SHANTA GOLD

2015

Annual Report and Accounts

Country of incorporation

Guernsey

Nature of business

Gold exploration and mining in Tanzania

Company registration number

43133

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A gold pour at New Luika Gold Mine

A positive and transitional year

Dear Shareholder,

I am pleased to report that Shanta Gold ("Shanta Gold", "Shanta" or the "Company") has had a positive and transitional year, despite financial year 2015 ("FY2015") being a challenging year for all gold mining companies.

Gold prices started 2015 above US$1,200 per ounce ("/oz"), falling to six-year lows of US$1,051/oz in November 2015 before rebounding to current levels back above US$1,200/oz. Valuation metrics for junior and mid-tier companies fell to historic lows before staging a slight recovery. Shanta continues to follow a prudent hedging policy to protect its cash flows and balance sheet in a changeable gold market whilst maintaining exposure to price increases.

Against this volatile backdrop Shanta achieved sustainable improvement at its flagship asset, the New Luika Gold Mine ("NLGM"), located in south west Tanzania. During the first half of the year, the Company identified and redesigned the operations which enabled delivery of an improved operational and financial performance in the second half of the year. Furthermore, in September 2015 the Company published an underground feasibility study, the Base Case Mine Plan ("BCMP") and an updated reserves statement for NLGM. This provides clarity on the NLGM production profile from January 2016 to late 2022 and clearly demonstrates the investment thesis for developing the underground resources.

Shanta today sits in the lowest quartile cost of gold producers and exceeded its production and cost guidance set in April 2015, producing more ounces at a greater margin. Shanta achieved gold production for FY2015 of 81,873 ounces ("oz"), beating guidance of 72,000–77,000oz and All in Sustaining Costs ("AISC") for 2015 of US$834/oz against guidance of US$850–900/oz generating cash of US$35.0 million for FY2015, revenue of US$95.7 million and an EBITDA of US$31.9 million. Although the profitability was impacted by a non-cash amortisation charge of US$21 million resulting in a loss before tax for the year of US$18.1 million, this does not detract from a very robust performance. In April 2015, Shanta also strengthened its financial position with a new US$40 million loan facility with Investec Bank and at the date of this report had been fully drawn down.

These achievements have been secured with a strengthened team under the leadership of Dr Toby Bradbury who was appointed as Chief Executive Officer ("CEO") from 1 April 2015. Patrick Maseva-Shayawabaya, who joined the Company on 1 July 2013 as Chief Financial Officer ("CFO") was also appointed to the Board on 1 April 2015. Mike Houston retired as CEO on 31 March 2015 and from the Board at the annual general meeting ("AGM") in May 2015. I would like to extend the Board's appreciation for Mike's service and also that of Patrick who subsequently left the Company and the Board on 31 October 2015. Shanta was also fortunate to engage Eric Zurrin as CFO on an interim basis whilst a permanent replacement was found and I'm pleased to announce that Mark Rosslee, who joined the Company in January 2016, assumed the role of CFO on 1 May 2016. Mark is a qualified Chartered Accountant and a graduate of the University of Witwatersrand, South Africa. He has a graduate diploma in Mining Engineering and has served on the boards of multiple public junior minor companies that have operated across Africa.

NLGM continues to be strongly cash generative, despite the recent gold price volatility. The healthy operating margins demonstrate both the good geological endowment in the Lupa Goldfields and the rigorous cost control by the Shanta team. Strong operational cash flows will help to deliver the extended mine life at the NLGM as it transitions to underground which is a major focus for financial year 2016 ("FY2016"). A renewed emphasis has also been placed on Shanta's exploration programme to define additional resources and reserves within an economic radius of the NLGM plant.

At Singida, Shanta's exploration and development gold asset located in central Tanzania, the relocation exercise should be brought to a close in the first half of 2016. The Company aims to renew its focus on this important asset through the course of the year.

Importantly, the Company has contributed significantly to the national and local economy within Tanzania. At 31 December 2015, Shanta and its contractors employed 1,045 people, a 29% increase compared to 2014, 93% of whom are Tanzanian and 40% of whom come from the local communities. Since the start of 2015, Shanta has appointed 10 Tanzanians to senior management roles and has established a graduate development program with four mining graduates currently engaged. The Luika River Dam was started in the year which ultimately will become part of the regional infrastructure providing year round water security for the local communities. During the year, Shanta generated US$96 million in foreign exchange for Tanzania and paid US$11.6 million in royalties, direct and indirect taxes (excluding VAT) to the Tanzanian Government. Relations between the Company and the community remain strong.

Post period end, the Company further strengthened its balance sheet by reaching agreement with over 75% of the holders of the US$25.0 million senior unsecured subordinated convertible loan notes (the "Notes") to buyback US$10.0 million of the Notes and to extend the term of the remaining Notes by two years to April 2019 with a concurrent increase to the coupon from 8.5% to 13.5% Refer to note 30.3.

Additionally post period end the Company has entered into a Silver Streaming Agreement ("SSA") with Silverback Limited ("Silverback"), a privately held Guernsey-based investment company, under which Silverback will pay the Company an advanced payment of US$5.25 million on closing. Silverback will also pay the Company an ongoing payment of 10% 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 the NLGM with minimum silver delivery obligations totalling 608,970oz Ag over a 6.75 year period. The term of the SSA expires after 10 years and the Company has no minimum ounce obligations after 2022.

We are pleased to also confirm the Company has received firm commitments from investors to raise gross proceeds of approximately US$10.5 million (£7.2 million) through the Placing of 111,442,800 shares at a price of 6.5 pence per share.

On behalf of the Board, I would like to sincerely thank the entire Shanta team for their support and commitment in delivering a strong performance in a challenging market environment. During FY2015 we have clearly demonstrated NLGM's true value and its potential is becoming clear. We remain fully confident of delivering a sustainable, strongly cash generative business and I look forward to reporting on the future progress.

A P W Durrant
Chairman

9 May 2016

A successful year of operational and financial performance

I am pleased to report on a successful operational and financial performance for FY2015.

Operations

	2015	2014	% change
Tonnes ore mined	480,825	529,850	(9)
Tonnes ore milled	563,613	580,664	(3)
Grade (g/t)	4.73	5.18	(9)
Recovery (%)	89.5	87.8	2
Gold produced (oz)	81,873	84,028	(3)
Silver produced (oz)	121,682	101,347	20
Gold sold (oz)	80,622	87,758	(8)
Average price achieved (US$/oz)	1,163	1,289	(10)
Cash cost (US$)	757	742	2
All in sustaining cost (US$)	834	941	(11)

At the Company's flagship asset, the NLGM, located in south west Tanzania, gold output was 81,873oz, which marks the second consecutive year of production in excess of 80,000oz for the Company. Importantly, recovery rates improved to 89.5%, even while gold grades fell from 5.2 grammes per tonne ("g/t") to 4.7g/t demonstrating continued process plant efficiencies through the year.

The FY2015 figures however do not reflect that it was a year of two halves for the Company.

While the process plant operated well throughout the year, as was reported in last year's annual report, the start of 2015 was challenging due to a deficit in ore supply and the need to complete a significant amount of waste development in the Bauhinia Creek and Luika Pits.

In the second half of 2015, for the first time, NLGM mined ore at a rate that matched the upgraded mill capacity and at a grade that enabled budgeted gold production to be realised. This was achieved with a fundamental redesign of both the Bauhinia Creek and Luika open pits with a strong mining team engaged to complete and implement this work. Scott Yelland joined as General Manager for NLGM in March 2015 followed by Honest Mrema as Technical Services Manager in April 2015, together with a number of qualified and trainee mining engineers.

At Bauhinia Creek, a review of strip ratios was conducted with an area of the reserve identified that was significantly above the average. The pit design was revised to exclude that portion of the reserve and in the process reduced the life of pit strip ratio from 21:1 to 9:1. The reserves that would no longer be mined from surface (67,000oz) became part of the underground reserve base. In the process, the surface mining cost of ore reduced substantially and the viability of a future underground mine was significantly enhanced.

At the Luika Pit, serious geotechnical challenges required a redesign of pit slopes that negatively impacted the pit economics. Additionally, previous underground mining from colonial times was causing dilution of ore. As a consequence, the north east section of the Luika Pit was closed and the void space refilled to achieve the original topography. The Luika Pit operation thus benefited from shorter hauls for waste removal and, as in the case of Bauhinia Creek, reserves were not lost but rather deferred to underground from which better control of the strata can be achieved and dilution will not be the same issue.

These fundamental redesigns facilitated access back into high grade ore in Bauhinia Creek from May 2015, and a consistent flow of ore and a well-managed grade profile saw gold production in excess of 8,000oz per month for the second half of 2015. Importantly, the mine design and schedule provides for sustainable and reliable ore production going forward and budgeted production has continued into 2016.

As part of a risk mitigation strategy and to ensure that there was an ore supply in excess of mill consumption, a new open pit was established at the Jamhuri deposit

in July 2015. A key advantage of this satellite deposit, as for all the satellites at New Luika Gold Mine, is that it sits within the mining licence. Consequently, from start of design to breaking ground took only three months. At the end of the year, stocks at the run of mine ("ROM") had been built to 45,000 tonnes to withstand the onset of the rainy season. Given the level of stockpiles, operations were suspended at Jamhuri in January 2016 but the pit remains a standby source of ore in the event of challenges in either of the primary pits.

NLGM relies on the perennial Luika River for sourcing its process water. During the dry season, the mine utilised on-site water storage facilities and, from August, implemented a program to source water from Lake Rukwa. The program worked exceptionally well and, while its cost would be prohibitive as a permanent solution, it was well proven as viable fall back mechanism were a situation to ever arise where there was no alternative water available. As part of the long term water security arrangements for NLGM, the Company started construction of the first phase of a dam on the Luika River which will hold sufficient water, together with existing storage facilities, to see the mine through any year except a drought year, for which the Lake Rukwa management plan is in place.

Base case mine plan

Providing the Company with a clear long-term business plan was a key objective for 2015. In the first quarter, nine directional diamond drill holes were drilled to target specific intersections in the Bauhinia Creek and Luika orebodies. These holes provided supplementary data to the resource models to better understand the underground potential. In the process, the drilling increased the resource base of New Luika lifting the average grade for all resources to 3.2g/t at a 1g/t cut-off (previously 3.0g/t).

Specifically for Bauhinia Creek, total resources (Indicated and Inferred) increased to 3.6 million tonnes ("Mt") at 5.3g/t gold (1.0g/t cut-off) for approximately 626,000oz of gold (previously 3.8 Mt at 4.9g/t for 607,000oz) providing an additional gold content of 28,000oz taking into account mining depletion to the end of March 2015. Bauhinia Creek is a cornerstone to the high grade resource at New Luika around which the BCMP has been developed.

As open pit mining at Bauhinia Creek and Luika Pits comes to an end in the course of 2016, the plan is to transition these high grade operations into underground while continuing to supplement mill feed with lower grade, 2–3g/t ore, from the satellite deposits within the existing mining licence. To this end, AMC Consultants (UK) Limited conducted a Feasibility Study for an underground operation in Bauhinia Creek and Luika Deposits. The Feasibility Study presented a plan to mine 1.57Mt over six years at a grade of 6.5g/t. The underground mine will produce 310,000oz with a project Net Present Value ("NPV") at an 8% discount rate and gold price of US$1,200/oz of US$72 million, with a pre-tax Internal Rate of Return of 56%. The Feasibility Study delivers an underground life of mine average Cash Cost and AISC to be US$499/oz and US$640/oz respectively with a pre-production capital cost of US$38.4 million including contingency.

The Underground Feasibility Study was incorporated into New Luika's mine plan which includes on-going mining from surface operations and a tailings retreatment project. This was presented on 29 September 2015 as the BCMP. The BCMP maintains an average NLGM production of 84,000oz per annum for five years from 2016 with potential to further optimise the schedule.

One part of the optimisation will address the fact that the BCMP currently has 362,000 tonnes of spare mill capacity from 2018 to 2020. The on-going exploration work is expected to continue to provide options that will ensure this capacity is fully utilised and value is maximised. An additional benefit that NLGM has is that its satellite deposits sit within the mining licence, as referenced above in the case of Jamhuri.

