Shanta Gold Limited
("Shanta Gold" or the "Company")
Final Results for the year ended 31 December 2014

Shanta Gold, the East Africa focused gold producer, announces its audited final results for the year ended 31 December 2014

HIGHLIGHTS

OPERATIONAL

- Gold production of 84,028 oz, up 31% on prior year
- 87,758 oz of gold sold, an increase of 42% from 2013
- 580,664 tonnes ore milled, up 48% on prior year
- Average ore grade of 5.18 g/t, down 17% on prior year
- All in Sustaining Cost of US$941 per oz (2013 – US$1,049)
- Plant upgrade capital projects completed

FINANCIAL

- Revenue of US$115 million, up 31% on prior year which included pre-production revenue
- Average price of gold realised of US$1,289 per oz, down 8.5% from prior year
- EBITDA of US$33.8 million, up from US$1.6 million for the prior year
- Profit before tax of US$16.6 million up from a loss of US$4.4 million for the prior year
- Profit after tax of US$8.8 million, after deferred tax charge of US$7.7 million
- Cash generated from operations of US$39.0 million, up from US$19.5 million for the 9 months to December 2013 representing a pro rata increase of 50%
- Capital expenditure of US$23.0 million including push back at Bauhinia Creek
- Bank loan repayment commenced with US$11.3 million repaid
- Cash and cash equivalents of US$14.9 million (2013 - US$14.6 million)
- Net debt at year end of US$40.7 million (2013 - US$49.7 million)

CORPORATE

- Prudent hedging program continued:
- 44,000 oz sold forward during the year at an average price of US$1,318 per oz
- 30,000 oz of gold sold forward at 31 December 2014 at an average price of US$1,245 per oz with a further 1,500 oz sold forward post year-end at an average price of US$1,240 per oz

GROWTH

- Increase in reserves from 456,000 oz to 690,000 oz
- New Luika block model updates underway with latest sample data. Underground feasibility study anticipated in early Q3, followed by the completion of the Life of Mine study also during Q3

OUTLOOK

- Reworked mine plans for the Bauhinia Creek and Luika Pits have resulted in a substantial reduction in forecast strip ratios with long-term benefits for the Company's cost profile
- Work is continuing on detailed design but indicative savings are expected to be in excess of US$20 million over the next two years
- 2015 production guidance revised to 72,000 - 77,000 ounces due to limited ore availability during Q1 at an All in Sustaining Cost of US$850 - US$900 per oz

Tony Durrant, Chairman of Shanta Gold, commented:

"Despite the challenging gold market conditions during 2014, the Company consolidated the successes achieved in 2013 with above forecast production and a strong cash generation which enabled Shanta to record a profitable year, reduce its net debt position by US$9 million and fund a critical capital expenditure program whilst maintaining a positive cash position at year end.

While Q1 2015 production was below forecast, management has taken the necessary steps to address the operational & technical issues and we remain confident that it is a temporary setback resulting primarily from the on-going Bauhinia Creek pushback, a development that is in the longer term interests of the Company.

We have a significantly strengthened balance sheet and the management team remains focused on delivering positive cash generation from operations while moving forward with the very important Life of Mine extension projects.

Dr. Toby Bradbury was appointed Chief Executive Officer and to the Board on 1 April 2015 and has already added significant value in his short time as COO and now as CEO. We are also delighted to welcome our CFO, Patrick Shayawabaya, to the Board.

Finally, on behalf of the Board, I would like to thank Mike Houston for his significant contribution during his time as CEO. Mike accomplished a number of important milestones during his successful tenure and his hard work has meant he leaves the Company in a much heathier state than he found it."

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Chairman's Statement

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

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

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

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

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

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

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

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

A P W Durrant
Chairman
17 April 2015

Chief Executive Officer's Review

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

Production

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

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

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

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

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

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

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

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

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

Major Projects

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

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

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

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

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

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

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

Exploration
The Company focused on two key areas during 2014.

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

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

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

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

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

Finance
Gold sales for the year totalled 87,758 ounces up 42% on the sales for the nine months to December 2013. Silver sales were 98,013 ounces, an increase of 226%, in line with the higher silver production. The Company continued with its prudent hedging program and the average gold price realized for the year was US$1,289 per ounce compared to the average price for the previous year of US$1,409 per ounce. Turnover for the year thus amounted to US$114.9 million, compared to US$66.0 million for the nine months (post commencement of commercial production) to December 2013. It should be noted that gold sales for the three months to March 2013 amounting to US$21.6 million were capitalised as pre-production revenue. Cost of sales for the year amounted to US$80.1 million, up 49% on the previous year reflecting mainly the higher volume of gold sales. In addition, depreciation charges for the year amounted to US$10.9 million, up 127% on the prior year as a result of increase in production and full year charge. Further, lower ore and bullion stocks resulted in a charge to Cost of Sales of US$6.1 million as a stock movement. Consequently, gross profit for the year amounted to US$34.8 million, giving a gross margin of 30% compared to US$12.2 million and 18% respectively for the previous year

