28 February 2020

Shanta Gold Limited
(“Shanta Gold”, “Shanta”, the “Group” or the “Company”)

Full Year Results for the year ended 31 December 2019

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, developer and explorer, announces its audited final results for the year ended 31 December 2019 (“FY2019” or the “Year”). The Company’s focus remained on its flagship asset, the New Luika Gold Mine (“NLGM”), located in Southwest Tanzania, throughout the year.

2019 Highlights

Financial

- Revenue of US$112.8 million (“m”) (2018: US$103.8 m) at average realised gold price of US$1,377 per oz (“/oz”) (2018: US$1,259 /oz);
- Adjusted EBITDA[1] of US$47.7 m, up 4% from 2018;
- Operating cash flow before working capital of US$48.5 m (2018: US$46.1 m);
- Net cash flow from operating activities of US$37.6 m (2018: US$31.0 m);
- Net debt[2] reduction of 55% to US$14.3 m (2018: US$31.5 m);
- Cash costs of US$544 /oz and AISC[3] of US$777 /oz, within 2019 guidance;
- Net capital expenditure of US$17.3 m (2018: US$18.1 m), including US$2.5 m relating to pre-production development at Ilunga; and,
- Available liquidity[4] of US$13.7 m at the end of the year.

Operational

- Gold production of 84,506 ounces (“oz”), above 2019 guidance of 80,000 – 84,000 oz;
- Gold sales of 80,926 oz (2018: 82,457 oz), plus 2,841 oz in transit;
- Milled 702,336 tonnes of ore (2018: 639,678 tonnes), an all-time Company record;
- Average recoveries of 89.4 per cent achieved (2018: 90.9 per cent);
- Average ore grade of 4.2 grams per tonne (“g/t”) (2018: 4.4 g/t);
- Exceptional safety record with TRIFR of 1.00 and zero LTIs in 2019 (2018: zero);
- Drilling added new probable gold reserves totalling 135,438 oz grading 4.07g/t Au more than replacing depletion from mining during the Year; and,
- Company-wide workforce over 99% Tanzanian nationals.

Outlook

- 2020 guidance of 80,000 – 85,000 oz at AISC[3] of US$830 – US$880 /oz; and,
- Exploration budget increased by 65% in 2020 to US$5.0 m.

Post Period

- Purchase of the West Kenya Project from Barrick Gold announced; and,
- Convertible Loan Notes buyback deferred to April 2021 to fund purchase of West Kenya Project, with option to buy back earlier.

Note: 1. EBITDA is earnings before interest, tax, depreciation and amortisation which has been derived as operating profit exclusive of pre-production revenue, depreciation/depletion of tangible assets and amortisation of intangible assets. Adjusted EBITDA has been derived as EBITDA before non-cash loss on unsettled forward contracts.

Note: 2. Net debt includes liquidity available from 2,841 oz in transit to the refinery at 31 December 2019.

Note: 3. Development costs at the BC, Luika and Ilunga underground operations are not included in AISC.

Note: 4. Available liquidity has been derived as unrestricted cash, restricted cash and the sale value of bullion available for sale at the end of the year (net of royalties and expected selling costs).

Eric Zurrin, CEO, commented:

"2019 was a successful 12-month period for Shanta, in which we delivered on all of our operational targets. New Luika produced 84,506 oz, which was ahead of guidance and achieved against the backdrop of an uncompromised safety record.

"Our targeted on-mine exploration activities continue to produce encouraging results and we have increased our exploration budget to US$5.0 m for 2020. Financing for Singida is expected to be secured in the coming year and the Company's growth pipeline has been extended significantly following the significant post period acquisition of the high grade West Kenya Project from Barrick Gold.

"Having reduced our net debt by 55% in 2019, we now have the financial flexibility to continue pursuing value accretive growth opportunities for our shareholders."

Enquiries:

Shanta Gold Limited	
Eric Zurrin (CEO)	+255 (0) 22 292 5148
Luke Leslie (CFO)	
Nominated Adviser and Broker	
Numis Securities Limited	
Paul Gillam / Alamgir Ahmed	+ 44 (0)20 7260 1000
Financial Public Relations	
Tavistock	
Charles Vivian / Barnaby Hayward / Gareth Tredway	+44 (0)20 7920 3150

About Shanta Gold

Shanta Gold is an East Africa-focused gold producer, developer and explorer. It currently has defined ore resources on the New Luika project in Tanzania and holds exploration licenses covering approximately 1,500km^2 in the country. Shanta's flagship New Luika Gold Mine commenced production in 2012 and produced 84,506 ounces in 2019. The Company has been admitted to trading on London's AIM and has approximately 794 m shares in issue. For further information please visit: www.shantagold.com.

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014.

Chairman's statement

Dear Shareholders,

It is my pleasure to provide a review of your Company in 2019. The New Luika Gold Mine delivered robust operational results, a testament to Shanta's employees who continue to deliver on all fronts while executing on our excellent safety record, which as a Company we are very proud of. We surpassed our stated production objective which helped to reduce net debt and increased our financial flexibility to pursue value driven growth.

Priorities and operating highlights

Reaching commercial production from the Ilunga Underground Mine in the year represented the introduction of a third source of underground mill feed to our plant, helping to diversify operational risk at New Luika. Our cost streamlining initiatives continued this year, including the connection of our mine to the national power grid. Power from the national grid is projected to cost 50% less than power generated from the Company's Heavy Fuel Oil ("HFO") power plant and contributes to the effort to bring lower grade ore into our reserves over the long term.

One of the Company's key objectives for 2020 and beyond continues to be mine life extension through on-mine exploration. We were successful in 2019, extending the mine life at New Luika into 2024 with exploration at depth. As well as 574,000 ounces of existing low-grade resources not currently incorporated into the mine plan, all of our underground deposits remain open at depth and along strike. Value contribution from every additional year of mine life is significant and the Board has therefore chosen to invest in a more expansive exploration programme for 2020.

The gold price is currently reaching heights not seen for almost seven years which increases the value of the Company's second asset, Singida. We are considering a number of financing options to raise the capital required and remain committed to starting construction in 2020. Once in production, Singida should be a great success story for the region and the wider Tanzanian gold mining industry.

Whilst a lack of timely VAT refunds continues to provide a headwind for the Company, we welcomed partial refunds late in 2019 and trust these will continue. The Company's monthly VAT outgoings are approximately US$0.6 million.

