



22 April 2014

Shanta Gold Limited
(“Shanta Gold” or the “Company”)
Final Results for the year ended 31 December 2013

Shanta Gold, the East Africa focused gold producer, announces its audited final results for its first year of production ended 31 December 2013.

Period Highlights

FINANCIAL

- Total revenue of \$66 million, with an additional \$22 million of revenue relating to the pre-production period which was capitalised
- Average price of gold sold of \$1,361 per ounce achieved
- 27,000 ounces sold forward during the year at an average price of \$1,402 per ounce
- Loss before tax of \$4.4 million and profit after tax of \$0.8 million
- Profit before tax, non-recurring charges and share based payments of \$0.7 million
- Strengthened working capital position with loan repayments totaling \$15.3 million
- Bank loan successfully restructured on improved repayment and interest terms
- Net debt at year end of \$50 million
- Cash and cash equivalents of \$14.6 million at year end

OPERATIONAL

- Gold production of 64,054 ounces at the New Luika Gold Mine (“New Luika”) slightly ahead of guidance
- Successful plant optimization delivering targeted throughput of 1,275 tpd by year end
- Plant upgrade on track and to be completed during Q2 2014
- 2014 production guidance of 80,000 ounces, and all in sustaining cost guidance of \$900 to \$1,000 per ounce

CORPORATE

- Strengthening of Board and senior management with the appointment of a new Chairman, Two Non-Executive Directors and a new Chief Finance Officer

Post Period Highlights

- Publication of maiden reserve for Singida Gold Mining Project (“Singida”) with proven in situ Ore Reserve of 1.39 million tonnes @ 5.1g/t for 230,000 ounces recovered gold
- The pre-feasibility study at Singida is currently in progress and is scheduled to be completed by the end of Q2 2014
- An updated Resource and Reserve for New Luika has the potential to support an extension to the Life-of-Mine and guidance will be provided in the Q1 Production and Operational update to be announced on 28 April 2014

Mike Houston, CEO of Shanta Gold, commented:

“I am encouraged by the Company’s performance in 2013 where we had nine months’ reportable production. However, the loss before tax included a full year of administrative costs and a number of one-off costs associated with the longer term cost reduction strategies. In addition, a significant tonnage of low grade ore mined in the pre-production period was written off.

The foundations for the continued growth of the Company are now in place and management remains focused on continuing to increase the production volumes and lowering cost structures.”

Tony Durrant, Chairman of Shanta Gold, commented:

“2013 has been a successful year with operations stabilised and the balance sheet strengthened through debt restructuring. In addition, the growth potential has been enhanced through the upgrade of the resource and the declaration of a reserve at both New Luika and Singida. The projects on the extension of



the life of mine at New Luika and the Singida mine development are at an advanced stage. The Board has been restructured and strengthened to reflect the requirements of an operating entity. The Company is at an exciting point in its development and I am confident that it is well positioned to meet the challenges that lie ahead.”

Enquiries:

Shanta Gold Limited

Tel: +255 (0) 22 2601 829

Mike Houston / Patrick Maseva-Shayawabaya

Nominated Adviser and Joint Broker

Peel Hunt LLP

Tel: + 44 (0)20 7418 8900

Matthew Armitt / Ross Allister

Joint Broker

GMP Securities Europe LLP

Tel: + 44 (0)20 7647 2800

Richard Greenfield / Alexandra Carse

Financial Public Relations

FTI Consulting

Oliver Winters / Sara Powel

Tel: +44 20 7269 7100

Chairman’s Address to Shareholders

Dear Shareholder,

I am pleased to present my first report as Chairman of your Company. I am particularly encouraged with your Company’s first year of production which was slightly ahead of guidance and the operation is well set to achieve its 2014 objectives.

During the past year, Shanta Gold continued its efforts to cement its positive and supportive relationship with the local communities. Already, many of the Company’s workers are drawn from the local communities and despite having to strictly manage cash resources; we have financed a number of projects in the health and educational spheres both at New Luika and Singida. A CSR strategy has been developed and its implementation from 2014 will see a further strengthening of relations with the local communities.

Relations between Shanta Gold and the Government of Tanzania remain good and your Board has had several positive interactions with this important stakeholder. I am also pleased to report that even in its first year of production, your Company is making a positive contribution to the economy of Tanzania. At the end of December 2013, Shanta Gold and its contractors employed 740 Tanzanians on a permanent basis. In addition, we have paid to the Tanzanian Government, in direct and indirect taxes (excluding VAT), US\$9.4 million in the year just ended.

Board of Directors

The process of restructuring and strengthening of your Board to reflect the Company’s transition from an exploration to a producing Company continued during the year with Robin Fryer and John Rickus joining as Non-Executive Directors. Rob recently retired after many years as a partner at Deloitte (USA) where he was Global Head of Mining whilst John was for many years a senior mining executive at Rio Tinto. We welcome Rob and John and look forward to their contributions to the Board’s deliberations.

During the period, Edward Johnstone resigned from the Board and from his position as Chief Financial Officer. The Board extends its gratitude to Edward for his contribution to the Company and wishes him well for the future.

Investor Relations



In keeping with the objective of keeping the market fully informed on developments, a number of roadshows were held during the past year with presentations to both shareholders and potential investors. It is pleasing that the support of existing shareholders has remained strong.

Appreciation

Walton Imrie retired as Executive Chairman at the last AGM having led the Company since listing in 2005. The Board and shareholders are indebted to Walton for his leadership of the Company through the transitional period of exploration to development and production. We wish Walton well in his retirement.

On behalf of the Board, I would like to thank the management team and the rest of our employees for the hard work during the year. While there remain significant milestones still to be achieved in the coming 12 months and beyond, what has been accomplished thus far has set the platform for future growth.

Lastly, I would like to thank my fellow Directors for their support and wise counsel since my appointment.

A P W Durrant

Chairman
22 April 2014

Chief Executive Officer's Review

It gives me great pleasure to report on Shanta Gold's first full year of production. It was a year in which some important milestones were achieved and the foundations for the continued growth of the Company were laid.

2013 Production Summary

	H1	H2	2013 Total
Tonnes ore milled	160,484	231,408	391,892
Grade (g/t)	6.73	6.12	6.23
Recovery (%)	86.5	88.7	87.9
Gold produced (oz)	25,579	38,475	64,054
Gold sold	23,842	38,035	61,877
Price achieved (US\$/oz)	1,523	1,343	1,409

The past year could be broken into two distinct periods, the first half whereby the Company was obliged to right skill the operation, upgrade the crushing circuit with new and rented equipment, modify gold smelting activities and build up the necessary spares inventory to be able to run the plant at an economic level. During that period, to support cash flow initiatives, mining volumes were reduced and the large ore stocks, built up during the mine development period, were gradually reduced to more manageable levels to supplement the necessary feed to the plant.

