SHANTA GOLD

2017

Annual Report and Accounts

Country of incorporation
Guernsey

Nature of business
Gold exploration and mining in Tanzania

Company registration number
43133

Registered office
11 New Street
St Peter Port
Guernsey GY1 3EG

Secretary
Vistra Fund Services (Guernsey) Limited
PO Box 91
11 New Street
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Guernsey GY1 3EG

Auditor
BDO LLP
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London W1U 7EU

Nominated advisor and broker
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10 Paternoster Square
London EC4M 7LT

Website
www.shantagold.com

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About Shanta Gold

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

Shanta is focused on delivering maximised sustainable value for shareholders from this mine, and other assets in its portfolio, through meticulous expert management throughout the business.

Alongside New Luika, Shanta owns Singida, an exploration and development stage project, located in central Tanzania. A portion of the Singida asset is held in a joint venture of which Shanta has a 90% interest.

Shanta also holds exploration properties covering over 1,560 km^2 in the under explored ex-colonial mining areas of the geologically rich Lupa Goldfield surrounding New Luika as well prospecting licences at Songea in south-western Tanzania.

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

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

Board of Directors

Anthony Durrant

Non-executive Chairman

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

Eric Zurrin

Chief Executive Officer, Director

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

Luke Leslie

Chief Financial Officer, Director

Luke is a mining investor with a background in Mergers & Acquisitions. Luke has served as the Chairman of Kincora Copper, a Canadian listed company focused on the discovery of large copper projects along Mongolia's Southern Gobi copperbelt, and was previously Co-Head of Trafigura-Origo and a member of UBS Investment Bank's Corporate Finance team. Luke was also previously a management consultant with Accenture where he specialised in post acquisition integration and cost reduction strategies. Luke is a non-Executive Director of Moly World, a private molybdenum and tungsten developer and was on the Board of REBgold prior to its merger with Aquila Resources.

Ketan Patel
Non-executive Director

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

Robin Fryer
Non-executive Director

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

Keith Marshall
Non-executive Director

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

Chairman's statement

Dear Shareholders,

It is my pleasure to provide a review of your Company in 2017. During the year Shanta successfully transitioned into a predominantly underground mining company, achieving commercial underground production in the second quarter of 2017. Major capital projects to support the operations at the New Luika Gold Mine ("New Luika") were commissioned throughout the year. These included a Heavy Fuel Oil ("HFO") Power Plant and the installation of a Solar Power Plant, while the second Tailing Storage Facility is planned for commissioning in 2018.

Board and Management changes
In June 2017 Keith Marshall joined the Board of Shanta as a Non-Executive Director. Keith is a highly experienced mining engineer and underground mining expert with a track record of developing underground mines. In August and September 2017 Eric Zurrin and Luke Leslie were appointed as Chief Executive Officer and Interim Chief Financial Officer respectively. Prior to their appointments Eric acted as Shanta's Chief Financial Officer and Luke was a Non-Executive Director. Eric joined the Board of Shanta in August 2017.

New Strategy
In September 2017, management implemented a new strategy of cost control and optimisation, focusing on net present value and shareholder returns. In quarter 4 of the year Shanta achieved cost reductions of US$8.7 million per annum from renegotiated supplier contracts, lower general and administrative expenditure and a change in the mining method. The Company also announced a project to add an additional leach tank which is expected to increase recoveries. Additionally, changes in the senior employees' incentive structure have been implemented including replacement of cash bonuses with share ownership to improve alignment with the shareholders.

Deleveraging in advance of shareholder returns
The Company is going through a period of rapid deleveraging with US$16.4 million of debt repayments scheduled in 2018. Lower costs and the steady tapering of capital expenditure will help Shanta meet these obligations. As the Company's financial position strengthens, the Board expects to be in a position to evaluate the timing of a dividend policy in the final quarter of 2018.

Resilience of lower cost company to the cycle
Shanta operates in a cyclical sector. The Company goes into 2018 with a lower cost base. This will help provide some comfort from the vagaries of the gold price while enhancing the Company's net present value. Our focus on effective cost management is ongoing and we expect further reductions in costs and new efficiencies in 2018.

Tanzanian revision to the mining code
In July 2017, the Tanzanian government announced changes to the country's Mining Code. These included among other things, an increase in royalty and settlement payments to the government from 4% to 7% (which has been discussed in greater detail within the Chief Executive Officer's Review). Other changes focused on "local content" and the localisation of services to the mining industry. Shanta has made great strides in creating a Tanzanian operated company. By the end of 2017, Shanta's workforce comprised 98% Tanzanian nationals.

Economic and social contribution
Shanta is a significant tax contributor and provider of foreign exchange to the Tanzanian economy. In Songwe, the New Luika mine supports a local economy of over 20,000 people. In 2017, Shanta's livelihood programs have introduced best practice farming, bee keeping and improved education to the local communities. The New Luika mine sources goods from the local communities where possible, providing working capital to help local businesses grow. Over 40% of New Luika's employees come from the local villages surrounding the mine. Shanta's Corporate Social Responsibility ("CSR") pillars of livelihood, health, water and education reflects the government's priorities. In 2017 we brought in new partners to provide additional funding through donations and teaching services to support our efforts. As we look to 2018 and beyond, we have high expectations for our Singida project to start delivering similar benefits to Tanzania's Singida region.

Outlook
Throughout 2018, Shanta will continue to see the benefits from the new management's strategy of deleveraging the balance sheet, delivering cost reductions and productivity improvements throughout our operations. Shanta's financial position should therefore become significantly stronger as the focus of the business clearly targets maximising net present value and delivering shareholder returns.

Anthony Durrant
Chairman

13 April 2018

Gold smelting at New Luika Mine.

Chief Executive Officer's Review

It is with great pleasure that I report on a successful operational and financial performance during the 2017 financial year. This has not only been a year in which Shanta Gold has faced and overcome a number of significant challenges, but also one of transition both at an operational and corporate level. Our team has worked tirelessly to meet production targets and have delivered these whilst also exercising control over the fundamental shift in our mining methods alongside important changes to our organisational structure.

2017 has marked the beginning of an exciting new chapter for Shanta with our flagship and only producing asset, New Luika, now thoroughly equipped with comprehensive capital investment and poised to begin generating significant free cash flows. New Luika transitioned to a predominantly underground operation during the year and the Company declared commercial production in June 2017. Our objective is to quickly repay the Company's debt and to reward shareholders for their patience. In the second half of 2017 we implemented "a disciplined and modern approach to driving operational efficiencies" across the organisation, a philosophy which has been fully embraced by the entire Shanta team. This will ensure that Shanta runs an efficient operation without compromising on growth opportunities as we continue to build on strong foundations to take the Company forward.

Highlights

Safety is our top priority
The safety and wellbeing of our people is of paramount importance and we conduct our business as an exemplary corporate citizen within the areas that we influence. The cumulative Total Injury Frequency Rate ("TIFR") for 2017 was 4.02, representing a second successive annual decline in injuries and a 13% reduction from 2016 (4.60).

NPV in place of volume
At New Luika, exploration will continue to add resources. During 2018 we will evaluate how to resequence the Revised Mine Plan ("RMP"), to maximise project net present value ("NPV"). Since the new management team took over in September 2017, the focus has been shifted to NPV which includes implementing a new approach to cost control and project optimisation. Shareholders' returns form the basis of all key strategic decision making.

Cost reduction and productivity improvements
With a management team dedicated to deleveraging the Company, New Luika is now well positioned to begin delivering improved and stable cash flow generation in the near future. Production guidance for 2018 is 82,000 – 88,000 ounces ("oz") at an All-In Sustaining Cost ("AISC") of US$680–730 per oz.

In the final quarter of 2017 Shanta announced cost reductions of US$8.7 million per annum, including the $3.6 million impact of a change in mining method at the Luika deposit from cut and fill to long-hole open stoping, and subsequently executed on these prior to the year-end. With several other ongoing initiatives, including a targeted increase in the recurring cost reductions achieved during the final quarter of 2017, management are confident that the future cost base at New Luika will continue to reduce.

Furthermore, a number of operational improvements, including the addition of a new pre-leach tank, are expected to enhance on-mine productivity and revenues.

Cash flow generation as capital expenditure tapers
Capital expenditure at New Luika reduced substantially during the course of 2017 and this decline is expected to continue now that all key infrastructure is in place, following over US$85 million of investment during 2015 and 2016 including development of the underground operation. This is expected to result in significantly increased future annual free cash flows compared to prior years.

Future growth at New Luika and Singida
Shanta continued investing in its long-term future through an exploration program targeting both on-mine exploration and expansion drilling at Singida. At New Luika the exploration team is reviewing mineral resources, which are outside the RMP, with a view to converting a portion of the Indicated and Inferred Resources of 683,000 oz into the RMP.

Shanta has mineral rights to 1,500km^2 of prospecting permits in the Lupa Goldfield, in areas surrounding New Luika. This ground is highly prospective and has historically been the location of many colonial and artisanal mine activities throughout history.

A drilling program was completed in the final quarter of 2016 at the Nkuluwisi prospect, which is located about 12km to the north-west of the New Luika plant. Results of the drilling program were released in March 2017 and a maiden resource of 141,000 oz was announced in May 2017. Nkuluwisi has potential as a satellite deposit for the Askari target, which is located 14km to the west of Nkuluwisi.

There are 20 targets within 20km of the New Luika Mining Licenses, which have been prioritised for further studies. Separately, drilling is being planned during 2018, to upgrade the underground Inferred Resource at Bauhinia Creek to Measured and Indicated status.

Following up on the investments and commitments already made at Singida, the Company declared a 728,000 oz gold resource that is JORC compliant in the final quarter of 2017. Following the resettlement activities that remain ongoing a targeted drilling campaign was carried out during the first quarter of 2018, aimed at upgrading the Inferred Resource to Measured and Indicated status.