We were delighted to announce the acquisition of the West Kenya Project from Barrick Gold, post the year end. The Project is a good fit in the Company's portfolio and is expected to be mined using the same mining method used at New Luika. The Project is believed to be one of Africa's highest quality '1 million plus' ounce assets and is located a similar distance from Singida to the north, as New Luika is to the south. I look forward to the Company providing further updates, once completion conditions have been satisfied, which is expected midway through this year.

Social and economic contribution

Shanta's Corporate Social Responsibility ("CSR") programmes at New Luika are aligned to local and national priorities. Our intentions are for the Singida project to provide similar benefits to Tanzania's Singida region once mine development has commenced.

The Company’s economic contribution to Tanzania has been growing steadily since New Luika became a producing mine in 2013. In 2019, the Company contributed US$19 million in taxes and royalties to the Government of Tanzania. 40% of New Luika’s employees come from communities around the mine and 99% of our workforce are Tanzanian citizens. New Luika’s supply chain is almost exclusively Tanzanian and is an important ingredient for Shanta’s successes.

Outlook

We anticipate another year of steady production in 2020, with production forecasts expected to be similar to 2019 at 80,000 – 85,000 oz of gold. Through exploration we are also looking to maintain similar production levels from New Luika for years to come.

The purchase of the West Kenya Project adds a future growth project to the Company’s producing mine at New Luika and development Project at Singida. In 2020, post completion, Shanta expects to become a geographically diversified company with a strong growth pipeline of high grade assets in East Africa, maintaining best practice in its environmental and social responsibilities. Our substantially reduced debt provides stability and flexibility and we are committed to enhancing returns to all stakeholders.

I’d like to take this opportunity to thank all the board and employees for their continued efforts in what was another successful year for Shanta. I look forward to the Company’s continued progress and success in the coming year.

Anthony Durrant
Chairman
27 February 2020

Chief Executive Officer's review

2019 proved to be a successful 12-month period for the Company, underpinned by consistent delivery of operational targets.

Given the array of achievements at New Luika Gold Mine in the year, headlined by Shanta exceeding production guidance, it is only fitting to begin this review by extending my deepest gratitude to the entire Shanta Gold workforce for their dedication and hard work. Pleasingly, the successes of 2019 were achieved against the backdrop of an uncompromised safety record and, with our targeted on-mine exploration activities continuing to produce encouraging results, I am looking forward to an increasingly prosperous future for Shanta and all of its stakeholders.

The Company's operational successes throughout the year meant we were able to take advantage of a strong rise in the gold price, resulting in a financial performance that was equally as satisfying as our operational performance. This is best demonstrated by the fact that significant free cashflow continued to rapidly drive down debt, with the Company now fast approaching a net cash position. A stronger balance sheet with a high-margin gold mine allows us the flexibility to act swiftly on growth opportunities and return value to shareholders.

We expect a similar positive outcome to the year ahead, with annual production guidance at New Luika Gold Mine ("New Luika") set at 80,000−85,000 ounces ("oz") for 2020 at an All-in Sustaining Cost ("AISC") that will again generate significant EBITDA for the Group.

In addition, we are progressing our Singida asset further towards becoming the Group's second producing mine. Once operational this is expected to see Shanta produce over 100,000 oz annually, and the asset-level financing needed is expected to be secured during the course of 2020.

HIGHLIGHTS

Raising the bar on safety

"There is no job that cannot be carried out safely" is one of several adages displayed prominently at New Luika and this message permeates through our entire business. No aspect of our performance is considered more important than maintaining a safe working environment, and responsibility for this is held by everyone at Shanta. This Company ethos has shown positive outcomes with our cumulative Total Recordable Injury Frequency Rate ("TRIFR") (per 1 million hours worked) of 1.00 for 2019 an 11% reduction from 2018 (1.12), and significantly below the global industry average of 3.41, as measured by the International Council on Mining and Metals. This achievement represents the Company's fourth successive annual decline in recordable injuries.

There were no Lost Time Injuries ("LTI's") during 2019 and by the year-end, the Company had surpassed 3.9 million man-hours without an LTI. Having now successfully operated for over two years without an LTI, Shanta is continuing to extend its track record of being among the safest gold mining operations worldwide and I'd like to again thank the team for their hard work in ensuring the continuation of high safety standards.

Striving for operational excellence

Having rigorously streamlined the Company's cost base in the previous year, the team focussed on maintaining a lean operation and maximising value output from New Luika, while ensuring this was not to the detriment of our safety record. Prioritising throughput over recoveries was a key value-generating decision taken by management in the year and the processing plant has consistently performed above its nameplate capacity, contributing to one of Shanta's most productive years yet.

One of the major successes of 2019 was reaching commercial production from the Ilunga Underground Mine on schedule and on budget. Commercial production was declared following net pre-production capital investment of only US$5.0 million and Ilunga is now the third source of high-grade underground feed at New Luika, alongside the Bauhinia Creek and Luika underground deposits.

Power generation represents one of New Luika's most significant operating cash outflows, and as such steps were taken to streamline this cost in the year. A clear and effective way to achieve this was via a connection to the relatively inexpensive state ("TANESCO") grid. We were delighted to announce that we were able to establish this connection towards the end of 2019 and, moving forwards, power costs at site are expected to be noticeably lower. As a result of this reduction in power costs, lower grade ore will now be economical to mine, which adds further ounces to the mine plan that we would not otherwise have considered processing. Connection to the TANESCO grid also further diversifies power sources at New Luika in line with Shanta's wider risk reduction strategy, and one of the Company's objectives is to incrementally increase the percentage of our power usage drawn from the grid.

AISC for 2019 were $777/oz, within cost guidance of US$740-780/oz for the year. Our staff continue to eradicate wastage at site and this achievement reflects the hard work put in throughout the year. The determination to optimise cost efficiency is engrained within the Group's modern business approach, in which Shanta's employees are incentivised to perform in direct alignment with shareholder interests.

Debt to equity value transfer

New Luika continued to generate significant operating cashflows during 2019 and Adjusted EBITDA for the year amounted to US$47.7 million (2018: US$45.7 million). This robust financial performance has enabled Shanta to continue its rapid reduction of both gross debt and net debt, with gross debt at its lowest position in over seven years and net debt down 55% from the end of 2018.