In the second half of the year, the focus was on optimising gold production through increased mining activities and improving plant availability and efficiencies. There were significant improvements as can be seen by the 50% increase in gold production in the second half of the year.

Ore milled for the year was 391,892 tonnes at an average head grade of 6.23 g/t to produce 64,054 ounces of gold. Overall plant recovery was satisfactory at 87.9%; however, the net metal recovery suggests a buildup in the in-circuit which management believes is largely associated with our inability to move gold and silver through the Carbon in Leach process efficiently enough due to a bottleneck in the incinerating circuit.

During 2013, it was decided that a new crushing circuit and an electro-winning elution plant were critical to provide a robust life of mine plant that could deliver material improvements in recovery of both gold and silver and on an annualised basis, a 35% volume increase from the 2013 figure. The capacity of the new circuits will also allow the introduction of a third mill if the Company chooses to increase production in



future. Good progress has been made on delivering these plant upgrades which are on track to be commissioned by the end of Q2 2014.

The one common theme throughout the past year was the review of the cost structures which included bringing in-house a number of operations considered core and the renegotiation of all major contracts. This will remain an ongoing exercise in 2014.

The Company released maiden reserve statements for both New Luika in October 2013 and Singida in February 2014.

The New Luika statement confirmed that there is a high grade five year mine life from 2014 within conservative economic parameters. The Company also announced a resource update following a drilling exercise at depth at both Bauhinia Creek and the adjoining Luika pit. The outcome was encouraging with an increase in the indicated resource and the results suggesting that underground mining opportunities potentially exist on both deposits.

As a result of the above, a project was initiated to review the total resource on the New Luika mining claims, where we currently have over 900,000 ounces in an indicated category at a 1 g/t cut-off, to establish what the most economic mining methods would be to exploit this resource and potentially extend the life of mine. We anticipate this exercise to be completed by end of Q2 2014.

The Singida maiden reserve statement proved that we have an attractive ore body that can be exploited initially through open cast mining at an average grade of 5.1 g/t with a five and half-year life at 40,000 ounces per annum which would be produced at a very competitive cost, free of overheads. The pre-feasibility study on the Singida Project is currently in progress and is scheduled to be completed by end of Q2 2014. This ore body is open at depth and with additional evaluation work could provide an extension to the life of mine.

Projects

The New Luika mine development and plant construction project was fully commissioned by 31 March 2013 at a total cost of US\$125 million. As a result of net revenue generated during the commissioning phase and also the transfer of stocks to inventory, in the net project cost was reduced by US\$37 million. Total new capital expenditure, for the year amounted to US\$6.3 million, most of which was on the new crusher and screening and elution/electro-winning plants.

The crusher and screening and elution/electro-winning plants are part of the on-going plant de-bottlenecking and efficiency improvement efforts as stated earlier. Delivery and installation of the units is currently in progress and both are scheduled to be operational from the beginning of the second half of 2014. We anticipate minimal disruption to current operations as we will be able to run the current crushing circuit and smelting facilities in parallel with the new equipment. The two projects are expected to cost US\$8 million. Vendor funding has been secured for US\$2.9 million of the crusher and screening plant cost at an all-in interest rate of 6% per annum repayable over five years.

Due to cash constraints during the mine development and plant construction phase, there remains a number of areas mainly in supportive infrastructure that under normal circumstances would have been completed as part of the main project. These include a more secure water supply, employee accommodation and warehouse facilities. This capital expenditure forecast at approximately US\$7 million, will be spent over the next two years.

Exploration

Exploration activities although partially curtailed as part of our cash preservation strategy in light of the volatile and declining gold price, had a successful year. On mine exploration included the successful drilling at depth at Bauhinia Creek and Luika and the off mine development of targets continued with 8,000 metres of reverse circulation drilling. The Company has established a number of potential targets within trucking distance of the current plant which we will continue to evaluate in 2014. In the Lupa goldfields there are large deposits of gravels which if correctly screened can be a low cost ore feed source.

To date the Company has not properly evaluated the full potential of this asset and brought economic volumes into the resource statement but this assessment is now underway.



Finance

As previously reported, for accounting purposes, commercial production at New Luika commenced on 1 April 2013. Therefore, whilst gold sales for the year totaled 61,877 ounces, 13,424 ounces were in respect of the pre-production period and thus of the total revenue for the year amounting to US\$88 million, US\$22 million relating to that period was capitalised. Revenue for the nine months to December 2013 amounting to US\$66 million was generated from 48,453 ounces at an average price of US\$1,361.

Gross profit for the year amounted to US\$12.2 million, giving a gross margin of 19% after low grade ore stocks valued at US\$3 million were written off. Whilst turnover and operating costs reported are in respect of the nine months from 1 April 2013, administration costs are for a full year and at US\$12.5 million were 58% up on prior year largely reflecting the impact on the overhead base of the Company now being in full production. In addition, one-off contract termination costs, share based employment costs and an exchange loss incurred in the year amounted to US\$2.8 million. Exploration expenditure at US\$2.9 million was 233% higher than 2012, as a result of exploration activities following on from the acquisition of Shield Resources.

A charge of US\$1.5 million was incurred on the termination of the Shield Joint Venture following the acquisition of Boulder Investments (Private) Limited in April 2013. In addition, a previously provided bad debt amounting to US\$1.7 million was reversed.

An operating loss of US\$3.2 million was incurred in the year, compared to a loss of US\$10.6 million for the previous year.

Revaluation of warrants accounted for as derivative financial liabilities resulted in a fair value gain of US\$6.0 million whilst total cost of borrowings in the year amounted to US\$7.2 million, giving a net finance expense of US\$1.2 million.

As a result of the above, a loss before tax of US\$4.4 million was recorded for the year, compared to a loss for the previous year of US\$14.7 million. The Group has accumulated tax losses brought forward from the development phase which will be offset against future profits and accordingly a deferred tax asset of US\$5.1 million has been recognised, resulting in a profit after tax of US\$0.8 million.

Non-current assets at year end amounted to US\$119.1 million, a 3.4% reduction from last year mainly as a result of the capitalisation of pre-production revenue, offset against the addition to intangible assets resulting from the acquisition of Shield Resources Limited. In line with the Company's transition from development to production, there was a significant investment in working capital during the year. Inventories of ore, gold, spares and consumables at year end amounted to US\$17 million.

Total borrowings at 31 December 2013 amounted to US\$64.3 million compared to US\$40 million at the end of the prior year. The increase reflects the higher bank borrowings after a new US\$30 million loan was secured from FBN Bank (UK) Ltd in January 2013 as well as US\$5.5 million payable as part of purchase consideration on the acquisition of Boulder Investments (Private) Limited. As previously reported, we restructured and consolidated our bank loans in August 2013, on improved interest and repayment terms. The interest rate on the loan was reduced to LIBOR plus 6.5% whilst the repayment period was extended from 12 months to 36 months from January 2014, after a 6 month repayment holiday. Total loan repayments in the year amounted to US\$15.3 million.