Positive engagement with local stakeholders remains a top priority and Shanta continues to actively participate in the development of the local area around its licences. We have been particularly encouraged by our meetings with regional and district-level leaders and remain entirely committed to the longevity of our projects in Tanzania, and the prosperity of communities living within their respective vicinities.

Management as owners

One cornerstone of the philosophy that management have been communicating across the business is the importance of behaving like the owners of the business. All decisions made across the Company are made in the best interests of the ultimate owners, our shareholders. Changing the incentive structure for senior employees, by reducing salaries and replacing cash bonuses with higher share ownership of the Company, has improved management's alignment with shareholders. Discretionary performance-related bonuses are also now aligned to shareholder interests. This has been a pivotal change in culture that will contribute towards maximum shareholders' returns in the future.

Tanzanian legislative environment

A new Finance Act was approved by the Tanzanian Parliament in June 2017 and a number of new legislative Bills were enacted as Laws in early July 2017. Since July, gold shipments have attracted higher royalty rates of 6%, up from 4% previously, and a Clearing Fee of 1% has been applied. These legislative bills also made provision to the Government of Tanzania of a free-carried interest in all mining projects of no less than 16% and the right to acquire up to 50% of the shares in a mining company commensurate with the value of historic tax benefits provided to it. Since the incorporation of its Tanzanian subsidiaries, Shanta has not been the recipient of any preferential tax arrangements in Tanzania nor has it been party to a Mining Development Agreement.

These changes in the legislation have proven to be a poignant catalyst for streamlining the Company's cost structure and significant strides have been taken since the implementation of these news laws to reshape our supplier base and headcount in order to ensure cost optimisation across the business. The Company's recurring cost base going forwards is now lined up to be significantly lower than it has been historically, including the impact of increased royalty rates and clearing fee.

Operations review

New Luika Gold Mine operations review

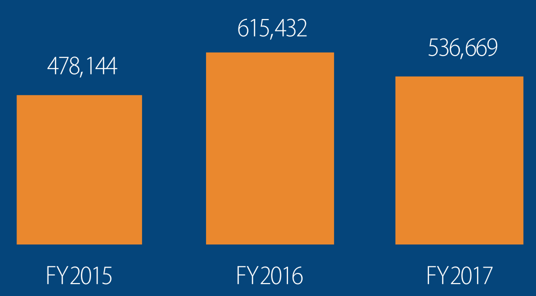
New Luika delivered a consistent mill feed throughout 2017 from both its underground operation and from surface mining during the first half of the year, in line with the Revised Mine Plan. Total mill feed was 632,287 tonnes at an average grade of 4.3 grams per tonne ("g/t") for the production of 79,585 oz of gold, which was a significant achievement in what was the Company's first year of underground mining.

May 2017 was a significant milestone for Shanta as stope ore was produced for the first time from the underground operation. This ore was sourced using long-hole open stoping between the 900 - 880 metre levels in the Bauhinia Creek orebody and the operation has exceeded 7,000 metres of development ore underground. The number of stopes available for production is now in the process of increasing to three on a stable basis.

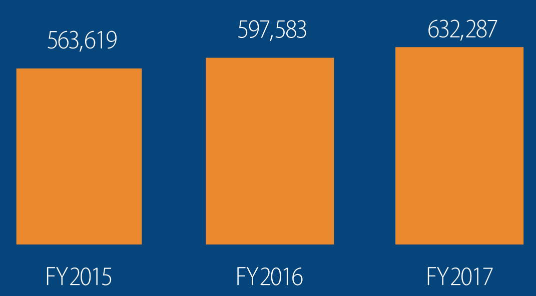
New Luika Gold Mine Operations Review

New Luika Gold Mine operations

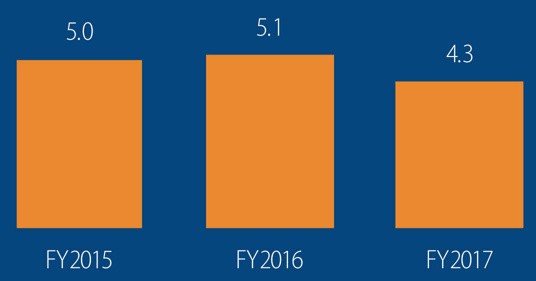
Tonnes ore mined



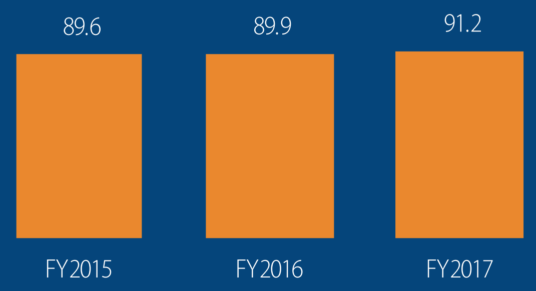
Tonnes ore milled



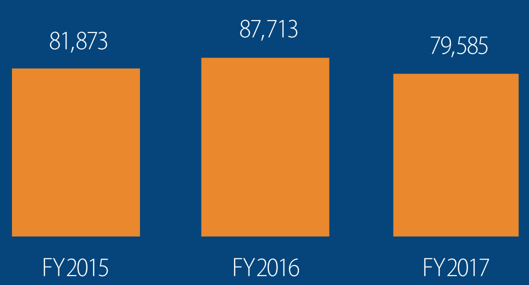
Grade (g/t)



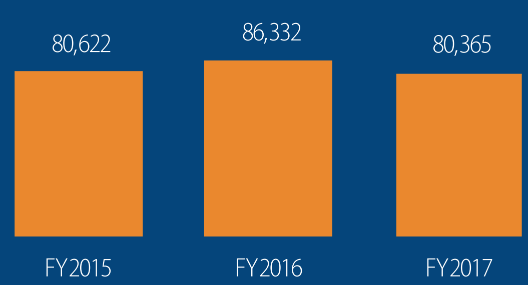
Recovery (%)



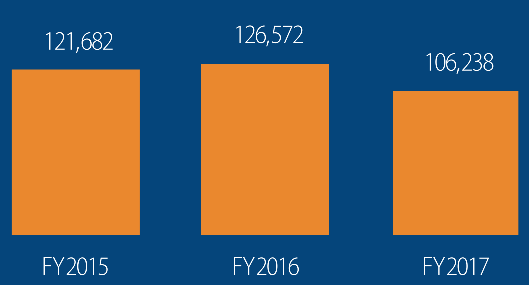
Gold production (ounces)



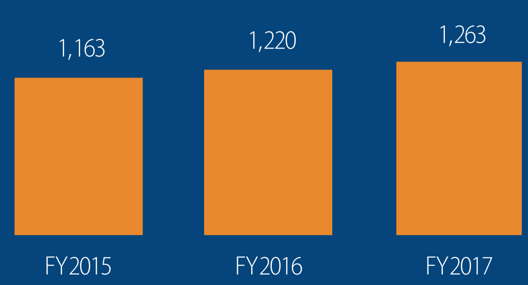
Gold sales (ounces)



Silver production (ounces)



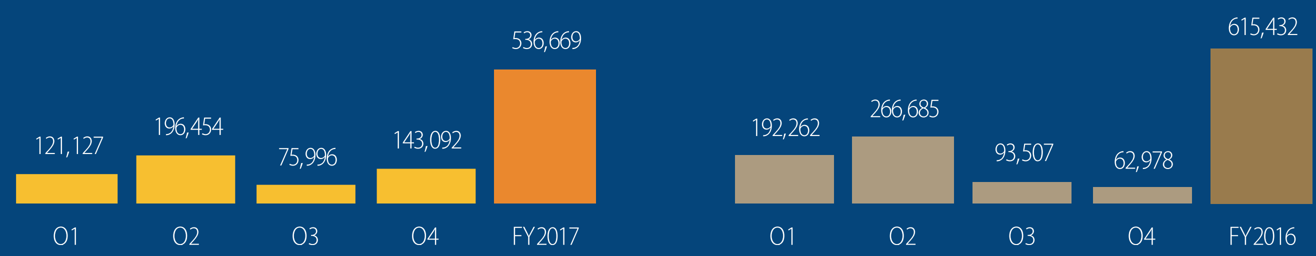
Realised gold price (US$/oz)