The BCMP provides for extraction from mining of 2.79Mt for the production of 443,000oz from January 2016 to 2022 (133,000oz from open pit and 310,000oz from underground) with a separate tailings recovery project to produce a further 19,000oz. The reserves included in the BCMP amount to 506,000oz with a further 514,000oz of indicated and inferred resources sitting outside the mine plan as the subject of further exploration and economic evaluation.

The BCMP's average Cash Cost and AISC are US$532/oz and US$695/oz respectively with a post-tax NPV for the BCMP from January 2016 of US$110.4 million at an 8% discount rate and a gold price of US$1,200/oz. There remains upside in further optimisation, cost reduction, and inclusion of additional resources and this work is ongoing.

Exploration

Aside from the robust BCMP, it is recognised that there is substantial further value in the resources at and around New Luika that still remain outside the BCMP. None of the nine mineralised prospects within the Mining Licences at NLGM were ever drilled off. All are open at depth and in some cases are open on strike. Additionally, Shanta holds prospecting licences to the west, north and south east of NLGM which may hold sources of mill feed that lie within an economic radius of the efficient and operating gold processing plant at the mine.

In May 2015, Peet Prinsloo returned to Shanta as its Head of Exploration and a renewed emphasis was placed on delivering the potential value that lies within and around NLGM. Opportunities were prioritised and work was quickly under way to conduct in-fill drilling of the Elizabeth Hill mineralised prospect with an updated resource announced in September 2015 increasing total resources to 2.3Mt at 1.7g/t for 128,000oz from 1.8Mt at 1.6g/t for 88,000oz. This is a good example of the opportunity that exists at NLGM to prove up additional resources to the mine plan to extend mine life and add further value. These results came in too late to be incorporated in the BCMP but Elizabeth Hill reserves were subsequently updated in January 2016.

A further drilling program was conducted at Black Tree Hill to test underground extensions of that ore body and, in Q1 2016, a drilling program at the Ilunga prospect produced some very encouraging results which were presented to the market on 12 April 2016.

The benefit of the satellite deposits is that they sit within the existing mining licence and an upgrade to the resources and reserves has the potential to be exploited in the near term. The prospecting licences around NLGM offer more medium term prospects to source ore to the mill and therefore to extend the NLGM life of mine. They are the focus of grass roots exploration work including structural mapping, soil sampling and trenching as a target generation process for the motivation of drilling capital. Results of the Askari drilling campaign on 23 February 2016 are an example of this work and demonstrate the highly prospective ground that Shanta Gold has within its portfolio.

Major projects

The strategic focus for 2015 was the completion of the Underground Feasibility and its incorporation into the BCMP for New Luika. Key components of that BCMP are the development of the underground mine, provision of new and expanded power facility, development of a new Tailings Storage Facility ("TSF") and the construction of a dam on the Luika River.

While a critical project for Shanta, the scale of the underground mine is small. The level of oversight on such a small project, should contractors be used would have resulted in substantial duplication of effort and a disproportionate allocation of contractor overhead. Given the state of the industry, the high calibre people available and the attraction of a robust low cost project, the decision was made to do the mining in-house. Following Board approval of the project, orders were placed for long lead time (mining equipment and power station) items. The underground project manager, who had started in May 2015, as part of the Feasibility Study team, oversaw the integration of the portal access and ventilation shaft areas into the design of the Bauhinia Creek open pit. A significant part of the recruitment was completed in Q4 2015 for the start of preparation and development operations in 2016. The project is now well resourced with an excellent team in place and importantly is on time and on budget.

The underground mine effectively doubles the power demand for the mine from 3MW to 6MW. In 2014, NLGM converted its diesel fuelled power station to Heavy Fuel Oil ("HFO") for a fuel cost saving of around 40%. The current power station is owned and operated by Aggreko who advised that, as a global policy initiative, it will no longer support HFO fuelled units. Shanta therefore sought alternative options that would enable a continued use of HFO in a replacement and expanded power facility. Through a tender process, Shanta selected Inglett Stubbs International to install on an EPC basis then operate and maintain six 1.25MW generator sets with purpose-built medium speed HFO fuelled engines. This project will be constructed in 2016 and commissioned in Q1 2017. It has been financed by Shanta at a cost of US$15 million.

To provide an eight year capacity at current production, NLGM plans to construct a new TSF which will be developed to the east of the Jamhuri Pit. The approval for this project, now granted, took longer than anticipated and some of the expenditure may defer into 2017. In the meanwhile, NLGM has secured the right to continue using the existing facility for at least the remainder of 2016. As a result, the tailings retreatment project which will relocate tailings from the present facility to the new facility has also been deferred.

The final major project is the construction of a mass gravity dam on the Luika River to provide water storage to secure process water supply through the dry season. This is a labour intensive project that has intentionally engaged around 100 local people for the construction, many of them artisanal miners. The expectation is that the first phase of this project will be completed before the river stops flowing in around July 2016.

Singida

As advised last year, the relocation exercise has continued through 2015 with independent valuations completed for all the landholders that may be potentially impacted by the operation of a mine. The situation at the time of writing is that the matter is with the community to accept the independent valuations. These are the values that the Company will only have to pay should there be a need to take control of the land. There is an expectation that this should be resolved satisfactorily in H1 2016 and Shanta is extending its presence on the ground in preparation for work on an updated study of the project. In anticipation of progress on this project, a general manager has been engaged.

Capital expenditure

Capital expenditure for the year amounted to US$29.5 million, of which US$18.9 million was on capitalised waste stripping in Bauhinia Creek and Luika Pits. Of the remaining US$10.6 million, US$0.5 million was stay in business capital, US$1.1 million on exploration and geotechnical drilling, US$1.0 million capitalised costs at Singida and US$7.8 million on projects.

Key projects undertaken in the year were the Underground Feasibility Study (US$1.2 million), the start of Phase 1 of the Luika River Dam (US$1.3 million) and process plant upgrade (US$1.8 million). The process plant upgrade included the addition of a 1,000m^3 pre leach tank to increase residence time in circuit. At the time of writing, the improved recoveries anticipated from this facility are still to be achieved. The suppliers are dealing with a design issue that is expected to be resolved for the second half of 2016 with current lower recoveries provided for in the plan in the interim.

Finance

Gold sales for the year totalled 80,622oz (2014: 87,758oz) down by 8% on the sales compared to 2014 due to lower gold production due to lower ore availability in the first half of the year. Silver sales were 125,580oz (2014: 98,013oz). The Company continued with its prudent hedging program and the average gold price realized for the year was US$1,163/oz compared to the average price for the previous year of US$1,289/oz. Turnover for the year thus amounted to US$95.7 million, compared to US$114.9 million, the drop due roughly equally to the lower gold price and lower gold sales in 2015.

Cost of sales for the year amounted to US$96.4 million (2014: US$80.1 million), including an additional amortisation charge of US$21 million, and without these charges would have had a gross margin of 24% (2014: 30%). The higher depreciation charge included in the cost of sales is US$43.0 million (2014: US$10.9 million), up 294% on the prior year as a result of a an additional adjustment comprising US$21 million of which US$9.6 million related to waste stripping amortisation and a further depreciation charge of US$11.4 million to cater for the future development expenditure post 2015 to be incurred in developing the underground mining operations. This latter charge will provide more representative amortisation charges in future years as these underground operations reach full production.

Administration costs for the year amounted to US$10.3 million (2014: US$8.9 million), up due to additional higher exchange rate losses and termination payments made to senior employees and directors on resignation. Administration costs include share based payment charges and exchange loss totalling US$1.6 million (2014: US$0.4 million).

Exploration expenditure for the year amounted to US$2.4 million (2014: US$2.9 million), 15% lower than the previous year, on the back of careful budgetary control.

An operating loss for the year of US$11.1 million (2014: operating profit of US$22.9 million) was incurred, whilst EBITDA amounted to US$31.9 million (2014: US$33.8 million), mainly due to lower gold revenues from lower sales at a lower price, an additional non-cash amortisation charge of US$21 million, offset by improved cost efficiencies. Net finance expense amounted to US$7.0 million (2014: US$6.3 million), up by US$0.7 million for the previous year as a result of higher borrowings.

As a result of the above, Loss Before Tax of US$18.1 million (2014: Profit Before Tax of US$16.6 million) was recorded due to lower gold sales, lower revenues per ounce, and a non-recurring non-cash amortisation charge. 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 five years. There was however a deferred tax credit amounting to US$1.1 million (2014: charge of US$7.8 million). Losses after Tax thus amounted to US$17.3 million (2014: Profit After Tax of US$8.9 million).

In the statement of financial position non-current assets dropped to slightly lower levels of US$114.3 million (2014: US$131.9 million) due to the higher amortisation charges. Current assets totalled US$39.1 million (2014: US$37.2 million), similar levels with that of the prior year but with increased cash on hand. Overall liabilities increased marginally to US$76.7 million (2014: US$75.7 million).

Cash generated from operations amounted to US$35.0 million (2014: US$39.0 million). Repayment of the restructured FBN loan was refinanced by a US$40 million facility from Investec at an interest rate of LIBOR+4.9%. Approximately half of the loan facility was used to repay the existing FBN loan. Cash balance at year end amounted to US$19.1 million (2014: US$14.9 million). Net debt at 31 December 2015 amounted to US$41.5 million (2014: US$40.7 million) inclusive of the US$25.0 million Convertible Loan Notes.

The Company reached a conditional agreement with over 75% the holders of the US$25.0 million senior unsecured subordinated cconvertible loan notes for its subsidiary to purchase US$10.0 million of the Notes and to extend the term of the repayment of the remaining notes by two years

to April 2019 with a concurrent increase to the coupon from 8.5% to 13.5%. Should the condition be satisfied, it is envisaged that the buyback will be funded from existing funds on hand with reduced outflows resulting in the next 12 months, which would further improve the available financial resources for the Company during its planned capital development program of over US$48 million during 2016 and 2017.

The Company has entered into a SSA with Silverback Limited, a privately held Guernsey-based investment company, under which Silverback will pay the Company an advanced payment of US$5.25 million on closing. Silverback will also pay the Company an ongoing payment of 10% 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 the NLGM with minimum silver delivery obligations totalling 608,970oz Ag over a 6.75 year period. The term of the SSA expires after 10 years and the Company has no minimum ounce obligations after 2022.

The Company produced 121,682 ounces of silver in 2015 resulting in approximately 2% of annual revenue. There are currently no defined silver reserves at NLGM. Furthermore, the SSA entitles the Company to share 20% of future annual silver production above a monthly threshold minimum of 11,250oz. The Company is also entitled to clawback future silver deliveries by the pro-rated increase in tonnage in the event of it installing additional milling capacity at the NLGM processing plant.

The SSA will be secured against the Singida mining licences, Shanta's exploration and development gold asset located in central Tanzania and the Company is putting in place the necessary arrangements with Investec to facilitate this. The security amortises over the 6.75 years of the silver deliveries and automatically subordinates should the Company raise a minimum US$6.0 million of project finance for Singida's development. Closing is subject to customary in-country approvals.

The Company has received firm commitments from investors to raise gross proceeds of approximately US$10.5 million (£7.2 million) through an upsized Placing of 111,442,800 Placing Shares at a price of 6.5 pence per share. The Placing Price represents a discount of approximately 13.3% to the closing mid-market price per share on 5 May 2016, the latest practicable date prior to the date of this announcement.

Following completion of the Placing, the Company intends to undertake an open offer for up to €5.0 million to enable existing shareholders not participating in the Placing to participate in the fundraising on the same terms.

Hedging

As stated above, the Company continued with its prudent hedging program during the year to protect cash flow. A total of 40,500oz (2014: 44,000oz) were sold under the hedge program at an average price of US$1,236/oz (2014: US$1,318/oz). As at end of December 2015, the Company had sold forward 20,000oz at an average price US$1,148/oz and post year end, a further 12,000oz were sold forward, at an average price of US$1,172 for a total of 32,000oz.

Outlook

The focus of 2015 was to rebase the NLGM operation with production and costs that reflect the high quality of the resources at our disposal. This continued into 2016 with production guidance of 82,000–87,000oz at a very competitive AISC of US$750–800/oz. The low cost of operation (the BCMP average of US$695/oz) provides a robust margin in what may continue to be a volatile gold market. Following a review of the Q1 results Shanta is confident that it will achieve the higher end of its annual 2016 production guidance of 82,000–87,000oz, and the Company is currently updating its mine plan and AISC guidance for the year.

