2018

Annual Report and Accounts

Country of incorporation
Guernsey

Nature of business
Gold exploration and mining in Tanzania

Company registration number
43133

Registered office
11 New Street
St Peter Port
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Secretary
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Auditor
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Nominated advisor and broker
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Website
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About Shanta Gold

The New Luika Gold Mine is an established, low cost, cash generating operation boasting high grade resources rarely found around the world.

Shanta is focused on maximising operational value for shareholders from this mine, and other assets in its portfolio, through taking a modern and disciplined approach to mining.

Alongside New Luika, Shanta owns Singida, an exploration and development stage project, located in central Tanzania.

A portion of the Singida asset is held in a joint venture of which Shanta has a 90% interest.

Shanta also holds exploration properties covering over 1,560 km2 in the under explored ex-colonial mining areas of the geologically rich Lupa Goldfield surrounding New Luika as well as prospecting licences at Songea in southwestern Tanzania.

Shanta has established a solid operational track record which has allowed it to embark on an exciting exploration campaign across its large and highly prospective licence areas. This exploration programme is targeting new resources to extend the mine life of New Luika.

Shanta Gold is listed on the Alternative Investment Market (AIM) of the London Stock Exchange (ticker: SHG).

NEW LUIKA

Board of Directors

Anthony Durrant

Non-executive Chairman

Mr Durrant has had a long and distinguished career in the global natural resources sector, having formerly been the Global Head of Metals & Mining at UBS Investment Bank. He is currently Chairman of the Investment Advisory Committee of New York based Arias Resource Capital Management, which manages private equity funds investing in Latin American mining. Mr Durrant brings significant experience in capital markets and natural resources. Mr Durrant has longstanding links to East Africa.

Eric Zurrin

Chief Executive Officer, Director

Eric Zurrin has 15 years' experience in mining and investment banking, previously with UBS Investment Bank in London. Eric re-joined Shanta in 2017 having previously worked across a range of roles with Shanta including as interim CFO in 2015/2016 leading the financial restructuring and as a Commercial Analyst advising the former CEO in 2013. Eric is a Canadian national and has worked and lived in North America, the UK, Asia and Africa. Eric completed his Bachelor of Commerce (Accounting) in Canada.

Luke Leslie

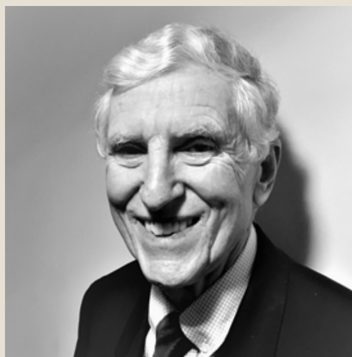
Chief Financial Officer, Director

Luke is a mining investor with a background in Mergers & Acquisitions. Luke has served as the Chairman of Kincora Copper, a Canadian listed company, and was previously Co-Head of Trafigura-Origo and a member of UBS Investment Bank's Corporate Finance team. Prior to that Luke was a management consultant with Accenture where he specialised in post-acquisition integration and cost reduction strategies.

Ketan Patel

Non-executive Director

Mr Patel was a founder of Shanta Mining Company Limited (now a subsidiary of Shanta Gold) in 2001 and is a member of the Audit and Sustainability committees, chairing the Sustainability committee. He has worked extensively in trading organisations in the UK and since 1986 has traded agrocommodities internationally. Mr Patel has extensive commercial interests in Tanzania and is a senior director of Export Holdings (Pty) Ltd and Managing Director of the Sea Cliff and White Sands Hotel in Dar es Salaam.



Robin Fryer

Non-executive Director

Mr Fryer is a chartered accountant and US certified public accountant and chairs the company's Audit committee. He had a long and distinguished international career with Deloitte where he led the global mining and metals industry practice. Mr. Fryer has advised some of the world's largest mining companies, including several Africa-based companies.

Keith Marshall

Non-executive Director

Mr Marshall is a mining engineer with over 35 years' experience in the sector enabling him to accumulate a wealth of technical and managerial expertise with the last fifteen years spent in senior mine leadership roles. Mr Marshall's last two operational roles were both with Rio Tinto, with whom he has worked for 22 years, as Managing Director of the Palabora Mining Company in South Africa and as President of the Oyu Tolgoi Project in Mongolia. He chairs the company's Remuneration committee.

Chairman's Statement

Dear Shareholders,

2018 was an excellent year for the Company, both operationally and financially, with the result being the highest net profit recorded by the Company in four years. During the year we developed our third underground mine at New Luika Gold Mine ("New Luika") with a safety record of zero Lost Time Injuries. We reduced our net debt to the lowest in Shanta's producing history and strengthened our project pipeline with the release of the economics for our second project at Singida.

Performance and operating highlights
In a challenging gold environment and in the absence of VAT refunds in country, we remained focused on improving our business, reducing our costs and reducing production risk at our current mine.

We took steps to extend the mine life at New Luika with exploration at depth adding new high-grade reserves at Bauhinia Creek during the year. We generated new targets at Lambo, Quartzberg and Porcupine South. New targets, if proven economic, could ultimately allow us to develop satellite feed for blending at New Luika. We are fortunate to be operating in a region hosting exceptionally high-grade gold deposits providing the opportunity to blend high-grade tonnage with the substantial existing low-grade resources which today sit outside the mine plan.

We are currently reviewing options to fast-track the development of Singida having announced the project economics in the final quarter of 2018. Singida will be separated into a new company for funding by third parties at the asset level. We remain optimistic that Singida will progress to production in the near future.

Business and market outlook
We anticipate another year of steady production in 2019 and continue to critically assess all aspects of the business with a view to removing unnecessary costs, improving efficiencies and capital allocation.

Our production in 2019 is forecast to be similar to 2018 at 80,000 – 84,000 ounces of gold, with the possibility of maintaining those levels in future years at New Luika as we look to build on our strong track record of resource conversion. The development of Singida could take Shanta's consolidated production to over 100,000 ounces per annum once operational.

In 2019 we expect to repay a significant portion of our outstanding debt including a partial repurchase of the Convertible Notes.

Finally, I would like to close by thanking all Shanta Gold employees for their hard work in producing a number of new operating records with an outstanding safety record. The workforce is 99% Tanzanian and their commitment and professionalism has made the company a respected operator in Tanzania.

Anthony Durrant
Chairman

27 February 2019

REDAVIA

Chief Executive Officer's Review

It is with great pleasure that I report on another successful operational and financial performance for the 2018 financial year. 2018 has been a hallmark year for Shanta Gold, with a number of new production records achieved. Our team have shown determination in delivering hard-earned results and, critically, have done so without compromising our safety record. With a number of ongoing initiatives to grow our business, the year ahead stands to be our most exciting yet.

2018 was a year of capitalising on foundations and is poised to mark the beginning of a vintage period for Shanta. Our flagship asset, New Luika, enjoyed its first full year of underground mining. Significant free cashflows helped to reduce debt and have allowed us to contemplate how best to target returns for our shareholders in the future. The Company's disciplined and modern approach is paying off and new standards continue to be set across the business as we aim ever higher.

Highlights

Safety comes first

The safety of our people is central to everything that we do at Shanta and we continue to pursue ever-safer working practices. Our cumulative Total Recordable Injury Frequency Rate ("TRIFR") of 1.12 for 2018 was a 37% reduction from 2017 (1.79). This was also significantly below the industry average of 4.38, as measured by the International Council on Mining and Metals, and represented a third successive annual decline in recordable injuries. There were no Lost Time Injuries during 2018. By the year-end the Company had surpassed 1.9 million man-hours without Lost Time Injury. Shanta is proud to have maintained its track record of operating among the safest gold mining operations of its peers and across all of Africa.

Profitability and rapid deleveraging

A decline in ongoing capital requirements coupled with cost efficiencies executed across the business underpinned Shanta's most profitable year since 2014. EBITDA[1] amounted to US$45.7 million, a 21% increase from 2017 (US$37.7 million). New Luika's operational performance allowed Shanta to reduce both gross debt and net debt during the period, with the latter being down 20% from 2017, the lowest level it has been in six years. Repaying loans and maximising shareholder returns is a key focus for management.

As the Group continues to strengthen its financial position and work towards delivering returns to its shareholders, work is ongoing to develop an appropriate dividend policy. This policy will be linked to the strength of the balance sheet, operating performance and the long-term growth prospects of the business.

Operational optimisation and a lean cost profile

Pivotal to the Group's modern business approach is aligning Shanta's employees with shareholders. Shanta's employees have a much better understanding of their role in generating shareholder value and are motivated to be productive and careful with costs. The Company recognises that the best ideas are formed by employees working across the business. By motivating our workforce to continuously strive to improve productivity and reduce wastage we harness the best ideas across many disciplines, and reinforce a culture that can allow Shanta to outperform its peers.

The Revised Mine Plan published in 2017 has been subjected to continual review throughout the period as mining at the New Luika ore bodies continues. Our accumulated knowledge of the geology around New Luika led us to resequencing the plan during 2018, with development and mining of the Ilunga deposit accelerated. This is an exciting strategic move that both enhances our operational flexibility for 2019 and increases the Net Present Value ("NPV") of New Luika. Development progress made during 2018 has already surpassed initial expectations and first development ore from Ilunga is now expected in the first quarter of 2019.

1 EBITDA is earnings before interest, tax, depreciation and amortisation which has been derived as operating profit exclusive of depreciation/depletion of tangible assets and amortisation of intangible assets.

Key to the production successes of 2018, in which revised guidance of 80,000 ounces ("oz") was beaten following a record-breaking fourth quarter, was the ability to significantly increase mill throughput which we expect to be sustained into 2019. One of the headline achievements in 2018 was the reduction of recurring costs by US$7.2 million per annum. This total exceeded initial targets and was achieved through cuts to overhead costs and contract renegotiations spanning the Group's entire supplier base. Importantly, Shanta's underground operations were ringfenced from cost reductions to ensure operational performance. Further cost savings of approximately US$1.2 million are expected for the coming year following internalisation of the management of New Luika's 7.5MW HFO power plant at the end of 2018. Ongoing cost reviews continue to identify additional cost savings which will be executed during 2019.

Achieving growth

The Company is undertaking a wide-ranging exploration programme spanning the entire licence portfolio. On-mine exploration remains the highest priority, as the Group looks to extend the long-term future of New Luika. The board has taken the decision to double the Company's 2019 exploration budget to approximately US$3.6 million in order to achieve this objective.

Key objectives for 2019 include the definition of additional Indicated Mineral Resources and mine life extention at New Luika. This requires a better understanding of mineralised zone depth continuity at the Bauhinia Creek ("BC") and Ilunga underground deposits. These underground mines represent a significant exploration opportunity and the 2019 drilling programme underway aims to delineate the down-dip and plunge extensions of our high-grade ore bodies.

Results of the modest, yet successful, on-mine underground drilling program in 2018 demonstrated the ability to convert gold resources into our mine plan. Initial underground drilling at BC East and BC West facilitated the upgrading of almost 29 koz from the Inferred to the Indicated category at a conversion rate of over 80% and at a conversion cost of only US$8/oz. This gives management confidence in the potential for further resource conversion. Proving additional Mineral Resources at depth will increase future production and mine-life extension should follow, without requirement for significant additional captial expenditure.

Regionally the Group holds a large land package in the prospective Lupa Goldfield, with 83 licences covering a vast area of approximately 1,500 km^2. During 2018, the Company initiated a target generation programme within the Lupa Goldfield. The highest ranked licenses are being followed up with further exploration, with the aim of generating resources that will enhance the Company's long-term production profile. Shanta is aware of a number of high grade mining operations in and around the Company's Prospecting Licences with reported grades of up to 30 grammes per tonne ("g/t"). Shanta has a large existing inventory of resources which are currently not included in the mine plan. Blending of higher grade material with this inventory can have a significant contribution to mine life and this is one area the Company intends to focus on in 2019.

Unlocking value from Singida

The Group's second project, Singida, is a potential major contributor of value for Shanta's shareholders and 2018 marked a year of steady progress towards realising the asset's full potential. Key successes included the definition of a new JORC-compliant resource estimate, which signalled a 56% increase in Measured resource. As a result, total Measured and Indicated resources at Singida increased to 381 koz at 2.08 g/t.

Physical works were conducted throughout the period with key infrastructure in place. This includes the ability to connect to the Government-owned power grid, sustainable water provisions in situ and completion of resettlement facilities and housing.

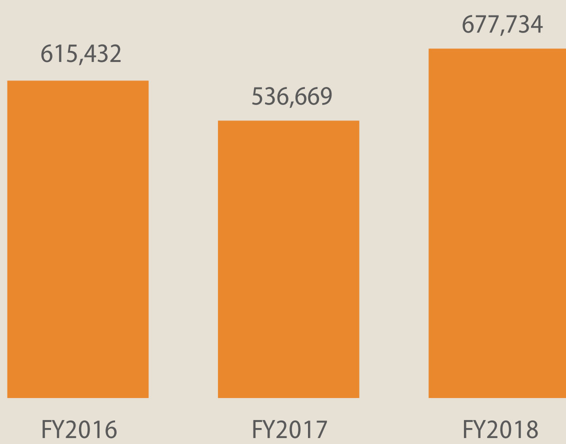
During 2018 the Group embarked on a corporate restructuring process to transfer Singida mining licences and assets into a new company, which is 100% owned by our Tanzanian operating company Shanta Mining Company Limited ("SMCL"). This paves the ground for a potential future asset level financing. In readiness for this, the Group announced its project economics during the period resulting in an NPV of US$31 million and IRR of 67%. These are based on an average annual production from open pit mining of 26 koz for an initial six year period, life of mine cash costs of US$794/oz and a pre-production capital requirement of US$19 million.

Further upside potential also exists at Singida through the inclusion of substantial resources currently outside of the project economics but within the existing mining licences.

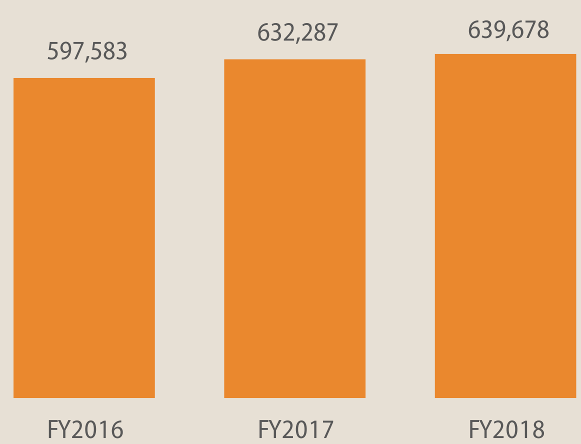
New Luika Gold Mine Operations Review

New Luika Gold Mine operations

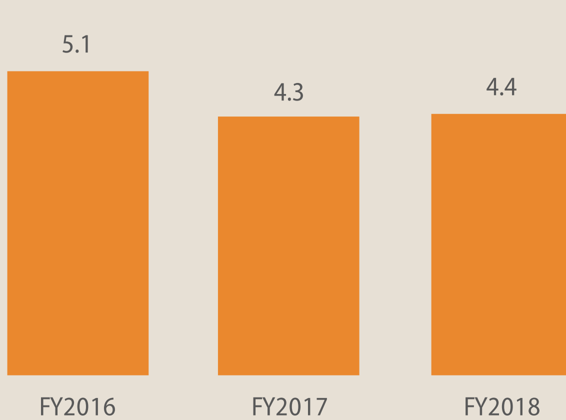
Tonnes ore mined



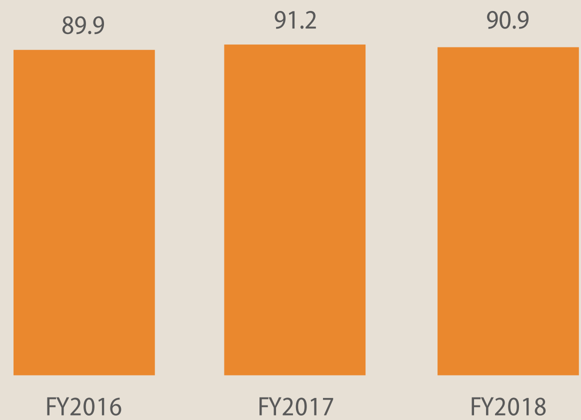
Tonnes ore milled



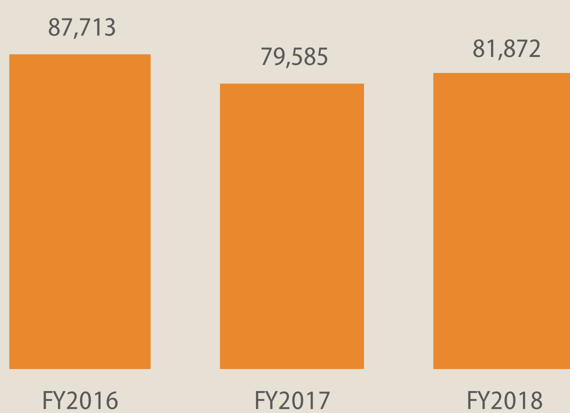
Grade (g/t)



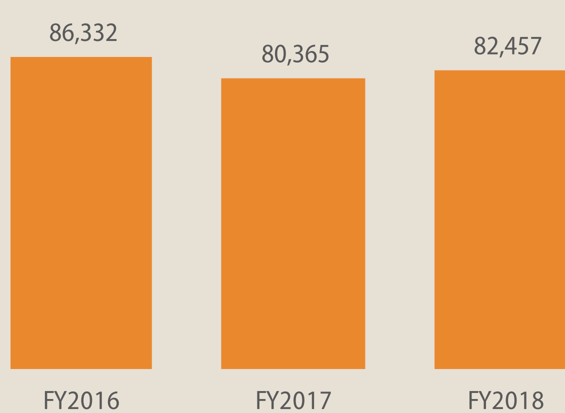
Recovery (%)



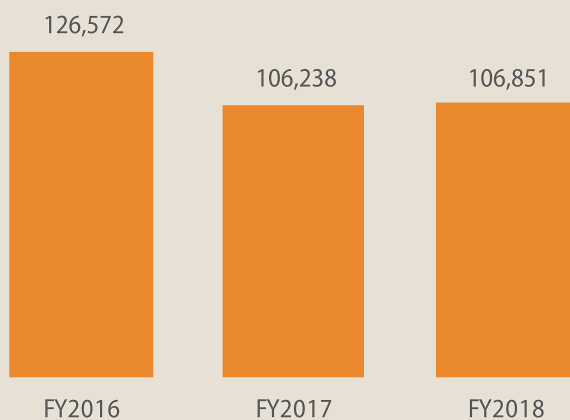
Gold production (ounces)