The loan restructuring and positive cash flows from operations resulted in the Company ending the year in a strong cash position of US\$14.6 million, up from US\$4.3 million last year. US\$3 million in respect of gold sold in December was received immediately after year end.

Hedging

As reported last year, Shanta Gold has a forward sales contract in terms of which the Company can sell forward a maximum of 25,000 ounces of its production. During the year, a total of 27,000 ounces were sold forward at an average price of US\$1,402 and as at end of December 2013, 19,500 ounces had been sold forward at an average price US\$1,331. We will continue with a prudent hedging policy to protect cash flows especially in this time of price volatility whilst remaining cognisant of debt service commitments.

Community Social Responsibility

In 2013, we undertook a baseline study of the requirements of the communities around Shanta operations from which a CSR strategy has been developed and will be implemented in 2014. We have meanwhile funded a number of health and education community projects.



Outlook

I am pleased with the progress that we made in the past year. The review of operations has unlocked operating and cost efficiencies that I am confident will enable Shanta Gold to meet the challenges of a difficult gold market as well as achieve the 2014 production and cost guidance.

In 2014, our focus will be on the following areas:

- Ongoing review of the cost structure both at New Luika and at a corporate level;
- Commissioning the crusher/screening and elution/electro-winning plants and realisation of the targeted volume and recovery uplifts;
- Complete evaluation work at New Luika with the aim of extending life of mine beyond five years;
- Complete the Singida Bankable Feasibility Study during Q2 2014;
- Review the long term water and power options;
- Roll out the CSR strategy.

Acknowledgement

I would like to thank the Shanta Gold employees, contractors, advisors and the management team for their considerable efforts in making 2013 a successful year.

I would also like to give a special thanks to our principal financiers, FBN Bank for their on-going support and assisting in the restructuring of our debt facility.

I would like to thank both Walton and Tony and board members for their support and guidance during the year.

Last but not least, a special thanks to our shareholders for their patience and continued support.

M J Houston

Chief Executive Officer

22 April 2014

Consolidated income statement

		31 December 2013 US\$'000	Restated 31 December 2012 US\$'000
Revenue		65,989	-
Cost of Sales		(53,816)	-
Gross Profit		12,173	-
Administration expenses		(12,525)	(7,890)
Exploration and evaluation costs		(2,988)	(897)
Loss on settlement of pre-existing relationship	9	(1,500)	-
Reversal of provision for bad debts	14	1,668	(1,668)
Impairment of intangible assets	9	-	(189)
Operating loss		(3,172)	(10,644)
Finance income	4	6,019	263
Finance expense	5	(7,213)	(4,366)
Loss before taxation	6	(4,366)	(14,747)
Taxation	7	5,125	-
Profit/(Loss) for the year attributable to the equity holders of the parent Company		759	(14,747)
Profit/(Loss) per share attributable to the equity holders of the parent Company			
Basic profit/(loss) per share (US\$ cents)	8	0.164	(4.42)
Diluted profit/(loss) per share (US\$ cents)	8	0.163	(4.42)

Consolidated statement of comprehensive income

	31 December 2013 US\$'000	31 December 2012 US\$'000
Profit /(loss) after taxation	759	(14,747)
Other comprehensive income:		
Exchange differences on translating foreign entities which can subsequently be reclassified to profit or loss (see note 9)	407	-
Total comprehensive profit/(loss) attributable to the equity shareholders of the parent	1,166	(14,747)

The profit/(loss) for the year and the total comprehensive loss for the year are attributable to the equity holders of the Parent Company. There are no non-controlling interests.

The items in the above statement are derived from continuing operations.

The accompanying notes form an integral part of these financial statements.

Consolidated statements of financial position

		31 December 2013 US\$'000	31 December 2012 US\$'000
ASSETS	Notes		
Non-current assets			
Intangible assets	9	23,495	10,380
Property, plant and equipment	10	90,437	112,929
Deferred tax asset	7	5,125	-
Total non-current assets		119,057	123,309
Current assets			
Inventories	15	16,949	-
Trade and other receivables	13	8,334	8,643
Restricted cash	16	600	-
Cash and cash equivalents		14,638	4,277
Total current assets		40,521	12,920
TOTAL ASSETS		159,578	136,229
CAPITAL AND RESERVES			
Equity			
Share capital	22	76	75
Share premium		132,797	132,139
Share option reserve	24	4,286	3,258
Convertible loan note reserve		5,374	5,374
Shares to be issued		-	293
Translation reserve		807	400
Retained deficit		(60,192)	(61,043)
TOTAL EQUITY		83,148	80,496
LIABILITIES			
Non-current liabilities			
Loans and other borrowings	19	27,342	-
Convertible loan notes	20	20,240	18,637
Provision for decommissioning	21	5,825	4,129
Provision for deferred taxation	9	5,197	-
Total non-current liabilities		58,604	22,766
Current liabilities			
Loans payable to related parties	17	337	337
Trade and other payables	18	6,543	17,308
Loans and other borrowings	19	10,946	15,322
Total current liabilities		17,826	32,967
Total equity and liabilities		159,578	136,229

The financial statements were approved and authorised for issue by the board of Directors on 17 April 2014 and signed on its behalf by:

Michael J Houston
Chief Executive Officer

Anthony P W Durrant
Chairman

Consolidated statement of changes in equity

	Share capital US\$'000	Share premium US\$'000	Share option reserve US\$'000	Convertible loan note reserve US\$'000	Translation reserve US\$'000	Shares to be issued US\$'000	Retained deficit US\$'000	Total Equity US\$'000
Total equity 31 December 2011	45	81,029	1,722	-	400	-	(46,296)	36,900
Total comprehensive loss for the year	-	-	-	-	-	-	(14,747)	(14,747)
Share based payments	-	-	1,536	-	-	-	-	1,536
Shares issued for cash	30	54,113	-	-	-	-	-	54,143
Share issue costs	-	(3,736)	-	-	-	-	-	(3,736)
Shares to be issued	-	-	-	-	-	293	-	293
Warrants exercised	-	733	-	-	-	-	-	733
Convertible loan notes	-	-	-	5,374	-	-	-	5,374
Total equity 31 December 2012	75	132,139	3,258	5,374	400	293	(61,043)	80,496
Profit for the year	-	-	-	-	-	-	759	759
Comprehensive income for the year	-	-	-	-	407	-	-	407
Total comprehensive profit for year	-	-	-	-	407	-	759	1,166
Share based payments	-	-	1,426	-	-	-	-	1,426
Shares issued	1	658	(306)	-	-	(293)	-	60
Lapsed options	-	-	(92)	-	-	-	92	-
Total equity 31 December 2013	76	132,797	4,286	5,374	807	-	(60,192)	83,148