The focus in 2016 will be the development of the underground operation to transition high grade production from the open pits in the second half of 2017. This involves the delivery of a new and expanded 7.5MW power station, underground portal and decline development from within the Bauhinia Creek Pit and all associated infrastructure.

Other major projects include the construction of a new TSF, the design of which is sufficient for eight years operation at current production, and completion of the Phase 1 of the Luika River Dam to provide lowest cost process water security.

On exploration, the team is focused on on-mine and near mine exploration opportunities that have the potential to add to reserves and thus progressively increase the life of a very successful mining operation. The BCMP will be updated accordingly to capture and demonstrate that value.

At Singida, after a protracted relocation process, the Company is taking steps to bring the process to a satisfactory conclusion to enable value to be generated from this asset.

Shanta is always looking for ways to improve the way it operates. While this works across all disciplines, in 2016 the Company expects to see material benefits flowing through in Finance and Administration and Sustainability with improved systems and processes in place.

Acknowledgement
I would like to thank the Shanta team for their efforts and support in what has been a year of considerable change. I would also like to thank the Chairman and members of the Board for their support and guidance during the past year.

Lastly, I would like to thank our shareholders for their continued interest and support. I have enjoyed immensely the privilege of working with the Shanta team on their behalf.

Toby J Bradbury
Chief Executive Officer

9 May 2016

Annual sustainability report

This report has been developed to establish incremental adherence to the Global Reporting Initiative ("GRI"), G4 Sustainability Reporting Guidelines.

Shanta Gold supports the GRI as it provides a globally applicable standard for demonstrating transparent sustainability impacts and evaluating controls to mitigate risks.

This Sustainability Report covers:

- Employee Numbers;
- Occupational Safety;
- Health;
- Employee Benefits;
- Community;
- Environment;
- Energy;
- Sustainable Development; and
- Engagement.

During FY2015, Shanta has undertaken significant measures to understand and improve the operational and strategic management of sustainability related risks and opportunities. This work created the foundation for better management of sustainability issues throughout the business.

Employee numbers

New Luika Gold Mine's total number of employees and contractors grew from 808 in FY2014 to 1,045 in FY2015, an increase of 29%. This substantial increase was due to several labour intensive, but cost effective projects, like the Luika River Dam construction and site demarcation clearing. Of Shanta's workforce, 93% is Tanzanian and approximately 40% live in the local villages. There were 19 terminations and eight resignations during FY2015. This resulted in a low turnover ratio of 2.6%.

Occupational safety

In line with the Company's Values, Safety and Environmental Management are the first priorities in Shanta's business activities. Safety performance is a key measure of the Company's duty of care; its ability to mine efficiently and safely and furthermore, demonstrates Shanta's approach to productivity. The low injury and absentee rates are generally linked to positive trends in staff morale, overall ownership in the Company's success and the care that employees have for one another. Shanta would like every employee to return home safely and unharmed each day.

Key achievements for FY2015 include:

- Development of an integrated safety management system;
- Improved hazard identification and reporting;
- Compliance to legal requirements (i.e. Audits by the Occupational Safety Health Administration and the Fire and Rescue Force);
- Installation of a radio communication system in all mine vehicles;
- Introduction of quarterly employee and contractor safety awards;
- On-going senior manager safety walkthroughs;
- Formation of a trained and formalised Emergency Rescue Team;
- Development of the underground safety protocols and training programme; and
- Establishment of a Health and Safety Representative Committee ("HSRC"), that comprises all Heads of Departments and representatives from every functional level.

Frequency rates

The Injury Frequency Rate ("IFR") used for establishing the Incident Frequency Rates is internationally recognised and is outlined below:

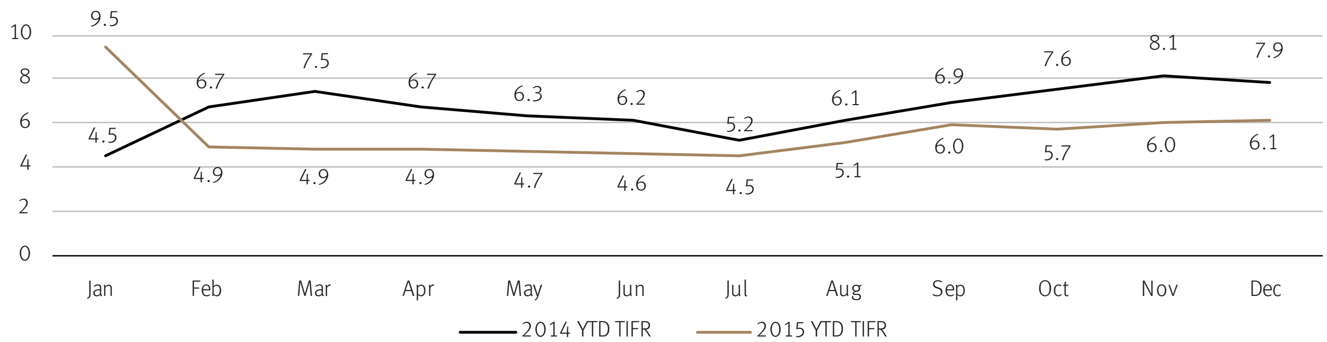
$$\text{Cumulative IFR} = \frac{\text{Total number of injuries x 1,000,000}}{\text{Number of man hours worked}}$$

Total injuries include all first aid incidents, dressing cases, medical injuries, and Lost Time Injuries ("LTI"). During FY2015, there was one LTI resulting in a LTI frequency rate of 0.39. Prior to this incident, the mine achieved 5,940,627 hours, 942 days without a LTI, with the previous LTI being recorded on 15 March 2013.

Total injuries summary

Days since last LTI	131
Total man hours 2015	2,791,927
Lost time injury frequency rate	0.39
Medical treatment injury frequency rate	1.57
Total injury frequency rate	6.09

Figure 1: Cumulative total injury frequency rate year on year (TIFR)



Health

Key achievements for FY2015 include:

- Implementation of an employee wellness programme that has encouraged fitness and a work life balance. This also included an introduction of after-work volleyball and bicycles for commuting in the non-production areas of the site;
- Occupational health surveillance and fitness assessments conducted for mine employees and contractors;
- 430 employees and contractors trained on HIV/AIDS awareness and prevention;
- 480 employees and contractors voluntarily tested for HIV;
- Ongoing support with local community health: support for clinic facilities and medical services;
- New clinic infrastructure which caters to key occupational health issues; and
- Given an increase in reported malaria cases, the Company is investigating options to mitigate further cases going forward.

Occupational health and illness	2015	2014
Total number of employees and contractors	1,045	808
Total medical visits due to illness	1,258	1,425
Total medical visits for fit for work examinations	1,045	808
Total days lost due to illnesses	688	725
Malaria cases	82	36

Employee benefits

Employees of Shanta receive the following benefits in addition to their monthly salary:

	Employees [1]	
Benefit	**Full time**	**Part time**
Life insurance	●	●
On-site medical treatment	●	●
Disability/invalidity	●	●
Parental leave	●	●
Retirement	●	●
Meals	●	● [2]
Accommodation	●	● [2]
Transport	● [3]	● [2]
Bonus	●	●

1. These benefits are for Shanta employees and do not include contractors.
2. Employees that live in the local villages return home after work.
3. Transport provided to facilitate breaks after 6:3 rotations, and for transportation to and from local villages.

Community

Highlights of FY2015 include:

- Regular monthly meetings between the NLGM General Manager and key stakeholder village councils;
- Resettlement scoping (NLGM) and Valuations (Singida), in accordance with the International Finance Corporation's Performance Standards. The relocation exercise at Singida has continued through FY2015 with independent valuations completed for all the landholders that may potentially be impacted by the operation. The situation at the time of writing is that the community has yet to accept the independent valuations. There is an expectation that this could be resolved satisfactorily in H1 2016 and Shanta is extending its presence on the ground in preparation for work on an updated study of the project;
- Support for building of school classrooms, maternity ward, dispensary and provision of scholarships; and
- Community water support during the dry season.

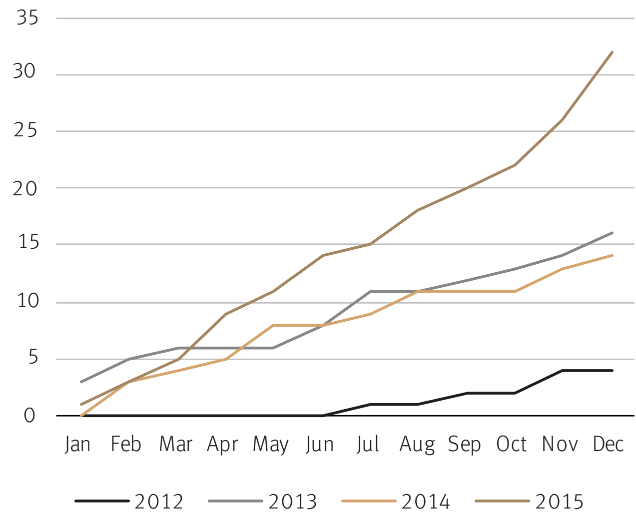
Environment

Key successes during FY2015 dealt with the engagement with water, environment and mining regulators.

- A review and scoping of Water Monitoring Program was undertaken as well as a Waste Management Plan scoped and implemented;
- Improved Tailings Storage Facility and Waste Rock Dump Management;
- Air Quality, Noise and Vibrations studies completed and an integrated NLGM Closure Plan in progress; and
- Management Standards were developed for: Water, Waste, Chemical, Air Quality, Noise and Vibration, Land Use and Biodiversity and Environmental Incident Reporting improved.

Environmental incidents reported in FY2015 related to accidental fauna death, minor and contained tailings discharge, and spillage of oils. The improvement in incident reporting, incident investigation and mitigation and general awareness of the importance of incident reporting, has contributed to the increase in reported incidents for FY2015. Reflective metal sheeting has been installed on all fencing to reduce the incidents of wildlife accidents on site.

Figure 2: Cumulative environmental incidents



Energy

There has been a significant drop in diesel usage for power generation from FY2014 to FY2015, by almost one million litres. This was achieved following the commissioning of Heavy Fuel Oil power generation from May 2014. A total of 19,811Mwh of power was generated including 96MW from Solar with 67 Te of CO_2 being saved.

NLGM energy supply

	Energy from generators			Solar plant	
Year	HFO (ltrs)	Diesel (ltrs)	Power generated (Mwh)	Power generated (Mwh)	CO_2 saved (Te)
2012	—	1,402,910	9,233	0	0
2013	—	4,418,247	18,674	0	0
2014	3,242,396	1,951,744	19,727	43	35
2015	3,911,389	1,038,603	19,811	96	67

Sustainable development

Shanta's long term Sustainable Development objective is to promote the creation of co-operatives and industries that increase the resilience and competitiveness of people in the areas where we operate. The programme is designed to catalyse the following possible outcomes, but not limited to:

- Reduced dependency on the mine;
- Creation of jobs and increased livelihood security to the people in areas where we operate;
- Environmental rehabilitation through ecosystems regeneration and connected wild spaces;
- Economically viable alternative reuse of mining sites and infrastructure;
- Increased economic activity and participation in the region;
- Reduced impact of artisanal miners, and other encroachment activities on the operations and surrounding areas; and
- Improved water security.

Shanta is working with the respective districts, authorities and key agencies to develop integrated plans and business cases for these objectives.

Highlights of 2015:

- Development of the Sustainability and Asset Protection Management Framework. These enabling areas of the business have been integrated to create the environment for mining to occur;
- Weekly NLGM and regular CEO newsletters have been developed and sent to all employees and stakeholders;
- Several regulator and stakeholder visits to site for orientation and to improve their understanding of the Company's risk management procedures; and
- Implementation of the Voluntary Principles on Security and Human Rights.