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

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

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

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

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

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

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

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

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

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

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

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

Operations

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

Commercial/Financial

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

Development/Growth

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

Sustainability

- Focus on the Company's agreed CSR strategy and secure partners in assist in the development and

implementation of projects that create longer term sustainability for communities in which Shanta operates
- Continue to strengthen relationships with all key stakeholders

Acknowledgement

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

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

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

M J Houston
Chief Executive Officer
17 April 2015

SHANTA GOLD LIMITED
Consolidated Income Statement

	Note	Year ended 31 December 2014 US$'000 Audited	Year ended 31 December 2013 US$'000 Audited
Revenue		**114,857**	**65,989**
Cost of sales		**(80,106)**	**(53,816)**
Gross Profit		**34,751**	**12,173**
Other costs		(11,818)	(15,345)
Administration expenses		(8,956)	(12,525)
Exploration and evaluation costs		(2,862)	(2,988)
Loss on settlement of pre-existing relationship		-	(1,500)
Reversal of provision for bad debt		-	1,668
Operating Profit/(Loss)		**22,933**	**(3,172)**
Finance income		509	6,019
Finance expense		(6,872)	(7,213)
Profit/(loss) before taxation		**16,570**	**(4,366)**
Taxation		**(7,715)**	**5,125**
Current		**-**	**-**
Deferred		(7,715)	5,125
Profit for the period / year attributable to equity holders of the parent company		**8,855**	**759**
Basic earnings per share (cents)	3	**1.907**	**0.164**
Diluted earnings per share (cents)	3	**1.890**	**0.163**

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2014 Audited US$'000	Year ended 31 December 2013 Audited US$'000
Profit after taxation	**8,855**	**759**
Other comprehensive income:		
Exchange differences on translating acquisition transaction which can subsequently be reclassified to profit or loss	(26)	407
Total comprehensive income attributable to equity shareholders of parent company	**8,829**	**1,166**

SHANTA GOLD LIMITED
Consolidated Statement of Financial Position

	Note	31 December 2014 US$'000 Unaudited	31 December 2013 US$'000 Audited
Non-current assets			
Intangible assets		23,208	23,495
Property, Plant and Equipment		108,724	90,437
Deferred tax asset		-	5,125
Total non-current assets		**131,932**	**119,057**
Current assets			
Inventories		12,707	16,949
Trade and other receivables		9,123	8,334
Restricted cash		500	600
Cash and cash equivalents		14,878	14,638
Total current assets		**37,208**	**40,521**
Total assets		**169,140**	**159,578**
Capital and reserves			
Share capital		76	75
Share premium		132,865	132,797
Share option reserve		4,067	4,286
Convertible loan note reserve		5,374	5,374
Shares to be issued		416	-
Translation reserve		781	807
Retained deficit		(50,228)	(60,192)
Total equity		**93,351**	**83,148**
Non-Current liabilities			
Loans and other borrowings	4	38,435	47,582
Decommissioning provision		8,970	5,825
Deferred taxation		7,787	5,197
Total non-current liabilities		**55,192**	**58,604**
Current liabilities			
Trade payables and accruals		6,143	6,543
Loans and other borrowings	4	14,454	11,283
Total current liablities		**20,597**	**17,826**
Total liabilities		**75,789**	**76,430**
Total equity and liabilities		**169,140**	**159,578**

SHANTA GOLD LIMITED

Consolidated statement of changes in equity

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Convertible Debt reserve US$'000	Translation reserve US$'000	Shares to be issued US$'000	Retained deficit US$'000	Total Equity US$'000
At 1 January 2014	76	132,797	4,286	5,374	807	-	(60,192)	83,148
Profit for the period	-	-	-	-	-	-	8,855	8,855
Comprehensive loss for the year	-	-	-	-	(26)	-	-	(26)
Shares issued	-	68	-	-	-	-	-	68
Lapsed options	-	-	(1,109)	-	-	-	1,109	-
Share based payments	-	-	890	-	-	416	-	1,306
At 31 December 2014 (Audited)	76	132,865	4,067	5,374	781	416	(50,228)	93,351
At 1 January 2013	75	132,139	3,258	5,374	400	293	(61,043)	80,496
Profit for the period	-	-	-	-	-	-	759	759
Comprehensive income for the year	-	-	-	-	407	-	-	407
Share based payments	-	-	1,426	-	-	-	-	1,426
Shares issued	1	658	(306)	-	-	(293)	-	60
Lapsed options	-	-	(92)	-	-	-	92	-
At 31 December 2013 (Audited)	76	132,797	4,286	5,374	807	-	(60,192)	83,148

SHANTA GOLD LIMITED
Consolidated statement of cash flows

	Notes	31 December 2014 US$'000	31 December 2013 US$'000
Net cash flows generated from operating activities	5	**39,042**	19,529
Investing activities			
Purchase of intangible assets		**(31)**	(62)
Purchase of plant and equipment		**(11,026)**	(10,185)
Asset under construction		**(1,936)**	(9,452)
Open pit development expenditure		**(9,976)**	-
Proceeds from disposal of asset		**6**	31
Transfer to restricted cash		**-**	(600)
Purchase of subsidiary		**-**	(2,400)
Net cash flows used in investing activities		**(22,963)**	(22,668)
Financing activities			
Proceeds from issue of ordinary share capital (net of share issue costs)		**-**	60
Loans repaid		**(11,250)**	(15,323)
Equipment loan repaid		**(288)**	-
Loan interest paid		**(4,401)**	(4,683)
Net refund of restricted cash		**100**	-
Loans received		**-**	33,446
Net cash flows (used in)/raised from financing activities		**(15,839)**	13,500
Net increase in cash and cash equivalents		**240**	10,361
Cash and cash equivalents at beginning of year		**14,638**	4,277
Cash and cash equivalents at end of year		**14,878**	14,638