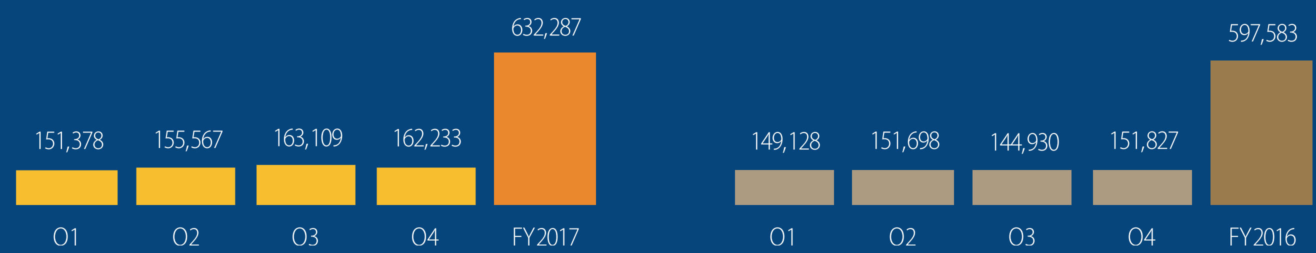
New Luika Gold Mine Operations Review

New Luika Gold Mine quarterly breakdown

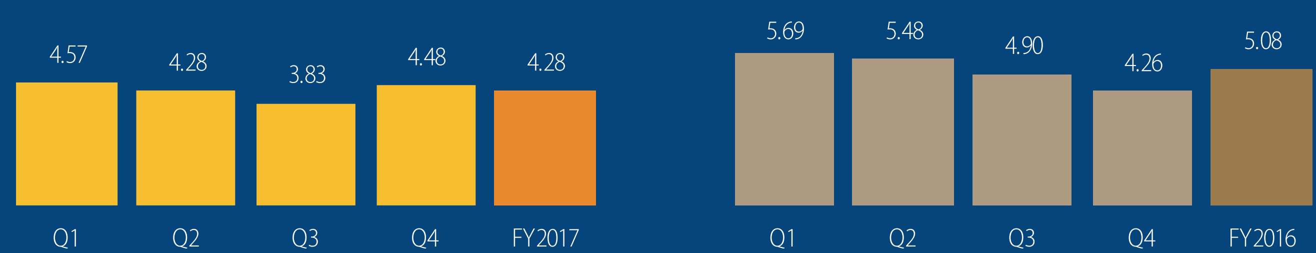
Tonnes ore mined



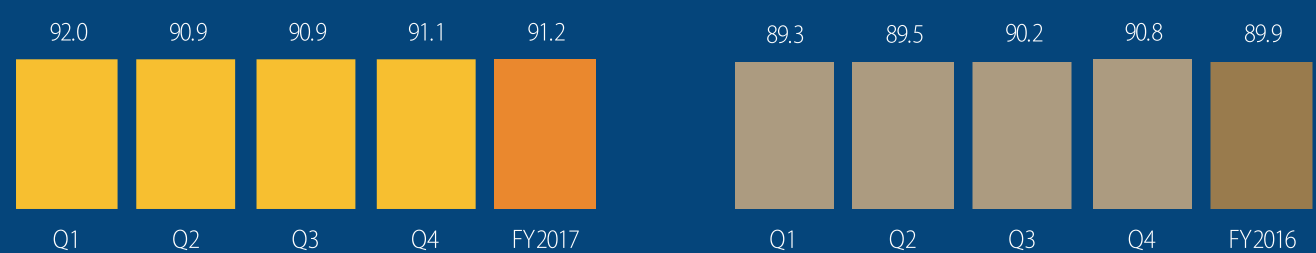
Tonnes ore milled



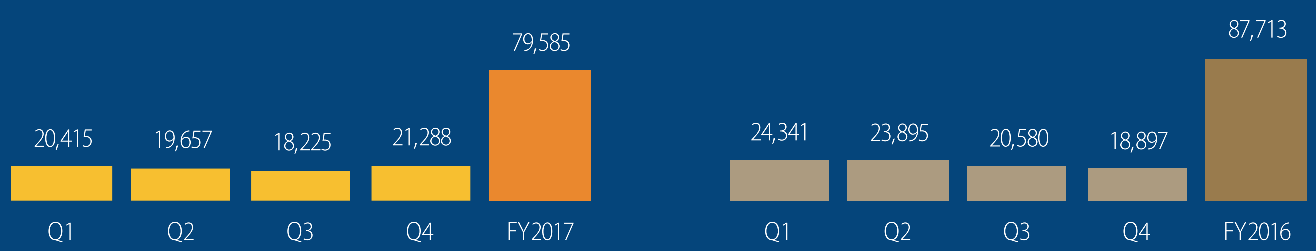
Grade (g/t)



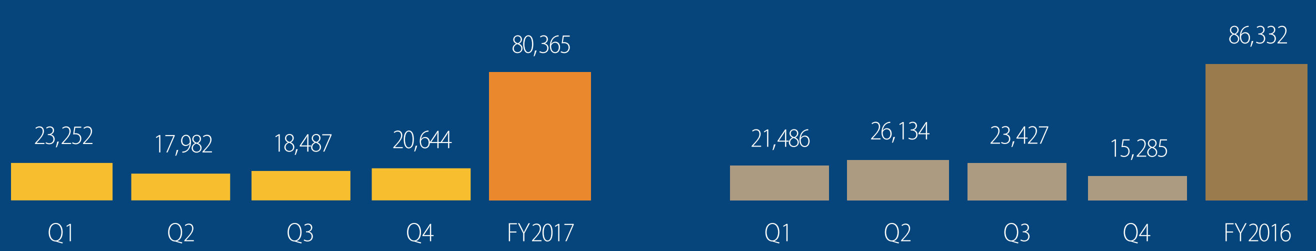
Recovery (%)



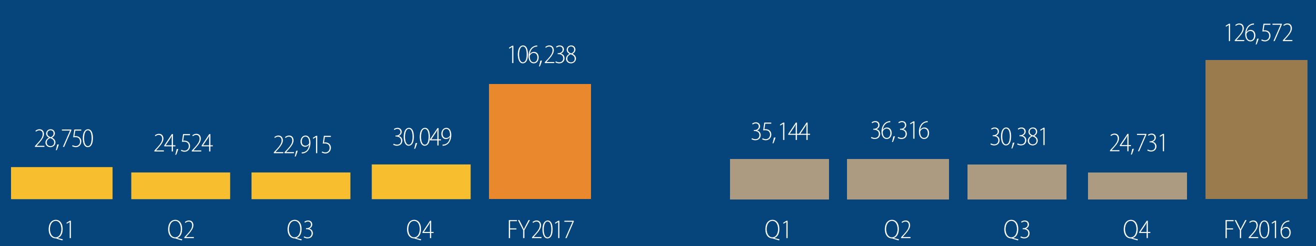
Gold production (ounces)



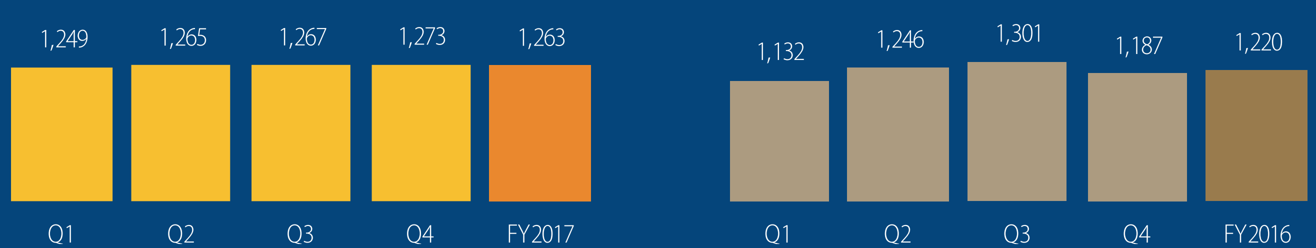
Gold sales (ounces)



Silver production (ounces)



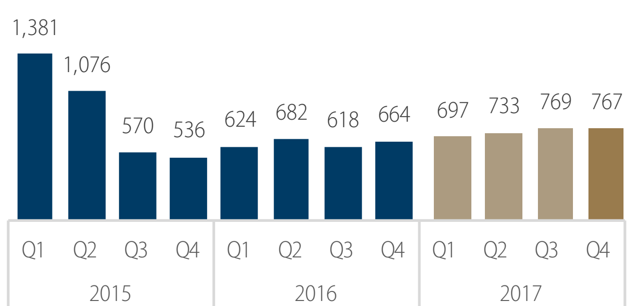
Realised gold price (US$/oz)



2017 was the first year in which New Luika's Bauhinia Creek underground orebody has been operational and since commencing development in July 2016 it has produced in excess of 250,000 tonnes of ore at an average grade exceeding 6 g/t.

Several initiatives are ongoing to further enhance the capacity of the operation including, excitingly, a planned revision in mining method for the Luika underground orebody from cut and fill to long hole open stoping which will remove the requirement for backfilling with cement altogether.

Quarter on Quarter AISC



The Company has revised its measure of AISC to align itself with the World Gold Council's published guidance. The revised calculation includes the impact of exploration and study costs (sustaining) and excludes interest costs.

AISC for the year was US$743/oz, significantly ahead of guidance of US$781/oz (restated to World Gold Council basis) and achieved at least in part as a result of cost reduction initiatives implemented during the third quarter of the year. AISC has improved despite numerous headwinds since publishing the RMP in March 2017, including the 2% increase in royalties and new 1% clearing fee. The cost savings that have been achieved more than offset these headwinds and have been generated largely through a reduction in corporate overheads and renegotiation of contracts with suppliers.

A 693kWp Solar Power Plant was commissioned at New Luika in July 2017 to optimise the unit cost of energy generated across the operation.

Looking ahead, the target for recurring cost reductions per year has been increased to US$7.0 million from US$5.0 million (excluding the impact of changing the mining method at the Luika deposit), which is due to be executed by the third quarter of 2018. This will further reduce AISC and will be complemented in 2018 by the full impact of the cost reductions that were executed during late 2017.

New Luika Revised Mine Plan

Shanta presented New Luika's RMP in March 2017, which incorporated the results of the exploration programme conducted within the mining licence at Elizabeth Hill and Ilunga in previous periods. The total reserve position provided for by this RMP amounted to 3.64 million tonnes at an average grade of 4.4 grams per tonne, equating to 515,500 oz contained. After accounting for additional reserves and depletion, the RMP added 174,000 oz of production, a 33% increase from the Base Case Mine Plan ("BCMP"), at an AISC of US$779/oz. The RMP also provided a four-year extension of the maximum utilisation of the New Luika plant.

On-going exploration is expected to further enhance and extend the Mine Plan in the future adding additional years to the Life of Mine. Group Measured and Indicated Mineral Resources also increased during the year following the announcement of a JORC 2012 compliant resource at Singida of 5.11Mt at 2.09 g/t for 345,000 oz. This has increased Company gold resources to 2.1 million oz.