In FY2015 the key work areas included:

- Integration of Sustainability Practices;
- Mainstreaming and Communication of the Shanta Values;
- Strengthening of Governance Processes, which included:
  - review of risks and training on risk management processes
  - policy and standards update or drafting of new policies; and
  - implementation of the International Cyanide Code, Equator Principles, IFC Performance Standards and World Bank Resettlement Guidelines
- Integrated Closure and Independent Communities:
  - development of processes to create live Closure Planning; and
  - development of the Long-Term Sustainable Development Plan which positions Shanta as a Catalyst, and potential development partners as the implementation agents

Engagement

Shanta understands the complexities involved in sustainable partnership development, and has already done research into viable options that will benefit, grow, develop and sustain the region. The Company has engaged experienced sustainability professionals, who have worked in various industries, sectors and geographies where they have supported similar processes. The Company is working to secure partners that will assist in the development and implementation of projects that create longer term sustainability for communities in which Shanta operates.

In keeping with the Shanta Mine Closure objectives, the Company's Sustainable Development Plan has been developed with a focus on being a key development catalyst for the districts where Shanta operates. Together with the District, we have reviewed the District Development Plan, and engaged the Chunya District on our long-term objectives. Together, we have formed The Integrated Mine Closure and Sustainable Development Committee of the Chunya District ("Closure Committee").

The purpose of the Closure Committee is to oversee Sustainable Development and related mine closure processes.

Furthermore, we have also formed the District Security Committee ("DSC") to support the maintenance of a secure and safe operating environment. The Company's first line of defence is to secure strong and enduring relationships with key stakeholders. This includes Shanta's employees, local communities, local, district, regional and national government, government agencies, public security forces, private security providers, industry security teams, foreign embassies and professional security networks.

The DSC which includes key security representatives from the District and Shanta, is accountable for maintaining a peaceful and law-abiding environment within the Chunya District. As such, the Head of Asset Protection, along with other key Shanta representatives engages the DSC on a regular basis to ensure transparent and open communication regarding the protection of Shanta's assets and operations, and also to ensure a stable operating environment.

Process plant at New Luika

CAPITAL

Director's report

The Directors present their annual report and the financial statements of the Group for the year ended 31 December 2015.

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 Address on page 1 and in the Chief Executive Officer's Review on pages 3 to 8 . 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, financed by the Company and to turn commercially viable findings into a mineral production asset.

The activities for the year have resulted in the Group's net loss of US$18.1 million (2014: net profit US$8.9 million).

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

Nominated advisor

The Company's nominated advisor is Peel Hunt LLP.

Financial results

The results for the year are set out in the consolidated statement of comprehensive income on page 23. No dividends were proposed by the Board of Directors (2014: US$ Nil).

Directors

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

Non-Executive

- Anthony Peter Wynn Durrant (Chairman)
- Robin Anthony Fryer
- Michael John Houston (retired on 29 May 2015)
- Ketankumar Vinubhai Patel
- Luke Alexander Leslie
- John Edward Rickus

Executive

- Toby Jonathan Bradbury (appointed on 1 April 2015)
- Patrick Maseva-Shayawabaya (appointed on 1 April 2015 and resigned on 31 October 2015)

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.

Director's remuneration

(US$'000)	31 December 2015 Performance bonus	Fees/salary	Termination payment	Total	31 December 2014 Performance bonus	Fees/salary	Total
Toby Jonathan Bradbury[2]	132	405	—	537	—	—	—
Nicholas Davis[1]	—	—	—	—	—	43	43
Anthony Peter Wynn Durrant[1]	—	96	—	96	—	96	96
Robin Anthony Fryer[1]	—	65	—	65	—	65	65
Paul Heber[1]	—	—	—	—	—	43	43
Michael John Houston[2]	40	149	97	286	186	423	609
Patrick Maseva-Shayawabaya[2]	—	262	64	326	—	—	—
Luke Alexander Leslie[1]	—	65	—	65	—	65	65
Ketankumar Patel[1]	—	75	—	75	—	65	65
John Rickus[1]	—	65	—	65	—	65	65
Sub-total	**172**	**1,182**	**161**	**1,515**	**186**	**865**	**1,051**
Share based payments	—	—	—	—	—	—	—
Toby Jonathan Bradbury[2]	—	—	—	62	—	—	—
Michael John Houston[2]	—	—	—	—	—	—	79
Anthony Peter Wynn Durrant[1]	—	—	—	61	—	—	26
Grand Total	**172**	**1,182**	**161**	**1,638**	**186**	**865**	**1,156**

1. Non-executive.
2. Executive.

Executive Directors are provided with life assurance cover of two times annual salary.

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 judgments 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

As noted earlier in the annual report the Company announced that it has reached an agreement with over 75% of the holders of the US$25.0 million senior unsecured subordinated convertible loan notes to buyback US$10.0 million of the Notes and to extend the term of the repayment of the remaining notes by two years to April 2019 with a concurrent increase to the coupon from 8.5% to 13.5%. The buyback will be funded from existing funds on hand and the reduced outflows in the next 12 months further improves the available financial resources for the Company during its planned capital development program of over US$48 million during 2016 and 2017.

As a result of the above refinancing and after making enquiries, and bearing in mind the nature of the Group's business and assets, 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. Refer to note 30.3 where details of the restructuring of the Convertible Loan Notes which mature in April 2017.

Auditor

BDO LLP has expressed their willingness to continue in office as auditors and a resolution to re-appoint BDO LLP will be proposed at the forthcoming annual general meeting.

Share options

Share options have been granted to the following current and past Directors under the Share Option Plan and are all outstanding at 31 December 2015:

	Grant date	No. of share options	Option price
Walton Norman Brian Imrie[1]	7-Sep-09	350,000	6p
Walton Norman Brian Imrie[1]	16-Nov-10	250,000	28.25p
Walton Norman Brian Imrie[1]	26-Oct-11	250,000	25p
Walton Norman Brian Imrie[1]	26-Oct-11	750,000	30p
Walton Norman Brian Imrie[1]	26-Oct-11	1,000,000	35p
Ketankumar Vinubhai Patel	7-Sep-09	150,000	6p

1. Former Chairman

The share option plan was adopted by the Board of Directors on 1 July 2005, details of which are available at the Company's registered office. 1,330,403 share options granted to Walter Egmund Vorwerk lapsed on 31 December 2014 whilst 350,000 share options with an option price of 6p were exercised in January 2015.

Under the share option plan where the option holder relinquishes his contract of employment with the Group, any vested options will expire upon 12 months from the date of termination of their contract, unless otherwise agreed by the Directors. Further details, including share options provided to employees of the Group, are contained in note 24 to the financial statements.

Performance award shares

Performance award shares totalling 2,250,000 previously issued to the previous Chief Executive Officer, Michael Houston lapsed during the year.

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

The First Performance Award shares of 500,000 have a trigger price of 11.42 pence (being the volume weighted average price [VWAP] for the period 24 November to 31 December 2014 of 9.13 pence plus 25% premium). These shares will vest as follows: 25% on 31 December 2015, 25% on 31 December 2016, and 50% on 31 December 2017. The trigger price on these shares was achieved in January 2015.

The Second Performance Award shares of 500,000 have a trigger price of 13.70 pence (being the VWAP for the period 24 November to 31 December 2014 of 9.13 pence plus 50% premium). These shares will vest as follows: 25% on 31 December 2015, 25% on 31 December 2016, and 50% on 31 December 2017. The 500,000 Retention shares will vest on 31 December 2017.

A further 1,150,000 Retention shares have been approved and made available in April 2016 for allocation to senior members of staff. On 15 April 2016, Dr. Toby Bradbury the Chief Executive Officer was granted a further two sets of Performance Award shares totalling 1,000,000.

The Third Performance Award shares of 500,000 have a trigger price of 8.83 pence (being the volume weighted average price [VWAP] for the period 6 March to 15 April 2016 of 7.06 pence plus 25% premium). These shares will vest as follows: 50% on 31 December 2016 and 50% on 31 December 2017.

The Fourth Performance Award shares of 500,000 have a trigger price of 10.59 pence (being the VWAP for the period 6 March to 15 April 2016 of 7.06 pence plus 50% premium). These shares will vest as follows: 50% on 31 December 2016 and 50% on 31 December 2017.

Signed on behalf of the Board of Directors on 9 May 2016.

Toby J Bradbury
Chief Executive Officer

Anthony P W Durrant
Chairman

Corporate Governance

Guernsey does not have its own corporate governance regime. As a Guernsey-registered Company traded on the AIM Market of the London Stock Exchange, the Company is not required to comply with the UK Corporate Governance Code (the 'Code') issued by the Financial Reporting Council. However, the Group aims to comply with best practice in the industry and has provided details of its practices below.

Board of directors

The Company has one Executive Director and five 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 Group operates a share dealing code for Directors on the basis set out in the AIM Rules.

Board meetings

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 2015:

		Board meeting	Audit committee	Remuneration committee	Sustainability committee
Anthony Peter Wynn Durrant	Non-Executive	4	—	—	1
Ketankumar Vinubhai Patel	Non-Executive	3	2	—	3
Michael John Houston	Executive	2	—	—	—
Toby Jonathan Bradbury	Executive	3	—	—	—
Luke Alexander Leslie	Non-Executive	4	3	3	—
Robin Anthony Fryer	Non-Executive	4	3	3	—
John Edward Rickus	Non-Executive	4	—	3	3
Patrick Maseva-Shayawabaya	Executive	2	—	—	—
Number of meetings held in the year		**4**	**3**	**3**	**3**

Audit Committee

The Group has an Audit Committee, comprised of three Non-Executive Directors being Robin Fryer (Chairman), Ketankumar Patel and Luke Leslie. The Audit Committee aims to meet at least once each year and is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported on, and for meeting with the Group's auditor and reviewing their reports and accounts and the Group's internal controls. The Audit Committee met three times in 2015.

Remuneration Committee

The Group has a Remuneration Committee, comprised of three Non-Executive Directors being John Rickus (Chairman), Luke Leslie and Robin Fryer. The Remuneration Committee aims to meet at least once a year and is responsible for reviewing the performance of the senior staff, setting their remuneration, determining the payment of bonuses, considering the grant of options under any share option plan and, in particular, the price per share and the application of the

performance standards which may apply to any grant. The Remuneration Committee met three times in 2015.

Sustainability Committee
The Group has a Sustainability Committee, comprised of Non-Executive Directors being Ketankumar Patel (Chairman), John Rickus and Tony Durrant. The Sustainability Committee aims to meet at least once a year and 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 2015.

Signed on behalf of the Board of Directors on 9 May 2016.

Toby J Bradbury	Anthony P W Durrant
Chief Executive Officer	**Chairman**

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

We have audited the consolidated financial statements of Shanta Gold Limited for the year ended 31 December 2015 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 the related notes. 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.

This report is made solely to the Parent Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work is undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors and auditor

As explained more fully in the Directors' responsibilities statement within the Directors' Report, the Directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the Annual Report to identify material inconsistencies with the audited financial statements, and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of the Group's loss 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

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 Parent Company; or
- the consolidated 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

BDO LLP

BDO LLP
Chartered Accountants
London, United Kingdom

9 May 2016

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

Consolidated statement of comprehensive income

(US$'000)	Notes	31 Dec 2015	31 Dec 2014
Revenue		95,705	114,857
Gain on non-hedge derivatives and other commodity contracts	4	2,253	–
Other cost of sales		(54,075)	(69,999)
Amortisation		(42,319)	(10,218)
Total cost of sales		(96,394)	(80,106)
Gross Profit		1,564	34,751
Administration expenses		(10,255)	(8,956)
Exploration and evaluation costs		(2,434)	(2,862)
Operating (loss)/profit		**(11,125)**	**22,933**
Finance income	5	112	509
Finance expense	6	(7,097)	(6,872)
(Loss)/profit before taxation	7	**(18,110)**	**16,570**
Taxation	8	804	(7,715)
(Loss)/profit for the year attributable to the equity holders of the parent Company		**(17,306)**	**8,855**
(Loss)/profit per share attributable to the equity holders of the parent Company			
Basic (loss)/profit per share (US$ cents)	9	(3.727)	1.907
Diluted (loss)/profit per share (US$ cents)	9	(3.727)	1.890
(Loss)/profit after taxation		**(17,306)**	**8,855**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign entities which can subsequently be reclassified to profit or loss	9	100	(26)
Total comprehensive (loss)/profit attributable to the equity shareholders of the parent		**(17,206)**	**8,829**

The loss (2014: profit) for the year and the total comprehensive loss (2014: profit) 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.