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
Shares to be issued	Nominal value of share capital and premium on shares to be issued
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

Consolidated statement of cash flows

		31 December 2013 US\$'000	Restated 31 December 2012 US\$'000
	Notes		
Net cash flows used in operating activities	25	19,529	(4,330)
Investing activities			
Purchase of intangible assets		(62)	(43)
Purchase of plant and equipment		(10,185)	(1,171)
Asset under construction		(9,452)	(73,471)
Proceeds from disposal of asset		31	-
Transfer to restricted cash		(600)	-
Purchase of subsidiary		(2,400)	-
Net cash flows used in investing activities		<u>(22,668)</u>	<u>(74,685)</u>
Financing activities			
Proceeds from issue of ordinary share capital (net of share issue costs)		60	45,078
Proceeds from issue of convertible loan notes		-	23,375
Loans repaid		(15,323)	(17,900)
Loan interest paid		(4,683)	(2,931)
Loans received		33,446	35,098
Net cash flows from financing activities		<u>13,500</u>	<u>82,720</u>
Net increase in cash and cash equivalents		10,361	3,705
Cash and cash equivalents at beginning of year		4,277	572
Cash and cash equivalents at end of year		<u>14,638</u>	<u>4,277</u>

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 Point 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 Chief Executive Officer's review and the Directors' report on pages 2 to 9.

These financial statements were approved and authorised for issue on 17 April 2014 by Michael J Houston and Antony W P Durrant on behalf of the Board.

2. Accounting policies

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

2.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments which are carried at fair value, as explained in the accounting policies below. They are presented in US Dollars, which is also the Group'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.

The prior year comparative information has been reclassified to show separately provision for bad debt which was subsequently reversed in 2013. The provision for bad debt was previously included within exploration expenses. The cashflow has also been adjusted to reflect the above reanalysis.

a) Adoption of new and revised Standards

(i) Standards, amendments and interpretations effective in 2013:

The following new standards and amendments to standards are mandatory for the first time for the Group for the financial year beginning 1 January 2013. Except as noted, the implementation of these standards did not have a material effect on the Group:

	Standard	Effective date
IAS 1 (Amendment)	Presentation of items of other comprehensive income	1 July 2012
IFRS 13	Fair value measurement	1 January 2013
IAS 19 (Amendment 2011)	Employee benefits	1 January 2013
IAS 16 (Improvements)	Classification of servicing equipment	1 January 2013
IFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013

(ii) Standards, amendments and interpretations that are not yet effective and have not been adopted early:

	Standard	Effective date
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interest in other entities	1 January 2014
IAS 27 (Amendment 2011)	Separate financial statements	1 January 2014
IAS 28 (Amendment 2011)	Investments in associates and joint ventures	1 January 2014
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 (Amendment)	Recoverable amounts disclosures for non-financial assets	1 January 2014
IAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRS 9	Financial Instruments	To be confirmed
IAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions	1 January 2014*
IFRIC 21	Interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets on the accounting for levies imposed by governments.	1 January 2014*
Annual Improvements to IFRSs	2010-2012 Cycle	1 January 2014*
Annual Improvements to IFRSs	2011-2013 Cycle	1 January 2014*

*Not yet endorsed by the European Union

The Group is evaluating the impact of the above pronouncements, but they are not expected to have a material impact on the Group's earnings or shareholder's funds.



The principal accounting policies adopted are set out below.

2.2 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. 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.

Investments in subsidiaries are stated at cost less accumulated impairment losses.

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 recognized in other comprehensive income and accumulated in the foreign exchange translation reserve.

Transactions and balances

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

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

2.4 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.

2.5 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.

2.6 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 unless the Directors are doubtful that the renewal will not be granted.

2.7 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	Rates (%)
Mine and related equipment	25.0
Office equipment	12.5
Motor vehicles	25.0
Furniture and fittings	16.7

Mining properties (mine development and gold processing plant) depreciation is by the unit of production method

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

2.8 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, especially to finance the establishment of mining assets, is capitalised during the construction phase.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 Share-based payment/incentive programmes

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

- a) The Group issues share options to certain employees and Directors. Share options 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 made to employees 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.

2.15 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.

2.16 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.

	2013 US\$'000	2012 US\$'000
Total Revenues	65,989	-
Loss Before Tax	(4,366)	(14,747)
Total Non-Current Assets	119,057	123,309
Total Non-Current Liabilities	58,604	22,766

Non-Current Assets comprises investment in mining and exploration assets (see notes 9 to 10). All revenues arise from sales to one customer.

2.17 Financial instruments

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

Financial assets

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 Company or 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 and Company had also not designated any financial assets as fair value through profit or loss. The Company's financial assets comprise of loans and receivables. Unless otherwise indicated the carrying amounts of the Company'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 and cash and cash equivalents. 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) Derecognition of financial assets

A financial asset (in whole or in part) is derecognised 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 financial liabilities are initially recognised at fair value net of transaction costs incurred. All purchases of financial liabilities are recorded on trade date, being the date on which the Company or Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Company and 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

Loans 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 in profit or loss. The finance costs recognised in respect of the convertible borrowings includes the accretion of the liability.

Derecognition of financial liabilities

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

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 Company and Group are treated as equity if the holder has only a residual interest in the assets of the Company and 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 Company 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.

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.

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.

- **Impairment of acquired exploration and evaluation 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 2013 the intangibles amounted to US\$ 23,495,000 (2012: US\$10,380,000). 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.

The Government of Tanzania has enacted a new Mining Act 2011, which has replaced the previous Mining Act 1998; the new Act became effective from 1 November 2011. The Act has introduced new procedures on renewal of Prospecting Licences (PL's) that now involves a tender process. The changes increase the risk of the Company not being able to retain PL's that have or are due to expire.

- **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 2013 was US\$90,437,000 (2012: US\$112,928,995).

- **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. These estimates include an indicated and inferred resource base of 1.48m ounces for the New Luika Mine. Using a range of discount rates, gold prices and cash costs, no impairment indicators were identified. No impairments were recognised in 2013 and 2012.

- **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 2013, no share options were granted. But in 2013, a total of 6,680,000 shares were awarded as part of the Group's policy on attraction and retention of skills. Further details are given 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 Directors consider that all other expenses incurred in exploration and evaluation should be expensed until the ore body is considered to be commercially recoverable. As at 31 December 2013 exploration costs amounting to US\$2,988,000 (2012: US\$897,000) have been expensed. This included the costs of work performed on the licences covered by Great Basin Gold Joint Venture (JV) which were funded by the Group in line with its obligations under the JV agreement.

- **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\$0.5m (2012: US\$0.4m) on the provision for environmental and site restoration.

4. Finance income

	2013	2012
	US\$'000	US\$'000

Decrease in fair value of warrants (Note 23)	5,979	-
Bank interest	40	263
	<u>6,019</u>	<u>263</u>

The fair value of warrants at 31 December 2013 is based on the prevailing Company share price of 11.38 pence on that date; and has been calculated using the Black-Scholes model which takes into account the historical share price volatility of 60%.