New Luika Projects

7.5MW HFO Power Station

The 7.5MW Heavy Fuel Oil ("HFO") Power Station at New Luika was fully commissioned in February 2017. It comprises six HFO engines designed to operate at any given time to provide maximum operating capacity. Power is transmitted to all consumers on the mine and removes any requirement for the mine to be connected to the local power grid.

The capacity of the Power Station was determined in consideration of increased power demand resulting from the transition from open pit to underground mining operations. Given the mine's remote, off-grid location, power generation from HFO provides the most robust and lowest cost solution.

Power consumption at the mine increased by 33% during 2017 following the ramp up of the underground mining operation. The power plant produced 29,033 Megawatt-hours (MWhr) of power during its first 12 months of operation, utilizing 6,990,000 litres of HFO with greater than 99.78% average availability and utilization. Consumption of higher cost Diesel Fuel Oil has decreased drastically, resulting in a significant drop in the cost of powering the operation.

The Power Station is supported by a 400,000 litre fuel storage facility sufficient to sustain up to 3 weeks operation in the event of a disruption to fuel supply. Shanta has not made use of this storage facility to date due to reliable fuel.

Solar power plant

A 693kWp Solar Power Plant was commissioned at New Luika in July 2017 to optimise the unit cost of energy generated across the operation. In advance of installation, an area of approximately 14,000m^2 was cleared, levelled, compacted, fenced and provided with rainwater drainage facilities and the 28 solar panel arrays now occupy 8,000m^2 of fenced area making this the largest solar power plant in Tanzania. Operation of the Solar Power Plant is remotely monitored by the vendor and since commissioning this facility has been providing approximately 2% of New Luika's energy demand, optimising the unit cost of power and in turn reducing carbon dioxide emissions by approximately 50 tonnes per annum. The Solar Power Plant is currently the Company's cheapest source of power.

Tailings Storage Facility 2 ("TSF 2")

The new Tailings Storage Facility at New Luika remains the final large-scale infrastructure project at site and is expected to support operations at the current production rates for eight years from commissioning. Significant progress has been made in finalising the build of this project during the year and by the end of the period all quality control testing had been successfully completed to the required standards. This new Tailings Storage Facility will use advanced methods to safely and efficiently accommodate tailings from future underground operations.

Financial overview

Turnover for the year amounted to US$103.4 million, compared to US$107.1 million in 2016. The decrease of 3.5% was due in part to a reduced production profile in 2017 in line with the RMP and prior to the full ramp up of the underground operation. The Company continued with its

hedging program and the average gold price realised for the year was US$1,263/oz compared to the average price for the previous year of US$1,220/oz. Cost of sales for the year amounted to US$82.5 million (2016: US$88.3 million) with an overall gross margin of 19% achieved (2016: 14%). Cost of sales included the impact of US$10.5 million of net revenue from development ore offset against capital.

Administration costs for the year amounted to US$6.6 million (2016: US$7.1 million), with the reduction representing the beginning of management's cost reduction initiatives.

Exploration expenditure for the year amounted to US$1.6 million (2016: US$4.7 million), in addition to US$3.4 million capitalised development expenditure at Singida where a JORC compliant resource was announced in the final quarter of the year. The reduction in expenditure at New Luika follows a drive for efficiencies in our exploration programme which has seen the exploration camp within New Luika licences moved to combine with the New Luika mine camp and a refocus on high impact / low cost exploration activities including trenching. Exploration continues to be integral to the Group's long-term strategy and exploration drilling is planned in 2018 at both Singida and New Luika.

An operating profit for the year of US$11.0 million (2016: US$3.0 million) was generated, mainly due to a significant reduction in annual depreciation compared to the prior year now that the open pits are fully depreciated, whilst EBITDA[1] amounted to US$37.7 million (2016: US$50.2 million) inclusive of revenues from development ore. Net finance expense amounted to US$7.5 million (2016: US$7.5 million).

As a result of the above, a profit before tax of US$3.5 million (2016: loss of US$4.3 million) was recorded. A tax gain amounting to US$0.6 million (2016: charge amounting to US$3.6 million) resulted in a profit after tax of US$4.2 million (2016: loss after tax of US$8.0 million).

In the statement of financial position, non-current assets increased to US$131.8 million (2016: US$122.8 million), after capital spend of US$37.9 million, offset by a US$18.4 million depreciation charge and US$10.5 million income generated from development of the underground operation at no margin. Current assets totalled US$53.0 million (2016: US$49.2 million), a higher level than that of the prior year primarily due to continued delays in outstanding VAT refunds. Net working capital was higher at US$21.0 million (2016: US$20.5 million) primarily due to an increased VAT receivable.

For the first time since 2016 Shanta received a VAT refund, which was in the final quarter of 2017. This refund totalled US$3.4 million, comprising US$1.9 million offset against corporate taxes payable in 2016 and 2017 and a cash payment to the Company of US$1.5 million. In July 2017, an amendment to the VAT Act 2014 came into effect, treating any exportation of raw minerals as an exempt supply for which no input tax is deductible. Shanta exports doré gold bars which we do not consider to be a raw mineral.

Overall liabilities decreased to US$88.5 million (2016: US$93.6 million) due to the concerted effort to begin deleveraging the balance sheet as seen during the final quarter of the period. This has included US$17.1 million of capital repayments towards loans and borrowings in the period.

The cash balance at the year-end was slightly lower than the prior year and totalled US$13.6 million (2016: US$14.9 million), however this was a significant improvement on the US$8.0 million cash position at the end of the third quarter of the period. Net debt at 31 December 2017 amounted to US$39.5 million (2016: US$44.2 million) inclusive of US$14.8 million Convertible Loan Notes.

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.

Page 17 The new Tailings Storage Facility at New Luika remains the final large-scale infrastructure project at site and is expected to support operations at the current production rates, for eight years from commissioning.

Hedging
The Company continued with its prudent hedging program during the year to protect cash flow albeit it has begun reducing its hedge book to better provide investors with exposure to gold price. As at the end of December 2017, the Company had sold forward 22,500 oz of gold at an average price US$1,271/oz. Post year-end, the total forward sales commitments at the end of March 2018 (2016: June 2018) was 17,600 oz (2016: 36,000 oz) at an average price of US$1,287/oz (2016: US$1,281 oz).

Financings
In 2017, several important financings were completed relating to the funding of the RMP and smoothing the debt servicing for the Company.

The Company entered into €2.1 million of underground equipment financings with Sandvik Mining and Construction OY 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.

The Company also entered into US$10.0 million of financing from Exim Bank (Tanzania) Limited ("EXIM") following the commissioning in February 2017 of its 7.5 Mega Watts ("MW") Power Station at the New Luika Gold Mine. This facility comprised US$7.5 million long term funding and US$2.5 million short-term funding for working capital only, with the term loan bearing variable interest at 7.25% per annum (2.75% below the Exim Base Lending Rate). The US$2.5 million short-term funding portion of this facility is restricted and approval from Exim is required prior to use. The term loan is secured against the New Luika Power Station, which following installation has now more than doubled the mine's power capacity to 7.5 MW.

Lastly, the Company raised gross proceeds of US$14.0 million (£11.0 million) through a placing of 182,805,808 new shares at a price of 6.0 pence per share. The proceeds of the fundraising provided funds for growth allowing Shanta to deliver its RMP and to seek out and firm up high grade opportunities in the surrounding area.

Corporate social responsibility

People
Shanta prides itself in having a team comprised almost exclusively of Tanzanian staff. At the end of 2017, 98% of the Company's entire workforce was Tanzanian (2015: 95%) and of these over 40% have been hired from the local communities surrounding New Luika. Shanta is committed to and invested in the livelihood of the local area surrounding the mine and hopes to support these communities by providing opportunity to their people.

The Company is committed to the development of its employees and believes that all individuals working within the organisation should reap the benefits of working within a meritocracy.

At the end of the fourth quarter of 2017 the Company's headcount had reduced to 759 people (127 contractors and 632 direct employees), a 41% reduction from the end of 2016. This was following a concerted effort to optimise the organisational structure, targeted as part of the value improvement initiatives rolled out in the third quarter of 2017.

Business Sustainability
The responsibility associated with operating our projects alongside neighbouring communities is a high priority and great lengths are being taken to ensure that Shanta

Levels of school attendance and quality of teaching in the Songwe district are in great need of support in order to unlock the long-term prospects for the younger generations within the local area.

- Infrastructure development
- Sponsorships for identified candidates

- Infrastructure development
- Health promotions (blood donations, awareness campaigns)

- Infrastructure development
- Support to maintain existing water sources

- Employment
- Agricultural projects
- Local procurement

has a positive and beneficial relationship with its local stakeholders. Local businesses are regularly used within the Company's supply chain, which is having a growing impact on the local economy.

Shanta is a Tanzanian business in almost all respects and this is something that the Company takes enormous pride in. The vast majority of senior positions across the organisation are filled by highly skilled Tanzanian nationals and, by the end of 2017, 98% of the entire workforce were Tanzanian. The Company is fully committed to ensuring that its footprint, especially in the Songwe and Singida districts where there are active projects, is for the greater benefit of Tanzania on a long-lasting basis.

Shanta aims to conduct itself as a responsible corporate citizen at all times, an ethos implemented through active engagement in numerous day to day issues ranging from Education, Water, Livelihood and Health. This was exemplified during a recent Cholera outbreak which affected over 600 Songwe District residents. The District was faced with a shortage of water and they turned to Shanta for assistance. Shanta provided water, logistics, fuel for vehicles and a boat, as most affected communities belonged to fishermen residing along the shore of Lake Rukwa. After two weeks the outbreak was brought under control.

One of the biggest problems facing communities surrounding New Luika is water availability. Mbangala Village has been particularly hard hit by water shortages and Shanta is maintaining both a generator and submersible water pump to be used in the bore hole that the Company sponsored in 2014, the only one in the village. Furthermore, Shanta has also worked on two village water dams, repaired an entire water system in two local villages and plans on providing two more boreholes to Mbangala Village plus one to Saza Village.