The accompanying notes on pages 27 to 50 form an integral part of these financial statements.

Consolidated statement of financial position

(US$'000)	Notes	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Intangible assets	10	23,201	23,208
Property, plant and equipment	11	91,093	108,724
Total non-current assets		**114,294**	**131,932**
Current assets			
Inventories	15	10,737	12,707
Trade and other receivables	14	8,717	9,123
Restricted cash	16	500	500
Cash and cash equivalents		19,117	14,878
Total current assets		**39,071**	**37,208**
TOTAL ASSETS		**153,365**	**169,140**
CAPITAL AND RESERVES			
Equity			
Share capital and premium	22	133,842	132,941
Share option reserve	24	3,202	4,067
Convertible loan note reserve		5,374	5,374
Shares to be issued		82	416
Translation reserve		881	781
Retained deficit		(66,712)	(50,228)
TOTAL EQUITY		**76,669**	**93,351**
LIABILITIES			
Non-current liabilities			
Loans and other borrowings	19	30,630	16,592
Convertible loan notes	20	23,446	21,843
Provision for decommissioning	21	5,979	8,970
Provision for deferred taxation	8	6,696	7,787
Total non-current liabilities		**66,751**	**55,192**
Current liabilities			
Loans payable to related parties	17	—	337
Trade and other payables	18	5,883	6,143
Loans and other borrowings	19	4,062	14,117
Total current liabilities		**9,945**	**20,597**
TOTAL EQUITY AND LIABILITIES		**153,365**	**169,140**

The financial statements were approved and authorised for issue by the board of Directors on 9 May 2016 and signed on its behalf by:

Toby J Bradbury
Chief Executive Officer

Anthony P W Durrant
Chairman

The accompanying notes on pages 27 to 50 form an integral part of these financial statements.

Consolidated statement of changes in equity

(US$'000)	Share capital	Share premium	Share option reserve	Convertible loan note reserve	Translation reserve	Shares to be issued	Retained deficit	Total equity
Total equity								
31 December 2013	**76**	**132,797**	**4,286**	**5,374**	**807**		**(60,192)**	**83,148**
Profit for the year							8,855	**8,855**
Other comprehensive loss for the year					(26)			**(26)**
Total comprehensive profit for year					**(26)**		**8,855**	**8,829**
Share based payments			890			416		**1,306**
Shares issued		68						**68**
Lapsed options			(1,109)				1,109	
Total equity 31 December 2014	**76**	**132,865**	**4,067**	**5,374**	**781**	**416**	**(50,228)**	**93,351**
Loss for the year							(17,306)	**(17,306)**
Other comprehensive income for the year					100			**100**
Total comprehensive loss for year					100		(17,306)	**(17,206)**
Share based payments			367					**367**
Shares issued		491				(334)		**157**
Exercise of options		410	(410)					
Lapsed options			(822)				822	
Total equity 31 December 2015	**76**	**133,766**	**3,202**	**5,374**	**881**	**82**	**(66,712)**	**76,669**

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

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Share option reserve	Cumulative fair value of options charged to the statement of comprehensive income net of transfers to the profit and loss reserve on exercised and cancelled/lapsed options
Convertible loan note reserve	Equity element of convertible loan note
Translation reserve	Cumulative gains and losses on translating the net assets of overseas operations to the presentation currency
Share 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

The accompanying notes on pages 27 to 50 form an integral part of these financial statements.

Consolidated statement of cash flows

(US$'000)	Notes	31 Dec 2015	31 Dec 2014
Net cash flows generated from operating activities	25	**35,017**	39,042
Investing activities			
Purchase of intangible assets		(71)	(31)
Purchase of plant and equipment		(2,048)	(11,026)
Asset under construction		(8,509)	(1,936)
Open pit development expenditure		(18,904)	(9,976)
Proceeds from disposal of asset		—	6
Net cash flows used in investing activities		**(29,532)**	**(22,963)**
Financing activities			
Loans repaid		(25,237)	(11,250)
Equipment loan repaid		(579)	(288)
Finance lease payments		(165)	—
Loan interest paid		(4,398)	(4,401)
Net refund of restricted cash		—	100
Loans received (net of loan arrangement fees)		29,133	—
Net cash flows used in financing activities		**(1,246)**	**(15,839)**
Net increase in cash and cash equivalents		**4,239**	**240**
Cash and cash equivalents at beginning of year		**14,878**	**14,638**
Cash and cash equivalents at end of year		**19,117**	**14,878**

The accompanying notes on pages 27 to 50 form an integral part of these financial statements.

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 Suite A, St Peter Port House, Sausmarez Street, St Peter Port, Guernsey. The nature of the Group's operations and its principal activities are set out in the Chairman's address to shareholders, the Sustainability Report, the Chief Executive Officer's review (pages 3–8) and the Directors' report (pages 16–18).

These financial statements were approved and authorised for issue on 9 May 2016 by Toby J Bradbury and Anthony W P Durrant on behalf of the Board.

The Company has reached an agreement with the holders of over 75% of the US$25.0 million senior unsecured subordinated convertible loan notes to buyback US$10.0 million of the Notes and to extend the term of the repayment of the remaining notes by two years to April 2019 with a concurrent increase to the coupon from 8.5% to 13.5%. The buyback will be funded from existing funds on hand and the reduced outflows in the next 12 months further improves the available financial resources for the Company during its planned capital development program of over US$48 million during 2016 and 2017.

As a result of the above refinancing and after making enquiries, and bearing in mind the nature of the Group's business and assets, 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. Refer to note 30.3 where details of the restructuring of the Convertible Loan Notes which mature in April 2017 are referenced.

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 management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

We are still assessing the impact of IFRS 15 and it is not anticipated that the adoption in the future of the other new revised standards and interpretations that have been issued by the International Accounting Standards Board but are not yet effective will have a material impact in the Group's earnings or shareholders' funds. The Company has not adopted any new standards in advance of the effective date.

The principal accounting policies adopted are set out below.

2.2 Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group 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 de-consolidated 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.

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 initially at their fair values at the acquisition date.

2.3 Foreign currencies

Functional and Presentation Currency

The individual financial statements of each Group Company 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 Group 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$) 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 foreign exchange translation reserve.

2.4 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 re-translated 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 re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the re-translation 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.

2.5 Revenue recognition

The Group enters into contracts for the sale of refined gold and silver. Revenue arising from sales under these contracts is recognised when the price is agreed, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards have been transferred to the customer.

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 in terms of the contract.

2.6 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 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.

2.7 Exploration and evaluation assets and expenditure

Exploration and evaluation expenditure, which is defined as expenses incurred until an ore body is considered commercially recoverable, is, with the exception of costs of acquiring tenement rights, expensed. The costs of acquiring mining and prospecting licenses, which are reflected in the financial statements as intangible assets, are capitalised and will be amortised when mining operations commence over the mine life or unit of production method. 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.

2.8 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

Mining related assets (mining assets, mine development, gold processing plant, decommission and deferred stripping assets) depreciation is by the unit of production method. The useful lives and residual values are re-assessed annually.

2.9 Assets under construction

Pre-production expenditure, including evaluation costs, incurred to establish or expand productive capacity, to support and maintain that productive capacity incurred on mines is capitalised to property, plant and equipment. The recognition of costs in the carrying amount of an asset ceases when the item is in the location and condition necessary to operate as intended by management. Any net income earned while the item is not yet capable of operating as intended, reduces the capitalised amount. Interest on borrowings, incurred for the purpose of the establishment of mining assets, is capitalised during the construction phase.

2.10 Deferred stripping

Production stripping costs in the open pit mines are capitalised to non-current assets 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;
- 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.

2.11 Impairment of property, plant and equipment

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 income statement 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.

2.12 Taxation

From 1 January 2008, 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.

2.13 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.

2.14 Decommissioning, site rehabilitation and environmental costs

Group companies are 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 over the life of the operation. 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 the 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.

2.15 Share-based payment/incentive programmes

The Group has applied the requirements of IFRS 2: Share-Based Payments.

a) The Group grants share options and 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.

b) 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.

2.16 Warrants

Warrants are separated from the host contract as their risks and characteristics are not closely related to those of the host contracts. Due to the exercise price of the warrants being in a different currency to the functional currency of the Company, at each reporting date the warrants are valued at fair value with changes in fair values recognised through profit or loss as they arise. The fair values of the warrants are calculated using the Black-Scholes model.

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 the Group's non-current assets are located in Tanzania.

	Exploration and mining of minerals	
(US$'000)	2015	2014
Total revenues	95,705	114,857
(Loss)/profit before tax	(18,110)	16,570
Total non-current assets	114,294	131,932
Total non-current liabilities	66,751	55,192

Non-Current Assets comprises investment in mining and exploration assets (see notes 10 to 11). All revenues arise from sales to one customer.

2.18 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.

The Group holds derivative financial instruments to hedge its gold revenue exposure. These are measured at fair value at the end of each financial reporting period, and any changes are recognised in profit or loss.

Financial assets

The classification of financial assets at initial recognition depends on the purpose for which the financial asset was acquired and its characteristics. All financial assets are initially recognised at fair value. All purchases of financial assets are recorded at trade date, being the date on which the Group became party to the contractual requirement of the financial asset.

The Group has not classified any of the financial assets as held to maturity or as available for sale. The Group has designated the non-hedge commodity derivative asset as fair value through profit or loss and the respective fair value was reflected as part of through profit or loss as gains on non-hedge derivative and other commodity contracts. The Group's financial assets comprise of loans and receivables. Unless otherwise indicated the carrying amounts of the Group's financial assets approximate to their fair values.

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.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They principally comprise loans, trade and other receivables, cash and cash equivalents and restricted cash. They are

initially recognised at fair value plus transaction costs that are directly attributable to the acquisition, and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The effect of discounting on these financial instruments is not considered to be material.

a) De-recognition of financial assets
A financial asset (in whole or in part) is de-recognised either:

- when the Group has transferred substantially all the risk and rewards of ownership or,
- when it has neither transferred nor retained substantially all the risk and rewards and when it no longer has control over the financial asset or a portion of the asset; or
- when the contractual right to receive cash flow has expired

b) Impairment of financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impaired loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

c) 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.

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.

d) Financial liabilities measured at amortised cost
All financial liabilities are initially recognised at fair value net of transaction costs incurred.

Loans, borrowings and trade payables
These include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

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 borrowing, 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 borrowing 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.

De-recognition of financial liabilities
A financial liability (in whole or in part) is de-recognised when the Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on de-recognition is taken to the statement of comprehensive income.

Effective interest rate method
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.

e) Fair Value measurement hierarchy
IFRS 13 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:

a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

b) 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

c) 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.

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 26 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 judgments and estimation

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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 judgments 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 estimation uncertainty and judgment are:

- *Mining property policy*
  Depreciation of the mining properties is by the unit of production method. 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.

- *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.

- *Stripping assumptions of access to ore*
  Stripping costs incurred in opening up new ore areas are capitalised as part of the mine

development costs and subsequently amortised over the mining of the ore body that becomes more accessible as a result of the stripping activity. The Group is required to estimate at each period end the quantity of ore that has become more accessible as a result of the stripping activity. The estimates made are supported by technical data. During the year there was on-going stripping activity that enhanced future accessibility of the ore body, of which 478,000 tonnes was mined during the year.

- *Impairment of acquired development and production assets*
  The Group tests the carrying value of acquired exploration and evaluation assets when circumstances suggest that the carrying amount may not be recoverable. As part of this review process the recoverable amount of the asset is determined using value in use calculations, which requires estimates of future cash flows and as such is subject to estimates and assumptions. The key assumptions are disclosed in note 9.

  The Group tests whether mining options and license acquisition costs have suffered any impairment 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. As at 31 December 2015 the intangibles amounted to US$23,201,000 (2014: US$23,208,000).

  The Mining Act 2011, (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. The Directors have no reason to believe renewal will not be granted on the licenses.

  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 judgments. The amount of plant and equipment net of depreciation as at 31 December 2015 was US$91,093,000 (2014: US$108,724,000). A change in the reserves in the year resulted in an additional US$9,500,000 depreciation charge. Future impact has not been assessed as it is impractical to do so.