Cashflows have largely been used to fulfil debt obligations in recent years but the health of the Company's current balance sheet will afford Shanta the opportunity to direct additional operating cashflows towards maximising shareholder returns. Shanta's share price has outperformed all other London-listed pure play gold producers over the past two years and transferring value to shareholders continues to drive strategic decision-making for management, all of whom are also Shanta shareholders.

Securing longevity through exploration

Exploration activities are at the forefront of the Company's priorities, with 2019 marking a number of significant discovery successes. Our strategy at New Luika is to maintain a rolling life of mineable ounces which balances the cost of exploration with visibility on future production. The value that is added to the Company for every additional year of mine life is significant. We were successful this year in adding new reserves to the Life of Mine Plan, which now extends through to 2024 with new targets identified in the year in the form of Bauhinia Creek ("BC") North and Elizabeth Hill ("EH") North.

Adding ounces to the mine plan is one of the simplest ways that the Company can generate value for shareholders and the Board has taken the decision to increase the Company's 2020 exploration budget by 65% in 2020 to US$5.0 million. Key objectives include upgrading existing Mineral Resources and extending New Luika's mining schedule beyond 2024. All of the underground deposits drilled during 2019 remain open at depth and along strike, presenting potential for significant upside, with preparations ongoing to test the extension of these. Seven kilometres of drilling is planned for the coming year on our existing orebodies, supplemented by four kilometres of drilling at near-mine targets.

New probable gold reserves totalling 135,438 oz were added to the mine plan in late 2019 following a modest drilling campaign on the BC Deep West and East, EH North, BC North and Black Tree Hill deposits, costing approximately US$1.0 million. These new reserves more than replaced 2019 production, despite a 44,000 oz reduction in Ilunga underground reserves, representing successful delivery of the Company's strategy to maintain a rolling mine life that balances the cost of exploration with visibility on future production. The drilling campaign also increased Indicated resources to 219,408 oz and added 94,007 oz of new Inferred resources, with minimal capital expenditure required to bring these deposits into production in the future as they are very close to the existing mining areas.

Regionally, Shanta holds a sizeable portfolio of prospecting licenses covering approximately 1,500km^2 in the highly prospective Lupa Goldfield, the second largest goldfield in Tanzania and an area home to numerous existing and historical gold mining operations. The Company generated several high confidence targets within this land package in 2019 through soil sampling and scout drilling. This shallow drilling has already provided encouraging intersections and exploration activities, including geophysical surveys and soil sampling, will continue on premium targets throughout 2020.

Tanzania's next significant gold mine
Shanta's second project, Singida, continues to be a significant source of potential value for the Company and steps were taken in 2019 to fast-track a promising future from the asset for all stakeholders.

Support infrastructure and other preparatory arrangements at the Singida Project are complete and the Company is considering several options for raising the capital required to construct the Singida Gold Mine. In 2019, the Company announced its intentions to proceed with a targeted US$20 million minimum equity offering via an Initial Public Offering ("IPO") on the Dar es Salaam Stock Exchange ("DSE"). An IPO prospectus was submitted to the Tanzanian regulators and the DSE, both of whom have since provided formal feedback. Shanta intends to retain majority ownership and operatorship of the Project and the targeted IPO proceeds would finance upfront capital to bring the Project into production. In-country approvals remained outstanding at the year-end.

In connection with the planned IPO the Group entered into a non-binding term sheet with a privately-held, East African conglomerate in the year for a supplementary non-recourse loan facility to finance Singida, which is conditional on a minimum equity raise of US$15 million at the IPO.

The Group is continuing to consider all available financing options for the Singida project, which, once in production, is expected to increase consolidated Group production to over 100,000 oz per annum.

Showcasing Tanzanian expertise
Shanta has proudly broken the industry mould in recent years by transitioning New Luika and Singida into operations run almost exclusively by in-country nationals. Tanzania has an established history of gold mining and local expertise is industry leading. In terms of headcount, Shanta's group-wide workforce is over 99% Tanzanian; one of the Company's single-most valuable strengths and testament to the talent that we have in-country.

Shanta endeavours to support New Luika's local suppliers where possible and this provides much needed economic benefits for the local area, further improving the strong relationships that we already have with our neighbouring communities, who are very supportive of Shanta and what we are trying to achieve. At the end of the year 40% of the Company's workforce were employed from communities in the immediate vicinity of New Luika.

During 2019 Shanta paid US$19.0 million to the Government of Tanzania in taxes and royalties, exclusive of VAT payments. Monthly VAT outgoings continue to amount to approximately US$0.6 million.

VAT refunds
Outstanding VAT refunds are a headwind for the Company, however there were several breakthroughs in 2019 which could suggest the re-emergence of timely refunds. The Company's VAT receivable amounted to US$21.9 million at the end of the year, largely unchanged from its position at the end of 2018. This was achieved following welcome cash refunds of US$2.7 million in the year, with an additional US$4.8 million of the receivable balance offset against corporate taxes falling due. The Group exports doré bars which is not considered to be a raw mineral and therefore not deemed to be an exempt supply under the amended VAT Act 2014 brought into effect in July 2017, making Shanta eligible for VAT refunds.

Mergers and Acquisitions
Since the year-end, in February 2020, we were pleased to announce the purchase of the West Kenya Gold Project from Barrick Gold, a significant acquisition for Shanta. When the transaction closes, the project will be purchased for cash consideration of US$7 million and US$7.5 million in Shanta Gold shares, with a 2 percent net smelter royalty to be paid over the duration of the project and Shanta assuming up to US$4 million of outstanding third party liabilities. The project spans 1,161 km^2 within the Lake Victoria greenstone gold field located in North West Tanzania and South West Kenya and has a NI-43101 compliant, Inferred Mineral Resource Estimate of 1,182,000 oz grading 12.6 g/t. It is believed to be one of the highest grading 1 million+ oz gold deposits in Africa, with the region home to a number of global tier 1 assets including North Mara and Geita Gold Mine;

all in all, excellent geography to be in.

Our specialised, low cost mining makes Shanta an ideal company to own and develop this asset: we are one of the lowest cost practitioners of Long Hole Open Stoping underground mining, and it is anticipated that this will be the optimum mining method for this project. Once we complete the transaction midway through this year our team will move to site to complete the data handover, where we plan to proceed with a scoping study in advance of an infill drilling campaign. Subject to the exploration results, this would likely be followed by a Pre-feasibility study and a Definitive Feasibility Study. I look forward to providing updates on this exciting project during the course of 2020.