5. Finance expense

	2013	2012
	US\$'000	US\$'000
Loan Interest	5,387	3,615
Unwinding of discount on decommissioning liability	324	-
Convertible Loan Note accretion	1,502	751
	<u>7,213</u>	<u>4,366</u>

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.

6. Loss before taxation

	2013	2012
	US\$'000	US\$'000
Loss before tax is arrived at after charging/(crediting):		
Foreign exchange loss/(gain)	734	(35)
Impairment loss	-	189
Depreciation/amortisation	4,783	401
Share based payment costs	1,426	1,536
Directors' remuneration	2,360	1,338
Auditors' remuneration		
- Audit fees of the Company and Group	84	95
- Audit fees of the Company's subsidiaries	-	9
- Audit fees of subsidiaries by associates of Group auditor	52	45

7. 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 a computed loss. Tax credit for the year relates to:

	2013	2012
	US\$'000	US\$'000
Current tax charge	-	-
Deferred tax asset recognised in the year	5,125	-
Closing balance	<u>5,125</u>	<u>-</u>

The tax charge for the year can be reconciled to the loss per the statement of comprehensive income as follows:

	2013	2012
	US\$'000	US\$'000
Loss before taxation	(4,366)	(14,747)
Tax at the standard tax rate		
Tanzanian Corporation tax at 30%	(1,310)	(4,424)
Different tax rates applied in overseas jurisdictions	2,630	-
Tax effect of expenses that are not deductible in determining taxable profit	10,801	1,188
Tax effect of income not subject to tax	(4,019)	2,875
Unrecognised taxable losses	1,055	361
Tax losses utilised in the year	(9,157)	-
Recognised taxable losses	(31,291)	-
Accelerated capital allowances	26,166	-



Tax credit	(5,125)	-
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Deferred Tax Asset movement	2013	2012
	US\$'000	US\$'000
At 1 January	-	-
Movement in the year:		
Recognition of deferred tax asset arising on taxable losses	31,291	-
Recognition of deferred tax liability arising on accelerated capital allowances	(26,166)	-
At 31 December (net deferred tax asset)	<u>5,125</u>	<u>-</u>

At year end, the Group has unused tax losses of US\$104,303,036 (2012: US\$134,827,393) available for offset against future profits and can be carried forward indefinitely. A deferred tax asset of US\$5,125,101 has been recognised (2012: US\$Nil).

Additionally, the Group has accumulated expenditure of US\$8,794,755 (2012: US\$6,018,107) arising on a number of its exploration projects for off-set against future profits generated from those projects and can be carried forward indefinitely. No deferred tax asset has been recognised on these losses as their utilisation is uncertain at this stage.

Deferred Tax Liability movement	2013	2012
	US\$'000	US\$'000
Balance at 1 January	-	-
Movement for the year (note 9)	5,197	-
Balance at the end of the year	<u>5,197</u>	<u>-</u>

8. Profit/(loss) per share

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

	US\$'000	US\$'000
The earnings and weighted average number of ordinary shares used in the calculation of basic profit/(loss) per share is:		
Profit/(loss) for the year attributable to equity holders of the Company	759	(14,747)
Profit/(loss) used in calculation of basic profit/(loss) per share (see below)	759	(14,747)
Basic profit/(loss) per share (US cents)	0.164	(4.42)
Weighted average number of shares in issue	<u>462,728,634</u>	<u>333,900,244</u>

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:

	2013	2012
	Number	Number
The Group has the following instruments which could potentially dilute basic earnings per share in the future:		
Share options	2,140,722	3,049,110
Warrants	<u>-</u>	<u>1,986,355</u>

*In 2013 the warrants were anti-dilutive as their price exceeded the average market price of the Company's ordinary shares.

	2013	2012
	US\$'000	US\$'000
The earnings and weighted average number of ordinary shares used in the calculation of diluted profit/(loss) per share is:		
Profit/(loss) for the year attributable to equity holders of the Company	759	(14,747)
Profit/(loss) used in the calculation of diluted profit/(loss)	759	(14,747)



per share as shown below:

Diluted profit/(loss) per share (US cents)	0.163	(4.42)
Weighted average number of shares	<u>464,869,355</u>	<u>333,900,244</u>

9. 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.

	Owned prospecting licences US\$'000	Third party primary mining licences US\$'000	Third party prospecting licences US\$'000	Owned Mining Licence US\$'000	Third party mining licence US\$'000	Acquired exploration and evaluation Assets US\$'000	Total US\$'000
At 31 December 2011	201	316	330	-	29	-	876
Additions	-	240	-	-	-	9,461	9,701
Impairments	(58)	-	(110)	-	(21)	-	(189)
Reallocation	(22)	(58)	(118)	22	168	-	(8)
At 31 December 2012	121	498	102	22	176	9,461	10,380
Additions	-	-	62	-	-	13,058	13,120
Amortisation	(5)	-	-	-	-	-	(5)
At 31 December 2013	<u>116</u>	<u>498</u>	<u>164</u>	<u>22</u>	<u>176</u>	<u>22,519</u>	<u>23,495</u>

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 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 government of Tanzania has enacted a new Mining Act 2011, which has replaced the previous Mining Act 1998; the new Act became effective from 1 November 2011. The Act has introduced new procedures on renewal of Prospecting Licences (PL's) that now involves a tender process. The changes increase the risk of the Group not being able to retain PL's that have or are due to expire.

Owned prospecting licences

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

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.

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 licences

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.

Owned mining licences

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

Acquired exploration and evaluation assets



On 15 April 2013, the Group acquired 100% of the share capital of Boulder Investments (Private) Limited (“Boulder”), which owns 100% of Shield Resources Limited and the prospective Lupa Licences, from RK Mine Finance 1. The licences cover a significant portion of the exploration ground surrounding the Company’s New Luika Gold Mine including active licences of 1,313 sq km and a further 1,237 sq km of licences under application. This is a large area of prospective exploration ground with a number of priority targets for further investigation by the Company.

The Company paid US\$2.4 million on 12 April 2013, with an additional US\$2.4 million deferred over 24 months and US\$3.1 million issued as a promissory note due on 12 April 2017, both bearing interest at 2.6%. The consolidation of the prospective exploration ground secures 100% control and ownership over the prospective Lupa licences.

Consequent upon the acquisition, the previous exploration joint venture with Great Basin Gold entered into in June 2011, which included a conditional payment obligation on Shanta Gold subject to exploration results, was terminated. The termination of the joint venture eliminated all potential dilution to Shanta Gold whereby it would have been obliged to issue shares in the Company to the value of US\$70 per oz for Measured & Indicated ounces and US\$20 per oz for Inferred ounces for any gold resource defined above 500,000 oz and all mined gold ounces. This transaction also eliminated the Company’s remaining minimum exploration spend of over US\$10 million to earn its 80% interest in Shield Resources, resulting in a loss of US\$1.5 million on settlement of a pre-existing relationship.