  Impartment of intangibles
  Where potential triggers for impairment are identified which may indicate that the carrying value of intangible assets may have been impaired, a review will be undertaken of the recoverable amount of that asset. No triggers of impairment were identified in 2014 or 2015.

- *Impairment of plant and equipment*
  Where potential triggers for impairment are identified which may indicate that the carrying value of items of plant and equipment may have been impaired, a review will be undertaken of the recoverable amount of that asset based on value in use calculations which will involve estimates and assumptions to be made by management. Using a range of discount rates, gold prices and cash costs, no requirements for impairment were identified. No impairments were recognised in 2014 and 2015.

- *Warrants and Share based payments*
  The Group has not issued any warrants during the period. The Group operates an equity settled share based remuneration scheme for key employees. Employees' services received and the corresponding increase in equity are measured by reference to the fair value of equity instruments at the date of the grant. In 2015, no share options were granted, but a total of 1,500,000 share awards were awarded as part of the Group's policy on attraction and retention of skills.
  The Group determines the fair value of equity-settled share based payments, using valuation techniques and models which are significantly affected by the assumptions used. The methods and assumptions applied, and valuations models used are disclosed in note 24.

- *Exploration and evaluation expenditure*
  Exploration and evaluation expenditure such as costs of acquiring tenement rights, mining and prospecting licences are capitalised.

  The cost of entering into an option agreement to explore and evaluate other licence holders' rights, with the option of converting these licences is also capitalised. The Group has to apply judgement in determining whether exploration and evaluation expenditure should be capitalised or expensed. Management

exercises this judgement based on the results of economic evaluations, pre-feasibility or feasibility studies. Costs are capitalised where those studies conclude that more likely than not the group will obtain future economic benefit from the expenditures.

For the year to 31 December 2015 exploration costs amounting to US$2,434,000 (2014: US$2,862,000) were expensed.

- *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. 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$0.5 (2014: US$0.7) million on the provision for environmental and site restoration. In the current financial period these have been reviewed downward as the Group is engaged in a process to commence the necessary work programs required during the current life on mine operations.

4. Gain on non-hedge derivatives and other commodity contracts

(US$'000)	31 Dec 15	31 Dec 14
Valuation of open commodity swap	1,312	
Commodity swap revenue	941	
	2,253	

A mark to market valuation of open swap deals was done at 31 December 2015. This resulted in a gain on non-hedging instruments of US$1,312,000 as the spot gold price was below the fixed forward prices of these instruments.

5. Finance income

(US$'000)	31 Dec 15	31 Dec 14
Decrease in fair value of warrants (Note 23)	63	474
Bank interest	49	35
	112	509

The fair value of warrants at 31 December 2015 is based on the prevailing Company share price of 4.63 pence on that date; and has been calculated using the Black-Scholes model which takes into account the historical share price volatility of 60%.

6. Finance expenses

(US$'000)	31 Dec 15	31 Dec 14
Loan and other Interest	4,877	4,905
Unwinding of discount on decommissioning liability	718	466
Convertible Loan Note accretion	1,502	1,501
	7,097	6,872

The above finance expense arises on financial liabilities measured at amortised cost using the effective interest rate method. No other losses have been recognised in respect of financial liabilities at cost.

7. (Loss)/profit before taxation

(US$'000)	31 Dec 15	31 Dec 14
(Loss)/profit before tax is arrived at after charging:		
Foreign exchange loss	1,080	360
Depreciation and depletion of assets	43,015	10,874
Amortisation of intangible assets	7	22
Share based payment costs	527	1,369
Impairment and write-off of licences	71	296
Loss on disposal of assets	368	13
Directors' remuneration	1,638	1,156
Auditors' remuneration		
Audit fees of the Company and Group	85	84
Audit fees of subsidiaries by associates of Group auditor	54	54

8. 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.

There are no current tax charges for the year as the Group has accumulated tax losses.

Tax credit/(charge) for the year relates to:

(US$'000)	31 Dec 15	31 Dec 14
Current tax charge (Turnover tax charge)	(287)	—
Deferred tax credit/(charge)	1,091	(7,715)
Closing balance	**804**	(7,715)

Mill in the process plant

SWL 1 TON

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

(Loss)/profit before taxation

(US$'000)	31 Dec 15	31 Dec 14
Profit/(Loss) before taxation	**(18,110)**	**16,570**
Tax at the standard tax rate		
Tanzanian Corporation tax at 30%	(5,433)	4,971
Different tax rates applied in overseas jurisdictions	1,690	2,179
Reassessment of losses by the TRA	2,390	—
Unrecognised taxable losses in subsidiaries	262	565
Deferred tax credit	(1,091)	—
Turnover tax charge	**287**	**—**
Tax (credit)/payable	**(804)**	**7,715**

Included in this year's tax charge is a "Turnover Tax Charge" which is applicable should a company incur tax losses for more than three consecutive years, and is levied at a rate of 0.3% of turnover.

(Loss)/profit before taxation

(US$'000)	31 Dec 15	31 Dec 14
Deferred Tax Asset movement		
Balance at 1 January	28,397	31,291
Tax losses utilised in the year	(5,621)	(2,894)
Balance at 31 December	**22,776**	28,397

The deferred tax asset has arisen on the unused tax losses. At year end, the Group has unused tax losses of US$75,920,792 (2014: US$94,656,030) available for offset against future profits and can be carried forward indefinitely. The assessed loss brought forward was reduced during the audit of the 2011, 2012 and 2013 taxation returns by the Tanzanian Revenue Authority. The main reason for the reduction of the unused losses brought forward is due to the Provision for Rehabilitation being disallowed.

Additionally, the Group has accumulated expenditure of US$13,144,054 (2014: US$11,672,030) arising on a number of its exploration projects for off-set against future profits generated from those projects which can be carried forward indefinitely. No deferred tax asset has been recognised on these losses as their utilisation is uncertain at this stage.

(US$'000)	31 Dec 15	31 Dec 14
Deferred Tax Liability movement		
Balance at 1 January	36,184	31,363
Movement for the year (note 8)	(6,712)	4,821
Balance at 31 December	**29,472**	36,184

The deferred tax liability has arisen on the temporary differences between the carrying value of assets and tax written down value of assets. Included in the opening balance of 2014 is an amount of US$5,196,000 relating to deferred tax liability on Shield and Boulder acquisition. A net deferred tax liability of US$6,696,000 has been recognised (2014: US$7,787,000).

9. (Loss)/profit per share

Basic (loss)/profit per share is computed by dividing the (loss)/profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The earnings and weighted average number of ordinary shares used in the calculation of basic profit per share is:

(US$'000)	31 Dec 15	31 Dec 14
(Loss)/profit for the year attributable to equity holders of Company	(17,306)	8,855
(Loss)/profit used in calculation of basic profit per share (see below)	(17,306)	8,855
Basic (loss)/profit per share (US cents)	(3.727)	1.907
Weighted average number of shares in issue	**464,388,679**	464,302,763

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 15	31 Dec 14
The Group has the following instruments which could potentially dilute basic earnings per share in the future:		
Share options	7,652,598	4,226,828
Convertible loan notes	—	—
Warrants	—	—

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

10. Intangible assets

The Group has capitalised exploration and evaluation assets relating to amounts spent on the purchase of licences and to acquire rights to explore and evaluate mineral deposits. These assets have been classified as intangible assets.

All of the licences are held by the subsidiary companies.

All of the intangible assets have a finite life and have been externally generated. These licences will be amortised when mineral development commences, over the life of the mine or unit of production method.

(US$'000)	Owned prospecting licences	Third party primary mining licences	Third party prospecting licences	Owned mining licence	Third party mining licence	Acquired exploration and evaluation assets	Total
At 31 December 2013	**116**	**498**	**164**	**22**	**176**	**22,519**	**23,495**
Additions	—	—	—	—	31	—	31
Released to the State	—	(111)	—	—	—	—	(111)
Impaired	(21)	—	(164)	—	—	—	(185)
Amortisation	—	—	—	—	(22)	—	(22)
At 31 December 2014	**95**	**387**	**—**	**22**	**185**	**22,519**	**23,208**
Additions	—	—	—	71	—	—	71
Impaired	(71)	—	—	—	—	—	(71)
Amortisation	—	—	—	(7)	—	—	(7)
At 31 December 2015	**24**	**387**	**—**	**86**	**185**	**22,519**	**23,201**

Impairment of licences
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. Licences currently under renewal but viable are not considered to be impaired. The Directors have no reason to believe that renewal will not be granted. The recoverable amounts are determined based on an assessment of economically recoverable mineral resources.

The Mining Act 2011, (which replaced the previous Mining Act 1998), introduced new procedures on renewal of Prospecting Licences (PL's) that involves a tender process. The Group has met its commitments on its PL's which have or are due to expire and has no reason to believe that renewals will not be granted.

Owned prospecting licences
These licences are acquired from the Ministry of Minerals and are held in the subsidiary Company's name.

Third party prospecting licences
These are prospecting licences held by an unrelated party, but in terms of which the subsidiary Company holds the right to explore and evaluate the site. Under the agreement the subsidiary company pays the third party for this right. In addition, the agreement provides for additional payments to be made which will be linked to certain events, for example establishment of proven and probable reserves or future sales.

Third party mining licence
This licence relates to a mining licence held by an unrelated party but in terms of which the subsidiary Company holds the right to prospect on the licensed area and confers upon the subsidiary an exclusive option to purchase the licence if the Company in its sole discretion requires it for mining.

Third party primary mining licences
These licences relate to primary mining licences held by an unrelated party, but in terms of which the subsidiary Company holds rights to explore and evaluate with the option to purchase mining rights at a later stage. Under the agreement the subsidiary company pays the licence acquisition and subsequent maintenance costs.

Owned mining licences
These licences are acquired from the Ministry of Minerals and are held in the subsidiary Company's name.

One of the mining licences at Singida is wholly owned by Shanta Mining Company Ltd (SMCL); while GL Jossue & JB Joel Limited hold a 10% minority interest in two of the mining licences. Depending on the option chosen, the minority holder will have up to a 10% earned interest or a smaller royalty. SMCL has over 90% ownership of the Singida mining licences and 100% ownership of the prospecting licences.

Acquired exploration and evaluation assets
Included in the book value of intangible assets are values ascribed to the acquisition of the licences held by Shield Resources Limited, the full details of which are contained in the 2014 Annual Report.

11. Mining properties and other 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 2014	**27,335**	**56,453**	**3,832**	**3,407**	**5,501**	**—**	**96,528**
Additions	718	1,839	13,968	—	2,679	9,976	29,180
Asset transfers	11,762	1,286	(15,864)	2,816	—	—	—
Disposals/write off	—	—	—	(50)	—	—	(50)
At 31 December 2014	**39,815**	**59,578**	**1,936**	**6,173**	**8,180**	**9,976**	**125,658**
Accumulated Depreciation							
At 1 January 2014	**1,333**	**2,571**	**—**	**1,919**	**268**	**—**	**6,091**
Charge for the year	3,451	5,417	—	685	710	611	10,874
Disposals/write off	—	—	—	(31)	—	—	(31)
At 31 December 2014	**4,784**	**7,988**	**—**	**2,573**	**978**	**611**	**16,934**
Net book value							
At 31 December 2014	**35,031**	**51,590**	**1,936**	**3,600**	**7,202**	**9,365**	**108,724**
Cost							
At 1 January 2015	**39,815**	**59,578**	**1,936**	**6,173**	**8,180**	**9,976**	**125,658**
Additions	423	1,501	8,509	124	—	—	10,557
Asset transfers	—	129	(332)	203	—	—	—
Mining costs capitalised	—	—	—	—	—	18,904	18,904
Disposals/write off	(368)	—	—	—	(3,709)	—	(4,077)
At 31 December 2015	**39,870**	**61,208**	**10,113**	**6,500**	**4,471**	**28,880**	**151,042**
Accumulated Depreciation							
At 1 January 2015	**4,784**	**7,988**	**—**	**2,573**	**978**	**611**	**16,934**
Charge for the year	6,561	20,411	—	1,124	1,347	13,572	43,015
At 31 December 2015	**11,345**	**28,399**	**—**	**3,697**	**2,325**	**14,183**	**59,949**
Net book value							
At 31 December 2015	**28,525**	**32,809**	**10,113**	**2,803**	**2,146**	**14,697**	**91,093**

The net carrying amount of property plant and equipment includes an amount of US$2,574,000 (2014: US$3,178,000) in respect of assets held under finance lease and equipment loan. Depreciation charge for these assets in the year amounted to US$604,000 (2014: US$385,000). 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.