OPERATIONS REVIEW

New Luika Operations Review

New Luika delivered its highest ever mill feed from underground operations in 2019, with open pits providing supplementary ore feed for three months of the year, in line with the planned mining schedule. Total mill feed was 702,336 tonnes ("t") at an average grade of 4.2 g/t for the production of 84,506 oz of gold. The volume of ore milled was an all-time Company record and production for the year exceeded guidance of 80,000- 84,000 oz. This was a significant achievement and followed a strategic decision to prioritise throughput over recoveries, following a trade-off study concluding that this will generate higher value returns for shareholders. The processing plant has coped very well with the higher throughput during 2019.

Bringing Ilunga, the third active source of high-grade ore at New Luika, into production in 2019 has bolstered operational flexibility and helped to mitigate operational risk at the mine. Commercial production was declared in July 2019 with the deposit's first ore stope 98 metres below surface, coming less than 12 months after the underground portal blast was carried out. Almost 3,000 metres of development was completed at Ilunga in the year with 93,000 tonnes of ore mined, providing a significant contribution to 2019 mill feed.

Crucially, the Group's operational successes in the year were delivered alongside tightly controlled costs and zero LTI's for the year.

Quarter on Quarter AISC

	2019 US$'000	2018 US$'000
Q1	701	776
Q2	773	748
Q3	723	769
Q4	894	696

AISC for the year were US$777/oz, within guidance of US$740 – US$780/oz. Development costs at the BC, Luika and Ilunga underground operations are not included in AISC.

The Group operates a rolling review of its supplier contracts and costs are closely managed. Connecting New Luika to the TANESCO grid is expected to improve the cost of power generation at the mine and the team continues to seek other cost optimisation opportunities.

FINANCIAL OVERVIEW

Turnover for the year from sales of gold amounted to US$112.8 million, compared to US$103.8 million in 2018. This increase of 8.7% was largely driven by growth in the average realised selling price for the year. By the end of 2019 the Company had sold 80,926 oz of gold (2018: 82,457 oz), with a further 2,841 oz in transit to the refinery.

With the exception of settling forward sales for 5,000 oz, the Company deferred settlement of all forward sales throughout the year for full exposure to the spot gold price. The average gold price realised for the year was US$1,377/oz compared to the average spot price for the year of US$1,402/oz. A mark to market valuation carried out at the end of the year resulted in a non-cash loss on open commodity swaps of US$8.4 million (2018: US$1.3 million). A loss of US$1.4 million (2018: gain of US$1.0 million) was incurred on commodity swaps delivered into in the year.

Cost of sales amounted to US$88.6 million (2018: US$75.3 million) representing a gross margin of 21% (2018: 26%). This increase of US$13.3 million includes a non-cash increase in depreciation of US$5.0 million. Tonnes mined during the year were 11% lower than in 2018, however there was a 10% increase in tonnes milled. This increased plant throughput included drawdown of lower grade stockpiles in the year which increased the cost of milled tonnes in 2019. The average head grade for the year was 4.2g/t (2018: 4.4 g/t) and recoveries from the plant were 89.4% (2018: 90.9%). As a result, the total cash cost of ore milled in 2019 was US$3.7 million higher than in 2018. Furthermore, US$1.1 million of additional royalties were incurred on the higher average selling price for the year. US$5.0 million of pre-production revenue from Ilunga was recognised during the Period at nil-margin.

Administration costs for the year amounted to US$6.6 million (2018: US$6.5 million), representing the endurance of previously completed cost reduction initiatives.

Exploration expenditure for the year amounted to US$2.6 million (2018: US$1.5 million) and, amongst other successes, added new probable gold reserves of 135,438 oz to the mine plan at a grade of 4.07g/t, extending it through to 2024. The Company will continue to prioritise on-mine exploration with low cost, high impact drilling and the 2020 exploration budget has been increased to US$5.0 million with the aim of extending New Luika's mine-life beyond 2024.

Operating profit for the year was US$5.1 million (2018: US$19.3 million), heavily impacted by the non-cash loss on forward contracts and increased non-cash charges to cost of sales in the year. Adjusted EBITDA amounted to US$47.7 million (2018: EBITDA of US$45.7 million). This relative consistency does not take into account the sale value of gold bullion on hand, which increased by 3,536 oz between respective year-ends.

Net finance expense (cash and non-cash) amounted to US$6.4 million (2018: US$6.2 million), including a US$1.0 million non-cash charge relating to an increase in the estimated silver stream liability, to align it with the extended mine plan announced in late 2019. Excluding this change in estimate and imputed interest calculated on the silver stream liability, which is also a non-cash expense, the net finance expense reduced in line with continued deleveraging of the balance sheet.

A loss before tax of US$1.2 million (2018: profit before tax of US$13.1 million) was recorded. A tax charge amounting to US$8.3 million (2018: US$5.2 million) resulted in a loss after tax of US$9.5 million (2018: profit after tax of US$8.0 million). The increased tax charge in 2019 reflects brought forward tax losses on key mining licenses no longer being available, having been fully utilised. US$4.8 million of the 2019 tax charge was set off against the Company's brought forward VAT receivable during the year.

In the statement of financial position, non-current assets increased to US$129.0 million (2018: US$123.3 million). This follows the reclassification of US$20.0 million of VAT receivables to non-current assets, and is after net capitalised spend of US$17.3 million offset by US$31.3 million of depreciation. Current assets totalled US$39.4 million (2018: US$61.3 million), again following the reclassification of US$20.0 million of VAT receivables to non-current assets and, otherwise, largely the net effect of a US$2.6 million increase in inventories and a reduction in unrestricted cash of US$5.5 million. The value of the Company's VAT receivable was largely unchanged from 2018 following cash refunds and offsets approximately equal in value to VAT outflows during the year. Net working capital decreased to US$23.6 million (2018: US$40.4 million), primarily due to the reclassification of US$20.0 million of the Company's VAT receivable to non-current assets.

Overall liabilities decreased to US$72.2 million (2018: US$79.4 million) following continued deleveraging. This included US$20.5 million of net capital repayments towards loans and borrowings and the silver stream during the year, including US$5.2 million spent on buying back convertible loan notes. The decrease in overall liabilities included a US$8.4 million increase in derivative financial liabilities in relation to the mark to market valuation of open commodity swaps at the year-end.