Details of the fair value of the identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book Value	FV of assets acquired	Deferred tax	Fair value
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets	-	17,322	5,197	22,519
Current assets	64	-	-	64
Current liabilities	(2,411)	-	-	(2,411)
Provision for deferred taxation	-	-	(5,197)	(5,197)
Total net assets	(2,347)	17,322	-	14,975
Fair value of consideration paid				US\$'000
Net total cash paid				2,400
Fair value of deferred consideration (note 19 (1))				4,614
Fair value of shares and warrants issued (a)				9,461
Total consideration payable				16,474
Less fair value of net assets acquired				(14,975)
Less loss on settlement of pre-existing relationship (b)				(1,500)
Goodwill arising on acquisition				-

(a) In 2012, the Group recognised the initial costs of the transaction (US\$9.5m) as incurred by the creation of the JV, by issuing 12.4 m shares at 21.19p each (US\$4.2m) and 21.6m warrants (US\$5.2m).

(b) The loss of US\$1.5m arises on the settlement of the JV agreement with Great Basin Gold which represents the provision within the JV agreement to transfer the Group’s loan receivable balance of US\$2m at a 25% discount to other parties in the JV.

If the entity had been part of the Group for the whole year, the impact on the income statement would have been a further expenditure of US\$452,000.

10. Mining properties, and other equipment

	Gold processing plant	Mining assets	Assets Under Construction	Mining and Other equipment	TOTAL
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost					
At 1 January 2012	-	-	39,444	1,799	41,243
Additions	-	-	71,977	1,049	73,026
Asset transfers	-	56,873	(56,873)	-	-
Disposals/write off	-	-	-	(17)	(17)
At 31 December 2012	-	56,873	54,548	2,831	114,252
Accumulated Depreciation					
At 1 January 2012	-	-	-	937	937
Charge for the year	-	-	-	401	401

Disposals/written off	-	-	-	(15)	(15)
At 31 December 2012	-	-	-	1,323	1,323
Cost					
At 1 January 2013	-	56,873	54,548	2,831	114,252
Asset transfers	26,886	-	(26,886)	-	-
Additions	449	9,124	9,452	612	19,637
Sales from test production	-	-	(21,687)	-	(21,687)
Reclassification to inventories	-	(9,544)	(6,094)	-	(15,638)
Disposals/write off	-	-	-	(36)	(36)
At 31 December 2013	27,335	56,453	9,333	3,407	96,528
Accumulated Depreciation					
At 1 January 2013	-	-	-	1,323	1,323
Charge for the year	1,333	2,571	268	606	4,778
Disposals/written off	-	-	-	(10)	(10)
At 31 December 2013	1,333	2,571	268	1,919	6,091
Net book value					
At 31 December 2013	26,002	53,882	9,065	1,487	90,437
At 31 December 2012	-	56,873	54,548	1,508	112,929
At 31 December 2011	-	-	39,444	862	40,306

11. Subsidiary companies

At 31 December 2013, 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

12. Categories of financial assets and liabilities

	31 December 2013	31 December 2012
	US\$'000	US\$'000
Loans and receivables		
Trade and other receivables excluding prepayments	7,246	8,244
Restricted cash	600	-
Cash and cash equivalents	14,638	4,277
Total financial assets	22,484	12,521

Financial liabilities measured at amortised cost

Current financial liabilities

Loans and other borrowings (note 19)	10,946	15,322
Trade and other payables excluding warrants	6,006	10,792
Loans payable to related parties (note 17)	337	337
	17,289	26,451

Non-current financial liabilities



Convertible Loan (note 20)	20,240	18,637
Loans and other borrowings (note 19)	27,342	-
	<u>47,582</u>	<u>18,637</u>
Total financial liabilities measured at amortised cost	<u>64,871</u>	<u>45,088</u>
Financial liabilities at fair value through profit or loss		
<i>Current financial liabilities</i>		
Derivative financial liability - warrants (note 23)	537	6,516
Total financial liabilities at fair value through profit or loss	<u>537</u>	<u>6,516</u>

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.

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.

Warrants 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:

	2013	2012
Level 3	US\$'000	US\$'000
At 1 January	6,516	-
Additions in the year	-	6,516
Movement in fair value (note 4)	(5,979)	-
At 31 December 2013	<u>537</u>	<u>6,516</u>

The sensitivity analysis of a reasonable change in one significant unobservable input, holding other inputs constant, of level 3 financial instruments is provided below:

	Income Statement	
	Increase	Decrease
	US\$'000	US\$'000
10% change in volatility	277	(237)
10% change in risk free rate	229	(184)

13. Trade and other receivables

	31 December	31 December
	2013	2012
	US\$'000	US\$'000
Trade receivables	2,999	-
Prepayment	1,088	399
Other receivables	4,247	8,244
	<u>8,334</u>	<u>8,643</u>

During the year no impairments were recognised (2012: US\$Nil). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

14. Reversal of bad debt

In 2012, Shanta Mining Company Limited, a group subsidiary provided US\$1,668 million for an irrecoverable debt that it had incurred on behalf of its then joint venture partner Shield Resources Limited. In 2013, after conclusion of the 100% acquisition of Boulder Investments, this provision was reversed.

15. Inventories

	2013	2012
	US\$'000	US\$'000
Plant spares and consumables	3,118	-
Gold in ore stockpile, gold room and CIL	13,831	-
TOTAL	16,949	-

The amount of inventory which has been recognised as an expense in the year is US\$53,815,506 (2012: US\$Nil).

16. Restricted cash

As per IAS 7 (Classification of Restricted Cash), an amount of US\$600,000 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 payable to related parties

	2013	2012
	US\$'000	US\$'000
Loans from shareholders	337	337

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

18. Trade and other payables

	31 December 2013	31 December 2012
	US\$'000	US\$'000
Trade payables	2,169	7,009
Accruals and other payables	3,837	3,783
Derivative financial liability - warrants (note 23)	537	6,516
	6,543	17,308

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

	31 December 2013	31 December 2012
	US\$'000	US\$'000
<i>Current liabilities</i>		
Loans payable to FBN Bank less than 1 year (2)	10,946	15,322
	10,946	15,322
<i>Non-current liabilities</i>		
Promissory notes (1)	4,842	-
Loans payable to FBN Bank after more than 1 year (2)	22,500	-
	27,342	-
Total loans and other borrowings	38,288	15,322

(1) Promissory Notes

Promissory notes relate to Promissory Note 1 of US\$2.4 million and Promissory Note 2 of US\$3.1 million issued in consideration for the acquisition of Boulder (note 9) and are repayable on 15 April 2015 and 15 April 2017 respectively. 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 two promissory notes of US\$2.4 million and US\$3.134 million was calculated to be US\$

4.82 million.