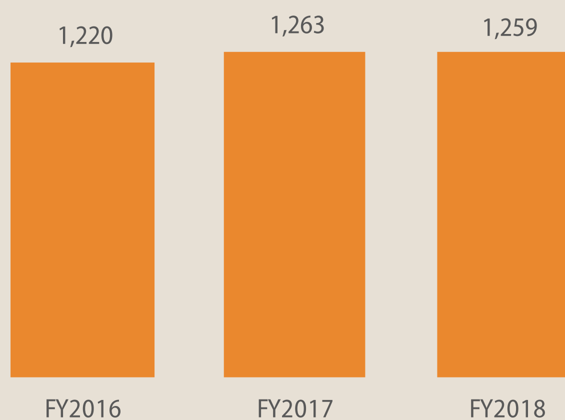
Gold sales (ounces)



Silver production (ounces)



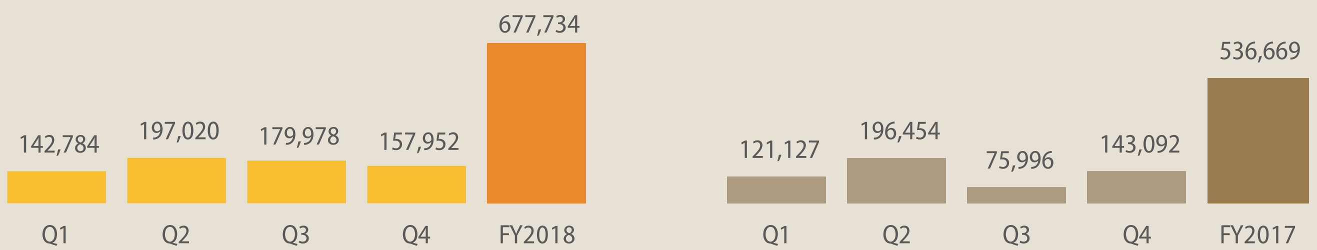
Realised gold price (US$/oz)



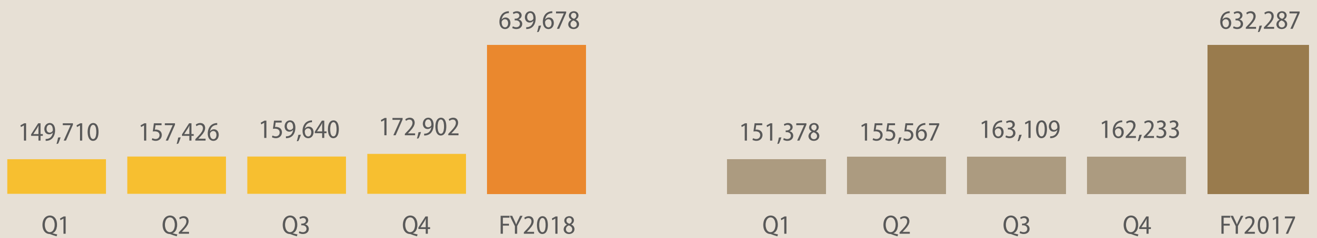
New Luika Gold Mine Operations Review

New Luika Gold Mine quarterly breakdown

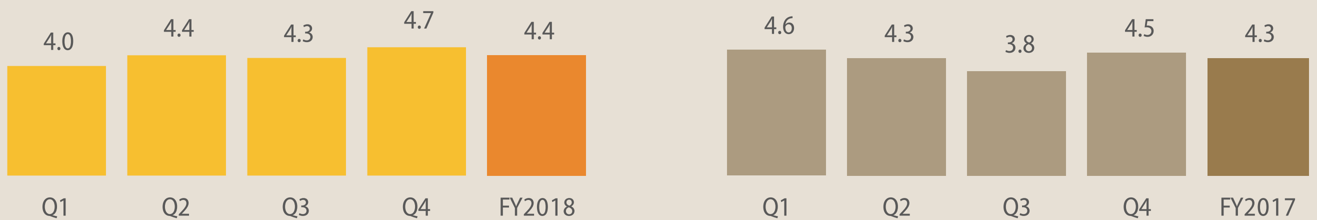
Tonnes ore mined



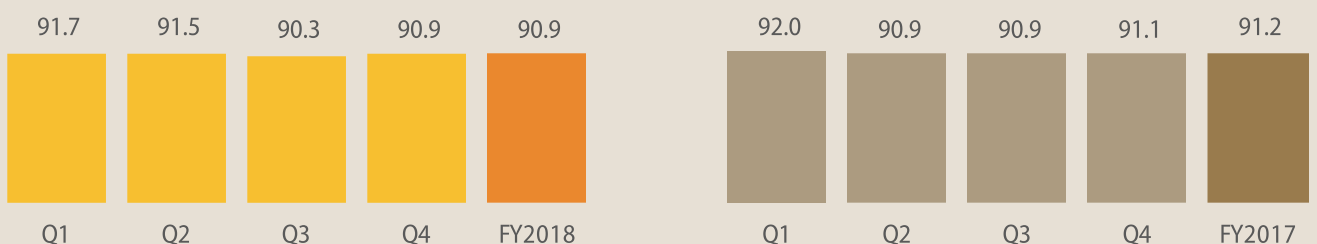
Tonnes ore milled



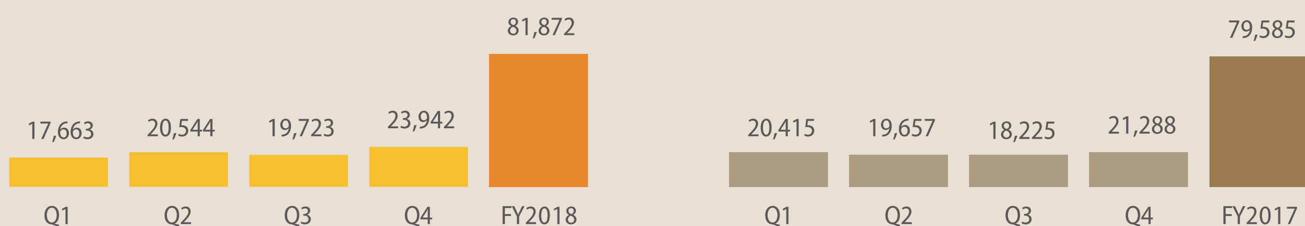
Grade (g/t)



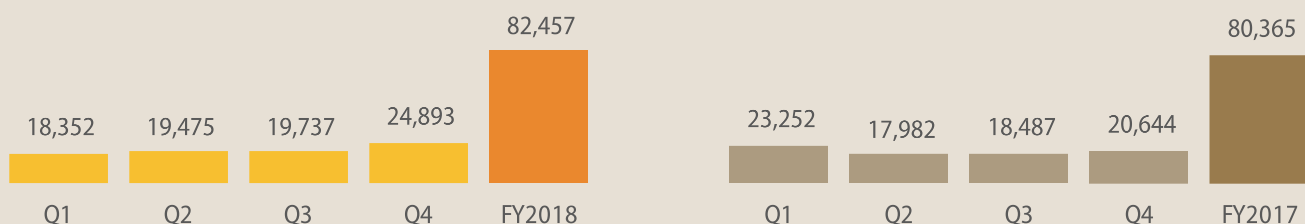
Recovery (%)



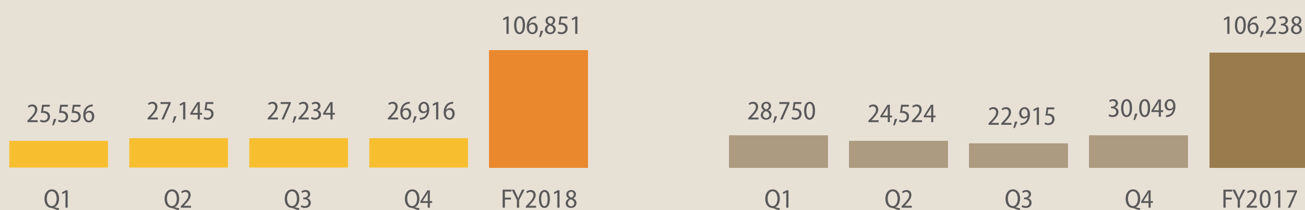
Gold production (ounces)



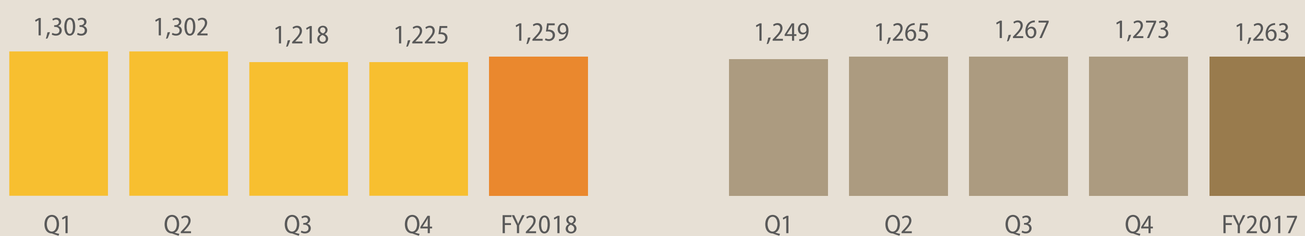
Gold sales (ounces)



Silver production (ounces)



Realised gold price (US$/oz)



Our Tanzanian identity

Shanta Gold has made the transition to a Tanzanian business in almost every respect, something on which we pride ourselves immensely.

At the end of 2018, 99% of the Company's global workforce was Tanzanian with a highly Tanzanian-based supply chain. Shanta is committed to improving the livelihood of the local areas surrounding both New Luika and Singida and will continue to invest in these communities. The Group is also reliant on the support of local and national communities who in turn benefit from employment opportunities and community investment from the Company. It is a relationship that is highly valued and mutually recognised. During 2018 Shanta contributed US$17.2 million to the Government of Tanzania in taxes, exclusive of VAT payments.

Recovering VAT payments

Outstanding VAT refunds continue to be a burden and efforts to encourage headway on this matter continued throughout 2018, including regular visits to senior ministerial officials in the Tanzanian capital, Dodoma. The Company's VAT receivable amounted to US$21.8 million at the end of the year (2017: US$14.7 million). Monthly VAT outgoings have been reduced to approximately US$600,000 per month and maintaining a lean business has been key to dealing with these continued cash outflows. The Group exports doré bars which it does not consider to be a raw mineral and therefore are not deemed to be an exempt supply under the amended VAT Act 2014 brought into effect in July 2017.

Operations review

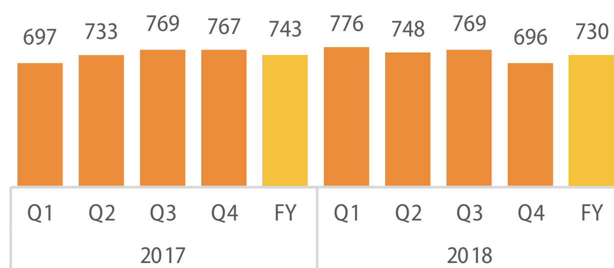
New Luika operations review

New Luika delivered a consistent mill feed throughout 2018 from its underground operation, supplemented by surface mining for six months of the year. Total mill feed was 639,678 tonnes ("t") at an average grade of 4.4 g/t for the production of 81,872 oz of gold, which was a great achievement in what was the Company's first full year of underground mining. This was ahead of 80,000 oz revised guidance and only slightly lower than the Company's original guidance of 82,000-88,000 oz of gold.

2018 heralded a record year for the Group in several respects, not least operationally. The number of stopes available for underground production increased to three on a stable basis which led to a new all-time record for quarterly tonnes mined from underground of 157,952 t in the final quarter of the period. This also enabled record mill throughput for the year. Critically, the Group's operational performance was achieved against the backdrop of zero LTI's for the year.

Looking ahead to 2019, mining flexibility is set to increase as development continues at Ilunga, soon to be the third active source of high-grade ore at New Luika. By the end of the period over 600 metres of development had been completed following a portal blast in August 2018. This progress has enabled the timeframe to ore development to be brought forward to March 2019, comfortably ahead of the original mid-2019 target.

Quarter on Quarter AISC[1]



AISC for the year was US$730/oz, beating revised guidance of US$750/oz and in-line with the original guidance of US$680-730/oz. This was achieved at least in part as a result of US$2.1 million additional cost reductions executed in 2018. AISC also improved on 2017, despite the impact of higher royalties introduced in July 2017 incurred for the full year in 2018.

Looking ahead, annual run rate fixed costs are set to decline by approximately US$1.2 million, following the internalisation of the management of New Luika's 7.5MW HFO Power Plant.

1 All In Sustaining Costs ("AISC") do not include development costs from the Bauhinia Creek, Luika and Ilunga underground operations.

Financial overview

Turnover for the year from sales of gold amounted to US$103.8 million, compared to US$101.5 million in 2017. This increase of 2.3% was largely due to a proportional increase in ounces sold, with the average selling price realised for the year being slightly lower than that of 2017.

The Company continued with its hedging programme and the average gold price realised for the year was US$1,259/oz compared to the average spot price for the year of US$1,269/oz. Cost of sales amounted to US$75.3 million (2017: US$80.6 million) representing a gross margin of 26% (2017: 19%). This reduction of US$5.3 million is despite a US$7.9 million increase in depreciation attributable to cost of sales and is a direct impact of cost reductions executed since late 2017.

Administration costs for the year amounted to US$6.5 million (2017: US$6.6 million) including adverse movements in foreign exchange and other one-off costs. On a like for like basis, administration cash costs were down US$1.5 million from 2017.

Exploration expenditure for the year amounted to US$1.5 million (2017: US$1.6 million) in addition to US$3.3 million capitalised expenditure at Singida, which included exploration activities, namely resource definition drilling and a geophysics survey testing the potential continuity of Cornpatch and Cornpatch West deposits. The expenditure at New Luika follows a renewed focus towards on-mine exploration and reserve base replenishment, specifically targeting high impact / low cost exploration activities. Exploration is a high priority for the Group's long-term strategy and the annual exploration budget for 2019 has been doubled to approximately US$3.6 million.

An operating profit for the year of US$19.3 million (2017: US$11.0 million) was generated. EBITDA amounted to US$45.7 million (2017: US$37.7 million). These annual increases of 75% and 21% respectively are in the context of a 2% increase in revenues and represent a leaner organisation. Net finance expense amounted to US$6.1 million (2017: US$7.5 million).

As a result of the above, a profit before tax of US$13.1 million (2017: US$3.6 million) was recorded. A tax charge amounting to US$5.2 million (2017: gain amounting to US$0.6 million) resulted in a profit after tax of US$8.0 million (2017: US$4.2 million). The increased tax charge in 2018 reflects the impact of two one-off deferred tax gains amounting to US$3.8 million in 2017, including a US$2.5 million reversal of deferred tax following legislative changes in 2017.

In the statement of financial position, non-current assets decreased to US$123.3 million (2017: US$131.8 million), after capital spend of US$18.1 million offset by a US$26.4 million depreciation charge. Current assets totalled US$61.3 million (2017: US$53.0 million), a higher level than that of the prior year primarily due to continued delays in outstanding VAT refunds. Net working capital was higher at US$40.4 million (2017: US$21.0 million), primarily due to an increased VAT receivable.

Overall liabilities decreased to US$79.4 million (2017: US$88.5 million) following continued efforts to deleverage the balance sheet, as delivered throughout the period. This included US$18.8 million of capital repayments towards loans and borrowings and the silver stream during 2018.

The cash balance at the year-end totalled US$9.0 million (2017: US$13.6 million). Net debt at the year-end amounted to US$31.5 million (2017: US$39.5 million), down 20% year on year and inclusive of US$15.1 million Convertible Loan Notes. By the end of 2018, Shanta had reached its lowest net debt figure in six years.

Hedging

The Company continued with its hedging programme during the year and as at the end of December 2018, the Company had sold forward 45,000 oz of gold at an average price US$1,230/oz. This reflects the Group's strategy to protect short-term cashflow in advance of US$13 million of contractual debt repayments during the first 6 months of 2019. The Group has the flexibility to defer settlement of these forward sales should it wish to benefit from exposure to a more favourable spot gold price. Post year-end, the total forward sales commitments at the end of January 2019 (2017: March 2018) remained at 45,000 oz (2017: 17,600 oz) at an average price of US$1,230/oz (2017: US$1,287/oz).

Corporate social responsibility

People

Shanta's people make it the ambitious and prosperous company that it is today. Our team is hard-working, dedicated and self-motivated. These are attributes engrained within the Group's culture for which it works hard to both preserve and encourage.

Importantly, the Shanta team is made up almost exclusively of Tanzanian staff, which includes highly skilled personnel across many disciplines. This is an invaluable asset for Shanta. Key to any success achieved by the Company is our drive to be best-in-class in the manner that we operate locally and to ensure that we leave an enriching footprint in Tanzania. Shanta was proud to be named by the Association of Tanzania Employers as one of the Top 10 employers in Tanzania for 2018, a national award that includes all industries.

At the end of 2018, 99% of the Company's entire workforce was Tanzanian (2017: 98%) and approximately 44% of these individuals are from local communities surrounding New Luika. The mine is a significant source of employment opportunity for nearby villages and towns, which have historically suffered from economic disadvantages.

The Group's headcount totalled 795 people at the end of 2018 (2017: 759 people), an increase which reflects the staffing requirements of the new Ilunga underground operation and internalising the power station. The year marked a continued realignment of the Group's workforce towards an operation run in-house across core functions, aligned with the value improvement initiatives rolled out in late 2017.

Business Sustainability

Ensuring that our presence in Tanzania is beneficial to our stakeholders is an integral aspect of Shanta's philosophy. This applies to none more so than the communities local to our projects, especially in the Songwe and Singida districts. Local businesses are also a vital component of the supply chain, and great efforts are made to reciprocate the support that these provide toward sustaining our operations.

Shanta is a Tanzanian business in almost all respects and the Executive Committee and Board of Directors of the local operating entity, SMCL, are led almost entirely by Tanzanian nationals.

A strong care for the environment is a foundation for conducting business responsibly and our daily operations are shaped by this. At New Luika, green energy has been incorporated as a significant contributor to our ongoing power requirements, with over 100,000kWh generated from solar and thermal power monthly. Close collaboration with the Tanzania Forests Services Authority ensures responsible management of the forests around New Luika and this is supplemented by an internally managed offset programme to minimise the Group's carbon footprint.