SHANTA GOLD LIMITED
Notes to the Consolidated Financial Statements
for the year ended 31 December 2014

1. General information

Shanta Gold Limited (the "Company") is a limited company incorporated in Guernsey. The Company is listed on the London Stock Exchange's AIM market. The address of its registered office is Suite A, St Peter Port House, Sausmarez Street, St Peter Port, Guernsey GY1 3PG.

The annual consolidated financial statements were approved by the board and authorised for issue on 17 April 2015.

2. Basis of preparation

The consolidated financial statements have been prepared using policies based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board ("IASB") as adopted for use in the EU.

The consolidated financial statements for the year 1 January 2014 to 31 December 2014 are audited and incorporate audited comparative figures for the year 1 January 2013 to 31 December 2013. It does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2014 Annual Report.

The same accounting policies, presentation and methods of computation are followed in the consolidated financial statements as were applied in the Group's previous annual audited financial statements except that in the current financial year, the Group has adopted a number of revised Standards and Interpretations. However, none of these had a material impact on the Group's reporting.

In addition, the IASB has issued a number of IFRS and IFRIC amendments or interpretations since the last annual report was published. It is not expected that any of these will have a material impact on the Group.

3. Earnings per share

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

There were share incentives outstanding at the end of the period that could potentially dilute basic earnings per share in the future.

	Audited 31 December 2014			**Audited 31 December 2013**		
	Profit	**Number of shares**	**Per share amount**	Loss	Weighted average number of shares	Per share amount
	US$'000	**(thousands)**	**(Cents)**	US$'000	(thousands)	(Cents)
Basic EPS	**8,855**	**464,303**	1.907	**759**	**462,729**	**0.164**
Diluted EPS	8,855	468,530	1.890	759	464,869	0.163

SHANTA GOLD LIMITED
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4. Loans and other borrowings

	Year ended 31 December 2014	Year ended 31 December 2013
Current liabilities		
Loan from FBN Bank [b]	11,048	10,946
Loan from related parties [c]	337	337
Promissory notes [a]	2,376	-
Finance lease [f]	114	-
Equipment Finance[e]	579	-
	14,454	**11,283**
Amounts payable after more than one year		
Convertible loan notes [d]	21,843	20,240
Promissory notes [a]	2,761	4,842
Loan from FBN Bank [b]	11,250	22,50
Finance lease [f]	554	-
Equipment Finance [e]	2,027	-
	38,435	**47,582**

(a) Promissory notes relate to Promissory Note 1 of US$2.4 million and Promissory Note 2 of US$3.1 million issued in consideration for the acquisition of Boulder (note 3) and are repayable on 15 April 2015 and 15 April 2017 respectively. The notes bear an annual interest of 2.6% that is payable semi-annually in arrears. The promissory notes are recognised at fair value and subsequently accounted at amortised cost. The fair value of the notes has been determined by discounting the cash flows using a market rate of interest which would be payable on a similar debt instrument obtained from an unconnected third party.

(b) Loan from FBN Bank UK Ltd relates to a US$ 33.75 million loan facility that was entered into in August 2013 which bears an annual interest rate of LIBOR + 6.5%. The loan is secured on the bank account which is credited with gold sales, the shares in Shanta Mining Company Limited (SMCL) and a charge over the assets of SMCL. The loan is repayable over 36 months from January 2014 at US$937,500 per month. At 31 December 2014, $11.25 million had been repaid.

(c) The loans payable to related parties are interest free, unsecured and repayable on demand. During the period, there were no changes to the fair value of the loans. The fair value is determined, based on amounts expected by the counter party in settlement of the loan, which is considered to be its face value as the loans are repayable on demand.

(d) Convertible loan notes relate to US$25 million fixed coupon convertible loan notes which are due for repayment on 13 April 2017 and contain a conversion option at a price of US$0.4686 per 1 company share. The notes incur an interest charge of 8.5% per annum and interest is payable half yearly in April and October. They are not secured against any assets of any Group company. The Group has determined them to be a compound financial instrument requiring a proportion of the loan to be classified as equity. The reclassified 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 current terms. Accreted interest is charged to the statement of comprehensive income over the life of the notes.

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

(f) Finance lease relates to the cost of a fuel storage facility constructed by the fuel vendor which will be paid for by Shanta Mining Company Limited over the remaining contract life which ends on 31 January 2019.

SHANTA GOLD LIMITED
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5. Net Cash flows from Operating activities

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

6. Events after the reporting period

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

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

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

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

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

7. Annual Report

The published accounts will be available on the Company's website from today.