In addition to these works, several Livelihood Programs were initiated during 2017 to further expand our ongoing efforts to provide local communities with a platform for durable and sustainable prosperity.

Local Farming Projects in Collaboration with ETG

In June 2016 Shanta introduced Export Trading Group ("ETG") to the four villages surrounding New Luika with a view to addressing challenges facing farmers in these communities. These include inferior crop harvests which have been insufficient to comfortably feed families and have resulted in a dependency on illegal artisanal mining for income generation. ETG has an agricultural consultancy division that assists farmers with commercialising produce.

Phase two of this collaboration commenced in October 2017, which was designed to provide food crops for families resettled nearby New Luika. Expert agricultural work has been carried out to examine optimal crop bases for use in the local soils and following this the first crop of Maize, Sorghum, Ground Nuts, Sweet Potatoes and Bambara were planted in early 2018. Moving forward, training and mentoring will be provided to these local farmers as well as monitoring of their progress towards successful application of new methods initially taught during phase one of the initiative. These transferrable skills will enable these farmers to sustain a more moderate and independent income into the future.

Maleza Primary School
In its plans for Corporate Social Responsibility, Shanta has included improvements in education to its strategy for increasing employability for future generations residing in the area, with a view to radically enhancing literacy and minimizing the community's dependence on New Luika as a long-term source of income.

Upon inspection of the existing primary school in Maleza, a village less than 5 kilometres from New Luika, Shanta's engineers noted that one building with two classrooms and an office was at risk of collapsing. Shanta agreed to demolish this building and introduce a new type of interlocking brick made from local products which avoided the need to use significant amounts of water, as the local method of brick making previously had. Community members and all leaders from regional to village level are likely to adopt this method in the future, which will benefit both the local environment and economy. The new school was under construction by the end of 2017 and was completed in early 2018 ready for use.

Teacher training programme
Levels of school attendance and quality of teaching in the Songwe district are in great need of support in order to unlock the long-term prospects for the younger generations within the local area. Having been providing scholarships for vocational training for some time now, Shanta has commenced a programme with teachers from a school in the UK who have agreed to volunteer by training local teachers to improve their methods for educating students in the villages around New Luika. This is aimed towards improving the teaching of Mathematics, English and various other subjects.

Sports leagues
In collaboration with a separate UK school who have been generously donating large quantities of sports equipment, Shanta has organised football and netball classes and tournaments for the local school children. This was supplemented by an adult football tournament in which each local village club competed with each other and a representative team from Shanta, using sports attire again donated to the cause. Plans have been made to establish the Shanta Mahusiano Cup (Shanta Relations Cup), for which there has been great appetite regionally.

Summary
The entire Shanta team has worked tirelessly throughout what has been a challenging, yet successful year and I would like to take this opportunity to thank everybody, including our shareholders, our employees, members of the Board and our partners, for their strong commitment and continuing dedication to ensure that Shanta remains a success story with an incredibly exciting future ahead of it. I am delighted to have the opportunity to lead your Company into what I hope will be a highly prosperous period and I'm looking forward to reporting progress to you as we continue to drive your Company forward along its journey.

Eric Zurrin
Chief Executive Officer

13 April 2018

“An integral part of Shanta’s philosophy is ensuring that paramount importance is afforded to the safety and wellbeing of our people and that we conduct our business as an exemplary corporate citizen within the areas that we influence.”

Directors' Report

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2017.

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

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

Business review
A review of the business during the year is contained in the Chairman's statement on page 5 and in the Chief Executive Officer's review on pages 7 to 21. The Group's business and operations and the results thereof are reflected in the attached financial statements. It is the business of the Group and its subsidiaries to explore for value adding resources, and to turn commercially viable findings into a mineral production asset.

Financial results
The results for the year are set out in the consolidated statement of comprehensive income on page 37. The activities for the year have resulted in the Group's profit before tax of US$3.5 million (2016: net loss before tax US$4.4 million)

No dividends were paid or proposed by the Board of Directors (2016: US$Nil)

Subsequent events
Except as disclosed in Note 29 to the financial statements, no other material facts or circumstances have occurred between the accounting date and the date of this report.

Nominated advisor
The Company's nominated advisor is Numis Securities Limited.

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

Non- Executive
- Anthony Durrant (Chairman)
- Robin Fryer
- Ketan Patel
- Keith Marshall (appointed 13 June 2017)
- Luke Leslie (appointed as an Executive on 11 September 2017)

Executive
- Eric Zurrin (appointed 18 August 2017)
- Luke Leslie
- Toby Bradbury (resigned 6 October 2017)

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

Executive Directors are provided with life assurance cover of two times annual salary. During the year certain directors entered into a salary/fee sacrifice arrangement under which those directors are now issued with new ordinary shares in the Company. This demonstrates the belief of those Directors in the future prospects of the Company. 1,912,516 ordinary shares in the Company have been issued to Directors in respect of fee sacrifices made in the year.

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

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

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

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

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

Directors' remuneration

	31 December 2017			31 December 2016		
(US$000)	Performance Bonus	Fees/salary	Total	Performance bonus	Fees/salary	Total
Fees, salary, bonuses and related benefits						
Eric Zurrin [2,4]	-	119	119	-	-	-
Anthony Durrant [1]	-	65	65	-	131	131
Luke Leslie [3]	-	116	116	-	146	146
Robin Fryer [1]	-	70	70	-	76	76
Ketan Patel [1]	-	42	42	-	81	81
Toby Bradbury [2,6]	-	569	569	176	369	545
John Rickus [1,7]	-	-	-	-	29	29
Sub-total	-	**981**	**981**	**176**	**832**	**1,008**
Share based payments						
Eric Zurrin [2,4]	191	-	191	-	-	-
Anthony Durrant [1]	-	65	65	-	-	-
Luke Leslie [3]	105	-	105	-	-	-
Ketan Patel [1]	-	38	38	-	-	-
Keith Marshall [1,5]	-	52	52	-	-	-
Toby Bradbury [2,6]	-	-	-	-	-	79
Sub-total	**296**	**155**	**451**	**-**	**-**	**79**
Termination benefits	-	340	340	-	-	-
Sub-total	**-**	**340**	**340**	**-**	**-**	**-**
Total remuneration to directors	**296**	**1,476**	**1,772**	**176**	**832**	**1,087**

1 Non executive
2 Executive
3 Non executive (Resigned – 11 September 2017), Executive (Appointed – 11 September 2017)
4 Appointed – 18 August 2017
5 Appointed – 13 June 2017
6 Resigned – 6 October 2017
7 Deceased – 24 June 2016

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

Going concern
The Directors have reviewed the Group's cash flow forecasts for the period to June 2019 and after taking into account existing financing facilities, available cash and cash flow projections from operations, the Directors consider that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details have been provided within note 2.2.

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

Share options
Further details, including share options provided to employees of the Group, are contained in note 22 to the financial statements.

Signed on behalf of the Board of Directors on 13 April 2018.

Eric Zurrin
Chief Executive Officer

Anthony Durrant
Chairman

Corporate Governance

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

Board of Directors

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

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

Board meetings

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

The table below shows the attendance at board meetings during the year to 31 December 2017:

Directors

		Board meeting	Audit Committee	Remuneration Committee	Sustainability Committee
Eric Zurrin [1]	Executive	4	-	-	-
Luke Leslie [2]	Executive	9	4	2	-
Toby Bradbury	Executive	7	-	-	-
Anthony Durrant	Non-Executive	8	5	3	3
Ketan Patel	Non-Executive	8	4	-	3
Robin Fryer	Non-Executive	9	5	3	-
Keith Marshall	Non-Executive	4	-	2	2
Number of meetings held in the year		**9**	**5**	**3**	**3**

1. Appointed 18 August 2017.
2. Attended 8 Board Meetings as a Non-Executive Director and attended 2 Board Meetings following appointment as an Executive Director.

Audit Committee

The Group has an Audit Committee, comprised of two Non-Executive Directors being Robin Fryer (Chairman) and Ketan Patel. The Audit Committee aims to meet at least three times each year and is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported on, and for meeting with the Group's auditor, reviewing their reports, reviewing the Group accounts and reviewing the Group's internal controls. The Audit Committee met five times in 2017.

Remuneration Committee

The Group has a Remuneration Committee, comprised of two Non-Executive Directors being Keith Marshall (Chairman) and Robin Fryer. The Remuneration Committee aims to meet at least three times each year and is responsible for reviewing the performance of the senior staff, setting their remuneration, determining the payment of bonuses, considering the grant of options under any share option plan and, in particular, the price per share and the application of the performance standards which may apply to any grant. The Remuneration Committee met three times in 2017.

Sustainability Committee
The Group has a Sustainability Committee, comprised of two Non-Executive Directors being Ketan Patel (Chairman) and Keith Marshall. The Sustainability Committee aims to meet at least three times each year and is responsible for reviewing the Group's safety, occupational health, environmental as well as community and social responsibility practices. The Sustainability Committee met three times in 2017.

Signed on behalf of the Board of Directors on 13 April 2018.