Shanta embraces its social responsibilities, and several new initiatives have again been rolled out throughout the year in support of our neighbouring communities. Tremendous progress has also been made with livelihood programmes established in 2017, and these continue to grow as the Group strives to cultivate an environment in which skills are passed on and opportunities for long-term independent prosperity can emerge.

Education, Water, Livelihood and Health are the four cornerstones of Shanta's efforts to fulfil these social responsibilities.

Education

In Maleza, a village less than 5 kilometres from New Luika, Shanta has now completed the transformation of infrastructure at the primary school which once comprised only dilapidated buildings and is now thriving with three new well-equipped functioning classrooms. Four additional classrooms have since been renovated and newly constructed desks can now accommodate 450 pupils, a 300% increase in student learning spaces. New toilets have also been constructed.

Shanta has been offering a scholarship programme for underprivileged students since 2014, and 2018 was no exception. Roughly 400 pupils have directly benefited from this programme and both performance and attendance are keenly monitored. Part of the initiative includes the provision of school uniforms and stationary, supplies in dire need where affected children and families have otherwise been financially unequipped to support a wholesome education.

Shanta's partnership with Hazelwood School (charity number 312081), a UK based charity providing teacher training on the ground in the Songwe region, "Into Africa – Partners in Learning", was expanded during the period. Volunteer time from a team of skilled teachers from the UK totalling 152 days was spent in Songwe and a Memorandum of Understanding has been formalised between Shanta, Hazelwood School and the District Education Authority in Tanzania. The focus of this programme has been on transferring skills across the English, Maths, and Sports

disciplines into four selected Tanzanian schools near to New Luika. "Into Africa – Partners in Learning" continues with strong momentum into 2019.

Water

Potable water is a scarce commodity in many of the disadvantaged areas of Songwe and Singida, particularly during the dry season during which it is often shared with cattle and hygiene levels are low.

Three water boreholes were drilled in the Songwe villages of Mbangala and Saza during 2018 in a drive to facilitate a much-needed source of accessible nearby ground-water. This is intended to help enrich the general health of the mine's underprivileged local villagers. The initiative also presents indirect advantages for those who benefit, including the alleviation of much needed time for other economic activities in replacement of the daily hours previously spent walking to and from distant water sources.

Livelihood

At the beginning of the year the first crop of Maize, Sorghum, Ground Nuts, Sweet Potatoes and Bambara were planted in local soils following an expert agricultural assessment carried out in collaboration with Export Trading Group ("ETG"). This initiative has since expanded exponentially and 350 local farmers with no prior knowledge received training and qualifications during the year in advance of harvesting their first demonstration farms. Overall, 800 farmers are now enrolled in the project, representing participation growth of 400% from 2017 following the widespread success of the initial programme.

The first harvest from these soils has now taken place with 1.4 billion Tanzanian shillings (US$600,000) generated, including from the sale of over 17 tonnes of sesame seed, all of which represents direct income for participants of the scheme. Farming in these soils did not exist two years ago and the practices adopted through this initiative have encouraged local leadership to expand Shanta methods across the Songwe district. Most importantly, the farming skills learned by these communities are sustainable in perpetuity.

Health

Access to medical facilities can be a significant problem for our local communities, with roads often unpassable during the rainy season and medical dispensaries in high demand. Shanta has constructed a new dispensary in Maleza, where villagers would previously need to travel four kilometres for medical attention, including during childbirth. With the new dispensary now operational patients are attended to within Maleza village, pregnant mothers are monitored and deliver close to home, infants are monitored and receive necessary vaccines and health education is provided daily. Furthermore, solar power now installed at the dispensary enables perishable vaccines to be stored properly and facilitates twenty-four hours a day distribution, seven days a week.

Outlook

At New Luika, annual production guidance has been set at 80,000-84,000oz for 2019 at an AISC of US$740-800/oz. Growth is expected to be one of our main value pillars for the year ahead, as we seek to extend New Luika's mine plan through investment in our on-mine exploration programme. Preparations at Singida for a potential future asset level financing will also continue as part of the ongoing drive towards unlocking its full potential.

Summary

The achievements of 2018 would not have been possible without everyone who continues to support and propel us towards the next chapter in Shanta's story. Once again, I would like to thank our shareholders, our employees, members of the Board and our partners, for their unwavering support and without whom we would have been unable to realise our goals for 2018. The coming year signals a time of huge potential for Shanta with opportunities for growth high on the agenda. I am looking forward to reporting progress to you as we continue to climb upwards on our ambitious trajectory.

Eric Zurrin
Chief Executive Officer

27 February 2019

Directors' Report

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2018.

General

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

Principal activity

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

Business review

A review of the business during the year is contained in the Chairman's Statement on page 5 and in the Chief Executive Officer's Review on pages 7 to 16. The Group's business and operations and the results thereof are reflected in the attached financial statements. It is the business of the Group and its subsidiaries to explore for value-adding resources, and to turn commercially viable findings into a mineral production asset.

Financial results

The results for the year are set out in the consolidated statement of comprehensive income on page 24. The activities for the year have resulted in the Group's profit before tax of US$13.1 million (2017: US$3.5 million). No dividends were paid or proposed by the Board of Directors (2017: US$Nil).

Subsequent events

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

Nominated advisor

The Company's nominated advisor is Numis Securities Limited.

Directors

The Directors who served during the year and to the date of this report are as follows:

Non- Executive

- Anthony Durrant (Chairman)
- Robin Fryer
- Ketan Patel
- Keith Marshall

Executive

- Eric Zurrin
- Luke Leslie

No Director shall be requested to vacate his office at any time by reason of the fact that he has attained any specific age. The Board considers that there is a balance of skills within the Board and that each of the Directors contributes effectively.

Directors' responsibilities statement

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Group for that period and of the profit or loss of the Group for that period. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law. In preparing those financial statements the Directors are required to:

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

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

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

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

Website publication

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

Going concern

The Directors have reviewed the Group's cash flow forecasts for the period to April 2020 and after taking into account existing financing facilities, available cash and cash flow projections from operations, the Directors consider that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details have been provided within note 2.2.

Auditor

BDO LLP has expressed their willingness to continue in office as auditor and a resolution to re-appoint BDO LLP will be proposed at the forthcoming Annual General Meeting.

Share options

Further details, including share options provided to employees of the Group, are contained in note 23 to the financial statements.

Signed on behalf of the Board of Directors on 27 February 2019.

Eric Zurrin
Chief Executive Officer

Anthony Durrant
Chairman

ORE

Corporate Governance

Board of Directors

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

The individual directors of the Board have a wealth of experience from diverse professional and personal backgrounds. The Chairman is responsible for leading the Board, including ensuring that an appropriate level of diversity is maintained to promote distinct perspectives on Group and Company matters, and for implementing a robust governance framework. The Chief Executive Officer is responsible for leading the Company in its strategic pursuits and for ensuring that the Company's business model is implemented effectively and in line with the Company's values.

The Directors of the Company have elected to follow the main principles of the QCA Corporate Governance Code. The QCA Corporate Governance Code identifies ten principles that focus on the pursuit of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which the company was created. In addition to the details provided below, governance disclosures can be found on the Company's website at www.shantagold.com/corporate/corporate-governance.

1. Strategy and business model

The Board seeks to maximise value for all our shareholders whilst ensuring continuity and consistency through sustainable and responsible mining.

The Company's primary asset ("New Luika") transitioned to a predominantly underground operation and entered commercial production in June 2017. The objective is to quickly repay the Company's debt and to generate returns for shareholders using the cash generated from this project.

The Company implements a disciplined and modern approach to driving operational efficiencies across the organisation, a philosophy embraced by the entire Shanta team. This ensures that Shanta runs an efficient operation without compromising on growth opportunities as it continues to build on strong foundations to take the Company forward.

With the underground mine at New Luika fully established, exploration activities are currently being conducted in three distinct areas:

- Targeted locations with the existing mining licences adjacent to the existing reserves at our Bauhinia Creek and Ilunga deposits;
- Within the economic circle of New Luika; and,
- Regionally, utilizing prospective exploration ground held by the Company within the Lupa Goldfield.

The roll-out of this exploration programme is designed to ensure longevity for the Company's existing operations.

2. Understanding and meeting shareholder needs and expectations

The Board is aware of the needs and expectations of shareholders. The Company engages with its shareholders through quarterly conference calls and at its Annual General Meeting.

The board supports the use of the AGM to communicate with both institutional and private investors. All shareholders are given the opportunity to ask questions and raise issues; this can be done formally during the meeting or informally with the directors afterwards.

At the AGM, separate resolutions are proposed on each substantially separate issue. For each resolution, proxy appointment forms are issued alongside the release of the Annual Report, which provide voting shareholders with the option to vote in advance of the AGM if they are unable to attend in person. All valid proxy votes received for the AGM are properly recorded and counted by Computershare, our registrars.

As soon as practicable after the AGM has finished, the results of the meeting are released via RNS and a copy of the announcement is uploaded to the Company website. At last year's AGM, all resolutions were duly passed.

The Executive Directors, Eric Zurrin and Luke Leslie, have a regular programme of individual meetings with

institutional shareholders and analysts following the release of each set of quarterly, half-yearly and annual results. These meetings provide a platform for detailed updates on the performance of the business. Feedback from these meetings is shared with the Board to ensure that shareholder opinion is central to ongoing strategic decision-making.

The Company Secretary can be contacted by shareholders on matters of governance, as can Eric Zurrin and Luke Leslie. Contact details are provided within every Company announcement.

The Board is mindful of the need to protect the interests of minority shareholders. The Board does not consider there to be a dominant shareholder whereby it would be necessary for any specific contractual arrangements to be put in place to protect the interests of minority shareholders.

3. Wider stakeholder needs and social responsibilities

The Company's long-term success relies upon good relations with all its stakeholder Groups, both internal and external. The Board affords highest priority to ensuring that it maintains a strong understanding of the needs and expectations of all stakeholders. Feedback is sought regularly across several platforms.

The Group's stakeholders include shareholders, employees, suppliers, customers, regulators, industry bodies and creditors (including the Group's lending banks). The principal ways in which their feedback on the Group is gathered are via meetings and conversations.

Regular dialogue is held externally with wider stakeholder Group representatives to ensure that the Company's presence in Tanzania is positive for all parties. The Company's responsibilities to its stakeholders are considered crucial to the Company's business plan.

The Company also engages with it shareholders through quarterly calls and at its Annual General Meeting, both of which provide an effective platform for two-way communication and feedback.

4. Effective risk management throughout the organisation

The Board has three Sub-Committees which aim to meet a minimum of three times per year and are chaired by a non-executive Director:

- The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and disclosed in accordance with governing regulations.
- The Sustainability Committee ensures the company is considerate of all stakeholders and operates in accordance with the laws of the country in which the company operates.
- The Remuneration and Nominations Committee ensures that the company has a remuneration strategy that attracts and retains the necessary skills. It is also responsible in conjunction with the Chairman for ensuring that the Board is correctly structured in terms of good corporate governance.

As of December 2018, the structure and membership of Board Committees was as follows:

Audit Committee

The Group's Committee comprised of three Non-Executive Directors being Robin Fryer (Chairman), Anthony Durrant and Ketan Patel. The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported on, and for meeting with the Group's auditor, reviewing their reports, reviewing the Group accounts and reviewing the Group's internal controls. The Audit Committee met three times in 2018.

Remuneration Committee

The Group's Remuneration Committee comprised of three Non-Executive Directors being Keith Marshall (Chairman), Anthony Durrant and Robin Fryer. Details of the Remuneration Committee's responsibilities are provided within the Remuneration Committee Report on page 31. The Remuneration Committee met three times in 2018.

Sustainability Committee

The Group's Sustainability Committee comprised of three Non-Executive Directors being Ketan Patel (Chairman), Anthony Durrant and Keith Marshall. The Sustainability Committee is responsible for reviewing the Group's safety, occupational health, environmental as well as community

and social responsibility practices. The Sustainability Committee met three times in 2018.

The Board has put in place mechanisms by which risks facing the Company are managed and reported internally. The Board reviews this internal reporting on a regular basis. The Board considers key business risks, including the financial risks facing the Company in the operation of its business. Control procedures have been put in place to appropriately monitor and mitigate these risks.

The key financial risks faced by the Group are detailed on pages 72-75. The Company has an established framework of internal financial controls to address these risks, the effectiveness of which is regularly reviewed by the Executive Directors, the Audit Committee and the Board.

The Board is responsible for reviewing and approving overall Company strategy, approving capital budgets and plans, and for determining the financial structure of the Company including treasury and tax. Monthly results and variances from plans are reported to the Board.

The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.

There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These procedures cover costs, cash flows, capital expenditure and balance sheet accounts.

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. This applies to mitigating both financial and non-financial risks faced by the Group. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

The principal elements of the Group's internal control system include:

- Close management of the day-to-day activities of the Group by the Executive Directors
- An organisational structure with defined levels of responsibility
- A comprehensive annual budgeting process producing a detailed integrated profit and loss and cash flow, which is approved by the Board
- Detailed monthly reporting of performance against budget; and
- Central control over key areas such as capital expenditure authorisation and banking facilities.

The Group continues to review its system of internal control to ensure compliance with best practice, while also having regard to its size and the resources available.

Non-financial controls covering areas such as health and safety, regulatory compliance, business integrity, risk management, business continuity and corporate social responsibility are continually assessed.

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies. Key examples of such standards and policies include the 'Anti Modern Slavery Policy' and 'Anti Bribery Policy'.

5. A balanced and well-functioning Board led by the Chair

The Board and the committees regularly receive detailed and high-quality information to facilitate proper assessment of any matters requiring a decision or insight.

The Board comprises the Chief Executive Officer, the Chief Financial Officer and four Non-Executive Directors including the Chairman. Two non-executive directors are independent, which the Board believes to be an appropriate composition to maintain effective corporate governance.

A biography of each of the Directors is included on pages 3-4.

Executive Directors are employed by the Group on a full-time basis whereas the Non-Executive Directors are remunerated on a fixed-fee part-time basis.

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

The table below shows the attendance at board meetings during the year to 31 December 2018:

Director		Board meeting	Audit Committee	Remuneration Committee	Sustainability Committee
Eric Zurrin	Executive	10	3	3	3
Luke Leslie	Executive	10	3	3	3
Anthony Durrant	Non-Executive	6	3	3	3
Ketan Patel	Non-Executive	4	2	2	2
Robin Fryer	Non-Executive	9	3	3	3
Keith Marshall	Non-Executive	6	3	3	3
Number of meetings held in the year		**10**	**3**	**3**	**3**

6. Experience, skills and capabilities of the Board

Directors who have been appointed to the Company have been chosen because of the skills and experience they offer. The Board of Directors has strong, relevant experience across the areas of mining, accounting and banking.

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of gold mining and exploration. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings.

Skills and knowledge have been gained through aggregated experience in gold mining and the wider sector and these are maintained through ongoing involvement and participation within the industry.

All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

The Company Secretary, Vistra Fund Services (Guernsey) Limited, ensures that the Group is compliant with relevant legislation and regulatory requirements, and keeps the Board informed of its legal responsibilities.

7. Board evaluation

Employee and Director performance is monitored annually via a formal assessment process. The Chairman of the Remuneration Committee is responsible for the assessment and monitoring of the performance of the Executive Directors.

Agreed personal objectives and targets, including both financial and non-financial metrics, are set each year for the Executive Directors and performance is measured against these metrics. Further details regarding the results of this assessment have been set out in the Remuneration Committee Report on page 31.

Since the appointment of Anthony Durrant as Chairman, he has been responsible for assessing the individual contributions of each Director of the Board to ensure that:

- Their contribution is relevant and effective;
- They are committed; and,
- Where relevant, they have maintained their independence.

Succession planning is considered by the Board to be a crucial element of ensuring continued success and long-term prosperity for the Group. Regular reviews are conducted at Board and Executive Management level to ensure that high-potential individuals are identified and supported appropriately.

8. A corporate culture that is based on ethical values and behaviours

Corporate responsibility begins with our own people, employment practices and maintaining equitable treatment across all levels of our organisation.

The Company has instituted various training and development programs in an effort to upgrade the skill level of all employees. The goal is to have a workforce where each individual takes full accountability for his/her work colleagues' safety and the critical role he/she plays in the success of Shanta Gold.

We believe in taking care of our people who play a critical role in the success of our business.

We are committed to the safety, health, and welfare of our employees, contractors, management and visitors to our worksites in Tanzania. We maintain a zero-tolerance policy in regards to negligence of health and safety best practices. Education, training and ongoing communication are key to ensuring an injury-free workplace and promoting safety. Health and safety is an integral pillar of our performance and is used to evaluate the performance of all employees on a monthly basis. Employees are recognised for their safety awareness and performance each month to encourage safe practices.

We recognise the impact that our activities in Tanzania have on the local community in the operational areas of our mining activity. The Company believes it is critical that the local community is an integral stakeholder in the long-term sustainability of Shanta. We are focused on adding business value beyond the financial contributions made through tax and royalty payments. Shanta Gold has an objective of training and employing local residents and thereby yielding direct and sustainable benefits to the local communities.

99% of the Group's employees are Tanzanian nationals and approximately 44% of these are permanent residents of the local villages.

9. Governance structures and processes that support good decision-making

Details of the Company's corporate governance arrangements are provided within this Statement. There are no matters expressly reserved for the Board. The Board considers the Group's governance framework is appropriate and in line with its plans for growth.

10. Strong communication with shareholders and other relevant stakeholders

The Board attaches great importance to providing shareholders with clear and transparent information on the Company's activities, strategy and financial position.

The Board typically meets with large shareholders following the release of financial results and regards the Annual General Meeting (AGM) as a good opportunity to communicate directly with shareholders via an open question and answer session.

The Company regularly holds public question and answer calls in support of announcements, providing smaller and private investors with direct access to management. The Board receives regular updates on the views of shareholders through briefings and reports from the Chief Executive Officer, Chief Financial Officer and the Company's brokers. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

The Remuneration Committee Report on page 31 and the Audit Committee Report on page 33 provide details as to key work carried out over the year by these committees.

The Company discloses contact details on its website and on all announcements released via RNS, should shareholders wish to communicate with the Board. Details of all shareholder communications are provided on the Group's website.

Historical Annual Reports, notices of all general meetings from the last five years and the resolutions put to a vote at AGMs can be found on the Company's website. Over the last five years all resolutions put to a vote at AGMs have been duly passed. Where a significant proportion of votes are cast against a resolution at any general meeting the Board seeks to understand the rationale for this through its engagement with shareholders. The Board also analyses the

best means by which to adapt the governing frameworks of the Company in order to appease shareholder concerns where appropriate.