12. Subsidiary companies

At 31 December 2015, the Group had the following subsidiary undertakings:

Name of company	Holding	Country of incorporation	Principal activity
Shanta Gold Holdings Limited	100%	Guernsey	Holding Company
Chunya Gold Holdings Limited	100%	Guernsey	Holding Company
Shanta Mining Company Limited	100%	Tanzania	Exploration and mining
Boulder Investments Limited	100%	Cyprus	Investment Company
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

13. Categories of financial assets and liabilities

(US$'000)	31 Dec 15	31 Dec 14
Current assets measured at amortised cost		
Trade and other receivables excluding prepayments	2,792	8,355
Restricted cash	500	500
Cash and cash equivalents	19,117	14,878
Total financial assets at amortised cost	**22,409**	**23,733**
Financial liabilities measured at amortised cost		
Current financial liabilities		
Loans and other borrowings (note 19)	4,062	14,117
Trade and other payables excluding warrants	5,883	6,080
Loans payable to related parties (note 17)	—	337
	9,945	20,534
Non-current financial liabilities		
Convertible Loan (note 20)	23,446	21,843
Loans and other borrowings (note 19)	30,630	16,592
	54,076	38,435
Total financial liabilities measured at amortised cost	**64,021**	**58,969**
Financial liabilities at fair value through profit or loss		
Current financial assets		
Derivative financial assets—commodity hedge (note 26)	1,312	—
Current financial liabilities		
Derivative financial liability—warrants (note 23)	—	63
Total financial assets/(liabilities) at fair value through profit or loss	**1,312**	63

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 payable to related parties are repayable on demand and their fair value is considered to approximate their book value (note 17).

Loans and other borrowings and convertible loans are initially measured at fair value and subsequently at amortised costs.

Warrant instruments measured at fair value through profit or loss have been deemed to be level 3 liabilities under the fair value hierarchy as the fair value measured of these liabilities are not based on observable market data (unobservable input). The reconciliation of the opening and closing fair value balance of level 3 financial instruments is provided below:

(US$'000)	31 Dec 15	31 Dec 14
Level 3		
Liabilities		
At 1 January	**(63)**	**(537)**
Movement in fair value	63	474
At 31 December	**—**	**(63)**

14. Trade and other receivables

(US$'000)	31 Dec 15	31 Dec 14
Trade receivables	—	5,241
Prepayment	4,613	768
Derivative financial asset (Note 26)	1,312	—
Other receivables	2,792	3,114
	8,717	9,123

During the year no impairments were recognised (2014: US$ Nil). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

15. Inventories

(US$'000)	31 Dec 15	31 Dec 14
Plant spares and consumables	4,696	4,996
Gold in ore stockpile, gold room and CIL	6,041	7,711
	10,737	12,707

The cost of consumable stores consumed during the year and included in working cost amounted to US$9.1 million (2014: US$10.8 million)

16. Restricted cash

As per IAS 7 (Classification of Restricted Cash), an amount of US$500,000 (2014: US$500,000) has been shown separately as it has an external restriction placed upon it. The amount is being held by Auramet Trading LLP as collateral fees for the hedging that is in place with the Company. This amount is not for use by Auramet.

17. Loans from related parties

(US$'000)	31 Dec 15	31 Dec 14
Loans from shareholders	—	337

During the current financial period, these were repaid in full.

18. Trade and other payables

(US$'000)	31 Dec 15	31 Dec 14
Trade payables	3,256	2,466
Accruals and other payables	2,627	3,614
Derivative financial liability—warrants (note 23)	—	63
	5,883	6,143

Trade payables and accruals primarily comprise amounts outstanding for trade purchases and ongoing costs. 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 15	31 Dec 14
Current liabilities		
Promissory notes[1]	—	2,376
Loans payable to FBN Bank less than 1 year[2]	—	11,048
Loans payable to Investec Bank less than 1 year[3]	3,356	
Equipment loan[4]	579	579
Finance lease[5]	127	114
	4,062	14,117
Non-current liabilities		
Promissory notes[1]	2,929	2,761
Loans payable to FBN Bank after more than 1 year[2]	—	11,250
Loans payable to Investec Bank after more than 1 year[3]	25,877	
Equipment loan[4]	1,448	2,027
Finance lease[5]	376	554
	30,630	16,592
Total loans and other borrowings	**34,692**	**30,709**

1. *Promissory Notes*
   Promissory notes relate to Promissory Note 2 of US$3.1 million issued in consideration for the acquisition of Boulder and are repayable on 15 April 2017. During the year Promissory Note 1 of US$2.4 million was repaid on 15 April 2015. The notes bear an annual interest of 2.6% and are payable semi-annually in arrears. The promissory notes are recognised at fair value and subsequently accounted at amortised cost. The fair value of the notes has been determined by discounting the cash flows using a market rate of interest which would be payable on a similar debt instrument obtained from an unconnected third party. Using a market interest rate of 9% and a contractual rate of 2.6%, the fair value of the promissory notes of US$3.1 million was calculated to be US$2.9 million.
2. *Loan from FBN Bank*
   The Group had a loan facility in August 2013 of US$33.75 million. The interest rate on this loan was LIBOR + 6.5% and was repaid in full from the proceeds of the Investec facility, the details of which are shown below.
3. Loan from Investec Bank in South Africa relates to a drawdown of US$30 million from two facilities totalling US$40 million obtained in May 2015. The facilities bear an annual interest rate of 3-month USD LIBOR +4.9% and are secured on the bank account which is credited with gold sales, the shares in Shanta Mining Company Limited (SMCL) and a charge over the assets of SMCL.

   Facility A is for US$20 million and was used to pay the outstanding FBN Bank Ltd loan, accrued interest of US$101,000 and loan arrangement fees of US$600,000. Capital repayments of US$1.25 million are due every quarter end starting on 30 June 2016.

   Facility B of US$20 million is a standby facility to be drawn as and when required to meet working capital requirements. US$10 million of the facility was drawn in May 2015 and a further US$10 million was drawn down on 1 April 2016. Repayment of the drawn facility amount commences in the quarter ending 30 June 2016 and can be extended at the option of SMCL to begin repayments from 30 June 2017.

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

4. *Equipment Loan*

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

5. *Finance Lease*

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

Future lease payments are due as follows:

	2015			2014		
(US$'000)	Minimum lease payment	Interest	Present value	Minimum lease payment	Interest	Present value
Not later than one year	162	34	127	161	47	114
Between one year and five years	415	39	376	642	88	554
At 31 December	**577**	**73**	**503**	**803**	**135**	**668**
Current liability			**127**			114
Non-current liability			**376**			554

20. Convertible Loan Notes

(US$'000)	31 Dec 15	31 Dec 14
Balance at 1 January	**21,843**	**20,240**
Cash paid interest	(2,125)	(2,125)
Coupon interest (note 5)	2,125	2,125
Accreted Interest (note 5)	1,501	1,501
Amortisation of warrant costs	102	102
At 31 December	**23,446**	**21,843**

The 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 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. Accreted interest is charged to the statement of comprehensive income over the life of the notes.

Subsequent to year end, and following consultation with the convertible loan note holders, the Company has reached an agreement with a requisite 75% majority to undertake a buyback of US$10.0 million of the notes and to extend the repayment term of the remaining notes by two years to April 2019. As part of the Restructuring, the coupon applicable to the notes will increase from 8.5% to 13.5% for the remainder of the term of the notes.

21. Provision for decommissioning

(US$'000)	31 Dec 15	31 Dec 14
Balance at 1 January	**8,970**	**5,825**
(Decrease)/increase in provision	(3,709)	2,679
Unwinding of discount (note 6)	718	466
At 31 December	**5,979**	**8,970**

The above provision relates to site restoration at the New Luika Gold Mine, which is expected to be utilised by 2022 based on the current mineable resource. The amount of US$4,471,226 (2014: US$8,969,677) is included in mining properties within property, plant and equipment. The reduction in the expected costs that will be incurred is based on a revision of the planned work programs taking cognisance of planned rehabilitation to take place during the current mining operations. 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 15	31 Dec 14	
665,000,000 ordinary shares of 0.01 pence each	£66,500	£66,500	
Issued and fully paid	**Number**	**(£)**	**(US$000)**
At 1 January 2014	**464,163,073**	**46,415**	**76**
Issued in year	225,606	23	—
As at 31 December 2014	**464,388,679**	**46,438**	**76**
Issued in year	4,388,804	439	—
As at 31 December 2015	**468,777,483**	**46,877**	**76**

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. Warrants issued

During the year no warrants were issued. As at 31 December 2015, the total number of warrants in issue had lapsed.

24. Share-based payments

Equity-settled share option scheme

Options in issue at the year-end are as follows:

Number of options	Grant date	Exercise price	Final exercise date
43,649	10 August 2006	59p	10 August 2016
450,000	25 April 2008	8.5p	25 April 2018
750,000	8 September 2009	6p	8 September 2019
1,005,000	27 July 2010	18.2p	27 July 2020
250,000	17 November 2010	28.3p	17 November 2020
1,250,000	26 September 2011	25p	26 September 2021
1,500,000	26 September 2011	30p	26 September 2021
1,000,000	26 September 2011	35p	26 September 2021
2,130,000	6 January 2012	23.13p	6 January 2022
250,000	23 August 2012	25p	23 August 2022
500,000	23 August 2012	30p	23 August 2022
500,000	23 August 2012	35p	23 August 2022

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 Dec 2015		31 Dec 2014	
(US$'000)	Number	Weighted average exercise price	Number	Weighted average exercise price
Details of the share options outstanding during the year are:				
Outstanding at 1 January	12,283,661	**0.238**	16,374,064	0.249
Exercised options	(350,000)	**(0.060)**	—	—
Outstanding at end of year	8,878,649	**0.254**	12,283,661	0.238
Exercisable share options at the end of year	8,878,649	**0.254**	12,283,661	0.238

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 Dec 2012			
	Number	Weighted average exercise price	Number	Weighted average exercise price
Share price at grant	£0.34	£0.34	£0.34	£0.23
Option exercise price	£0.25	£0.30	£0.35	£0.231
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	1.56
Total charge over the vesting period	US$94,989	US$181,336	US$173,645	US$700,984

Share based payments

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	Number of shares	Exercise price	Final vesting date
Performance shares	1-Apr-13	2,420,000	0p	31-Mar-16
	1-Jul-13	400,000	0p	30-Jun-17
	1-Apr-14	2,912,000	0p	31-Mar-18
	1-Jan-15	1,000,000	0p	31-Dec-17
Retention shares	1-Apr-13	342,000	0p	31-Mar-16
	1-Apr-14	1,038,000	0p	31-Mar-17
	1-Jan-15	500,000	0p	31-Dec-17
Outstanding at end of year	VWEP	8,612,000	0p	
Exercisable at end of year	VWEP	846,500		

The Company's mid-market closing share price at 31 December 2015 was 4.63 pence (2014: 8.75 pence). The lowest and highest mid-market closing price during the year was 4.125 pence (2014: 8.63 pence) and 11.25 pence (2014: 15.88 pence) respectively.

The vesting conditions of the 2,420,000 performance shares awarded on 1 April 2013 are dependent on meeting certain market conditions. The fair value at the date of grant was determined using a probability of meeting the market conditions using the Monte Carlo method.

The vesting conditions of the 400,000 performance shares awarded on 1 July 2013 are dependent on meeting certain market conditions. The fair value at the date of grant was determined using a probability of meeting the market conditions using the Monte Carlo method.

The vesting conditions of the 2,912,000 performance shares awarded on 1 April 2014 are dependent on meeting certain market conditions. The fair value at the date of grant was determined using a probability of meeting the market conditions using the Monte Carlo method.

The vesting conditions of 1,000,000 performance shares awarded on 1 January 2015 are dependent on meeting certain market conditions. The trigger price on 500,000 shares was achieved in January 2015. The fair value at the date of grant was determined using a probability of meeting the market conditions using the Monte Carlo method.

