to mineral potential;
Proterozoic	The later of the two major subdivisions of the Precambrian (compare with Archaean) between 2500 and 590Ma;
Proven Ore Reserve	The economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed, mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could be reasonably justified;
Pseudomorphs	A mineral which takes the outer form of another e.g. by replacement;
Pyrite	An iron sulphide mineral (FeS <sub>2</sub> );
Pyritisation	The introduction of pyrite into any type of rock;
Pyroclastic	Fragmented rock materials formed by volcanic explosion;
Pyroxene	A group of silicate rock forming minerals;
Quartz	A common rock forming mineral (SiO <sub>2</sub> );
Quartzite	A metamorphic rock type formed predominantly of recrystallised quartz;
Quaternary	The most recent period of geological time, a division of the Cenozoic;
Radiometric	Based on the decay of radioactive isotopes that have very long half-lives;
RAB	Rotary air blast;
Range	A term used in grade estimation which represents the distance up to which grades have a relationship to each other, such that samples lying a distance apart greater than the range have no relationship to each other (obtained from a semi-variogram);
RC	Reverse circulation, a type of drilling method in which the sample is forced by air to the surface inside the drill rods;
Refractory ore	Ore in which the gold is not directly amenable to leaching by cyanide without an intermediate process such as pressure oxidation;
Replacement	The progressive substitution of one mineral for another;
Reverse circulation drilling	A type of drilling method in which the sample is forced by air to the surface inside the drill rods;
Rhyolite	One of a group of extrusive igneous rocks commonly showing flow textures, the extrusive equivalent of a granite;
Rift valley	An elongate topographical depression bounded by steep dipping parallel or sub-parallel faults;

Rotary drilling	The hydraulic process of drilling that consists of rotating a column of drill pipe, to the bottom of which is attached a drilling bit, and during the operation, circulating down through the pipe is a current of air/mud-laden fluid. The drilling cuttings from the bit are forced upward and outside the drill pipe to the surface;
Saccharoidal	Having a granular texture resembling that of sugar;
Sample	A representative fraction of body of material; removed by approved methods; guarded against accidental or fraudulent adulteration; and tested or analyzed to determine the nature, composition, percentage of specified constituents. Bulk samples are large (several tonnes), so taken as to represent the ore for the purpose of developing a suitable treatment. Channel samples, cores, chips, grab, are small ones- made primarily to establish the value of the ore;
Sandstone	A sedimentary rock comprising sand grains between 0.06mm and 2.0mm size;
Scheelite	A tungsten mineral (CaWO <sub>4</sub> );
Schist	A metamorphic rock defined by its well developed parallel orientation of more than 50% of the minerals present;
Search radii	A term used in grade estimations to indicate the distance within which other samples will influence the grade of the point being estimated;
Semi-Variogram	A graph of the measurement of the degree of dissimilarity in the outcome of sampling as the distance between the observation site increases;
Sericite	A fine grained white micaceous mineral often the product of alteration processes;
Serpentine	A group of common rock forming silicate minerals;
Serpentinite	A metamorphic rock composed almost completely of serpentine-group minerals;
Shale	A fine grained laminated sedimentary rock formed from clay, mud and silt;
Shear	The deformation of an object in which parallel planes remain parallel but are shifted in a direction parallel to themselves;
Shear hosted	Term used to describe orebodies hosted on areas where shearing has occurred;
Shear zone	A zone of rock showing evidence of shear stress;
Shield	Large area of the Earth's crust consisting mostly of Precambrian rocks, the exposed areas of large structural units known as cratons;
Siliceous	Containing abundant silica;
Silicification	The introduction of silica into a non-siliceous rock via silica saturated groundwater or fluids of igneous origin;
Sill	Tabular igneous intrusions with boundaries conformable with the planar structure of the surrounding rocks;
Sillimanite	A silicate mineral widespread in high temperature metamorphic rocks;
Specific gravity	The ratio of the weight of a given volume of a substance to the weight of an equal volume of water (i.e. its density);
Splay	Diverging of a main structure at an angle;

Sterilisation drilling	Drilling at locations to confirm absence of an orebody or mineralised zone;
Stockwork	A mineral deposit in the form of a branching network of small irregular veins;
Stope	An underground excavation resulting from the extraction of ore by mining;
Strata	Layer of rock;
Stratabound	A mineral deposit that is restricted to a particular part of the stratigraphic column;
Stratiform	Having the configuration of a layer or bed but not necessarily being bedded;
Stratigraphy	The sequence or layers of rocks;
Strike	The direction taken by a structural surface such as a fault or bedding plane as it intersects the horizontal;
Strike length	The length over which the strike of a feature can be measured;
Stringer	A mineral veinlet or filament, usually one of a number, occurring in a discontinuous subparallel pattern in host rock;
Sulphide	Metalliferous minerals formed with sulphur and often iron;
Surveyed collars	The surface location of a drill hole measured in terms of Eastings, Northings and Elevation;
Syenite	A group of plutonic igneous rocks with little or no quartz;
Sympathetic step faults	A set of parallel, closely spaced faults over which the total displacement is distributed;
Syn-	A prefix denoting with or at the same time;
t	Metric tonne;
Tectonics	The forces and movements producing large scale features of the Earth;
Tertiary	A geological period from 65-1.6Ma, part of the Cenozoic era;
Tors	Tower-like blocks of unweathered rock;
Tourmaline	A silicate mineral common in igneous and metamorphic rocks;
Transgression	The incursion of the sea over land areas, or a change that converts initially shallow water conditions to deep water conditions;
Trenching	A means of exposing and sampling near-surface geology by digging a trench;
Triassic	A period of geological time from 250-40Ma;
Tuff	A rock formed from volcanic ash fall deposits;
Twin drilling	Drilling at the same locations as holes already drilled to verify the results of existing drill holes;
Ultramafic	A dark coloured igneous rock with a silica concentration of less than 45%;
Unconformable	Not following the underlying rocks in immediate age sequence, or not parallel with the rocks beneath;
Unconformity	A break in the sequence of strata in an area that represents a period of time during which no sediment was deposited;

Uncut	Where all relevant samples obtained are included, as opposed to removing anomalous low or high grade extremes;
Underground development	The digging of tunnels through rocks to access the underground orebody;
Vein	Tabular or sheetlike body deposited in openings of fissures, joints or faults in the host rock;
Verification drilling	Drilling near locations that have already been drilled to verify the results of existing drill holes;
Void	Cavities within rocks resulting from extraction of material;
Volcanic	Pertaining to igneous rocks which have been erupted from volcanoes;
Volcaniclastic	Pertaining to fragmental rocks containing volcanic material in any proportion without regard to origin;
Wall rock	The rock that forms the walls of a vein or lode;
Waste	Rock which is does not contain economic concentrations of minerals;
Weathering	Degradation of rocks at the Earth's surface by climatic forces;
Zn	The chemical symbol for zinc;











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