(2) Loan from FBN Bank

Loan from FBN Bank UK Ltd relates to a US\$ 15 million working capital loan facility obtained in 2012 from FBN Bank UK Ltd, which bears an annual interest rate of LIBOR +7%. The loan is secured on the bank account which is credited with gold sales, the shares in Shanta Mining Company Limited (SMCL) and a charge over the assets of SMCL. At 31 December 2012, US\$10 million was outstanding on this loan. Capital repayments of US\$1.25 million were made per month from January 2013 to August 2013 to clear this loan. In January 2013, a further working capital loan facility of US\$30 million was obtained, and it was secured similarly to the US\$15 million loan.

In August 2013, the Group's loan facilities were restructured. Repayments amounting to US\$3.75m on the US\$15 million loan together with the US\$ 30 million loan were made available to the Group as one loan of US\$33.75 million. This loan bears interest at an annual rate of LIBOR + 6.5%, and is repayable over 36 months from January 2014 at US\$937,500 per month.

In summary, the Group had a new loan facility in January 2013 of US\$30 million to which a further US\$3.75 million was taken in August making the total amount borrowed from the bank of US\$33.75 million. Capital repayments of US\$937,500 per month are being made from January 2014.

20. Convertible Debt

	31 December 2013 US\$'000	31 December 2012 US\$'000
Balance at 1 January	18,637	-
Issued convertible notes	-	25,000
Cash paid interest	(2,125)	(1,517)
Equity element	-	(5,875)
Coupon interest	2,125	1,418
Accreted Interest (note 5)	1,502	751
Debt issue costs	-	(1,140)
Amortisation of warrant costs	101	-
At 31 December	<u>20,240</u>	<u>18,637</u>

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.

21. Provision for Decommissioning

	31 December 2013 US\$'000	31 December 2012 US\$'000
Balance at 1 January	4,129	1,014
Increase in provision	1,372	3,035
Unwinding of discount (note 5)	324	80
At 31 December	<u>5,825</u>	<u>4,129</u>

The above provision relates to site restoration at the New Luika project, which is expected to be utilised by 2022 based on the current mineable resource. The amount of US\$5,824,658 (2012: US\$4,129,833) is included in mining properties within property, plant and equipment. 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

	2013	2012	
Authorised			
665,000,000 ordinary shares of 0.01 pence each	£66,500	£66,500	
Issued and fully paid	Number	£	US\$'000
At 1 January 2012	271,560,546	27,155	45
Issued in year	190,266,921	19,027	30
As at 31 December 2012	461,827,467	46,182	75
Issued in year	<u>2,335,606</u>	<u>233</u>	<u>1</u>

As at 31 December 2013

464,163,073

46,415

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 2013, the total number of warrants deemed to be issued amounted to 31,388,089 (2012: 31,388,089) at a weighted average fair value at the grant date of GBP0.14. The fair value of these warrants was calculated using the Black-Scholes model. The warrants have decreased in value due to the fall in the share price. The exercise price of the warrants was 35 pence, and the share price at 31 December 2013 was 11.38 pence.

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
1,146,697	29 July 2005	25p	29 July 2015
407,367	10 August 2006	59p	10 August 2016
550,000	25 April 2008	8.5p	25 April 2018
1,495,000	8 September 2009	6p	8 September 2019
1,345,000	27 July 2010	18.2p	27 July 2020
875,000	17 November 2010	28.3p	17 November 2020
100,000	16 February 2011	35.13p	16 February 2021
2,750,000	26 September 2011	25p	26 September 2021
1,500,000	26 September 2011	30p	26 September 2021
2,000,000	26 September 2011	35p	26 September 2021
2,955,000	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 December 2013		31 December 2012	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Details of the share options outstanding during the year are:				
Outstanding at 1 January	16,909,064	0.251	12,866,564	0.25
Adjustment - Shares lapsed	-		40,000	
Options voided during the year	-		(150,000)	
Granted in the year	-		2,990,000	0.2313
Granted in the year	-		250,000	0.25
Granted in the year	-		500,000	0.30
Granted in the year	-		500,000	0.35
Share options cancelled during the year	(500,000)	0.31	-	
Share options cancelled during the year	(35,000)	0.2313	(87,500)	-
Outstanding at end of year	16,374,064	0.249	16,909,064	0.251
Exercisable share options at the end of year	9,394,064	0.191	7,480,000	0.191

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 have been used in calculating the fair value of options granted in 2012:

	31 December 2012			
	£0.34	£0.34	£0.34	£0.23
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	\$94,989	\$181,336	\$173,645	\$700,984

Volatility has been based on the Company's trading performance to 31 December 2012. The risk free rate has been determined from government zero coupon stock of equivalent maturity.

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. During the year, the following shares were awarded:

Number of shares	Grant date	Exercise price	Final exercise date
1,110,000	01 April 2013	0p	01 April 2017
2,310,000	01 April 2013	0p	01 April 2017
1,010,000	01 April 2013	0p	01 April 2017
2,250,000	1 January 2013	0p	1 October 2022

The Company's mid-market closing share price at 31 December 2013 was 11.38 pence (2012: 18 pence). The lowest and highest mid-market closing price during the year was 8.88 pence (2012: 17.1 pence) and 23.75 pence (2012: 31.96 pence) respectively.

The 1,110,000 shares awarded on 1 April 2013, were vested on the date of grant. The full fair value on the date of grant has been charged to the Income Statement.

The vesting conditions of the 2,310,000 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.

Monte Carlo inputs for shares awarded	Share price (£)	Share price (£)
	20p	30p
	0.1255	0.089
Total options	1,155,000	1,155,000
Total Options value	144,953	102,795
Exchange rate	1.51820	1.51820

The vesting periods for the 1,010,000 shares awarded on 1 April 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.

The vesting periods for the 2,250,000 shares awarded to Rock Investments Trading Limited (a Company in which Michael Houston has an interest) were that half will vest when the average market capitalisation of Shanta Gold Limited equals or exceeds US\$250 million during five consecutive working days, and the other half will vest when the average market capitalisation of Shanta Gold Limited equals or exceeds US\$350 million during five consecutive working days, as shown on the London Stock Exchange website and converted from Pounds Sterling to US Dollars using such rate as the Board determines to be the prevailing rate or rates for that period, and that on the date when this performance condition is satisfied, that he is still an employee of Rock Investments Trading Limited, or that Rock Investments Trading Limited continues to provide services to Shanta Gold Limited or a Group Company.

The fair value at the date of grant was determined using a probability of meeting the market conditions using the Monte Carlo method.