The vesting periods for the 342,000 retention shares awarded on 1 April 2013 were that 25% would vest on 31 March 2014, another 25% would vest on 31 March 2015, and then 50% would vest on 31 March 2016, subject to the recipients being in the Group's employment on these dates.

The vesting periods for the 1,038,000 retention shares awarded on 1 April 2014 were that 25% would vest on 31 March 2015, another 25% would vest on 31 March 2016, and then 50% would vest on 31 March 2017, subject to the recipients being in the Group's employment on these dates. A further 500,000 retention shares have been issued and these vest on 31 December 2017.

Monte Carlo inputs for shares awarded	2015	2014	2013
Share price at grant	£0.875	£0.1475	£0.18
Option exercise price	£Nil	£Nil	£Nil
Expected life of options	3 years	4 years	4 years
Expected volatility	50.54%	55.42%	59.88%
Expected dividend yield	0%	0%	0%
Risk free rate	1.77%	1.77%	1.77%
Grant date	01-Jan-15	01-Apr-14	01-Apr-13
Fair value per share option	£0.0588	£0.0769	£0.1709
Exchange rate used	1.5332	1.5180	1.5180

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

25. Net cash flows from operating activities

(US$'000)	31 Dec 15	31 Dec 14
(Loss)/profit before taxation for the year	**(18,110)**	16,570
Adjustments for:		
Depreciation/depletion of assets	43,015	10,874
Amortisation/write off of intagible assets	78	22
Loss on disposal of assets	368	13
Prospecting licences surrendered	—	296
Share based payment costs	527	1,369
Gain on non-hedge derivatives	(1,312)	
Unrealised exchange losses	276	360
Finance income (note 5)	(112)	(509)
Finance expense (note 6)	7,097	6,872
Operating cash flow before movement in working capital	**31,827**	35,867
Decrease in inventories	1,970	4,242
Decrease/(increase) in receivables	1,718	(1,399)
(Decrease)/increase in payables	(260)	297
	35,255	39,007
Taxation paid	(287)	—
Interest received	49	35
Net cash flow from operating activities	**35,017**	39,042

26. Financial risk management

In common with other businesses, 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.

Product	Fixed price	Start date	End date	Quantity	Mark to market US$'000
Gold—USD	1,070	8-Dec-15	31-May-16	3,000	26
Gold—USD	1,176	16-Oct-15	29-Apr-16	1,000	115
Gold—USD	1,176	16-Oct-15	31-Mar-16	1,000	115
Gold—USD	1,181	15-Oct-15	29-Apr-16	2,000	239
Gold—USD	1,181	15-Oct-15	31-Mar-16	2,000	239
Gold—USD	1,140	24-Sep-15	29-Feb-16	1,500	118
Gold—USD	1,140	24-Sep-15	29-Jan-16	1,500	118
Gold—USD	1,130	28-Aug-15	29-Jan-16	2,500	171
Gold—USD	1,130	28-Aug-15	29-Feb-16	2,500	171
Gain on non-hedge derivatives				**17,000**	**1,312**

Principal financial instruments

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

- Loans and Trade and other receivables
- Cash and cash equivalents
- Restricted cash
- Trade and other payables
- Loans
- Convertible Loan Notes
- Finance leases and asset loans
- Commodity price hedging

The Group held derivative financial instruments during the years ended 31 December 2015 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.

At 31 December 2015, the following commodity hedges were in place:

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 LIBOR rate for US$ (1 month) is 0.42%. The loans bear interest at LIBOR + 4.9%. Currently, the interest charge per month is an average of US$133,000. A 0.1% change in the LIBOR rate will increase or decrease the interest charge by US$1,330.

The Group's cash and cash equivalents are carried at an effective interest rate of 1% (2014: 1%).

The annualised effect of a 1% (2014: 1%) decrease in the interest rate at the reporting date on all variable rate loans and cash deposits carried at that date with all other variables held constant, would have resulted in a decrease in a post-tax loss for the year of US$173,060 (2014: US$88,550). A 1% (2014: 1%) increase in the interest rate would, on the same basis, increase post tax loss by the same amount.

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:

a) *Trade and other receivables*
The Group generates revenue from the sale of gold and silver. In the event of a default by a debtor of amounts due from 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. As a condition of the forward sales contracts, an amount of US$500,000 was paid to Auramet Trading LLC as collateral security for hedged commodity price fluctuations against spot pricing revaluations.

b) *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.

c) *Restricted cash*
The Group has paid to Auramet Trading LLC, an amount of US$500,000 (2014: US$500,000) as collateral fees for the forward sales contracts that it has set up with Auramet. Although the Group has no control over the money, Auramet cannot use the money.

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 Dec 2015		
US$('000)	**On demand**	**Within 1 year**	**After 1 year**
Loans and other borrowings	—	(3,356)	(25,877)
Equipment loan	—	(579)	(1,448)
Finance lease	—	(127)	(376)
Promissory notes	—	—	(2,929)
Other payables and accruals	(5,883)	—	—
	(5,883)	**(4,062)**	**(30,630)**

US$('000)	On demand	Within 1 year	After 1 year
	31 Dec 2014		
Loans from related parties	(337)	—	—
Loans and other borrowings	—	(11 ,048)	(11,250)
Equipment loan	—	(579)	(2,027)
Finance lease	—	(114)	(554)
Promissory notes	—	(2,376)	(2,761)
Other payables and accruals	(6,080)	—	—
	(6,417)	**(14,117)**	**(16,592)**

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.

Currency risk

(US$'000)	USD	TZS	GBP	Total
		31 Dec 2015		
Trade and other receivables	7,405	—	—	7,405
Derivative financial asset	1,312	—	—	1,312
Cash and cash equivalents	18,749	353	15	19,117
Trade and other payables	(5,846)	(1)	(36)	(5,883)
Restricted cash	500	—	—	500
Loans and other borrowings	(34,692)	—	—	(34,692)
Convertible loan notes	(23,446)	—	—	(23,446)
Net exposure	**(36,018)**	**352**	**(21)**	**(35,687)**
		31 Dec 2014		
Trade and other receivables	8,355	—	—	8,355
Cash and cash equivalents	14,057	788	33	14,878
Trade and other payables	(5,912)	(98)	(70)	(6,080)
Loans payable to related parties	(337)	—	—	(337)
Restricted cash	500	—	—	500
Loans and other borrowings	(30,709)	—	—	(30,709)
Convertible loan notes	(21,843)	—	—	(21,843)
Net exposure	(35,889)	1,690	(37)	(35,236)

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	
	2015	**2014**	2015	2014
TZS1	0.001	0.001	0.001	0.001
GBP1	1.5285	1.6484	1.4803	1.5586

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.

The Group has a US$40 million loan facility from Investec Bank Limited in South Africa, all of which has been drawn down. In 2015, US$30 million was drawn down and a further US$10 million was drawn down subsequent to year end.

27. Related party transactions

Details of the remuneration and share options of the directors, who are key management personnel are contained within note 7 and the Directors Report. Michael Houston, Toby Bradbury, and Patrick Maseva-Shayawabaya were the only Executive Directors during the year. Directors are considered key management.

Details of Directors' share based payments are disclosed in the Directors' Report.

28. Commitments

The Directors confirm that the Group has a capital commitment of US$28.62 million (2014: US$11.95 million) relating to plant equipment, infrastructure projects and feasibility studies at New Luika Gold Mine. As at 31 December 2015, the Group had forward sales commitments of 20,000 ounces of gold at an average price of US$1,148 per oz. Since the year end, the Group has entered into additional forward sales contracts for 12,000oz of gold to bring the total forward sales commitments to 32,000oz at an average price of US$1,172.

29. Contingent liabilities

Shanta Mining Company Limited ("SMCL") has acquired certain prospecting licences and mining licences under agreements which provide for payments to be made in certain circumstances to the party from whom the licence was acquired. Payments under these agreements are unquantified at this time but the maximum amount payable is not considered to be material. Such payments are linked to the proven and probable reserves once established.

The Directors confirm that there are no other contingent liabilities as at 31 December 2015 (2014: US$ Nil).

30. Events after reporting date

30.1 The Company completed a finance agreement with Sandvik Mining and Construction OY. The €4.6 million (US$5.0 million) financing will be used to purchase underground mobile equipment and is repayable quarterly in two tranches over 36 months from June 2016 (tranche 1) with a fixed interest cost of 7%, and from September 2016 (tranche 2) with a fixed interest cost derived by the USD base rate and expected to be approximately 7%.

30.2 The Company received US$9.1 million financing from Bank M Tanzania plc ("Bank M") for the construction of its 7.5MW power station at the New Luika Gold Mine. Delivery is expected to take place in early Q12017 and a 12-month letter of credit for US$9,114,000 at a fixed interest cost of 8% which will be followed by five year amortising (monthly) term loan bearing interest at 12-month USD Libor plus 9% per annum.

In April 2012 Shanta Gold successfully completed a US$40 million fundraising, comprising of a US$15 million equity placing and a concurrent US$25 million underwritten 5-year convertible loan note offering. The convertible loan note has a coupon of 8.5% per annum and a conversion price of 29.53p and matures in April 2017.

30.3 Following consultation with the convertible loan note holders, the Company has reached an agreement with a requisite 75% majority to undertake a buyback of US$10.0 million of the Notes and to extend the term of the remaining Notes by two years to April 2019 subject to the passing of a written resolution by the convertible note holders. As part of the Restructuring, the coupon applicable to the notes will increase from 8.5% to 13.5% for the remainder of the term of the notes.

30.4 The Company has entered into a SSA with Silverback Limited, a privately held Guernsey-based investment company, under which Silverback will pay the Company an advanced payment of US$5.25 million on closing. Silverback will also pay the Company an ongoing payment of 10% 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 the NLGM with minimum silver delivery obligations totalling 608,970oz Ag over a 6.75 year period. The term of the SSA expires after 10 years and the Company has no minimum ounce obligations after 2022.

The Company produced 121,682 ounces of silver in 2015 resulting in approximately 2% of annual revenue. There are currently no defined silver reserves at NLGM. Furthermore, the SSA entitles the Company to share 20% of future annual silver production above a monthly minimum of 11,250oz. The Company is also entitled to clawback future silver deliveries by the pro-rated increase in tonnage in the event of it installing additional milling capacity at the NLGM processing plant.

The SSA will be secured against the Singida mining licences, Shanta's exploration and development gold asset located in central Tanzania and the Company is putting in place the necessary arrangements with Investec to facilitate this. The security amortises over the 6.75 years of the silver deliveries and automatically subordinates should the Company raise a minimum US$6.0 million of project finance for Singida's development. Closing is subject to customary in-country approvals.

30.5 The Company has received firm commitments from investors to raise gross proceeds of approximately US$10.5 million (£7.2 million) through a Placing of 111,442,800 shares at a price of 6.5 pence per share. The Placing Price represents a discount of approximately 13.3% to the closing mid-market price per share on 5 May 2016, the latest practicable date prior to the date of this announcement.

Following Admission, the Placing Shares will represent approximately 18.5% of the Company's Enlarged Share Capital of 580,220,283 Ordinary Shares.

Following completion of the Placing, the Company intends to undertake an open offer for up to €5.0 million to enable existing shareholders not participating in the Placing to participate in the fundraising on the same terms.

Process plant
at New Luika

School children at nearby Mbangala Village School, Chunya District

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 Eleventh Annual General Meeting of the shareholders of the Company will be held at Suite A, St Peter Port House, Sausmarez Street, St Peter Port, Guernsey, GY1 2PU on 2 June 2016 at 2:00pm (the "Meeting") for the purpose of considering and, if thought fit, passing the following resolutions numbered 1—9 below as ordinary resolutions:

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 2015
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 fix the directors' remuneration as US$1,638,000
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. Any other business of which due notice has been given and which the Meeting is competent to consider

Dated 9 May 2016

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.

SHANTA GOLD

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 Eleventh 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 Suite A, St Peter Port House, Sausmarez Street, St Peter Port, Guernsey, GY1 2PU on 2 June 2016 at 2:00pm 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 2015.			
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 fix the directors' remuneration at US$1,638,000.			
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.			

______________________________ 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: kelly.regnard@providentfg.com or posting the original to: PO Box 240, Suite A, St Peter Port House, Sausmarez Street, St Peter Port, Guernsey, GY1 3PG 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.