Bribery and anti-corruption

Shanta Gold is committed to acting fairly, ethically and with integrity in all territories in which it operates. A policy of the Company is not to engage in or tolerate bribery in any form within Shanta Gold, its subsidiaries, or within organisations with which it does business.

As part of the Company's compliance procedures in maintaining the highest standards of corporate governance, it adheres to the standards of the UK Bribery Act 2010.

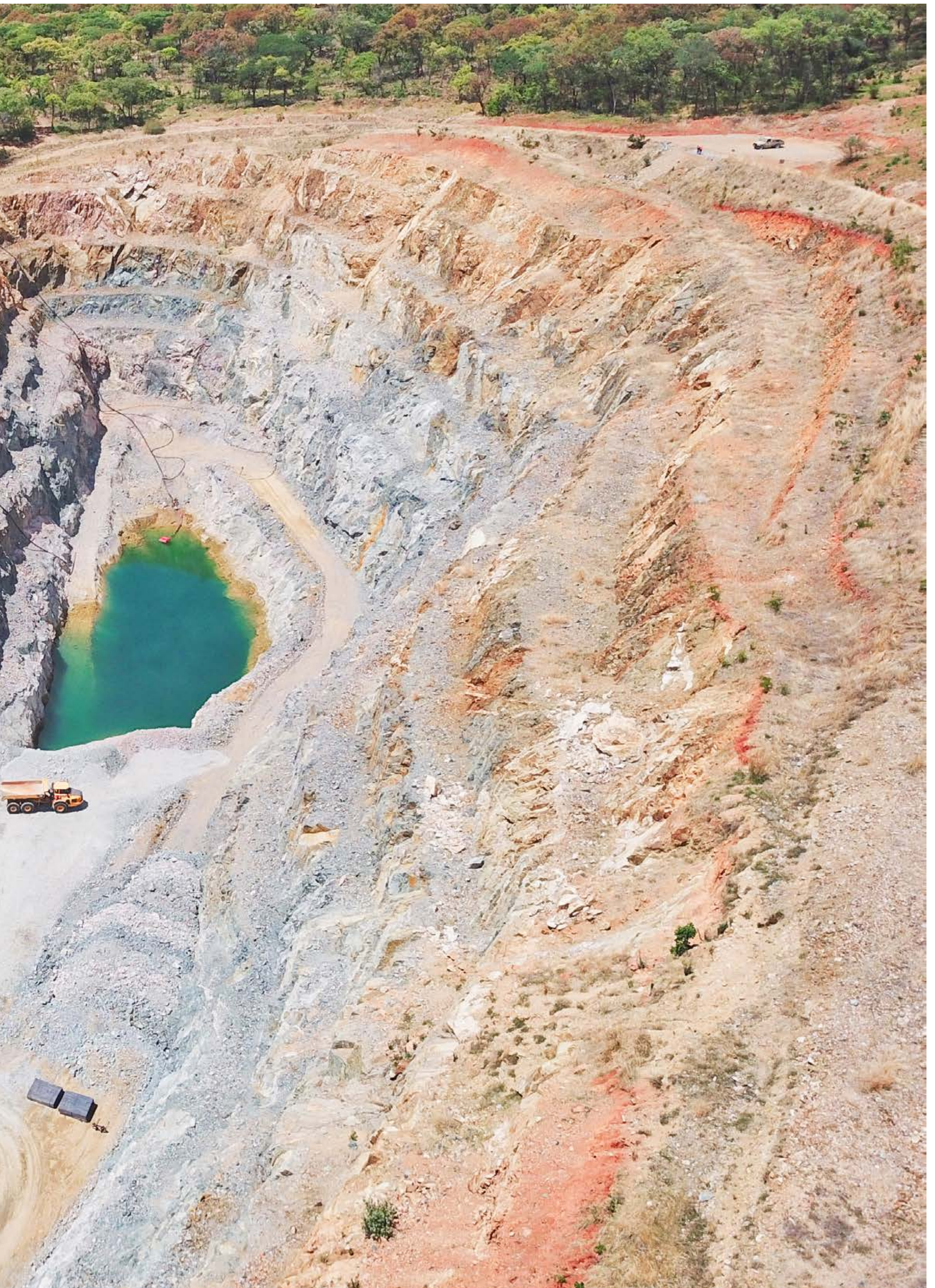
All officers and staff of Shanta Gold are required to comply with the Anti-Bribery Policy and, so far as is practicable, will third parties with whom the company does business. The Board of Directors of Shanta Gold has overall responsibility for bribery prevention within the Company and will closely monitor the effectiveness of the Anti-Bribery Policy.

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

Signed on behalf of the Board of Directors on 27 February 2019.

Eric Zurrin
Chief Executive Officer

Anthony Durrant
Chairman



Remuneration Committee Report

Dear Shareholders,

This is my first report as Chair of the Remuneration Committee, having taken up this position since joining the Board of Directors in June 2017. Throughout 2018 the Committee has focused on how best to align reward with results and specifically how to incentivise our people to act like business owners.

Remuneration Policy and Aims of the Remuneration Committee

Our overall aim is to align employee remuneration with the successful delivery of long-term shareholder value. We have adopted three key principles to enable us to achieve this goal:

1. To offer competitive salary packages that attract, retain and motivate highly-skilled individuals;
2. To align remuneration packages with performance-related metrics that mirror our long-term business strategy; and,
3. To encourage accountability in the workplace and link reward with success.

The Group currently operates the following remuneration framework:

- Annual salary and associated benefits such as paid holiday; and,
- Discretionary performance-related annual and/or quarterly bonuses.

The Remuneration Committee consists of myself as the Chairman together with two other independent Non-Executive Directors, Anthony Durrant and Robin Fryer. The Committee aims to meet at least three times each year and its key responsibilities include reviewing the performance of senior staff, setting their remuneration and determining the payment of bonuses. The Remuneration Committee met three times in 2018.

The Chief Executive Officer and Chief Financial Officer are invited to attend meetings of the Committee, but no Director is involved in any decisions relating to their own remuneration. None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships, or day-to-day involvement in running the business.

Terms of reference

The terms of reference of the Remuneration Committee are set out below.

- Determine and agree with the Board the Company's overall remuneration policy and monitor the efficacy of the policy on an ongoing basis;
- Determine and agree with the Board the remuneration of the Executive Directors and senior management;
- Determine the objectives and headline targets for any performance-related bonus or incentive schemes;
- Monitor, review and approve the remuneration framework for other senior employees; and,
- Review and approve any termination payment such that these are appropriate for both the individual and the Company.

Performance for the year

The Group delivered a solid financial performance against a backdrop of operational successes (see page 14 of the Chief Executive Officer's Review for details). Shanta continues to operate with a high safety standard. The Company was significantly deleveraged throughout the year using free cashflows from operations and profitability was higher than it has been for several years.

Basic salary and benefits for Executive Directors are reviewed on an annual basis and any changes made to the structure of these are based on a combination of individual performance and market conditions. Executive Directors are provided with life assurance cover of two times annual salary.

Bonus awards are assessed on overall business and individual performance. Executive Director and senior management remuneration packages are heavily linked to performance criteria to incentivise daily conduct in alignment with the best interests of our shareholders. The annual bonus criteria for the year were partially met and as a result the Remuneration Committee approved bonus awards to Executive Directors of 82.5% of respective eligible amounts.

Directors' remuneration

(US$000)	31 December 2018 Performance bonus	31 December 2018 Fees/salary	31 December 2018 Total	31 December 2017 Performance bonus	31 December 2017 Fees/salary	31 December 2017 Total
Fees, salary, bonuses and related benefits						
Eric Zurrin [2,4]	239	290	529	-	119	119
Anthony Durrant [1]	-	65	65	-	65	65
Luke Leslie [3]	198	239	437	-	116	116
Robin Fryer [1]	-	70	70	-	70	70
Ketan Patel [1]	-	47	47	-	42	42
Keith Marshall [1,5]	-	74	74	-	35	35
Toby Bradbury [2,6]	-	-	-	-	569	569
Sub-total	437	**785**	1,222	-	**1,016**	1,016
Share based payments						
Eric Zurrin [2,4]	239	-	239	191	-	195
Anthony Durrant [1]	-	65	65	-	65	65
Luke Leslie [3]	198	-	198	105	-	105
Ketan Patel [1]	-	33	33	-	38	38
Keith Marshall [1,5]	-	33	33	-	52	52
Sub-total	437	**131**	568	**296**	**155**	**451**
Termination benefits	-	-	-	-	340	340
Sub-total	-	-	-	-	340	340
Total remuneration to directors	**874**	**916**	**1,790**	**296**	**1,511**	**1,807**

1 Non executive
2 Executive
3 Non executive (Resigned – 11 September 2017), Executive (Appointed – 11 September 2017)
4 Appointed – 18 August 2017
5 Appointed – 13 June 2017
6 Resigned – 6 October 2017

During the year certain non-executive directors were party to a fee sacrifice arrangement under which those directors were issued with new ordinary shares in the Company. The cash-based portion of performance bonuses awarded to executive directors is intended predominantly to be used for settlement of personal tax obligations arising on share awards.

The year ahead

We believe that remuneration throughout the business is structured appropriately to incentivise performance, rewarding behaviour in the spirit of ownership throughout the organisation. This will undergo ongoing review as the business evolves, in order to ensure that our employees and executives are remunerated optimally in the interests of the Company.

The Committee and I remain focused on ensuring that reward at the Company continues to be closely aligned with the delivery of long-term shareholder value.

Keith Marshall
Chair of the Remuneration Committee

Audit Committee Report

Dear Shareholders,

I am pleased to present this report on behalf of the Audit Committee and to report on strong progress made by the Committee during the year. During 2018 the Company's internal financial reporting and control systems were both expanded and streamlined, enabling it to undergo a smooth external audit process and release its annual results in record time.

Aims of the Audit Committee

Our overall aim is to assist the Board in discharging its duties regarding the financial statements, to ensure that a robust framework of accounting policies is in place and enacted, and to oversee the maintenance of proper internal financial controls.

The Audit Committee consists of myself as the Chairman together with two other Non-Executive Directors, Anthony Durrant and Ketan Patel. The Committee aims to meet at least once each year and its key responsibilities include monitoring the integrity of the Group's financial reporting. The Chief Executive Officer and Chief Financial Officer are invited to attend meetings of the Committee.

Key responsibilities

The Audit Committee is committed to:

- Maintaining the integrity of the financial statements of the Company and reviewing any significant reporting matters they contain;
- Reviewing the Annual Report and Accounts and other financial reports and maintaining the accuracy and fairness of the Company's financial statements including through ensuring compliance with applicable accounting standards and the AIM Rules;
- Reviewing the adequacy and effectiveness of the internal control environment and risk management systems; and,
- Overseeing the relationship with and the remuneration of the external auditor, reviewing their performance and advising the Board members on their appointment.

The Audit Committee met three times in 2018 and the external auditors were present during each of these meetings.

Activities of the Audit Committee during the year

On behalf of the Board, the Audit Committee has closely monitored the maintenance of internal controls and risk management during the year. Key financial risks are reported during each Audit Committee meeting, including developments and progress made towards mitigating these risks.

The Committee received reports from the Chief Financial Officer throughout the year and was satisfied with the effectiveness of internal controls and risk mitigation. It supports recommendations made by the Chief Financial Officer and is satisfied with the actions taken and plans in place by management for further improvement. The Committee also received and considered reports from the external auditor, BDO LLP ("BDO"), which included control findings relevant to their audit.

Significant reporting matters

The Audit Committee has reviewed the recommendations of management and the judgements disclosed in note 3 on pages 57-59, including what it has considered to be the most significant reporting matter(s) and judgement(s) as set out below.

- The recoverability of the Group's VAT receivable. The Committee reviewed the assessment made by management that the Group's VAT receivable is recoverable, and also that it should be recognised as a current asset. The Committee is satisfied that management have considered this appropriately and that a reasonable conclusion has been reached based on the information available to the Group. Appropriate disclosure has been made within note 3 on page 58.

External audit

The Audit Committee considers various areas when reviewing the appointment of an external auditor including their performance in conducting the audit and its scope, terms of engagement including remuneration and their independence and objectivity.

BDO have been appointed as external auditor since 2012. The Audit Committee has confirmed it is satisfied with BDO's knowledge of the Company and its effectiveness as external auditor as well as the provision of non-audit services. As such the Audit Committee has recommended the reappointment of BDO to the Board. There will be a resolution to this effect at the forthcoming Annual General Meeting.

The year ahead

The Committee and I remain focused on ensuring that the standard of the Group's financial reporting is maintained moving forward, and that the robust framework of internal controls and systems in place is both maintained and regularly reviewed for improvement. The Committee will also continue to closely monitor the financial risks faced by the business and progress made towards mitigating these.

Robin Fryer
Chair of the Audit Committee

Independent auditor's report to the members of Shanta Gold Limited

Opinion

We have audited the financial statements of Shanta Gold Limited and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter identified	How we addressed the matter
Carrying value of mining assets	
The Group's mining assets, as disclosed further in note 12, represent its most significant assets as at 31 December 2018. The future viability and recoverability of the producing mining assets are underpinned by the Group's Life of Mine ("LoM") plans. Management determined that there had been no indicators of impairment during the year. As detailed in note 3, the assessment of the indicators of impairment required significant judgements by management. The carrying value of mining assets represented a significant risk for our audit given the significant judgements required in respect of the assessment of indicators of impairment. Additionally, as part of this assessment, estimates were required in assumptions regarding future gold prices, mining and production costs, discount rates and gold recovery rates.	We reviewed management's assessment of indicators of impairment and evaluated management's impairment models against Life of Mine plans and our understanding of the operations, and critically challenged the key estimates and assumptions used by management. Our testing included comparison of the gold price forecasts to forward gold price data, market consensus information and trends; recalculation of discount rates; and critical review of the forecast cost and production profiles against Board approved life of mine plans, the latest resources and reserves report and empirical performance. We compared the actual operating performance for the year to the life of mine model to identify whether there was any indicator of impairment. We reviewed board minutes and RNS announcements to assess for any evidence that the mining assets are not operating in line with expectation. We used our valuations expert to assist us in evaluating the appropriateness of the discount rate, comparing it with an appropriate risk free rate and specific country and other risks. We reviewed the disclosures in relation to the Groups assessment of the carrying value of mining assets.
Going concern	
When preparing the financial statements, Management and the Directors are required to make an assessment of the Group's ability to continue as a going concern for a period of at least 12 months from the date of signing the financial statements. Details of management's consideration of the appropriateness of the going concern basis are set out in note 2.2. The group continues to mitigate the impact of the Tanzanian legislation changes in the prior year through the successful implementation of cost saving initiatives. The combination of the following make this a key area of focus for the audit: • the uncertainty of the timing of recovery of the VAT receivable; • the debt repayments due in 2019, as disclosed in note 19 and 20; and • the waiver required from Investec, as detailed in note 19.	We critically assessed management's financial forecasts and the key underlying assumptions, including gold pricing, production, operating and capital expenditure, forecast cost savings and the debt facilities currently available to the Group. In doing so, we compared the forecasts to the life of mine plan, approved budgets and historical performance. We also reviewed debt agreements to ensure the completeness of debt servicing costs in Management's forecasts. We recalculated management's covenant compliance calculations and assessed their consistency with the ratios stated in the relevant lender agreements. We obtained and reviewed the waiver letter received and assessed the classification of the Investec loan We performed sensitivity analysis in respect of key assumptions underpinning the forecasts. In addition, we performed specific sensitivities in respect of non-realised cost savings. We found the key underlying assumptions to be within an acceptable range and the disclosures included in the financial statements in respect of going concern to be appropriate.

Matter identified	How we addressed the matter
Recoverability of VAT	
As detailed in note 16, the Group is carrying significant VAT receivables totalling US$21.8 million as at 31 December 2018. As disclosed in note 3, judgement is required as to the timing of recovery of the VAT. As such, the recoverability, carrying value and presentation of VAT represent a significant area of focus for our audit.	We considered and challenged management's assessment of the carrying value, timing of recovery and presentation of the receivables. In particular, our review of the timing of recovery included consideration of the history of re-payments, including the repayments made in 2017, current regulatory environment, the nature of correspondence with the relevant authorities, publicly available information and inquiries made with management and its VAT advisor. We reviewed the accuracy of the VAT claims made during the year. We also met with and challenged the Group's Tax advisor over the validity of the claims and the expected recovery. We obtained and considered correspondence between management and the Tanzanian Revenue Authority in respect of VAT for indicators that balances were not recoverable or subject to dispute. We have performed a review of management's sensitivities on the recoverability and measurement of the VAT receivable, which are disclosed in note 3, and recalculated to check their accuracy.

Our application of materiality

The materiality for the Group financial statements as a whole was set at US$2.2 million. This was determined with reference to 5% of EBITDA. We consider EBITDA to be the most significant determinant of the Group's financial performance used by shareholders following the underground operations commencing production.

Whilst materiality for the financial statements as a whole was US$2.2 million (2017: $1.5 million), the significant component of the Group was audited to a lower materiality of US$1.95 million (2017: $1.35 million).

Performance materiality was set at 75% of the above materiality levels (2017: 75%).

We agreed with the Audit Committee that we would report to the committee all audit differences in excess of US$0.04 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also consider the aggregation risk of misstatements, take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements at Group level.

Whilst Shanta Gold Limited is a Company registered in Guernsey and listed on the Alternative Investment Market in the UK, the Group's principal operations are located in

Tanzania. In approaching the audit, we considered how the Group is organised and managed. We assessed there to be one significant component other than the parent company, being Shanta Mining Company Limited, which includes the New Luika mine and Singida operations.

Full scope audit for Group reporting purposes was performed on the significant overseas component by BDO in Tanzania. The Group audit team performed specified procedures over the key audit areas and an audit of the consolidation as well as the parent company. The non-significant components were subject to analytical review procedures by the Group audit team.