Eric Zurrin
Chief Executive Officer

Anthony Durrant
Chairman

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

Opinion

We have audited the financial statements of Shanta Gold Limited and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

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

Use of our report

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

Conclusions relating to going concern

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

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

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

Matter identified	How we addressed the matter
Carrying value of mining assets	
The Group's mining assets represent its most significant assets and total US$131.8 million as at 31 December 2017. The future viability and recoverability of the producing mining assets are underpinned by the Group's Life of Mine ("LoM") plans. Management determined that the changes to the Tanzanian legislation in the year is an indicator of impairment. Management therefore performed impairment assessments which included the impact of the new legislation introduced by the Government of Tanzania. As detailed in notes 3 and 11, the assessment of the value in use of the carrying value of mining assets required significant judgements and estimates by management. The carrying value of mining assets represented a significant risk for our audit given the significant judgements required in respect of the effect of legislative changes and regulatory uncertainties in Tanzania on the life of mine plan and the discount rate. Additionally, estimates were required in assumptions regarding future gold prices, mining and production costs and recovery rates.	We reviewed management's assessment of indicators of impairment and evaluated management's impairment models against Life of Mine plans and our understanding of the operations, and critically challenged the key estimates and assumptions used by management. Our testing included comparison of the gold price forecasts to forward gold price data, market consensus information and trends; recalculation of discount rates; and critical review of the forecast cost and production profiles against Board approved life of mine plans, the latest resources and reserves report and empirical performance. We specifically challenged the Group's ability to achieve forecast cost savings, and compared the budgeted savings to specific plans and savings already achieved. We reviewed the legislative changes in Tanzania using publicly available information and Tanzanian legislation and considered the implications of these on the impairment models. We checked the forecasts to ensure that the additional costs associated with the legislative changes had been incorporated. We used our valuations expert to assist us in evaluating the appropriateness of the discount rate, comparing it with an appropriate risk free rate and specific country and other risks, (disclosed in note 11) applied in the impairment models. We included in our assessment the impact of the legislative changes and regulatory situation in Tanzania. We reviewed management's sensitivity analysis and performed our own sensitivity analysis over individual key inputs, together with a combination of sensitivities over such inputs. We evaluated the disclosures given in note 11 and consider them to be appropriate. We found the Group's assessment that its impairment models support the carrying value of mining assets to be appropriate with the key assumptions within an acceptable range.

Matter identified	How we addressed the matter
Going concern	
The new Tanzanian legislation has increased the future royalty rate to 6% and introduced a clearing fee of 1%. The Group has revised its forecasts to include the impacts of the new legislation. To mitigate the impact of the legislation, the Group has also implemented cost reductions as disclosed in note 2.2. The combination of the following make this a key area of focus for the audit: • the impact of the new legislation; • the debt repayments due in 2019, as disclosed in note 2.2; • and the uncertainty of the timing of recovery of the VAT receivable.	We critically assessed management's financial forecasts and the key underlying assumptions, including gold pricing, production, operating and capital expenditure, cost savings and the debt facilities currently available to the Group. In doing so, we considered factors such as empirical performance, external market data and debt servicing obligations under the various lender agreements. We specifically confirmed that the forecasts included the impact of the new legislative changes to costs. We recalculated management's covenant compliance calculations and assessed their consistency with the ratios stated in the relevant lender agreements. We performed sensitivity analysis in respect of key assumptions underpinning the forecasts. In addition, we performed specific sensitivities in respect of non-realised cost savings. We found the key underlying assumptions to be within an acceptable range and the disclosures included in the financial statements in respect of going concern to be appropriate
Recoverability of VAT	
As detailed in note 3, the Group is carrying significant VAT receivables totalling US$14.7 million as at 31 December 2017. An amount of US$3.5 million was refunded in November 2017 by the Tanzanian Revenue Authority. The new Tanzanian legislation prescribes that input VAT cannot be claimed on the export of raw minerals. Judgement exists as to the recovery and timing of recovery of the VAT. As such, the recoverability, carrying value and presentation of VAT represent a significant area of focus for our audit. Management have assessed the full VAT balance as recoverable and classified as current based on their judgment of timing of recoverability.	We obtained and considered correspondence between management and the Tanzanian Revenue Authority in respect of VAT for indicators that balances were irrecoverable under local tax rule and new legislation or subject to dispute. In addition, we made inquiries of management and their VAT expert, reviewed minutes of meetings and management's assessment of the impact of the new legislation on VAT to identify indicators VAT is disputed or irrecoverable. We agreed the authenticity of the VAT claimed during the year. We agreed the cash receipts and amounts offset to tax submissions and correspondences during the year. We considered and challenged management's assessment of the carrying value, timing of recovery and presentation of the receivables. In particular, our review of the timing of recovery included consideration of the history of re-payments, including the repayments made in 2017, current regulatory environment, the nature of correspondence with the relevant authorities, status of other similar companies, publicly available information about the Government of Tanzania and inquiries made with management and its VAT expert. We reviewed confirmation from the Group's legal advisors that in their view input VAT on the gold exported by the Group in the form of gold doré is claimable under the new legislation introduced in 2017.

Matter identified	How we addressed the matter
Capitalisation of costs	
The Group has incurred significant capital expenditure during the year, particularly in relation to the underground mines. As discussed in note 3, the determination of the date of completion of the development of the underground mine, and consequently the start of the underground commercial production is a judgement. The accounting treatment of costs incurred prior to and post the date of commercial production depends on the date of completion of the development of the underground mine. In addition, the appropriateness of the allocation of costs between operating and capital expenditure required judgement and estimation by management. As such, capitalisation of costs represented a key focus for our audit.	We critically assessed management's determination of the commencement of underground commercial production and evaluated the accounting treatment of development costs incurred prior to and post that date. Our assessment involved reviewing operational data which evidenced the completion date of the underground development and concurrent commencement of commercial production. We reviewed and critically assessed the Group's underground mining capitalisation policies and management's allocation of costs between operating expenditure and capital expenditure. Our testing included assessment of the allocation of such costs based on the nature of the underlying activity, sample based verification and meetings with the underground mine department. We verified a sample of testing on expenditure to supporting documentation such as invoices. We also performed a detailed assessment of the assets under construction and asset registers, assessing the completion dates and associated start date for depreciation against capital project reports and our understanding of the activities in the year. We found the date of commencement of underground commercial production determined by management and the accounting treatment of costs incurred prior to and post that date to be appropriate.

Our application of materiality

The materiality for the Group financial statements as a whole was set at US$1.5 million. This was determined with reference to 1.5% of revenue. We consider revenue to be the most significant determinant of the Group's financial performance used by shareholders following the commencement of the underground mine commercial production in the year.

Whilst materiality for the financial statements as a whole was US$1.5 million (2016: $1.1 million), the significant component of the Group was audited to a lower materiality of US$1.35 million (2016: $1.0 million).

Performance materiality was set at 75% of the above materiality levels (2016: 75%). Materiality levels are not significantly different from those applied in the previous year.

We agreed with the Audit Committee that we would report to the committee all audit differences in excess of US$0.03 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also consider the aggregation risk of misstatements, take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

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

There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

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

Whilst Shanta Gold Limited is a Company registered in Guernsey and listed on the Alternative Investment Market in the UK, the Group's principal operations are located in Tanzania. In approaching the audit, we considered how the Group is organised and managed. We assessed there to be one significant component, being Shanta Mining Company Limited which includes the New Luika mine and Singida operations.

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

As part of our audit strategy, as Group auditors:

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Jack Draycott
For and on behalf of BDO LLP, Statutory Auditor

London, United Kingdom
13 April 2017

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

Consolidated statement of comprehensive income

(US$000)	Notes	31 Dec 2017	31 Dec 2016
Revenue		103,353	107,142
Loss on non-hedge derivatives and other commodity contracts	4	(1,623)	(4,066)
Cost of sales		(82,447)	(88,267)
Gross Profit		**19,283**	**14,809**
Administration expenses		(6,646)	(7,075)
Exploration and evaluation costs		(1,630)	(4,697)
Operating profit		**11,007**	**3,037**
Finance income	5	77	98
Finance expense	6	(7,539)	(7,474)
Profit / (loss) before taxation	**7**	**3,545**	**(4,339)**
Taxation	8	615	(3,634)
Profit / (loss) for the year attributable to the equity holders of the parent Company		**4,160**	**(7,973)**
Profit / (loss) after taxation		4,160	(7,973)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign entities which can subsequently be reclassified to profit or loss		(9)	(418)
Total comprehensive income / (loss) attributable to the equity holders of the parent		**4,151**	**(8,391)**
Earnings / (loss) per share attributable to the equity holders of the parent Company			
Basic earnings / (loss) per share (US$ cents)	**9**	**0.612**	**(1.473)**
Diluted earnings / (loss) per share (US$ cents)	**9**	**0.604**	**(1.473)**

The accompanying notes on pages 43 to 69 form an integral part of these financial statements.

The profit / (loss) after tax for the year and the total comprehensive income / (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.