Monte Carlo Model inputs for Rock Investments shares

	Market capitalisation	Market capitalisation
Per Simulation model provided by Valuations department : Option value	0.1699	0.1559
Total options	1,125,000	1,125,000
Total Options value	191,138	175,388
Exchange rate	1.61620	1.61620

25. Net cash flows from operating activities

	31 December 2013 US\$'000	Restated 31 December 2012 US\$'000
Profit / (Loss) for the year	759	(14,747)
Adjustments for:		
Taxation	(5,125)	-
Depreciation / amortisation	4,783	401
Gain on disposal of assets	(5)	-
Impairment of prospecting licences	-	189
Share option costs	1,426	1,536
Reversal of provision for bad debt	(1,668)	1,668
Loss on settlement of pre-existing relationship	1,500	-
Capitalised sales from test production	21,687	-
Costs transferred from mining properties	15,638	-
Exchange loss	726	-
Finance income (note 4)	(6,019)	(263)
Finance expense (note 5)	7,213	4,366
Operating cash flow before movement in working capital	40,915	(7,018)
Increase in inventories	(16,949)	-
Decrease/(Increase) in receivables	309	(8,330)
(Decrease)/increase in payables	(4,786)	10,755
	19,489	(4,593)
Interest received	40	263
Net cash flow from operating activities	19,529	(4,330)

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.

Principal financial instruments

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

- Loans and receivable
- Cash and cash equivalents
- Restricted cash
- Trade and other payable
- Loans
- Convertible Loan Notes
- Loans to related parties

The Group held no derivative financial instruments during the years ended 31 December 2012 and 31 December 2013.

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 interest rate risks, credit risks, liquidity risks and currency risks arising from the financial instruments it holds.

The risk management policies employed by the Group to manage these risks are set out below.

26.1 Interest rate risk

The Group's exposure to interest rate risk relates to the Group's cash and cash equivalents and FBN loans. Interest rate risk is the risk that the value of financial instruments will fluctuate due to the changes in market interest rates. All cash deposits as well as FBN 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 0.15%. The FBN loans bear interest at LIBOR + 6.5%. Currently, the interest charge per month is an average of US\$170,000. A 0.1% change in the LIBOR rate will increase or decrease the interest charge by US\$3,000.

The Group's cash and cash equivalents are carried at an effective interest rate of 1% (2012: 1%). The annualised effect of a 1% (2012:1%) decrease in the interest rate at the reporting date on that variable rate deposits carried at that date with all other variables held constant, would have resulted in an increase in a post-tax gain for the year of US\$7,590 (2012: US\$147,470). A 1% (2012:1%) increase in the interest rate would, on the same basis, decrease post tax gain 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\$ 600,000 was paid to Auramet Trading LLC as collateral fees.

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\$600,000 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 December 2013		
	US\$'000	US\$'000	US\$'000
	On demand	Within 1 year	After 1 year
Loans to related parties	(337)	-	-
Loans and other borrowings	-	(10,946)	(22,500)
Promissory notes	-	-	(5,534)
Other payables and accruals	(6,006)	-	-
	(6,343)	(10,946)	(28,034)

	31 December 2012		
	US\$'000	US\$'000	US\$'000
	On demand	Within 1 year	After 1 year
Loans from shareholders	(337)	-	-
Loans and other borrowings	-	(15,323)	(25,000)
Other payables and accruals	(10,792)	-	-
	(11,129)	(15,323)	(25,000)

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 measurement 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.

	31 December 2013			
	US\$ US\$'000	TZS US\$'000	GBP US\$'000	Total US\$'000
Trade and other receivables	8,334	-	-	8,334
Cash and cash equivalents	14,429	110	99	14,638
Trade and other payables	(5,889)	(73)	(581)	(6,543)
Loans payable to related parties	(337)	-	-	(337)
Restricted cash	600	-	-	600
Loans and other borrowings	(38,288)	-	-	(38,288)
Convertible loan notes	(20,240)	-	-	(20,240)
Net exposure	(41,391)	37	(482)	(41,836)

	31 December 2012			
	US\$ US\$'000	TZS US\$'000	GBP US\$'000	Total US\$'000
Trade and other receivables	8,244	-	-	8,244
Cash and cash equivalents	4,277	-	1,068	5,345
Trade and other payables	(10,544)	-	(6,764)	(17,308)
Loans payable to related parties	(337)	-	-	(337)
Loans and other borrowings	(15,322)	-	-	(15,322)
Convertible loan notes	(18,637)	-	-	(18,637)
Net exposure	(32,319)	-	(5,696)	(38,015)

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		Spot rate	
	2013	2012	2013	2012
TZS 1	0.001	0.001	0.001	0.001
GBP 1	1.5643	1.588	1.6488	1.616

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\$33.75 million loan facility from FBN Bank in the United Kingdom, all of which has been drawn down. Additional funding could be required if revenue is not as expected.

27. Related party transactions

Details of the Directors' remuneration, share options and other key management personnel are contained within note 6 and the Directors report. Michael Houston, the CEO, is the only executive Director. Directors are considered key management.

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



The loans from related parties (Note 17) are from those companies in which K Patel, M Patel and W Imrie have an indirect interest namely Export Holdings Limited and Trade Finance Services Limited - each lending US\$168,294 to the Group.

Payments of US\$225,800 (2012: US\$170,875) for consulting services have been made to Inyonga Limited, a Company in which K Patel (Director) and M Patel (alternate Director) each has an indirect interest. There were no balances owed at 31 December 2013 (2012: US\$Nil).

Payments of US\$38,235 for accounting services were made to Annandale Limited, a Company in which E Johnstone (Director) had an interest during the part of the period that he was a Director. There were no balances owed at 31 December 2013 (2012: US\$2,333).

Payments of US\$78,083 as Directors' fees were made to N Davis, a partner of Memery Crystal LLP. This firm also provides legal services to the Group. Fees totalling US\$335,587 were paid to Memery Crystal during the year for both the services of N Davis as a Director of the Group as well as the firm's legal services to the Group. At 31 December 2013, there was US\$23,922 owing to Memery Crystal.

Payments of US\$51,000 were made to J Leslie, Strategic Advisor to the Board, for consultancy work carried out for the Group.

28. Commitments

The Directors confirm that the Group has a capital commitment of US\$9.87 million (2012: US\$11.4 million) relating to plant equipment, infrastructure projects and feasibility studies at Singida. As at 31 December 2013, the Group had forward sales commitments of 19,500 ounces of gold. Since year end, the Group has entered into additional forward sales contracts for 4,500 ounces of gold to bring the total forward sales commitments to 24,000 ounces.

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 may cause the Company to have a material cash requirement at some time in the future. Such payments are linked to the proven and probable reserves once established.

The Directors confirm that there are no contingent liabilities against the Group as at 31 December 2013. (2012: US\$Nil)

30. Events after reporting date

No events have occurred since the balance sheet date.

Notice of 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 Ninth 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, on 30 May 2014 at 10.00am. All details including the resolutions and the proxy forms will be sent in due course.