As part of our audit strategy, as Group auditors:

- Detailed Group reporting instructions were sent to the component auditors, which included the significant areas to be covered by the audits (including areas that were considered to be key audit matters as detailed above), and set out the information to be reported to the Group audit team.
- Members of the Group audit team were physically present in Tanzania at certain times during the fieldwork phases of the audits.
- The Group audit team was actively involved in the direction of the audits performed by the component auditor for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn.
- The Group audit team visited the New Luika operating mine, reviewed the Tanzanian auditor work papers in Tanzania, attended clearance meetings for the significant component and spent significant periods of time with the component auditors responsible for the significant component during their fieldwork and completion phases.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- Proper accounting records have not been kept by the Company; or
- The financial statements are not in agreement with the accounting records; or
- We have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

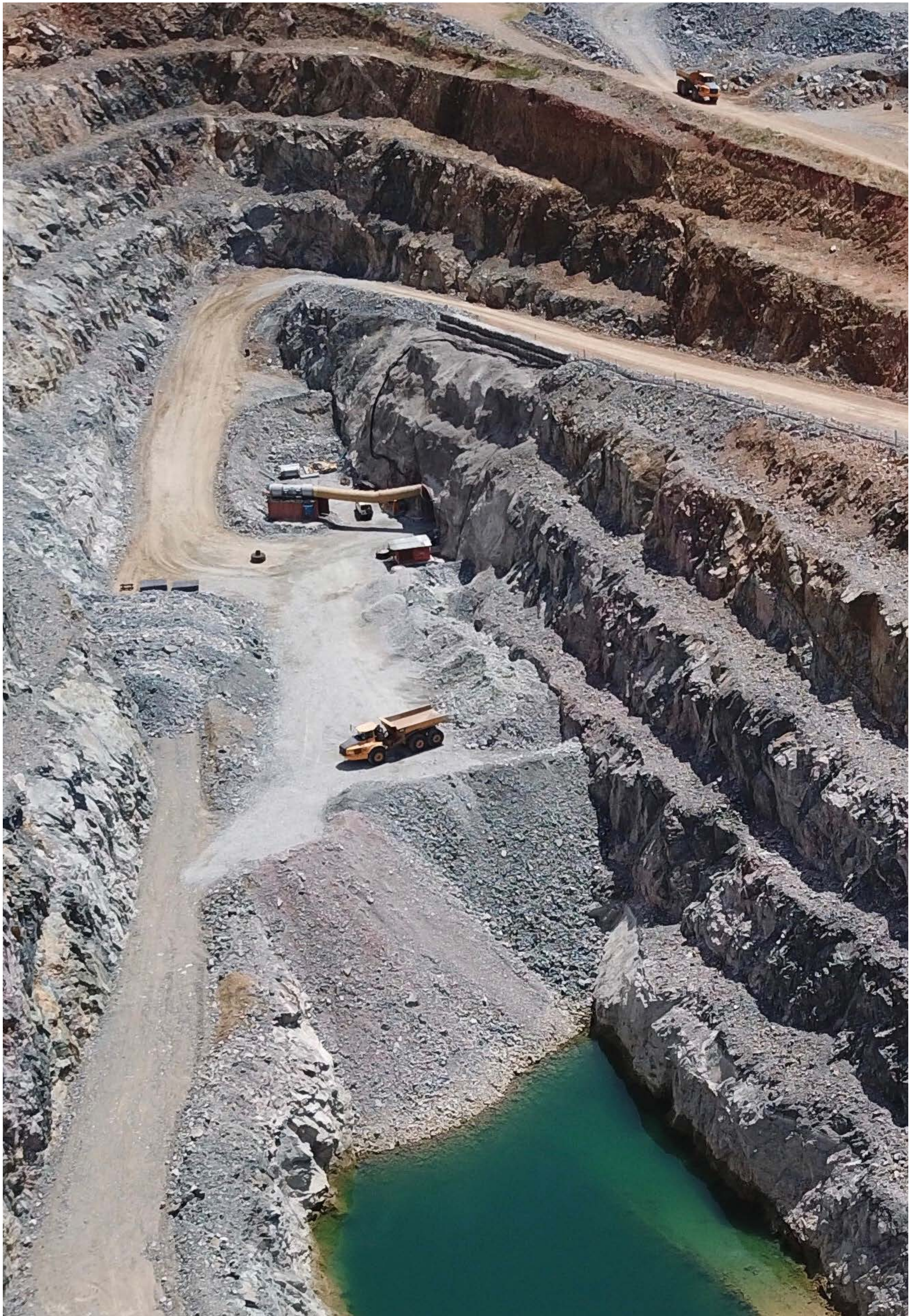
Use of our report

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

Jack Draycott
For and on behalf of BDO LLP

London, United Kingdom
27 February 2019

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



"On-mine exploration remains the highest priority, as the Group looks to extend the long-term future of New Luika."

Consolidated statement of comprehensive income

(US$000)	Notes	31 Dec 2018	31 Dec 2017
Revenue	4	103,803	101,501
Loss on non-hedge derivatives and other commodity contracts	5	(1,259)	(1,623)
Cost of sales		(75,315)	(80,595)
Gross profit		**27,229**	**19,283**
Administration expenses		(6,520)	(6,646)
Exploration and evaluation costs		(1,454)	(1,630)
Operating profit		**19,255**	**11,007**
Finance income	6	65	77
Finance expense	7	(6,179)	(7,539)
Profit before taxation	8	**13,141**	**3,545**
Taxation	9	(5,152)	615
Profit for the year attributable to the equity holders of the parent Company		**7,989**	**4,160**
Profit after taxation		7,989	4,160
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign entities which can subsequently be reclassified to profit or loss		(4)	(9)
Total comprehensive income attributable to the equity holders of the parent Company		**7,985**	**4,151**
Earnings per share attributable to the equity holders of the parent Company			
Basic earnings per share (US$ cents)	10	**1.029**	**0.612**
Diluted earnings per share (US$ cents)	10	**1.017**	**0.604**

The accompanying notes on pages 49 to 75 form an integral part of these financial statements.

The profit for the year and the total comprehensive income for the year are attributable to the equity holders of the Parent Company. There are no non-controlling interests. The items in the above statement are derived from continuing operations.

Consolidated statement of financial position

(US$000)	Notes	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	11	23,277	23,284
Property, plant and equipment	12	99,989	108,528
Total non-current assets		**123,266**	**131,812**
Current assets			
Inventories	15	24,479	19,533
Trade and other receivables	16	25,330	17,752
Income tax receivable		-	338
Restricted cash	17	2,500	1,875
Cash and cash equivalents		8,958	13,551
Total current assets		**61,267**	**53,049**
TOTAL ASSETS		**184,533**	**184,861**
CAPITAL AND RESERVES			
Equity			
Share capital and premium	22	157,848	157,268
Share option reserve	23	698	1,037
Convertible loan notes reserve		5,374	5,374
Translation reserve		450	454
Shares to be issued		592	512
Retained deficit		(59,835)	(68,240)
TOTAL EQUITY		**105,127**	**96,405**
LIABILITIES			
Non-current liabilities			
Loans and other borrowings	19	8,230	27,132
Convertible loan notes	20	10,060	14,843
Provision for decommissioning	21	8,545	8,099
Provision for deferred taxation	9	8,230	6,320
Total non-current liabilities		**35,065**	**56,394**
Current liabilities			
Trade and other payables	18	14,550	12,221
Contract liabilities	4.1	189	1,756
Loans and other borrowings	19	23,664	18,085
Convertible loan notes	20	5,000	-
Income tax payable		938	-
Total current liabilities		**44,341**	**32,062**
TOTAL LIABILITIES		**79,406**	**88,456**
TOTAL EQUITY AND LIABILITIES		**184,533**	**184,861**

The accompanying notes on pages 49 to 75 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board of Directors on 27 February 2019 and signed on its behalf by:

Eric Zurrin
Chief Executive Officer

Anthony Durrant
Chairman

Consolidated statement of changes in equity

US$000	Share capital	Share premium	Share option reserve	Convertible loan notes reserve	Translation reserve	Shares to be issued	Retained deficit	Total equity
Total equity 31 December 2016	93	143,777	2,248	5,374	463	60	(73,536)	78,479
Profit for the year	-	-	-	-	-	-	4,160	4,160
Other comprehensive income for the year	-	-	-	-	(9)	-	-	(9)
Total comprehensive income for year	**-**	**-**	**-**	**-**	**(9)**	**-**	**4,160**	**4,151**
Share based payments	-	75	127	-	-	452	-	654
Shares issued (net of expenses)	23	13,098	-	-	-	-	-	13,121
Exercise of options	-	202	(202)	-	-	-	-	-
Lapsed options	-	-	(1,136)	-	-	-	1,136	-
Total equity 31 December 2017	**116**	**157,152**	**1,037**	**5,374**	**454**	**512**	**(68,240)**	**96,405**
Profit for the year	-	-	-	-	-	-	7,989	7,989
Other comprehensive income for the year	-	-	-	-	(4)	-	-	(4)
Total comprehensive income for year	**-**	**-**	**-**	**-**	**(4)**	**-**	**7,989**	**7,985**
Share based payments	1	579	13	-	-	80	64	737
Lapsed options	-	-	(352)	-	-	-	352	-
Total equity 31 December 2018	**117**	**157,731**	**698**	**5,374**	**450**	**592**	**(59,835)**	**105,127**

The accompanying notes on pages 49 to 75 form an integral part of these financial statements.

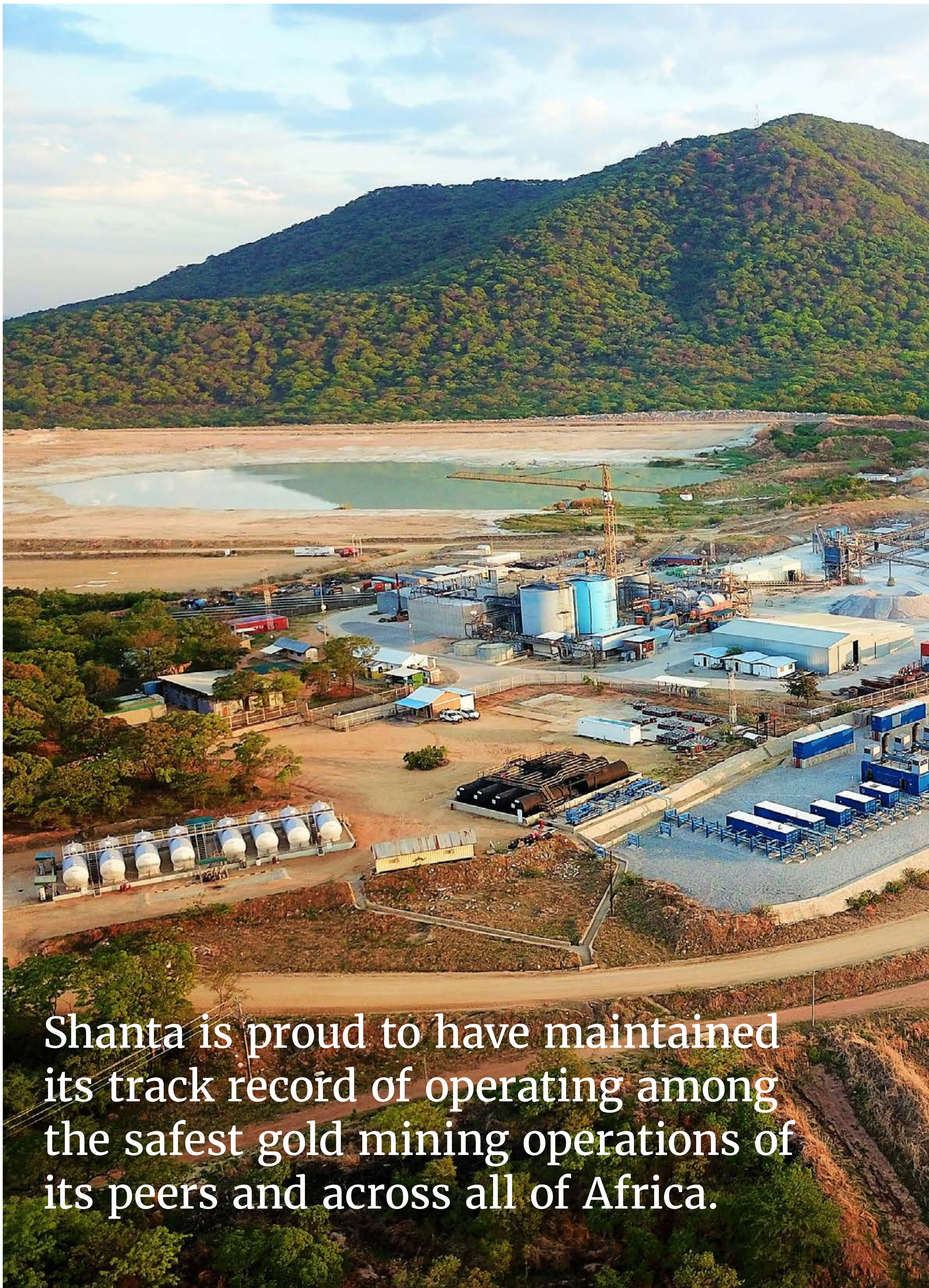
The nature and purpose of each reserve within Shareholders' equity is described as follows:

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

Consolidated statement of cash flows

(US$000)	Notes	31 Dec 2018	31 Dec 2017
Net cash flows generated from operating activities	**24**	**31,030**	**34,935**
Investing activities			
Purchase of intangible assets		-	(47)
Purchase of plant and equipment		(38)	(1,090)
Assets under construction		(9,501)	(30,776)
Mine development expenditure		(7,053)	(5,976)
Net cash flows used in investing activities		**(16,592)**	**(37,889)**
Financing activities			
Ordinary shares issued (net of expenses)		-	13,121
Loans repaid		(13,747)	(12,730)
Equipment loan repaid		(2,400)	(2,213)
Finance lease payments		(944)	(600)
Loan interest paid		(4,579)	(4,605)
Contributions to restricted cash		(625)	(1,875)
Loans received (net of loan arrangement fees)		3,264	7,975
Equipment loan received		-	2,487
Net cash flows (used) / received from financing activities		**(19,031)**	**1,560**
Net decrease in cash and cash equivalents		**(4,593)**	**(1,394)**
Cash and cash equivalents at beginning of year		**13,551**	**14,945**
Cash and cash equivalents at end of year		**8,958**	**13,551**

The accompanying notes on pages 49 to 75 form an integral part of these financial statements.



Shanta is proud to have maintained its track record of operating among the safest gold mining operations of its peers and across all of Africa.

REDAVIA

Notes to the financial statements

1. General information

Shanta Gold Limited (the Company) is a limited company incorporated in Guernsey. The address of its registered office is 11 New Street, St Peter Port, Guernsey, GY1 2PF. The nature of the Group's operations and its principal activities are set out in the Chairman's Statement, the Chief Executive Officer's Review and the Directors' Report on pages 5 to 20.

These financial statements were approved and authorised for issue on 27 February 2019 by Eric Zurrin and Anthony Durrant on behalf of the Board.

2. Accounting policies

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

2.1 Basis of preparation

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

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

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

2.2 Going concern

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

At 31 December 2018 the Group had a cash balance of US$9.0 million and access to the restricted Exim Bank working capital facility of US$2.5 million. At 31 December 2018 the Group's net current assets amounted to US$16.9 million.

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

Despite delays in recovering VAT, the Group has enough operating cashflows following the implementation of cost savings to continue to operate for the foreseeable future and expects to settle the convertible loan notes when they become due from operating cashflows.

The Directors have concluded that these circumstances form a reasonable expectation that the Group has adequate resources to continue in operational existence, for the foreseeable future. For these reasons, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.

2.3 New standards, amendments and interpretations effective in 2018

A number of new and amended standards and interpretations issued by IASB have become effective for the first time for financial periods beginning on (or after) 1 January 2018 and have been applied by the Group in these financial statements. None of these new and amended standards and interpretations had a significant effect on the Group because they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

The following new standards and interpretations have been adopted by the Group:

- IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts as well as various interpretations previously issued by the IFRS Interpretations Committee. The Group's accounting policies have remained unchanged from those previously disclosed in the 2017 annual financial statements. Under IAS 18, the timing of revenue recognition from the sale of goods was based primarily on the transfer of risks and rewards, whereas IFRS 15 focuses instead on when control of those goods

has transferred to the customer. This different approach has not resulted in a change of timing for revenue recognition for the Group.

- IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement. The Group's principal financial assets comprise long and short-term loans, cash and short-term deposits, restricted cash as well as trade and other receivables. All of these financial assets continue to be classified and measured at amortised cost. The Group's principal financial liabilities comprise trade and other payables, loans and borrowings, convertible loans, finance leases and derivative forward contracts. With the exception of the non-hedge derivative forward contracts, all of these financial liabilities continue to be classified and measured at amortised cost. The non-hedge derivative forward contracts are classified and measured at fair value through profit or loss. There are no material financial assets subject to the expected credit loss model defined within IFRS 9, except for cash. The level of credit risk that the Group is exposed to has not given rise to material allowances within the expected credit loss model. The adoption of the new standard has not had a material impact on the modification of the convertible loan note in the period. Similarly, the impact of the retrospective application of IFRS 9 on the prior modification of the convertible loan note in 2016 was not material and the Group has chosen not to restate comparatives on adoption of IFRS 9.

2.4 New standards, amendments and interpretations that are not yet effective and have not been early adopted

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods and which have not been adopted early. None of these are expected to have a significant effect on the Group, in particular:

- IFRS "16 Leases" (effective for periods beginning on or after 1 January 2019) requires lessees to use single on-balance sheet model and recognise all lease assets and liabilities on the balance sheet. Management have completed an assessment of existing operating contracts and do not anticipate the adoption of IFRS 16 to have a significant impact on the Group's financial statements as the operating leases held by the Group are of low value and the majority of the existing contracts either relate to service agreements or contain performance obligations based on variable terms and thus do not result in right of use assets or lease liabilities.

The principal accounting policies adopted are set out below.

2.5 Basis of consolidation

2.5.1 Subsidiaries

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

2.5.2 Business combinations

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

2.6 Foreign currencies

2.6.1 Functional and Presentation Currencies

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

Assets and liabilities of foreign entities (i.e. those with a functional currency other than US Dollar) are translated at rates of exchange ruling at the financial year end and the

results at rates approximating to those ruling when the transactions took place. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the translation reserve.

2.6.2 *Transactions and balances*

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

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

2.7 Revenue recognition

The Group enters into spot agreements for the sale of refined gold. The Group recognises the sale upon delivery at which point control of the product has been transferred to the customer. The Group also enters into forward contracts for the sale of refined gold. Revenue arising from sales under these contracts is recognised when the product has been delivered under the terms of the contract at which point control of the product has been transferred to the customer. Periodically the Group enters into additional arrangements under which the customer is billed for refined gold that is ready for delivery but is not shipped to the customer until a later date specified by the customer. Revenue arising from these transactions is recognised when the customer obtained the control of the product.

Revenue is measured based on the consideration to which the Group expects to be entitled under the terms of a contract with a customer. In most cases the consideration is determined by reference to the gold market price at the point of delivery, except for instances where the arrangement falls under a forward sales contract. Consideration typically falls due upon delivery.