The unrestricted cash balance at the year-end totalled US$3.5 million (2018: US$9.0 million). Net debt reduced 55% to US$14.3 million (2018: US$31.5 million), inclusive of liquidity available from 2,841 oz of unsold doré in transit at the end of 2019.

Hedging

As of the end of the year, the Company had sold forward 40,000 oz to June 2020 at an average price of US$1,244/oz. These forward sales were entered into during late 2018 and were considered prudent given the Company's contractual debt repayments through to June 2020, with the gold price presenting an asymmetric risk in the event of a decline.

The Company has the flexibility to defer settlement of forward sales and, with the exception of settling forward sales for 5,000 oz, had full exposure to the spot gold price during 2019. Despite growth in the gold spot price since the end of 2018, which benefitted Shanta significantly, having forward sales in place throughout the year enabled the Company to invest in its operations in the knowledge that short-term cashflows are protected, in advance of US$17.6 million of contractual debt repayments scheduled for the first six months of 2020.

Post year-end, the total forward sales commitment at the end of January 2020 was 37,000 oz at an average price of US$1,244/oz.

CORPORATE SOCIAL RESPONSIBILITY

People

Shanta's achievements in the year were the direct result of an entire workforce operating collectively under the same philosophy, embracing opportunities and avoiding complacency. Every member of the team is motivated to exceed their own expectations and it is the application of this dedicated, accountable culture under which we operate that has enabled the Company to succeed in producing another set of very good results.

The Group's headcount, including employees at both New Luika and Singida, totalled 748 people at the end of 2019 (2018: 795 people) and our Tanzanian staff span every discipline. The Executive Committee and Board of Directors of the local operating entity, Shanta Mining Company Limited ("SMCL"), are led almost entirely by Tanzanian nationals.

Shanta aims to be a model corporate citizen and having a positive local impact is fundamental to both the way that it conducts daily operations and its reputation as a responsible gold producer. At the end of 2019, 99% of the Company's workforce were Tanzanian (2018: 99%) and approximately 40% are from local communities around New Luika. The Mine is a significant source of employment for nearby villages and towns, providing a vital economic boost in an area that continues to suffer from high levels of unemployment and economic disadvantages.

Business Sustainability

Our social and economic footprint within Tanzania is vitally important, particularly in Songwe and Singida. The Company strives to improve livelihoods in these areas through the implementation of community initiatives in which we typically play a developmental partner role. Ensuring that our presence benefits all stakeholders is a core aspect of the Company's values.

Local suppliers are a key part of our supply chain and by procuring products locally the Company is able to simplify its logistics requirements. Farmers in two of the villages next to New Luika have been supplying food to the staff kitchen for the past three years. We have also engaged suppliers from local villages for products including rice, corn flour, beans, fruits and hardware, which is helping these communities to establish a reliable source of income.

Respect for the local environment is at the forefront of our efforts to operate responsibly. Management of the forests around New Luika helps to mitigate any short-term environmental disturbance and these efforts continue to be supplemented by an internally managed carbon offset programme.

Several of Shanta's established livelihood programmes are growing regionally, most notably those centred around transferring skills. The goal is for participants in these programmes to retain learned skills that can be passed to future generations independently, leaving a lasting legacy. The desire to instigate positive change and embrace our social responsibilities drives the Company's programmes and several new initiatives were rolled out in 2019.

Education, Water, Livelihood and Health continue to represent the foundations of Shanta's community priorities.

Education

Shanta's partnership with Hazelwood School (Charity Number 312081), a UK based charity providing teacher training in the Songwe region, "Into Africa – Partners in Learning", continued throughout 2019 with approximately 1,300 volunteer hours spent at four schools near New Luika. A dedicated team of skilled teachers spent this time training local teachers on how to improve their methodology and the result has been a notable improvement in student performance across various subjects. School attendance levels are being sustained at higher levels across all of the schools, two of which earned record exam results in the year. Highlights of the programme included inaugural Information and Communications Technology ("ICT") lessons, and maths lessons being delivered in Swahili. The programme has proven to be an invaluable source of teacher training and student support for participating schools.

Shanta has been offering a scholarship programme for underprivileged students since 2014, supporting 55 students through Secondary Education, and 95 students through Primary Education every year. Shanta's team places great value on supporting local education and employees made various donations in the year, contributing funds for stationery, chairs and tables. Hazelwood School carried out fundraising for an array of teaching equipment. The Company donated approximately a tonne of sports equipment which facilitated interschool competitions for local students.

By working with local authorities the Company is looking to hire a full-time ICT teacher, with the goal of unlocking the opportunities that online access can bring to Songwe's education system. The Company donated computer hardware and wireless internet equipment to local schools in the year and installed desktop computers alongside an ICT Centre at nearby Mbangala Primary School. A pilot programme, "Power for Songwe", was introduced by the Company in the year and solar power has now been installed at nearby Maleza Primary School, which was not otherwise connected to the national electricity grid. This initiative has provided lighting for evening studies at the school, and solar power at Patamela Primary School has now been commissioned for early 2020.

For many years Shanta has been involved in education infrastructure development within local communities, and during 2019 purchased the materials required to roof three classrooms in the Songwe Region. Plans are also in advanced stages to construct three new classrooms, a student ablution block and housing for teachers at Saza Primary School, less than five kilometres from New Luika.

Water

Availability of fresh water remains a huge challenge for many people living in Songwe and Singida, areas that are heavily affected by an extensive dry season, which can span more than six months without any rainfall.

Two deep water boreholes were constructed in 2019, including one in the nearby Patamela village which extends 80 metres below ground level. A shallow borehole was also constructed for a family from the Elizabeth Hill area, which can produce over 5,000 litres of water per day. Stagnant water sources around New Luika, especially from the banks of Lake Rukwa, carry a major risk of water-borne disease. The boreholes have been designed to provide water that is free of impurities and sediment, and crucially, that is safe to drink.

In Patamela village, residents live without access to grid power and during the year the Company installed a solar-powered pump to supplement the newly constructed water borehole. These facilities vastly reduce the distance that many residents previously had to traverse to access clean water.

Livelihood
Farmers in Songwe have historically faced significant challenges, with insufficient food crops making it a struggle to guarantee a self-sufficient food supply or meaningful income from agriculture outside of harvesting season. This has previously led to a dependency on dangerous and illegal artisanal mining as the only means of income generation. Since 2016, enrolment for Shanta's farming collaboration with Export Trading Group ("ETG") has grown annually, with approximately 1,500 farmers enrolled at the end of the year. This represented a 71% increase on the 877 farmers who took part in the 2019 programme.