Consolidated statement of financial position

(US$000)	Notes	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets	10	23,284	23,262
Property, plant and equipment	11	108,528	99,556
Total non-current assets		**131,812**	**122,818**
Current assets			
Inventories	14	19,533	20,291
Trade and other receivables	15	17,752	13,975
Income tax receivable		338	-
Restricted cash	16	1,875	-
Cash and cash equivalents		13,551	14,945
Total current assets		**53,049**	**49,211**
TOTAL ASSETS		**184,861**	**172,029**
CAPITAL AND RESERVES			
Equity			
Share capital and premium	21	157,268	143,870
Share option reserve	22	1,037	2,248
Convertible loan note reserve	19	5,374	5,374
Shares to be issued		512	60
Translation reserve		454	463
Retained deficit		(68,240)	(73,536)
TOTAL EQUITY		**96,405**	**78,479**
LIABILITIES			
Non-current liabilities			
Loans and other borrowings	18	27,132	34,156
Convertible loan notes	19	14,843	14,298
Provision for decommissioning	20	8,099	7,471
Provision for deferred taxation	8	6,320	8,948
Total non-current liabilities		**56,394**	**66,873**
Current liabilities			
Trade and other payables	17	13,977	11,148
Loans and other borrowings	18	18,085	16,272
Income tax payable		-	1,257
Total current liabilities		**32,062**	**28,677**
TOTAL LIABILITIES		**88,456**	**93,550**
TOTAL EQUITY AND LIABILITIES		**184,861**	**172,029**

The accompanying notes on pages 43 to 69 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board of Directors on 13 April 2018 and signed on its behalf by:

Eric Zurrin
Chief Executive Officer

Anthony Peter Wynn Durrant
Chairman

Consolidated statement of changes in equity

US$000	Share capital	Share premium	Share option reserve	Convertible loan note reserve	Translation reserve	Shares to be issued	Retained deficit	Total equity
Total equity 31 December 2015	76	133,766	3,202	5,374	881	82	(66,712)	76,669
Loss for the year	-	-	-	-	-	-	(7,973)	(7,973)
Other comprehensive income for the year	-	-	-	-	(418)	-	-	(418)
Total comprehensive loss for year	**-**	**-**	**-**	**-**	**(418)**	**-**	**(7,973)**	**(8,391)**
Share based payments	-	-	200	-	-	(22)	-	178
Shares issued (net of expenses)	17	10,006	-	-	-	-	-	10,023
Exercise of options	-	5	(5)	-	-	-	-	-
Lapsed options	-	-	(1,149)	-	-	-	1,149	-
Total equity 31 December 2016	**93**	**143,777**	**2,248**	**5,374**	**463**	**60**	**(73,536)**	**78,479**
Profit for the year	-	-	-	-	-	-	4,160	4,160
Other comprehensive income for the year	-	-	-	-	(9)	-	-	(9)
Total comprehensive income for year	**-**	**-**	**-**	**-**	**(9)**	**-**	**4,160**	**4,151**
Share based payments	-	75	127	-	-	452	-	654
Shares issued (net of expenses)	23	13,098	-	-	-	-	-	13,121
Exercise of options	-	202	(202)	-	-	-	-	-
Lapsed options	-	-	(1,136)	-	-	-	1,136	-
Total equity 31 December 2017	**116**	**157,152**	**1,037**	**5,374**	**454**	**512**	**(68,240)**	**96,405**

The accompanying notes on pages 43 to 69 form an integral part of these financial statements.

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

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Share option reserve	Cumulative fair value of options charged to the statement of comprehensive income net of transfers to the retained deficit on exercised and cancelled/lapsed options
Convertible loan 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
Accumulated deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

Consolidated statement of cash flows

(US$000)	Notes	31 Dec 2017	31 Dec 2016
Net cash flows generated from operating activities	**23**	**34,935**	**40,330**
Investing activities			
Purchase of intangible assets		(47)	(66)
Purchase of plant and equipment		(1,090)	(2,132)
Assets under construction		(30,776)	(41,377)
Mine development expenditure		(5,976)	(5,796)
Net cash flows used in investing activities		**(37,889)**	**(49,371)**
Financing activities			
Ordinary shares issued (net of expenses)		13,121	10,023
Buy-back of convertible loan note (net of costs)		-	(9,950)
Loans repaid		(12,730)	-
Equipment loan repaid		(2,213)	(579)
Finance lease payments		(600)	(1,061)
Silver Stream advance (net of costs and payments)		-	4,011
Loan interest paid		(4,605)	(4,546)
Movements in restricted cash		(1,875)	500
Loans received (net of loan arrangement fees)		7,975	6,471
Equipment loan received		2,487	-
Net cash flows received from financing activities		**1,560**	**4,869**
Net decrease in cash and cash equivalents		**(1,394)**	**(4,172)**
Cash and cash equivalents at beginning of year		**14,945**	**19,117**
Cash and cash equivalents at end of year		**13,551**	**14,945**

The accompanying notes on pages 43 to 69 form an integral part of these financial statements.

2017 was the first year in which New Luika's Bauhinia Creek underground has been operational and, since commencing development in July 2016, it has produced in excess of 250,000 tonnes of ore at an average grade exceeding 6 g/t.

Notes to the financial statements

1. General information

Shanta Gold Limited (the Company) is a limited company incorporated in Guernsey. The address of its registered office is 11 New Street, St Peter Port, Guernsey, GY1 3EG. The nature of the Group's operations and its principal activities are set out in the Chairman's statement, the Chief Executive Officer's review and the Directors' report on pages 5 to 27.

These financial statements were approved and authorised for issue on 13 April 2018 by Eric Zurrin and Anthony Durrant on behalf of the Board.

2. Accounting policies

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

2.1 Basis of preparation

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

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

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group's management to exercise 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 note 3.

2.2 Going concern

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

A new Finance Act was approved by the Tanzanian Parliament in June 2017 and a number of new legislative Bills were enacted as Laws in early July 2017. These changes in the legislation, including the impact of increased royalty rates and clearing fee, have been specifically considered within the Group's budgets and cashflow forecasts.

At 31 December 2017 the Group had a cash balance of US$13.6m and access to the remaining undrawn unrestricted Exim Bank facility of US$1.9m. At 31 December 2017 the Group's net current assets amounted to US$21.0m.

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

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

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

2.3 Standards in issue but not yet effective

The following standards and interpretations which have been recently issued or revised and are mandatory for the Group's accounting periods beginning on or after 1 January 2018 or later periods have not been adopted early:

Standard	Detail	Effective date
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue with contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 2	Amendment—classification and measurement of share-based payment transactions	1 January 2018

With the exception of IFRS 16, the impact of these standards and interpretations will be reflected in the interim and annual reports to be released in respect of 2018.

IFRS 15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. This standard establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management have completed an assessment of existing gold sale contracts and, based on the analysis performed, do not anticipate any material impact to the recognition of revenue upon adoption of this standard based on the existing arrangements at their operations. The accounting policy currently applied by the Group in respect of revenue recognition is not expected to change once this new standard has become effective.

IFRS 9 "Financial instruments" addresses the classification and measurement of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The level of credit risk that the Group is exposed to is not expected to give rise to material allowances within this new model. Management have completed their assessment of the classification and measurement of the Group's existing financial assets and liabilities under the requirements of IFRS 9 and do not anticipate any material impact to the financial statements upon adoption of this standard.

IFRS 16 introduces a single lease accounting model. This standard requires lessees to account for all leases under a single on-balance sheet model. Under the new standard, a lessee is required to recognise all lease assets and liabilities on the balance sheet; recognise amortisation of leased assets and interest on lease liabilities over the lease term; and separately present the principal amount of cash paid and interest in the cash flow statement. Management are currently assessing the impact of this standard.

The principal accounting policies adopted are set out below.

2.4 Basis of consolidation

2.4.1 Subsidiaries

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

2.4.2 Business combinations

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

2.5 Foreign currencies

2.5.1 Functional and Presentation Currency

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

Assets and liabilities of foreign entities (i.e. those with a functional currency other than US Dollar) are translated at rates of exchange ruling at the financial year end and the results at rates approximating to those ruling when the transactions took place. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the translation reserve.

2.5.2 Transactions and balances

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

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

2.6 Revenue recognition

The Group enters into contracts for the sale of refined gold. 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 and the significant risks and rewards have been transferred to the customer.

The Group enters into forward sales contracts for the sale and delivery of gold at a pre-determined and agreed price. Revenue arising from forward sales contracts is recognized upon delivery of product under the terms of the contract.

All silver is sold through the Silver Stream arrangement and in line with the policy detailed in section 2.17.2.

2.7 Inventory

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

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

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

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

2.8 Intangible assets and exploration and evaluation expenditure

2.8.1 Exploration expenditure

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

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

2.8.2 Evaluation expenditure

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

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

2.8.3 Acquired exploration and evaluation properties

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

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

2.8.4 Licensing costs

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

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

2.9 Property, plant and equipment

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

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

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

2.9.1 Mining assets

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

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

2.9.2 Assets under construction

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

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

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

Assets under construction are not depreciated.

2.9.3 Deferred stripping asset

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

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

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

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

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

2.10 Impairment of non-current assets

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

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

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

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

2.11 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

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

2.14 Share-based payment/incentive programmes

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

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 Segmental information

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

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

All revenues generated through the sale of gold arise from sales to one customer. The same applies to all revenues generated through the sale of silver.

2.16 Leases

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

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

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

2.17 Financial instruments

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

2.17.1 Financial assets

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

The Group has not classified any of the financial assets as held to maturity or as available for sale. 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.

a) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They principally comprise loans, trade and other receivables, cash and cash equivalents and restricted cash. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition, and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The effect of discounting on these financial instruments is not considered to be material.

b) 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.

c) 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 impairment 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 statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

d) Cash and cash equivalents

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

2.17.2 Financial liabilities

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

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

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

All financial liabilities are initially recognised at fair value net of transaction costs incurred.

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

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

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

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

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

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

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

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

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

The fair value hierarchy has the following levels:

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

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

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

2.17.3 Capital

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

For the purpose of disclosure given in note 21 the Group considers its capital to comprise its ordinary share capital, share premium and retained losses. There has been no change in what the Group considers to be capital since the previous period. The Group is not subject to any externally imposed capital requirements.

3. Accounting judgments and estimation

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

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

Key sources of judgment are:

Impairment of property, 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 is undertaken of the recoverable amount of that asset based on value in use calculations which involve management's estimates and assumptions including range of discount rates, gold prices, cash costs and also the impact of recent legislative changes in Tanzania. This is discussed further in note 11. The impairment tests did not indicate impairment and headroom existed at each mine.

Impairment of intangible assets

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

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

Recoverability of VAT receivable

Recoverability of the VAT receivable in Tanzania is assessed based on a judgement by management and following review of all relevant considerations, including precedent set within the financial year in the form of a reimbursement, the carrying value in the financial statements is considered to be fully recoverable. In July 2017, an amendment to the VAT Act 2014 came into effect, treating any exportation of raw minerals as an exempt supply for which no input tax is deductible. The Group exports doré gold bars which it does not consider to be a raw mineral.