The Group enters into forward sales contracts for the sale and delivery of gold at a pre-determined and agreed price. Revenue arising from forward sales contracts is recognised upon delivery of product under the terms of the contract. These forward sales contracts meet the own use exemption under IFRS 9 and as such are recognised as revenue.

From 1st January 2018 the Group has adopted a new revenue recognition standard, IFRS 15 Revenue from contracts with customers. The adoption of this standard has not had a material effect on the Group's existing revenue recognition policy.

2.8 Change in accounting policy

During the year the group has revisited its accounting policy in respect of recognition of bi-product credits arising through sale of silver under the terms of the silver stream arrangement. These bi-product credits are now recognised within cost of sales rather than as revenues and prior year comparatives have been reclassified accordingly. Bi-product credits in 2018 amounted to US$1.7 million (2017: US$1.9 million).

2.9 Inventory

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

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

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

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

2.10 Intangible assets and exploration and evaluation expenditure

2.10.1 Exploration expenditure

Exploration expenditure is defined as expenses incurred on the initial search for mineral deposits with economic potential as well as expenditure incurred for the purposes of obtaining more information about existing mineral deposits.

Exploration expenditure, with the exception of costs of acquiring tenement rights, is typically expensed as incurred, until an ore body is considered commercially recoverable.

2.10.2 Evaluation expenditure

Evaluation expenditure arises from a detailed assessment of deposits or other projects that have been identified as having economic potential in order to determine their technical feasibility and commercial viability. Evaluation expenditure is expensed as incurred unless it can be demonstrated that the related evaluation expenditure will generate future economic benefit.

Once an ore body is considered commercially recoverable the project is classified as a "development project". Evaluation expenditure incurred on development projects is capitalised within the "assets under construction" category of property, plant and equipment.

2.10.3 Acquired exploration and evaluation properties

Exploration and evaluation stage properties acquired either as an acquisition of individual assets or as part of a business combination are capitalised as an intangible asset. The Group capitalises costs only when it has the direct or indirect right to explore or evaluate the associated acquired properties. Subsequent exploration and evaluation expenditure incurred on such properties is expensed as incurred until the technical and commercial viability of developing the property has been demonstrated under the same criteria described above.

Once the commercial viability is determined the acquired exploration and evaluation properties are transferred to assets under construction within property, plant and equipment.

2.10.4 Licensing costs

The costs of acquiring mining and prospecting licenses, which are reflected in the financial statements as intangible assets, are capitalised and are amortised on a straight-line basis when mining operations commence.

Costs of entering into option agreements to explore and evaluate other license holders' rights, with the option of converting these licenses are also capitalised and treated on the same basis. Subsequent to initial recognition, tenement rights are assessed for impairment annually and when facts and circumstances indicate they may be no longer viable, or where licenses have expired with no intention of renewal, an impairment loss is recognised as exploration costs in the statement of comprehensive income. Where expiring licenses are in the renewal process they are not considered impaired until a decision is reached by the Licencing Authority, unless there are circumstances which suggest that the renewal will not be granted.

2.11 Property, plant and equipment

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

Description within Mining and Other equipment	Rates (%)
Mine equipment and vehicles	25.0
Power Generation and Office equipment	12.5
Computer equipment	33.3
Motor vehicles	25.0
Furniture and fittings	16.7

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

2.11.1 Mining assets

Once a project reaches the stage of commercial production, the capitalised development project is transferred from assets under construction to the "mining assets" category. Mining assets are depreciated using the unit of production method based on proven and probable reserves.

Subsequent development expenditure is capitalised only if it is expected to give rise to a future economic benefit. Costs associated with underground development are capitalised when the works provide access to the ore body, whereas costs associated with ore extraction from operating ore body sections are treated as operating costs.

2.11.2 Assets under construction

Assets under construction comprise development projects and assets in the course of construction at both the mine development and production phases.

Development projects comprise interests in mining projects where ore body is considered commercially recoverable and the development activities are ongoing. Expenditure incurred on a development project is recorded at cost, less applicable accumulated impairment losses. Any net income earned before the commencement of commercial production is credited against the capitalised development expenditure. Interest on borrowings, incurred for the purpose of the establishment of mining assets, is capitalised during the construction phase.

The cost of an asset in the course of construction comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use, at which point it is transferred from assets under construction to other relevant categories and depreciation commences.

Assets under construction are not depreciated.

2.11.3 Deferred stripping asset

Production stripping costs in the open pit mines are capitalised as a "deferred stripping asset" within property, plant and equipment if all of the following criteria are met:

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

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

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

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

2.12 Impairment of non-current assets

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

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

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

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

2.13 Taxation

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

Taxation on the profit or loss for the year comprises both current and deferred taxes. Current taxation is provided for on the basis of the results for the year computed in accordance with tax legislation and any adjustment of the tax payable for the previous year.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

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

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

2.14 Provisions

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

2.15 Decommissioning, site rehabilitation and environmental costs

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

2.16 Share-based payment/incentive programmes

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

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

2.17 Segmental information

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

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

All revenues generated through the sale of gold arise from sales to one customer.

2.18 Leases

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and

requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Leases of plant and equipment where the group assumes a significant portion of risks and rewards of ownership are classified as a finance lease. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and the finance charges to achieve a constant rate on the balance outstanding. The plant and equipment acquired under the finance lease are depreciated over the useful lives of the assets, or over the lease term if shorter.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.19 Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.19.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

a) Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost using effective interest rate method:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group does not hold any financial assets that meet conditions for subsequent recognition at fair value through other comprehensive income (“FVTOCI”).

All other financial assets are measured subsequently at fair value through profit or loss (“FVTPL”).

b) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets that are measured at amortised cost which comprise mainly trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL on trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

c) Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

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

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

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

a) Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method. The Group's financial liabilities measured at amortised cost comprise loans and other borrowings, equipment loans, finance leases, silver stream obligation, convertible loan notes and other payables and accruals.

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

b) Silver Stream arrangement
If estimates of future payments are revised, the carrying amount of the financial liability is adjusted to reflect actual and revised estimated cash flows. The liability is settled through the silver produced by the Group throughout the year. The revised carrying amount is adjusted by computing the present value of estimated future cash flows at the financial liability's original effective interest rate. The adjustment is recognised in profit or loss as income or expense.

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

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

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

d) Derivative financial instruments
Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at FVTPL. The Group holds derivative financial instruments to hedge its gold revenue exposure. These are designated as non-hedge commodity derivatives and are accounted for at fair value through profit or loss. The respective fair value movements are reflected within the statement of comprehensive income as gains/losses on non-hedge derivative and other commodity contracts.

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

f) Fair Value measurement hierarchy
IFRS 13 "Fair Value Measurement" requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the input used in making the fair value measurement.

The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived prices (level 2); and,
- Inputs for the asset or liability that are not based on observable market data (unobservable input) (level 3).

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

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

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

For the purpose of disclosure given in note 22 the Group considers its capital to comprise its ordinary share capital, share premium and retained losses. There has been no change in what the Group considers to be capital since the previous period. The Group is not subject to any externally imposed capital requirements.

3. Accounting judgements and estimation

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

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

Key sources of judgement are:

Impairment of property, plant and equipment
Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Where potential triggers for impairment are identified which may indicate that the carrying value of items of property, plant and equipment may have been impaired, a review is undertaken of the recoverable amount of that asset based on value in use calculations which involve management's estimates

and assumptions including range of discount rates, gold prices, cash costs and also the impact of recent legislative changes in Tanzania.

For the purposes of assessing impairment, assets are grouped at the lowest level for which there are largely independent cash inflows (cash generating units or "CGU"). The Group has two CGUs being New Luika Gold Mine and Singida within property, plant and equipment. Management's judgement is that no indicators of impairment have occurred during the year. This has included consideration of the potential sources of impairment indicators prescribed under IAS 36. Key considerations have included:

- The gold price of US$1,280/oz at the end of the period, based on observable market or publicly available data, including forward prices and analyst forecasts.
- The impact of gearing at the period end on the NPV of future cash flows, which would be discounted using a weighted average cost of capital ("WACC") reflecting specific market risk factors and country risk during an impairment assessment, calculated to be approximately 11.1% (2017: 12.8%).
- The impact of revisions to the intended future mining schedule and expected cash costs since an impairment assessment was last carried out.
- The current legal and regulatory environment in Tanzania, for which management's judgement is that there have been no significant adverse changes enacted during the year.

Impairment of intangible assets
The Group tests whether acquired exploration and evaluation assets, mining options and license acquisition costs have suffered any impairment under IFRS 6 when facts and circumstances suggest that the carrying amount may not be recoverable. The recoverable amounts are determined based on an assessment of the economically recoverable mineral reserves, and future profitable production or proceeds from the disposition of recoverable reserves. Actual outcomes may vary.

The Mining Act 2010, (which replaced the previous Mining Act 1998), introduced new procedures on renewal of Prospecting Licences (PL's) that involves a tender process. As disclosed in the accounting policies, licenses which are viable and within the license renewal processes are not considered impaired. No indication of impairment was noted during the year and the Directors have no reason to believe renewal will not be granted on the licenses.

Recoverability, classification and measurement of VAT receivable
In July 2017, an amendment to the VAT Act 2014 came into effect, treating any exportation of raw minerals as an exempt supply for which no input tax is deductible. The Group exports doré bars which it does not consider to be a raw mineral. Input VAT on the gold exported by the Group in the form of gold doré is claimable under the legislation passed in 2017.

The VAT receivable is considered recoverable and has been classified as a current asset based on the Group's judgement of the timing of recoverability, which has taken into account several factors including the nature of ongoing correspondence with the relevant authorities.

Should refunds from the Government of Tanzania not be received in accordance with the Group's expectations then the following scenarios would demonstrate the impact of the time value of money on the present value of the VAT receivable, based on the current risk-free rate of Tanzanian sovereign bonds (5.64%):

	Timing of future cashflows			Total cashflows	Present value
	2019	2020	2021	US$000	US$000
Scenario 1	75%	25%	0%	21,790	20,354
Scenario 2	50%	50%	0%	21,790	20,079
Scenario 3	50%	25%	25%	21,790	19,819
Scenario 4	25%	25%	50%	21,790	19,284

Key sources of estimation uncertainty are set out as follows:

Depreciation of mining assets
Mining assets are depreciated using the unit of production method based on proven and probable reserves. Units of production are significantly affected by resources, exploration potential and production estimates together with economic factors, commodity prices, foreign currency, exchange rates, estimates of costs to produce reserves and future capital expenditure. The depreciation charge for the year is disclosed within note 12.

Depreciation of plant and equipment
Depreciation is provided in the consolidated financial statements so as to write down the respective assets to their residual values over their estimated useful lives and as such the selection of the estimated useful lives and the expected residual values of the assets require the use of estimates and judgements. The depreciation charge for the year is disclosed within note 12.

Inventories
Stock is valued at the lower of cost or net realisable value. Costs that are incurred in or benefit the production process are accumulated as ore stockpiles, gold in process and gold bullion. Although the quantities of recoverable metal are reconciled by comparing the grades of ore to the quantities of gold and silver actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor recoverability levels. Net realisable value tests are performed at least annually and represent the estimated future sales value less estimated costs to complete production and bring the product to sale. These net realisable tests take into account management's estimate of the maximum values to be realised from ore stockpiles, in some instances through blending of different ore stockpile grades, prior to these being added to future processing plant feeds. The carrying value of stock is disclosed within note 15.

Mineral Resources and Ore Reserves
Quantification and classification of Ore Reserves requires a judgement on whether Mineral Resources are economically mineable and whether they meet the criteria of 'proven' or 'probable' respectively. These judgements are based on an assessment of relevant mining, geological, economic and environmental factors amongst others. These factors are a source of uncertainty and changes could result in an increase or decrease in Mineral Resources and Ore Reserves.

Decommissioning, site rehabilitation and environmental costs
The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate of the rehabilitation costs in the period in which they are incurred. This estimate includes judgements from management in respect of which costs are expected to be incurred in the future, the timing of these costs and their present value. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision. Such changes could similarly impact the useful lives of assets depreciated on a straight-line-basis, where those lives are limited to the life of mine. A 1% change in the discount rate on the Group's rehabilitation estimates would result in an impact of US$0.4 million (2017: US$0.1 million) on the provision for environmental and site restoration. The value of the year-end decommissioning provision is disclosed within note 21.

Silver Stream obligation
Under the silver streaming agreement to which the Group is party there is an obligation to deliver silver bi-product to the sole customer in return for proceeds remitted in the 2016 financial year. The value of obligation arising through this agreement is established by computing the present value of estimated future cash flows at the financial liability's original effective interest rate. This exercise incorporates the impact of judgements made within the mine plan in respect of future silver production and includes estimates in respect of the anticipated price of silver in future periods based on silver future price curves. A 1% change in silver production estimates would result in an impact of less US$0.1 million (2017: less than US$0.1 million) on the silver stream liability.

4. Revenue

The Group has recognised the following amounts relating to revenue in the statement of comprehensive income:

US$000	31-Dec-18	31-Dec-17 as reclassified*
Revenue from contracts with customers	103,803	101,501
	103,803	**101,501**

* Following a change in accounting policy during 2018, bi-product credits from the silver stream arrangement are now recognised within cost of sales rather than as revenues. During 2018, these bi-product credits amounted to US$1.7 million (2017: US$1.9 million).

All revenue is derived from sales of gold from one geographic location and to one customer. US$3.7 million (2017: US$2.1 million) of gold revenue arose from 3,000 ounces (2017: 1,690 ounces) sold in advance of shipment during the year. Shipment of these ounces occurred in early January 2019 (2017: early January 2018) as agreed with the customer.

4.1 Contract assets and liabilities

The Group has no contract assets. Contract liabilities relate entirely to advances received from customers.

US$000	Contract liabilities
At 31 December 2016	-
Cash received in advance of performance and not recognised as revenue during the year	1,756
At 31 December 2017	**1,756**
Amounts included in contract liabilities that was recognised as revenue during the year	(1,756)
Cash received in advance of performance and not recognised as revenue during the year	189
At 31 December 2018	**189**

5. Loss on non-hedge derivatives and other commodity contracts

US$000	31-Dec-18	31-Dec-17
Valuation of open commodity swaps	(2,230)	(2,208)
Commodity swaps settled	971	585
	(1,259)	**(1,623)**

A mark to market valuation of open swap deals was done at 31 December 2018. This resulted in derivative financial liability of US$2,870,000 (2017 liability: US$640,000) as the spot gold price was above the fixed forward prices of these instruments. During the year gains of US$971,000 (2017: US$585,000) were realised on settlement of commodity swaps as the spot gold prices at the settlement dates were higher (2017: higher) than the fixed forward prices of the instruments.

At 31 December 2018, the following commodity hedges were in place:

Product	Fixed Price	Start Date	End Date	Quantity	Mark To Market US$000's
Gold - USD	1,213	07/09/2018	28/02/2019	10,000	(750)
Gold - USD	1,219	13/09/2018	28/02/2019	10,000	(690)
Gold - USD	1,238	11/10/2018	28/06/2019	10,000	(617)
Gold - USD	1,239	11/10/2018	31/05/2019	10,000	(579)
Gold - USD	1,250	04/12/2018	31/05/2019	5,000	(234)
Loss on non-hedge derivatives					**(2,870)**

At 31 December 2017, the following commodity hedges were in place:

Product	Fixed Price	Start Date	End Date	Quantity	Mark To Market US$000's
Gold - USD	1,250	17/11/2017	31/05/2018	2,000	(117)
Gold - USD	1,250	17/11/2017	30/04/2018	2,000	(114)
Gold - USD	1,259	17/11/2017	29/03/2018	2,000	(95)
Gold - USD	1,259	17/11/2017	28/02/2018	2,000	(92)
Gold - USD	1,261	17/11/2017	30/04/2018	2,000	(92)
Gold - USD	1,261	17/11/2017	31/05/2018	2,000	(94)
Gold - USD	1,290	28/12/2017	31/01/2018	2,500	(35)
Gold - USD	1,297	28/12/2017	31/01/2018	1,000	(7)
Gold - USD	1,310	28/12/2017	31/01/2018	1,000	6
Loss on non-hedge derivatives					**(640)**

6. Finance income

US$000	31-Dec-18	31-Dec-17
Bank interest	65	77
	65	**77**

7. Finance expense

US$000	31-Dec-18	31-Dec-17
Loan and other Interest	4,847	4,924
Interest on Silver Stream advance (note 19)	1,075	1,674
Fair value adjustment on Silver Stream advance (note 19)	(572)	(211)
Convertible Loan Note accretion (note 20)	217	545
Finance expense at amortised cost	**5,567**	**6,932**
Unwinding of discount on decommissioning liability (note 21)	612	607
Total finance expense	**6,179**	**7,539**

The above finance expense arises on financial liabilities measured at amortised cost using the effective interest rate method.

8. Profit before taxation

US$000	31-Dec-18	31-Dec-17
Depreciation and amortisation of tangible assets	26,391	18,406
Amortisation of intangible assets	7	25
Share based payment costs	737	653
Directors remuneration	1,790	1,772
Staff costs	15,667	15,992
Auditors' remuneration		
Audit fees of the Company and Group	90	94
Audit fees of subsidiaries by associates of Group auditor	56	40
Fees for review of interim information	22	21

9. Taxation

Effective 1 January 2008, the Company is taxed at the standard rate of income tax for Guernsey companies which is 0%. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Tax charge for the year relates to:

US$000	31-Dec-18	31-Dec-17
Current tax charge (Corporate and turnover tax charge)	3,242	2,013
Deferred tax charge / (credit)	1,910	(2,628)
Net charge / (credit)	**5,152**	**(615)**

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

Profit before taxation (US$000)	**13,141**	**3,545**
Tax at the standard tax rate		
Tanzanian Corporation tax at 30%	3,942	1,064
Different tax rates applied in overseas jurisdictions	899	1,337
Permanent adjustments	(28)	(772)
Unrecognised taxable losses in subsidiaries	339	1,564
Taxable losses utilised not previously recognised	-	(1,335)
Reversal of deferred tax following legislative changes	-	(2,473)
Tax charge / (credit)	**5,152**	**(615)**

Deferred tax

Analysis of deferred tax assets and deferred tax liabilities is as follows:

US$000	31-Dec-18	31-Dec-17
Deferred tax asset	3,897	9,241
Deferred tax liability	(12,127)	(15,561)
Net deferred tax liability	**(8,230)**	**(6,320)**

The deferred tax asset has arisen on unused tax losses in Tanzania. At the year end, the Group had unused tax losses of US$21,882,000 (2017: US$35,646,000).