Newly trained participants, who had no prior knowledge of farming, have been guided on how to cultivate an optimum yield from their soils, with expert agricultural assessments carried out to determine which crops are best suited to their land. The latest sesame harvest yielded 447 tonnes of crop with a sale value of US$0.5 million, which was earned directly by participants. The scheme is highly structured with a year of classroom training supplemented by practical learning at a demonstration farm, followed by supported practical application during the following harvests. Practices adopted through this initiative have led to an expansion of Shanta methods across Songwe and skills taught through this collaboration will provide future generations of farmers in the region with opportunities that previous generations didn't have access to.

Health
Untreated HIV infections are a widespread health issue in Songwe and during 2019 Shanta conducted an awareness programme at New Luika, covering topics such as transmission, preventative measures and treatments. Hundreds of staff took part in a voluntary HIV testing programme funded by the Company. Many of Shanta's employees also donated blood in the year, helping Songwe become a leading district in the region in terms of annual blood donations, and the Company funded specific health-related procedures for a selection of local residents who were in need.

Outlook
Annual production guidance at New Luika for 2020 has been set at 80,000−85,000 oz at an AISC of US$830-880/oz. This cost guidance takes into consideration the reintroduction of supplementary open pit mining for a portion of the year and royalties, which are expected to be incurred on a higher average selling price per ounce than in 2019.

The 2020 exploration budget has been increased by 65% as the Company targets further mine-life extension and progress towards a potential asset level financing for Singida is accelerating.

The West Kenya Project acquisition announced in early 2020 is significant for Shanta, expanding the Group across East Africa with realisable growth prospects and high asset quality spanning three attractive gold projects. This new project substantially adds to the Company's resource inventory and regular updates will follow once the transaction has closed.

Summary

At the beginning of 2019, Shanta set itself ambitious and challenging targets for the year ahead and these were successfully delivered on. Our successes were only made possible by the support that we received from all of our stakeholders. Shanta is now fast approaching a transformative period in which lenders will no longer be the primary benefactors of the Company's cashflows.

I am looking forward to reporting progress to you throughout the year as Shanta's journey continues on what I believe will be another successful year for the Company and its stakeholders.

I'd like to take this opportunity to again thank all of our shareholders, our employees, members of the Board and our partners, for their commitment to the Company and for their invaluable ongoing support.

Eric Zurrin

Chief Executive Officer
27 February 2020

Consolidated statement of comprehensive income

	Notes	31-Dec 2019 US$'000	31-Dec 2018 US$'000
Revenue		**112,795**	103,803
Loss on non-hedge derivatives and other commodity contracts		**(9,833)**	(1,259)
Depreciation		**(30,613)**	(25,654)
Other cost of sales		**(57,982)**	(49,661)
Cost of sales		**(88,595)**	(75,315)
Gross profit		**14,367**	27,229
Administration expenses		**(6,625)**	(6,520)
Exploration and evaluation costs		**(2,611)**	(1,454)
Operating profit		**5,131**	19,255
Finance income		**53**	65
Finance expense		**(6,375)**	(6,179)
(Loss) / Profit before taxation		**(1,191)**	13,141
Taxation		**(8,291)**	(5,152)
(Loss) / Profit for the year attributable to the equity holders of the parent Company		**(9,482)**	7,989
(Loss) / Profit after taxation		**(9,482)**	7,989
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign entities which can subsequently be reclassified to profit or loss		**1**	(4)
Total comprehensive (expense) / income attributable to the equity holders of the parent Company		**(9,481)**	7,985
(Loss) / earnings per share attributable to the equity holders of the parent Company			
Basic (loss) / earnings per share (US$ cents)	**4**	**(1.206)**	1.029
Diluted (loss) / earnings per share (US$ cents)	**4**	**(1.206)**	1.017

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

Consolidated statement of financial position

	Notes	31-Dec 2019 US$'000	31-Dec 2018 US$'000
ASSETS			
Non-current assets			
Intangible assets		**23,378**	23,277
Property, plant and equipment		**82,748**	99,989
Right of use assets		**2,947**	-
Other receivables		**19,968**	-
Total non-current assets		**129,041**	123,266
Current assets			
Inventories		**27,090**	24,479
Trade and other receivables		**6,282**	25,330
Restricted cash		**2,500**	2,500
Cash and cash equivalents		**3,506**	8,958
Total current assets		**39,378**	61,267
TOTAL ASSETS		**168,419**	184,533
CAPITAL AND RESERVES			
Equity			
Share capital and premium		**158,440**	157,848
Share option reserve		**473**	698
Convertible loan note reserve		**5,374**	5,374
Translation reserve		**450**	450
Shares to be issued		**627**	592
Retained deficit		**(69,114)**	(59,835)
TOTAL EQUITY		**96,250**	105,127
LIABILITIES			
Non-current liabilities			
Loans and other borrowings	**5**	**5,219**	8,230
Convertible loan notes		**-**	10,060
Provision for decommissioning		**8,426**	8,545
Provision for deferred taxation		**10,518**	8,230
Total non-current liabilities		**24,163**	35,065
Current liabilities			
Trade and other payables		**23,612**	14,550
Contract liabilities		**-**	189
Loans and other borrowings	**5**	**14,026**	23,664
Convertible loan notes		**9,987**	5,000
Income tax payable		**381**	938
Total current liabilities		**48,006**	44,341
TOTAL LIABILITIES		**72,169**	79,406
TOTAL EQUITY AND LIABILITIES		**168,419**	184,533

The financial statements were approved and authorised for issue by the board of Directors on 27 February 2020 and signed on its behalf by:

Eric Zurrin
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 2017	**116**	**157,152**	**1,037**	**5,374**	**454**	**512**	**(68,240)**	**96,405**
Profit for the year	-	-	-	-	-	-	7,989	7,989
Other comprehensive income for the year	-	-	-	-	(4)	-	-	(4)
Total comprehensive income for year	**-**	**-**	**-**	**-**	**(4)**	**-**	**7,989**	**7,985**
Share based payments	1	579	13	-	-	80	64	737
Lapsed options	-	-	(352)	-	-	-	352	-
Total equity 31 December 2018	**117**	**157,731**	**698**	**5,374**	**450**	**592**	**(59,835)**	**105,127**
Effect of adoption of IFRS 16	-	-	-	-	-	-	(10)	(10)
Total equity 1 January 2019 as restated	**117**	**157,731**	**698**	**5,374**	**450**	**592**	**(59,845)**	**105,117**
Loss for the year	-	-	-	-	-	-	(9,482)	(9,482)
Other comprehensive income for the year	-	-	-	-	-	-	1	1
Total comprehensive expense for year	**-**	**-**	**-**	**-**	**-**	**-**	**(9,481)**	**(9,481)**
Share based payments	1	591	(13)	-	-	35	-	614
Lapsed options	-	-	(212)	-	-	-	212	-
Total equity 31 December 2019	**118**	**158,322**	**473**	**5,374**	**450**	**627**	**(69,114)**	**96,250**

Consolidated statement of cash flows

	Notes	31-Dec 2019 US$'000	31-Dec 2018 US$'000
Net cash flows generated from operating activities	**6**	**37,598**	31,030
Investing activities			
Purchase of intangible assets		**(108)**	-
Purchase of plant and equipment		**(54)**	(38)
Asset under construction		**(13,572)**	(9,501)
Mine development expenditure		**(7,104)**	(7,053)
Net cash flows used in investing activities		**(20,838)**	(16,592)
Financing activities			
Loans repaid		**(13,985)**	(13,747)
Buy-back of convertible loan notes		**(5,219)**	-
Equipment loan repaid		**(1,046)**	(2,400)
Principal paid on lease liabilities		**(1,587)**	(944)
Interest paid		**(3,443)**	(4,579)
Contributions to restricted cash		**-**	(625)
Loans received (net of loan arrangement fees)		**3,068**	3,264
Net cash flows used in financing activities		**(22,212)**	(19,031)
Net decrease in cash and cash equivalents		**(5,452)**	(4,593)
Cash and cash equivalents at beginning of year		**8,958**	13,551
Cash and cash equivalents at end of year		**3,506**	8,958

1. General information

Shanta Gold Limited (the Company) is a limited company incorporated in Guernsey. The address of its registered office is 11 New Street, St Peter Port, Guernsey, GY1 2PF. The nature of the Group's operations and its principal activities are set out in the Chairman's statement, the Chief Executive Officer's review and the Directors' report published within the 2019 Annual Report.

2. Basis of preparation

The financial information set out herein does not constitute the Group's statutory financial accounts. This information has been derived from the Group's Annual Report and full financial statements for the year ended 31 December 2019 which were approved and authorised for issue on 27 February 2020 and upon which the auditors have reported without qualification.

The Group's 2019 Annual Report and financial statements will be distributed to shareholders and made available on the Company's website at http://www.shantagold.com on 28 February 2020.

The Group's consolidated financial statements, which form part of the 2019 Annual Report, have been prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC Interpretations) issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union ("IFRS").

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group's management to exercise judgment in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in the 2019 Annual Report.

3. Going Concern

Based on a review of the Group's budgets, cashflow forecasts and its ability to flex its forecast spending to suit prevailing circumstances, the Directors consider that the Group has adequate resources to continue its operational existence for the foreseeable future. This review included consideration of the letter received from Investec in the year which extended the period under which Investec waives its rights to enforce security or accelerate any loans under the Facilities Agreement through to 31 August 2020, as disclosed in note 5.

At 31 December 2019 the Group had a cash balance of US$3.5 million and access to the restricted Exim Bank working capital facility of US$2.5 million, which it continues to have access to. Despite delays in recovering VAT, the Group has sufficient operating cashflows to continue to operate for the foreseeable future, including meeting contractual debt repayments in the forecast period. Since the year-end, the maturity of the convertible loan notes has been extended to April 2021 and the Group expects to settle these when they become due from operating cashflows.

The Group expects to settle existing future commitments associated with the post balance sheet acquisition of the West Kenya Project when they become due from operating cashflows.

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

4. Earnings per share

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

	31-Dec 2019 US$'000	31-Dec 2018 US$'000
(Loss) / profit for the year attributable to equity holders of Company	(9,482)	7,989
(Loss) / profit used in calculation of basic earnings per share	(9,482)	7,989
Basic (loss) / earnings per share (US cents)	(1.206)	1.029
Weighted average number of shares in issue	**785,971,533**	**776,599,071**

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

	31-Dec 2019 Number	31-Dec 2018 Number
The Group has the following instruments which could potentially dilute basic earnings per share in the future:		
Share options	-	550,000
Shares to be issued	**6,555,926**	8,488,153

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

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

	31-Dec 2018 US$'000
Profit for the year attributable to equity holders of Company	7,989
Profit used in calculation of diluted earnings per share	7,989
Diluted earnings per share (US cents)	1.017
Weighted average number of shares in issue and potential ordinary shares	**785,637,224**

5. Loans and other borrowings	31-Dec 2019 US$'000	31-Dec 2018 US$'000
Current liabilities		
Loans payable to Investec Bank less than 1 year (1)	**5,343**	16,029
Equipment loan (2)	**-**	292
Silver stream (3)	**1,765**	1,533
Loans payable to Exim Bank less than 1 year (4)	**5,959**	3,558
Equipment loan (5)	**299**	790
Lease liabilities	**660**	1,462
	14,026	23,664
Non-current liabilities		
Silver stream (3)	**2,471**	2,415
Loans payable to Exim Bank more than 1 year (4)	**2,210**	4,615
Equipment loan (5)	**-**	307
Lease liabilities	**538**	893
	5,219	8,230
Total loans and other borrowings	**19,245**	31,894

(1) Investec loan

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

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

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

Both these facilities are secured by means of:

- A deed of debenture setting out the fixed and floating charge debenture governed by Tanzanian law over all assets and undertakings of SMCL and Shield Resources Limited, and made between the Investec and the Security Agent;
- A registered charge of US$55,000,000 (which includes a margin facility for gold forward sales of up to US$15,000,000) against the mineral and prospecting rights of both Shanta Mining Company Limited and Shield Resources Limited;

- Shareholder Pledge in which each of Shanta Gold and Shanta Holdings pledges the shares it holds in the Borrower in favour of the Security Agent and assigns and charges all its loans and claims against the Borrower and other members of the Group in favour of the Security Agent; and,
- Shield Resources Pledge in which Boulder Investments pledges the shares it holds as Agent and assigns and charges all its loans and claims against Shield Resources in favour of the Security Agent.