The deferred tax liability has arisen on the temporary differences between the carrying value of assets and tax written down value of assets. Included within the Group's deferred tax liability is an amount of US$5.2 million (2017: US$5.2 million) relating to deferred tax liability on the acquisition of Shield Resources Limited and Boulder Investments Limited.

The movement in deferred tax assets and liabilities during the year is as follows:

(US$000)	Deferred tax asset	Deferred tax liability	Net deferred tax liability
At 31 December 2016	**12,362**	**(21,310)**	**(8,948)**
Tax losses utilised in the year	(3,121)	-	(3,121)
Accelerated tax depreciation	-	5,749	5,749
At 31 December 2017	**9,241**	**(15,561)**	**(6,320)**
Tax losses utilised in the year	(5,344)		(5,344)
Accelerated tax depreciation	-	3,341	3,341
Other movements	-	93	93
At 31 December 2018	**3,897**	**(12,127)**	**(8,230)**

10. Earnings per share

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

	31-Dec-18	31-Dec-17
Profit for the year attributable to equity holders of Company (US$000)	7,989	4,160
Profit used in calculation of basic earnings per share (see below) (US$000)	7,989	4,160
Basic earnings per share (US cents)	1.029	0.612
Weighted average number of shares in issue	**776,599,071**	**679,437,723**

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

	31-Dec-18	31-Dec-17
The Group has the following instruments which could potentially dilute basic earnings per share in the future:		
Share options	550,000	1,330,662
Shares to be issued	8,488,153	8,556,374

In 2018 and 2017 the potential ordinary shares were dilutive as the Group was in a profit-making position and therefore a diluted earnings per share has been calculated as follows:

	31-Dec-18	31-Dec-17
Profit for the year attributable to equity holders of Company (US$000)	7,989	4,160
Profit used in calculation of diluted earnings per share (US$000)	7,989	4,160
Diluted earnings per share (US cents)	1.017	0.604
Weighted average number of shares in issue and potential ordinary shares	**785,637,224**	**689,324,759**

11. Intangible assets

US$000	Owned prospecting licences	Third party primary mining licences	Owned mining licence	Third party mining licence	Acquired exploration and evaluation assets	Total
At 31 December 2016	**24**	**387**	**81**	**251**	**22,519**	**23,262**
Additions	-	-	47	-	-	47
Amortisation	-	-	(25)	-	-	(25)
At 31 December 2017	**24**	**387**	**103**	**251**	**22,519**	**23,284**
Additions	-	-	-	-	-	-
Amortisation	-	-	(7)	-	-	(7)
At 31 December 2018	**24**	**387**	**96**	**251**	**22,519**	**23,277**

Impairment of licences

No impairment of licences has been identified or recognised during the year.

Impairments relate to projects which have been assessed for impairment and found to be no longer viable or where licences have expired with no intention of renewal. At the year-end there were no licences under renewal.

12. Property, plant and equipment

US$000	Gold processing plant	Mining assets	Assets under construction	Mining and other equipment	Decom-missioning asset	Deferred stripping asset	Total
Cost							
At 1 January 2017	**39,946**	**66,064**	**46,520**	**13,815**	**5,485**	**34,676**	**206,506**
Additions	-	5,584	30,776	1,089	21	392	37,862
Pre-production revenue [1]	-	-	(10,484)	-	-	-	(10,484)
Asset transfers	-	19,990	(43,912)	23,922	-	-	-
At 31 December 2017	**39,946**	**91,638**	**22,900**	**38,826**	**5,506**	**35,068**	**233,884**
Accumulated Depreciation							
At 1 January 2017	**16,909**	**51,690**	**-**	**4,556**	**2,743**	**31,052**	**106,950**
Charge for the year	3,617	5,517	-	4,980	432	3,860	18,406
At 31 December 2017	**20,526**	**57,207**	**-**	**9,536**	**3,175**	**34,912**	**125,356**
Net book value							
At 31 December 2017	**19,420**	**34,431**	**22,900**	**29,290**	**2,331**	**156**	**108,528**
Cost							
At 1 January 2018	**39,946**	**91,638**	**22,900**	**38,826**	**5,506**	**35,068**	**233,884**
Additions	-	6,345	11,051	20	18	708	18,142
Asset transfers	3,084	8,932	(15,385)	3,369	-	-	-
Disposals	-	-	-	(40)	-	-	(40)
Asset write-offs	-	-	-	(106)	-	-	(106)
Change in estimate	-	-	-	-	(184)	-	(184)
At 31 December 2018	**43,030**	**106,915**	**18,566**	**42,069**	**5,340**	**35,776**	**251,696**
Accumulated Depreciation							
At 1 January 2018	**20,526**	**57,207**	**-**	**9,536**	**3,175**	**34,912**	**125,356**
Charge for the year	4,115	12,668	-	8,832	439	337	26,391
Disposals	-	-	-	(40)	-	-	(40)
At 31 December 2018	**24,641**	**69,875**	**-**	**18,328**	**3,614**	**35,249**	**151,707**
Net book value							
At 31 December 2018	**18,389**	**37,040**	**18,566**	**23,741**	**1,726**	**527**	**99,989**

1. Revenue generated from underground development ore mined at nil margin in 2017 was offset against capital expenditure in the year.

The net carrying amount of property plant and equipment includes an amount of US$9,297,000 (2017: US$13,145,000) in respect of assets held under finance lease and equipment loan. Depreciation charge for these assets in the year amounted to US$4,209,000 (2017: US$2,482,000). The above assets which are not financed under the finance lease or equipment loan are encumbered as detailed further in note 19 in favour of a Security Agent acting on behalf of Investec Bank Limited.

13. Subsidiary companies

At 31 December 2018, the Group had the following subsidiary undertakings:

Name of company	Holding	Country of Incorporation Incorporation and principal place of business	Principal activity
Shanta Gold Holdings Limited	100%	Guernsey	Holding Company
Chunya Gold Holdings Limited	100%	Guernsey	Holding Company
Shamba Limited	100%	Guernsey	Holding Company
Rukwa Limited	100%	Guernsey	Investment Company
Boulder Investments Limited	100%	Cyprus	Investment Company
Shanta Mining Company Limited	100%	Tanzania	Exploration and mining
Singida Resources Public Limited Company	100%	Tanzania	Exploration and mining
Shield Resources Limited	100%	Tanzania	Exploration and mining
Mgusu Mining Limited	100%	Tanzania	Exploration and mining
Nsimbanguru Mining Limited	100%	Tanzania	Exploration and mining
Chunya Resources Limited	100%	Tanzania	Dormant
Songea Resources Limited	100%	Tanzania	Dormant
Shanta Gold UK Limited	100%	United Kingdom	Dormant

14. Categories of financial assets and liabilities

US$000	31-Dec-18	31-Dec-17
Current assets measured at amortised cost		
Trade and other receivables excluding prepayments	132	43
Restricted cash	2,500	1,875
Cash and cash equivalents	8,958	13,551
Total financial assets at amortised cost	**11,590**	**15,469**
Financial liabilities measured at amortised cost		
Current financial liabilities		
Loans and other borrowings (note 19)	23,664	18,085
Convertible loan (note 20)	5,000	-
Trade and other payables	11,680	11,581
	40,344	**29,666**
Non-current financial liabilities		
Loans and other borrowings (note 19)	8,230	27,132
Convertible loan (note 20)	10,060	14,843
	18,290	**41,975**
Total financial liabilities measured at amortised cost	**58,634**	**71,641**
Financial assets at fair value through profit or loss		
Derivative financial liabilities - commodity hedge (note 5)	(2,870)	(640)
Total financial liabilities at fair value through profit or loss	**(2,870)**	**(640)**

Fair values

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

Derivative instruments measured at fair value through profit or loss have been deemed to be level 2 assets or liabilities under the fair value hierarchy. The instruments have been valued using forward gold prices.

Loans and other borrowings and convertible loans are initially measured at fair value and subsequently at amortised costs. The fair values of the Group's loans and other borrowings are considered equal to the book value as the effect of discounting on these financial instruments is not considered to be material.

15. Inventories

US$000	31-Dec-18	31-Dec-17
Plant spares and consumables	9,784	9,288
Gold in ore stockpile, gold room and CIL	14,695	10,245
	24,479	**19,533**

The cost of consumable stores consumed during the year and included in working cost amounted to US$26.0 million (2017: US$16.0 million).

16. Trade and other receivables

US$000	31-Dec-18	31-Dec-17
Prepayment	3,408	3,022
VAT receivable [1]	21,790	14,687
Other receivables	132	43
	25,330	**17,752**

1. In July 2017, an amendment to the VAT Act 2014 came into effect, treating any exportation of raw minerals as an exempt supply for which no input tax is deductible. The Group exports doré bars which it does not consider to be a raw mineral. Input VAT on the gold exported by the Group in the form of doré is claimable under the legislation passed in 2017.

During the year no impairments were recognised (2017: US$Nil). The Directors consider that the carrying amount of other receivables approximates their fair value

17. Restricted cash

An amount of US$2,500,000 (2017: US$1,875,000) has been shown separately from cash as it has an external restriction placed upon it in accordance with the Exim Bank loan facility agreement (note 19).

18. Trade and other payables

US$000	31-Dec-18	31-Dec-17
Trade payables	8,553	8,678
Derivative financial liability (note 5)	2,870	640
Accruals	3,127	2,903
	14,550	**12,221**

The Group has financial risk management policies in place to ensure that the payables are paid within the credit time frame. The Directors consider that the carrying amounts of trade payables approximate their fair value.

19. Loans and other borrowings

US$000	31-Dec-18	31-Dec-17
Current liabilities		
Loans payable to Investec Bank less than 1 year [1]	16,029	10,686
Equipment loan [2]	292	579
Finance lease [3]	-	154
Finance lease [4]	764	1,844
Silver Stream [5]	1,533	1,533
Loans payable to Exim Bank less than 1 year [6]	3,558	2,465
Equipment loan [7]	790	824
Finance lease [8]	439	-
Finance lease [9]	259	-
	23,664	**18,085**
Non-current liabilities		
Loans payable to Investec Bank after more than 1 year [1]	-	16,044
Equipment loan [2]	-	290
Finance lease [4]	-	795
Silver stream [5]	2,415	3,611
Loans payable to Exim Bank more than 1 year [6]	4,615	5,256
Equipment loan [7]	307	1,136
Finance lease [8]	408	-
Finance lease [9]	485	-
	8,230	**27,132**
Total loans and other borrowings	**31,894**	**45,217**

(1) **Investec loan**: Loan from Investec Bank in South Africa relates to two facilities totalling US$40 million obtained in May 2015. The facilities bear an annual interest rate of 3-month US$ LIBOR +4.9% and are secured on the bank account which is credited with gold sales, the shares in SMCL and a charge over the assets of SMCL. Both facilities were fully drawn in previous years.

Facility A is for US$20 million and was used to repay the previously outstanding FBN Bank Ltd loan. Capital repayments of US$1.17 million are due every quarter starting on 30 June 2016.

Facility B of US$20 million is a standby facility to be drawn as and when required to meet working capital requirements. During 2017 this was converted into a term facility with capital repayments of US$1.54 million payable quarterly over 3 years.

Both these facilities are secured by means of:

- A deed of debenture setting out the fixed and floating charge debenture governed by Tanzanian law over all assets and undertakings of SMCL and Shield Resources Limited, and made between the Investec and the Security Agent;
- A registered charge of US$55,000,000 (which includes a margin facility for gold forward sales of up to US$15,000,000) against the mineral and prospecting rights of both Shanta Mining Company Limited and Shield Resources Limited;
- Shareholder Pledge in which each of Shanta Gold and Shanta Holdings pledges the shares it holds in the Borrower in favour of the Security Agent and assigns and charges all its loans and claims against the Borrower and other members of the Group in favour of the Security Agent; and,
- Shield Resources Pledge in which Boulder Investments pledges the shares it holds as Agent and assigns and charges all its loans and claims against Shield Resources in favour of the Security Agent.

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

In July 2017, new legislation was enacted by the Tanzanian Parliament including the Written Laws Act July 2017, the Natural Wealth and the Resources Contracts 2017, and the Mining Regulations, 2018. On 3 August 2018 Shanta received a reservation of rights letter under the Facilities Agreement informing the Company of non-compliance with certain matters in the new legislation. Regulation for how these new acts will be implemented remains to be published in full. Shanta received a postponement and reservation of rights letter from Investec in connection with this letter whereby Investec undertook not to exercise their rights to enforce security or accelerate any loans under the Facilities Agreement in respect of certain technical breaches thereof covering the period to 31 December 2018. Investec has subsequently provided Shanta with a new postponement and reservation of rights letter and an undertaking not to exercise their rights to enforce security or accelerate any loans under the Facilities Agreement in respect of certain technical breaches thereof which extends the period under which Investec waives its rights through to 28 February 2020. As the waiver in place at the end of the year did not at the time extend for a further 12-month period, the Investec loan is considered a current liability for annual reporting purposes.

(2) **Equipment Loan**: The loan is in respect of a crusher/screening plant acquired from Sandvik SRP AB, Sweden and is payable in 20 equal quarterly instalments commencing on 15 August 2014 and bears interest at a fixed rate of 6% per annum.

(3) **Finance Lease**: A finance lease to acquire Heavy Fuel Oil (HFO) fuel storage tanks from Oryx Oil Company Limited for a capital amount of US$667,591 repayable monthly over sixty months commencing on 1 August 2014. All such repayments were completed during 2018.

(4) **Finance Lease**: A finance lease to acquire mobile equipment from Sandvik for a capital amount of €4,634,000 (US$5,261,000) repayable monthly over thirty-six months commencing on 15 June 2016 for Tranche 1 and 14 September 2016 for Tranche 2 and payable quarterly.

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

US$000	31-Dec-18	31-Dec-17
Balance at 1 January	(5,144)	(5,533)
Value of silver transferred	1,699	1,852
Interest at the effective interest rate	(1,075)	(1,674)
Adjustment for the value in future estimates	572	211
At 31 December	**(3,948)**	**(5,144)**

(6) **Loans payable to Exim Bank**: The Company entered into a US$10.0 million financing from Exim Bank (Tanzania) Limited ("EXIM") following the commissioning in March 2017 of its 7.5 Mega Watts ("MW") Power Station at New Luika. This facility comprised US$7.5 million long term funding and US$2.5 million short-term funding for working capital, with the four-year term loan bearing variable interest at 7.25% per annum (2.75% below the Exim Base Lending Rate). The term loan is secured against the New Luika Power Station and was fully drawn during the year. The US$2.5 million short-term funding for working capital is held as restricted cash in accordance with the conditions of the agreement (note 17).

(7) **Equipment Loan**: This loan is in respect of a €2.1 million underground equipment financing entered into during 2017 with Sandvik Mining and Construction OY and is payable in 24 instalments commencing on 28 June 2017 and bears interest at a fixed rate of 6.5% over three years. The equipment purchases were part of Shanta's capital programme outlined in the RMP and followed a previous similar arrangement entered into during 2016.

(8) **Finance Lease**: A finance lease to acquire mobile equipment from Sandvik for a capital amount of €712,000 (US$832,000) repayable monthly over thirty-six months commencing on 29 November 2018. This is classified as a finance lease because the rentals period amounts to the estimated useful economic life of the asset and after three years, the assets will be bought outright by the Company by paying a nominal amount.

(9) **Finance lease**: A finance lease to acquire mobile equipment from Sandvik for a capital amount of €635,000 (US$718,000) repayable monthly over thirty-six months commencing on 28 February 2019. This is classified as a finance lease because the rentals period amounts to the estimated useful economic life of the asset and after three years, the assets will be bought outright by the Company by paying a nominal amount.

Future finance lease payments due are as follows:

	2018			2017		
US$000	Minimum lease payment	Interest	Present value	Minimum lease payment	Interest	Present value
Not later than one year	1,546	(84)	1,462	2,143	(145)	1,998
Between one year and five years	960	(67)	893	816	(21)	795
at 31 December	**2,506**	**(151)**	**2,355**	**2,959**	**(166)**	**2,793**

20. Convertible loan notes

US$000	31-Dec-18	31-Dec-17
Balance at 1 January	14,843	14,298
Cash paid interest	(2,026)	(2,026)
Coupon interest (note 7)	2,026	2,026
Accreted Interest (note 7)	217	545
At 31 December	**15,060**	**14,843**

During 2012 fixed coupon convertible loan notes amounting to US$25 million were issued, due for repayment on 13 April 2017 and containing a conversion option at a price of US$0.4686 per 1 Company share. The notes incurred an interest charge of 8.5% per annum and interest was payable half yearly in April and October. During 2016 the Group repurchased US$10.0 million of the notes and extended the repayment term of the remaining notes by two years to April 2019. As part of the repurchase, the coupon applicable to the notes increased from 8.5% to 13.5% for the remainder of the term of the notes. During 2018 the Group received irrevocable undertakings from holders of the Company's outstanding notes to vote in favour of a buyback of approximately 33.33% of the outstanding notes in April 2019 and a 1-year extension to the maturity date of the remaining notes. At the end of 2018, the Group liabilities included the obligation to repay US$5.0 million of outstanding notes in April 2019 and US$10.0 million of outstanding notes in April 2020.

The convertible loan notes are not secured against any assets of any group company. The Group has determined them to be a compound financial instrument requiring a proportion of the loan to be classified as equity. The equity element represents the difference between the fair value of a similar liability with no equity conversion option and the fair value of the existing convertible notes in issue. Conversion of the convertible loan notes is at the discretion of the beneficiary holders. Accreted interest is charged to the statement of comprehensive income over the life of the notes.

21. Provision for Decommissioning

US$000	31-Dec-18	31-Dec-17
Balance at 1 January	8,099	7,471
Increase in provision (note 12)	18	21
Unwinding of discount (note 7)	612	607
Change in estimate (note 12)	(184)	-
At 31 December	**8,545**	**8,099**

The above provision relates to site restoration at New Luika and nearby open pits, which is expected to be utilised by 2023 based on the current mineable resource. The increase in the expected costs that will be incurred is based on planned rehabilitation to take place for disturbances carried out in the year. The fair value of the above provision is measured by unwinding the discount on expected future cash flows using a discount factor that reflects the credit-adjusted risk-free rate of interest. The provision represents the net present value of the best estimate of the expenditure required to settle the obligation to rehabilitate environmental disturbances caused by mining operations.

22. Share capital

Authorised	31-Dec-18	31-Dec-17
778,889,782 ordinary shares of 0.01 pence each	£77,889	£76,863

Issued and fully paid	Number	£	US$000
At 1 January 2017	**582,945,701**	**58,295**	**93**
Issued in year	185,682,610	18,568	23
As at 31 December 2017	**768,628,311**	**76,863**	**116**
Issued in year	10,261,471	1,026	1
As at 31 December 2018	**778,889,782**	**77,889**	**117**

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

23. Share-based payments

Equity-settled share option scheme

Options in issue are as follows:

Grant date	Exercise price	Final exercise date	Number of options at 31 December 2018	Number of options at 31 December 2017
25 April 2008	8.5p	25 April 2018	-	350,000
8 September 2009	6p	8 September 2019	280,000	380,000
27 July 2010	18.2p	27 July 2020	760,000	925,000
26 September 2011	25p	26 September 2021	500,000	500,000
6 January 2012	23.13p	6 January 2022	1,420,000	1,685,000
			2,960,000	**3,840,000**

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

	31 December 2018		31 December 2017	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Details of the share options outstanding during the year are:				
Outstanding at 1 January	3,840,000	0.192	5,225,000	0.220
Lapsed share options	(880,000)	0.144	(1,385,000)	0.230
Outstanding at end of year	2,960,000	0.206	3,840,000	0.192
Exercisable share options at the end of year	2,960,000	0.206	3,840,000	0.192

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

	31 December 2012			
Share price at grant	£0.34	£0.34	£0.34	£0.23
Option exercise price	£0.25	£0.30	£0.35	£0.23
Expected life of options	10 years	10 years	10 years	10 years
Expected volatility	55%	55%	55%	55%
Expected dividend yield	0%	0%	0%	0%
Risk free rate	1.70%	1.70%	1.70%	1.70%
Grant date	23-Aug-12	23-Aug-12	23-Aug-12	6-Jan-12
Fair value per share option	£0.240	£0.229	£0.219	£0.148
Exchange rate used	1.585	1.585	1.585	1.560
Total charge over the vesting period	$94,989	$181,336	$173,645	$700,984

Long-term incentive plan (LTIP)

Share awards are granted to employees and Directors on a discretionary basis, and the remuneration committee decides whether to make share awards under the LTIP at any time. LTIPs share awards in issue at year-end are as follows:

Grant date	Exercise price	Final vesting date	Number of shares at 31 December 2018	Number of shares at 31 December 2017
01-Apr-14	0p	31-Mar-18	-	360,000
01-Apr-14	0p	31-Mar-18	-	672,000
15-Apr-16	0p	28-Feb-18	550,000	550,000
15-Apr-16	0p	30-Jun-18	-	400,000
WAEP	0p	Outstanding at end of year	550,000	1,982,000
WAEP	0p	Exercisable at end of year	550,000	360,000

Details of the share options outstanding during the year are:

US$'000	31-Dec-18	31-Dec-17
Outstanding at 1 January	1,982,000	8,316,500
Lapsed / forfeited	(1,432,000)	(4,115,554)
Exercised	-	(2,218,946)
Outstanding at end of year	550,000	1,982,000

The Company's mid-market closing share price at 31 December 2018 was 6.20 pence (2017: 4.38 pence). The lowest and highest mid-market closing price during the year was 4.25 pence (2017: 2.625 pence) and 6.40 pence (2017: 12.13 pence) respectively.

The 550,000 shares outstanding at 31 December 2018 were awarded on 15 April 2016. The vesting conditions of these

shares were that 100% would vest on 28 February 2018, subject to the recipients being in the Group's employment on that date.

Monte Carlo inputs for shares awarded	2016	2015	2014	2013
Share price at grant	£0.07	£0.0875	£0.1475	£0.18
Option exercise price	£Nil	£Nil	£Nil	£Nil
Expected life of options	3 years	3 years	4 years	4 years
Expected volatility	46.62%	50.54%	55.42%	59.88%
Expected dividend yield	0%	0%	0%	0%
Risk free rate	0.42%	1.77%	1.77%	1.77%
Grant date	05-Apr-16	01-Jan-15	01-Apr-14	01-Apr-13
Fair value per share option	£0.0707	£0.0588	£0.0769	£0.1709
Exchange rate used	1.2928	1.5332	1.5180	1.5180

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

24. Net cash flows from operating activities

US$000	31-Dec-18	31-Dec-17
Profit before taxation for the year	13,141	3,545
Adjustments for:		
Depreciation/depletion of tangible assets	26,391	18,406
Write-off of tangible assets	106	-
Amortisation/write off of intangible assets	7	25
Share based payment costs	737	653
Loss on non-hedge derivatives	1,259	1,623
Unrealised exchange gains	-	(69)
Non-cash settlement of Silver Stream obligation (note 19)	(1,699)	(1,852)
Finance income (note 6)	(65)	(77)
Finance expense (note 7)	6,179	7,539
Pre-production revenue (note 12)	-	10,484
Operating cash flow before movement in working capital	46,056	40,277
(Increase) / decrease in inventories	(4,946)	758
Increase in receivables	(7,578)	(4,760)
(Decrease) / increase in payables	(497)	2,189
	33,035	38,464
Taxation paid	(2,070)	(3,606)
Interest received	65	77
Net cash flow from operating activities	**31,030**	**34,935**

25. Reconciliation of liabilities arising from financing activities

US$000	Non-current loans and other borrowings (Note 19)	Current loans and other borrowings (Note 19)	Convertible loan notes (Note 20)	Restricted cash (Note 17)	Total
At 1 January 2017	34,156	16,272	14,298	-	64,726
Cash flows	5,551	(13,211)	(2,026)	(1,875)	(11,561)
Non-cash flows					
Silver Stream	-	(1,852)	-	-	(1,852)
Interest accruing in the period	1,642	2,546	2,571	-	6,759
Effects of foreign exchange	-	113	-	-	113
Reclassification from non-current to current liabilities	(14,217)	14,217	-	-	-
At 31 December 2017	**27,132**	**18,085**	**14,843**	**(1,875)**	**58,185**
Cash flows	2,500	(18,880)	(2,026)	(625)	(19,031)
Non-cash flows					
Silver Stream	-	(1,699)	-	-	(1,699)
Increase in finance lease obligations	1,550	-	-	-	1,550
Interest accruing in the period	235	3,062	2,243	-	5,540
Effects of foreign exchange	-	(91)	-	-	(91)
Reclassification from non-current to current liabilities	(23,187)	23,187	-	-	-
At 31 December 2018	**8,230**	**23,664**	**15,060**	**(2,500)**	**44,454**

26. Financial risk management

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

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

Principal financial instruments

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

- Trade and other receivables
- Cash and cash equivalents
- Restricted cash
- Trade and other payables
- Loans and borrowings
- Convertible loan notes
- Finance leases and asset loans
- Commodity price hedging

The Group held derivative financial instruments during the years ended 31 December 2018 and 2017 and these were in respect of forward sales of gold. Further details are reflected below as part of this note.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The Board receives quarterly information from the Group's management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

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

26.1 Interest rate risk

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

The current 3-month US$ LIBOR rate for US$ is 2.8%. The variable rate loans bear interest at LIBOR + 4.9%. Currently, the interest charge per month is an average of US$137,000 (2017: US$167,000). A 1% increase or decrease in the LIBOR rate will increase or decrease the monthly interest charge by approximately US$37,000 (US$30,000 after tax) (2017: US$34,000, (US$27,000 after tax)).

The Group's cash and cash equivalents are carried at an effective interest rate of 1% (2017: 1%).

26.2 Credit risk

Credit risk arises when a failure by counter-parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date.

The Group's exposure to credit risk is explained below:

Trade and other receivables

The Group generates revenue from the sale of gold. In the event of a default by a debtor of amounts due from trade and other receivables, the Group will be able to meet those costs. Sales are made principally to one customer. However, the Group has no significant credit risk exposure as majority of the sale is paid for on the same day or soon after the delivery. The Group did not recognise any impairment during the year and there were no other receivables that were past due.

Cash and cash equivalents

The Group has significant concentration of credit risk arising from its bank holdings of cash and cash equivalents.

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

26.3 Liquidity risk

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

The maturity of financial liabilities is as follows:

	31 December 2018		
US$000	Less than 3 months	3 months to 1 year	Later than one year but no later than five years
Loans and other borrowings[1]	(17,049)	(2,931)	(4,976)
Equipment loan	(363)	(827)	(257)
Finance lease	(764)	(780)	(960)
Silver Stream	-	(1,533)	(2,415)
Convertible loan notes	-	(6,688)	(10,675)
Other payables and accruals	(11,680)	(2,870)	-
	(29,856)	**(15,629)**	**(18,283)**

(1) Shanta has received a postponement and reservation of rights letter from Investec, which extends to 28 February 2020, in which Investec have undertaken not to exercise their rights to enforce security or accelerate any loans under the Facilities Agreement in respect of certain technical breaches thereof for the reasons outlined in note 19. The Investec loan would have been partially classified as a non-current liability had the waiver in place at 31 December 2018 extended for a twelve-month period.

	31 December 2017		
US$000	Less than 3 months	3 months to 1 year	Later than one year but no later than five years
Loans and other borrowings	(3,902)	(11,349)	(23,045)
Equipment loan	(394)	(1,149)	(1,495)
Finance lease	(548)	(1,595)	(816)
Silver Stream	-	(1,823)	(6,392)
Convertible loan notes	-	(1,013)	(17,031)
Other payables and accruals	(11,580)	(640)	-
	(16,424)	**(17,569)**	**(48,779)**

26.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to change in foreign exchange rates.

Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in the currency that is not the Group's presentational currency.

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

(US$000)	31 December 2018 USD	TZS	EUR	GBP	Total
Trade and other receivables	132	-	-	-	132
Cash and cash equivalents	8,836	93	-	29	8,958
Trade and other payables	(8,233)	(3,333)	(59)	(55)	(11,680)
Derivative financial liability	(2,870)	-	-	-	(2,870)
Loans and other borrowings	(28,442)	-	(3,452)	-	(31,894)
Convertible loan notes	(15,060)	-	-	-	(15,060)
Net exposure	**(45,637)**	**(3,240)**	**(3,511)**	**(26)**	**(52,414)**

	31 December 2017 US$	TZS	EUR	GBP	Total
Trade and other receivables	43	-	-	-	43
Cash and cash equivalents	13,474	75	-	2	13,551
Trade and other payables	(7,838)	(3,350)	(81)	(312)	(11,581)
Derivative financial liability	(640)	-	-	-	(640)
Loans and other borrowings	(42,577)	-	(2,640)	-	(45,217)
Convertible loan notes	(14,843)	-	-	-	(14,843)
Net exposure	**(52,381)**	**(3,275)**	**(2,721)**	**(310)**	**(58,687)**

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

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2018	2017	2018	2017
TZS : US$	0.0004	0.0004	0.0004	0.0004
EUR : US$	1.1809	1.1496	1.1464	1.1937
GBP : US$	1.3338	1.3017	1.2692	1.3436

26.5 Capital risk management

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

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

27. Related party transactions

Details of the remuneration and share options of the Directors, who are key management personnel, are contained within note 8 and the Remuneration Committee Report on pages 31-32. Executive Directors are considered key management.

Details of Directors' share-based payments are disclosed in note 23.

During 2018 an amount of US$37,178 (2017: US$35,299) was paid to Keith Marshall in respect of engineering services provided to the Company.

28. Commitments

The Directors confirm that the Group has a capital commitment of US$0.8 million (2017: US$0.6 million) relating to underground mining equipment at New Luika.

As at 31 December 2018, the Group had forward sales commitments of 45,000 ounces (2017: 22,500 ounces) of gold at an average price of US$1,230/oz (2017: US$1,271/oz). Since the year end, the Group has not entered into additional forward sales contracts. The total forward sales commitments at the end of January 2019 remained at 45,000 ounces (March 2018: 17,600 ounces) at an average price of US$1,230/oz (March 2018: US$1,287/oz).

29. Contingent liabilities

The Directors confirm that there were no contingent liabilities as at 31 December 2018 (2017: US$Nil).

30. Events after reporting date

On 18 January 2019 Rukwa Limited, a wholly owned subsidiary of Shanta Gold Limited repurchased 325,000 of the Company's' outstanding unsecured subordinated convertible loan notes due April 2019 (the "Convertible Loan Notes") from El Oro Limited for a total consideration of US$276,250. Following this transaction, the value of the remaining outstanding Convertible Loan Notes not held directly or indirectly by Shanta Gold Limited was US$14,675,000.

On 26 February 2019 SMCL refinanced its existing term loan with Exim. The new term loan facility comprises US$7.5 million long term funding and US$2.5 million short-term funding for working capital, and extends until the end of 2021. The term loan continues to bear variable interest at 7.25% per annum (2.75% below the Exim Base Lending Rate). The term loan is secured against the New Luika Power Station and includes a grace period on principal repayments until September 2019. 25% of the drawn down balance continues to be held as restricted cash in accordance with the conditions of the agreement. SMCL has not drawn down further amounts on the new facility, aside from the principal balance that was otherwise outstanding at the time of refinancing. Principal repayments and interest of US$2.4 million will fall due for payment in 2019.

SHANTA GOLD

Notice of the Annual General Meeting

Shanta Gold Limited

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

Notice is hereby given that the Fourteenth Annual General Meeting of the shareholders of the Company will be held at 11 New Street, St Peter Port, Guernsey, GY1 2FL on 20 March 2019 at 11.00am (the "Meeting") for the purpose of considering and, if thought fit, passing the following resolutions numbered 1 – 9 below as ordinary resolutions and resolution numbered 10 as a special resolution:

Ordinary resolutions

1. To receive and consider the profit and loss account and the balance sheet of the Company for the financial year ended 31 December 2018
2. To receive and consider the report of the Directors of the Company
3. To receive and consider the report of the auditors of the Company
4. To approve the Directors' remuneration paid for the year to 31 December 2018 as detailed in the 2018 Annual Report and Accounts
5. To re-appoint BDO LLP as the auditors of the Company
6. To authorise the directors to fix the remuneration of the auditors as the Directors see fit
7. To consider and if thought fit re-elect Anthony Durrant as Director of the Company who retires by rotation and who makes himself available for re-election as a director of the Company
8. To consider and if thought fit re-elect Robin Fryer as Director of the Company who retires by rotation and who makes himself available for re-election as a director of the Company
9. To approve any other business of which due notice has been given and which the Meeting is competent to consider

Special resolution

10. That the Company be and is hereby generally and unconditionally authorised in accordance with section 315 of the Companies (Guernsey) Law, 2008 (as amended) (the "Law") to make one or more market acquisitions (within the meaning of section 316 of the Law) of ordinary shares in the capital of the Company ("Ordinary Shares") (and, to the extent permitted by the Law, to hold such Ordinary Shares as treasury shares or cancel such Ordinary Shares) provided that:

    (a) the Company's authority to make market acquisitions pursuant to the authority granted by this resolution shall, (except with prior shareholder approval) be limited to a maximum of 10 per cent. of the number of Ordinary Shares, excluding shares held in treasury, in issue as at the date of the passing of this resolution;

(b) the maximum price (exclusive of expenses) at which Ordinary Shares may be purchased shall be 105% of the average of the middle market quotations for the Ordinary Shares as taken from the AIM Appendix to the London Stock Exchange Daily Official List for the five business days preceding the date of purchase;

(c) the minimum price (exclusive of expenses) which shall be paid for an Ordinary Share pursuant to this authority shall be £0.03 per Ordinary Share; and

(d) unless previously revoked or varied, the authority hereby conferred shall, expire 15 months after the date of the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company (unless previously renewed, revoked or varied by the Company), save that the Company may, prior to such expiry, enter into a contract to acquire Ordinary Shares which will or may be completed or executed wholly or partly after such expiry and make an acquisition of such Ordinary Shares pursuant to any such contract.

Dated 27 February 2019

By order of the board

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Director

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

Form of proxy

Shanta Gold Limited

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

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

I/We ______________________________

of ______________________________

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

____

failing whom, the chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Meeting to be held at 11 New Street, St Peter Port, St Peter Port, Guernsey, GY1 2PF on 20 March 2019 at 11.00am and at any adjournment thereof and to attend and vote thereat as indicated below. To allow effective constitution of the Meeting, if it is apparent to the Chairman that no shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, then the Chairman may appoint a substitute to act as proxy in his stead for any shareholders provided that such substitute proxy shall vote on the same basis as the Chairman.

Please indicate with an 'X' in the appropriate space how you wish your votes to be cast (see Note 4):

	Ordinary Resolutions—Ordinary Business	For	Against	Vote withheld
1.	Ordinary Resolution to receive and consider the profit and loss account and the balance sheet of the Company for the financial year ended 31 December 2018	☐	☐	☐
2.	Ordinary Resolution to receive and consider the report of the Directors of the Company	☐	☐	☐
3.	Ordinary Resolution to receive and consider the report of the auditors of the Company	☐	☐	☐
4.	Ordinary Resolution to approve the Directors' remuneration paid for the year to 31 December 2018 as detailed in the 2018 Annual Report and Accounts	☐	☐	☐
5.	Ordinary Resolution to re-appoint BDO LLP as the auditors of the Company	☐	☐	☐
6.	Ordinary Resolution to authorise the Directors to fix the remuneration of the auditors as the Directors see fit	☐	☐	☐
7.	Ordinary Resolution to consider and if thought fit re-elect Anthony Durrant as Director of the Company who retires by rotation and who makes himself available for re-election as a Director of the Company	☐	☐	☐
8.	Ordinary Resolution to consider and if thought fit re-elect Robin Fryer as Director of the Company who retires by rotation and who makes himself available for re-election as a Director of the Company	☐	☐	☐
9.	Ordinary Resolution to approve any other business of which due notice has been given and which the Meeting is competent to consider	☐	☐	☐

Special Resolution

		For	Against	Vote withheld
10.	Special Resolution to authorise the Company in accordance with section 315 of the Companies (Guernsey) Law, 2008 (as amended) (the "Law") to make one or more market acquisitions (within the meaning of section 316 of the Law) of ordinary shares in the capital of the Company	☐	☐	☐

Date

Signature(s) or common seal (see Note 3)

Notes to the proxy form

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

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

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

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

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

6. Forms of Proxy, to be valid, must be lodged, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, at the Company's registered office by fax +44 1481 729200 or email to: corporate.secretarial.gg@vistra.com or posting the original to: PO Box 91, 11 New Street, St Peter Port, Guernsey GY1 3EG not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

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

8. Any alteration to this Form of Proxy must be initialled.

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