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

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

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

(3) Silver Stream
The Company entered into a silver streaming agreement ("SSA") with Silverback Limited ("Silverback"), a privately held Guernsey-based investment company, under which Silverback paid the Company an advanced payment of US$5.25 million on closing. Silverback will also pay the Company an ongoing payment of 10 per cent. of the value of silver sold at the prevailing silver price at the time of deliveries which will be made annually. The SSA relates solely to silver by-product production from New Luika with minimum silver delivery obligations totalling 608,970oz Ag over a 6.75-year period. There is a requirement to settle any shortfall in silver delivery from the minimum obligation in cash. The term of the SSA is 10 years during which time the Company will sell silver to Silverback and receive ongoing payments of 10% of the silver sold at the prevailing silver price. However, the Company has no minimum ounce obligations after 2022. The Silver Stream liability was re-estimated during the year to include the extension to life of mine plan achieved in 2019. The liability is calculated using the forward silver price and interest at the

effective rate is imputed interest.

Silver Stream US$'000	**31-Dec 2019**	31-Dec 2018
Balance at 1 January	**(3,948)**	(5,144)
Value of silver transferred	**1,746**	1,699
Interest at the effective interest rate	**(870)**	(1,075)
Adjustment for the value in future estimates	**(176)**	572
Change in estimate	**(988)**	-
At 31 December	**(4,236)**	(3,948)

(4) Loans payable to Exim Bank

The Company entered into a US$10.0 million financing from Exim Bank (Tanzania) Limited ("EXIM") following the commissioning in March 2017 of its 7.5 Mega Watts ("MW") Power Station at New Luika. This facility comprised US$7.5 million long term funding and US$2.5 million short-term funding for working capital, with the four-year term loan bearing variable interest at 7.25% per annum (2.75% below the Exim Base Lending Rate). The term loan is secured against the New Luika Power Station and was fully drawn during 2018.

On 26 February 2019 SMCL refinanced its existing term loan with Exim. The new term loan facility comprises US$7.5 million long term funding and US$2.5 million short-term funding for working capital, and extends until the end of 2021. The term loan continues to bear variable interest at 7.25% per annum (2.75% below the Exim Base Lending Rate). The term loan is secured against the New Luika Power Station and included a grace period on principal repayments until September 2019. 25% of the drawn down balance continues to be held as restricted cash in accordance with the conditions of the agreement. The US$2.5 million short-term funding for working capital is held as restricted cash in accordance with the conditions of the agreement (note 18). SMCL has not drawn down further amounts on the new facility, aside from the principal balance that was otherwise outstanding at the time of refinancing.

(5) Equipment Loan

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

6. Net cash flows from operating activities

	31-Dec 2019 US$'000	31-Dec 2018 US$'000
(Loss) / Profit before taxation for the year	**(1,191)**	13,141
Adjustments for:		
Depreciation/depletion of tangible assets	**27,384**	26,391
Write-off of tangible assets	**-**	106
Amortisation of right of use assets	**3,933**	-
Amortisation/write off of intangible assets	**7**	7
Share based payment costs	**614**	737
Loss on non-hedge derivatives and other commodity contracts	**9,833**	1,259
Unrealised exchange gains	**(200)**	-
Non-cash settlement of Silver Stream obligation	**(1,745)**	(1,699)
Finance income	**(53)**	(65)
Finance expense	**6,375**	6,179
Pre-production revenue	**3,563**	-
Operating cash flow before movement in working capital	**48,520**	46,056
Increase in inventories	**(2,611)**	(4,946)
Increase in receivables	**(5,671)**	(7,578)
Decrease in payables	**(963)**	(497)
	39,275	33,035
Taxation paid	**(1,730)**	(2,070)
Interest received	**53**	65
Net cash flow from operating activities	**37,598**	31,030

7. Events after reporting date

On 10 February 2020 the Company announced that it has entered into a definitive agreement pursuant to which it will purchase 100% of the shares of Acacia Exploration (Kenya) Limited ("AEKL"), a subsidiary of Barrick Gold Corporation ("Barrick"). AEKL's primary asset (the "West Kenya Project") is a 100% participating interest in licences held by Afriore, which includes an existing high-grade resource, contained on the Isulu and Bushiangala prospects.

A maiden NI43-101 compliant Inferred Mineral Resource Estimate (MRE) was announced in 2017. The latest update of the MRE was completed in May 2018 and amounted to 1,182,000 oz gold grading 12.6 g/t.

The acquisition cost for 100% of the outstanding share capital of AEKL is:

- US$7 million in cash, payable on Completion (the "Consideration Cash");
- US$7.5 million in Shanta Gold Shares, to be issued on Completion (the "Consideration Shares"); and,

- 2% life of mine net smelter return royalty across the current seven Prospecting Licences contained in the West Kenya Project, payable on actual gold production in the future.

The Consideration Shares shall be issued at 10.4977 pence per share. Barrick will receive 54,650,211 shares in the Company, equivalent to a pro forma interest of approximately 6.44%. These will be subject to a one-month lock-up agreement and further eleven-month orderly market agreement, from Completion.

Pursuant to the terms of the acquisition, Shanta has also agreed to inherit certain liabilities of AEKL and to adjust the consideration to reflect certain working capital items, the net impact of which is likely to be an additional cash sum payable by Shanta to settle third party liabilities on or after Completion of up to US$4 million.

Closure of the transaction is conditional upon required regulatory approvals in Kenya, which include standard consents from the Mining Authorities to the assignment of interests and the transfer of Prospecting Licences, approval of the Transaction by the Competition Authority of Kenya, and registration of the Company's interest in the Project Licences by the Mining Authorities. Under the criteria of IFRS 3, control of the West Kenya Project is not expected to transfer to Shanta until the transaction closes.

The Company announced on 20 February 2020 that it has received irrevocable undertakings from holders of the convertible loan notes to vote in favour of a restructuring that will extend their maturity date by one year. The Company will retain the option to redeem the convertible notes earlier than the extended maturity date. Written resolutions will be sent to the Loan Note Holders in short order which, if passed by the requisite majority, will enable the Company to implement this arrangement. Extending the maturity of the notes provides the Company with increased flexibility in advance of transacting the Consideration Cash to Barrick upon closure of the West Kenya Project transaction.

ENDS