Commercial production from the underground operation

The point in time at which commercial production commences can be determined using various indicators. The Group declared commercial production at New Luika's underground operation in the second quarter of 2017 on the basis that first stope ore had been produced from a long-hole open stope in the Bauhinia Creek orebody.

Key sources of estimation uncertainty are set out as follows:

Depreciation of mining assets
Mining assets are depreciated using the unit of production method based on proven and probable reserves. Units of production are significantly affected by resources, exploration potential and production estimates together with economic factors, commodity prices, foreign currency, exchange rates, estimates of costs to produce reserves and future capital expenditure. The depreciation charge for the year is disclosed within note 11.

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 depreciation charge for the year is disclosed within note 11.

Inventories
Stock is valued at the lower of cost or net realisable value. Costs that are incurred in or benefit the production process are accumulated as ore stockpiles, gold in process and gold bullion. Although the quantities of recoverable metal are reconciled by comparing the grades of ore to the quantities of gold and silver actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor recoverability levels. Net realisable value tests are performed at least annually and represent the estimated future sales value less estimated costs to complete production and bring the product to sale. These net realisable tests take into account management's estimate of the maximum values to be realised from ore stockpiles, in some instances through blending of different ore stockpile grades, prior to these being added to future processing plant feeds. The carrying value of stock is disclosed within note 14.

Stripping assumptions of access to ore
Stripping costs incurred in opening up new ore areas are capitalised as part of the mine development costs and subsequently amortised over the mining of the ore body that becomes more accessible as a result of the stripping activity. The Group is required to estimate at each period end the quantity of ore that has become more accessible as a result of the stripping activity. The estimates made are supported by technical data. The Group subsequently depreciates relevant stripping assets as that section of the ore body is mined, which requires judgement as to the relevant section of ore body for depreciation.

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

Decommissioning, site rehabilitation and environmental costs
The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate of the rehabilitation costs in the period in which they are incurred. This estimate includes judgements from management in respect of which costs are expected to be incurred in the future, the timing of these costs and their present value. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision. Such changes could similarly impact the useful lives of assets depreciated on a straight-line-basis, where those lives are limited to the life of mine. A 1% change in the discount rate on the Group's rehabilitation estimates would result in an impact of US$0.1 million (2016: US$0.7 million) on the provision for environmental and site restoration. The value of the year-end decommissioning provision is disclosed within note 20.

Silver Stream obligation
Under the silver streaming agreement to which the Group is party there is an obligation to deliver silver bi-product to the sole customer in return for proceeds remitted in the 2016 financial year. The value of obligation arising through this agreement is established by computing the present value of estimated future cash flows at the financial liability's original effective interest rate. This exercise incorporates the impact of judgements made within the mine plan in respect of future silver production and includes estimates in respect of the anticipated price of silver in future periods based on silver future price curves. The value of the Silver Stream obligation is disclosed within note 18.

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

US$000	31-Dec-17	31-Dec-16
Valuation of open commodity swaps	(2,208)	256
Commodity swaps settled	585	(4,322)
	(1,623)	**(4,066)**

A mark to market valuation of open swap deals was done at 31 December 2017 (31 December 2016). This resulted in derivative financial liability of US$640,000 (2016 asset: US$1,568,000) as the spot gold price was above (2016: below) the fixed forward prices of these instruments. During the year gains of US$585,000 (2016: losses of US$4,322,000) were realised on settlement of commodity swaps as the spot gold prices at the settlement dates were higher (2016: lower) than the fixed forward prices of the instruments.

5. Finance income

US$000	31-Dec-17	31-Dec-16
Bank interest	77	98
	77	**98**

6. Finance expense

US$000	31-Dec-17	31-Dec-16
Loan and other Interest	4,924	4,748
Unwinding of discount on decommissioning liability (note 20)	607	478
Interest on Silver Stream advance (note 18)	1,674	924
Fair value adjustment on Silver Stream advance (note 18)	(211)	477
Convertible Loan Note accretion (note 19)	545	847
	7,539	**7,474**

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

7. Profit/loss before taxation

US$000	31-Dec-17	31-Dec-16
Depreciation and amortisation of tangible assets	18,406	47,114
Amortisation of intangible assets	25	5
Share based payment costs	653	200
Directors remuneration	1,772	1,087
Staff costs	15,992	16,110
Auditors' remuneration		
Audit fees of the Company and Group	94	83
Audit fees of subsidiaries by associates of Group auditor	40	41
Fees for review of interim information	21	-

8. Taxation

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

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

US$000	31-Dec-17	31-Dec-16
Current tax charge (Corporate and turnover tax charge)	(2,013)	(1,518)
Deferred tax credit/ (charge)	2,628	(2,116)
Net credit / (charge)	**615**	**(3,634)**

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

Profit/(loss) before taxation		**3,545**	**(4,339)**
Tax at the standard tax rate			
Tanzanian Corporation tax at 30%		1,064	(1,302)
Different tax rates applied in overseas jurisdictions		1,337	1,378
Permanent adjustments		(772)	823
Unrecognised taxable losses in subsidiaries		1,564	2,548
Turnover tax charge	Current year	-	171
	Prior year	-	16
Taxable losses utilised not previously recognised		(1,335)	-
Reversal of deferred tax following legislative changes		(2,473)	-
Tax (credit) / charge		**(615)**	**3,634**

Included in last year's tax charge was a "Turnover Tax Charge" which was applicable should a company incur tax losses for more than 3 consecutive years, and was levied at a rate of 0.3% of Turnover.

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

US$000	31-Dec-17	31-Dec-16
Deferred tax asset	9,241	12,362
Deferred tax liability	(15,561)	(21,310)
Net deferred tax liability	**(6,320)**	**(8,948)**

The deferred tax asset has arisen on the unused tax losses. At year end, the Group has unused tax losses of US$35,646,000 (2016: US$41,205,000) and further capital allowance of US$15,273,000 (2016: US$28,393,000) available for offset against future profits and can be carried forward indefinitely.

The deferred tax liability has arisen on the temporary differences between the carrying value of assets and tax written down value of assets. Included in the opening balance of 2016 is an amount of US$5,197,000 relating to deferred tax liability on Shield and Boulder acquisition.

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

(US$000)	Deferred tax asset	Deferred tax liability	Net deferred tax liability
At 1 January 2016	**22,776**	**(29,472)**	**(6,696)**
Tax losses utilised in the year	(10,414)	-	(10,414)
Accelerated tax depreciation	-	8,162	8,162
At 31 December 2016	**12,362**	**(21,310)**	**(8,948)**
Tax losses utilised in the year	(3,121)	-	-
Accelerated tax depreciation	-	5,749	2,628
At 31 December 2017	**9,241**	**(15,561)**	**(6,320)**

9. Earnings per share

Basic earnings / (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	31-Dec-17	31-Dec-16
Profit / (loss) for the year attributable to equity holders of Company	4,160	(7,973)
Profit / (loss) used in calculation of basic earnings / (loss) per share	4,160	(7,973)
Basic earnings / (loss) per share (US cents)	0.612	(1.473)
Weighted average number of shares in issue	**679,437,723**	**541,157,213**

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-17	31-Dec-16
The Group has the following instruments which could potentially dilute basic earnings per share in the future:		
Share options	1,330,662	3,164,557
Shares to be issued	8,556,374	-
Convertible loan notes	-	-

In 2016 the potential ordinary shares were anti-dilutive as the Group was in a loss making position and therefore the conversion of potential ordinary shares would serve to decrease the loss per share from continuing operations. Where potential ordinary share are anti-dilutive a diluted earnings per share is not calculated and is deemed to be equal to the basic earnings per share.

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

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

10. Intangible assets

US$000	Owned prospecting licences	Third party primary mining licences	Owned mining licence	Third party mining licence	Acquired exploration and evaluation assets	Total
At 31 December 2015	**24**	**387**	**86**	**185**	**22,519**	**23,201**
Additions	-	-		66	-	66
Amortisation	-		(5)	-	-	(5)
At 31 December 2016	**24**	**387**	**81**	**251**	**22,519**	**23,262**
Additions	-	-	47	-	-	47
Amortisation	-	-	(25)	-	-	(25)
At 31 December 2017	**24**	**387**	**103**	**251**	**22,519**	**23,284**

Impairment of licences

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

Impairments relate to projects which have been assessed for impairment and found to be no longer viable or where licences have expired with no intention of renewal. Licences currently under renewal but viable are not considered to be impaired. The Directors have no reason to believe that renewal will not be granted. The recoverable amounts are determined based on an assessment of economically recoverable mineral resources.

The Mining Act 2010, (which replaced the previous Mining Act 1998), introduced new procedures on renewal of Prospecting Licences (PL's) that involves a tender process. The Group has met its commitments on its PL's which have or are due to expire and has no reason to believe that renewals will not be granted.

Acquired exploration and evaluation assets

Included in the book value of intangible assets are values ascribed to the acquisition of the licences held by Shield Resources Limited, the full details of which are contained in the 2014 Annual Report. The licences remain valid and continue to be held by Shield Resources Limited.

11. Property, plant and equipment

US$000	Gold processing plant	Mining assets	Assets under construction	Mining and other equipment	Decom-missioning asset	Deferred stripping asset	Total
Cost							
At 1 January 2016	**39,870**	**61,208**	**10,113**	**6,500**	**4,471**	**28,880**	**151,042**
Additions	76	4,856	41,603	2,232	1,014	5,796	55,577
Asset transfers	-	-	(5,196)	5,196	-	-	-
Disposals/write off	-	-	-	(113)	-	-	(113)
At 31 December 2016	**39,946**	**66,064**	**46,520**	**13,815**	**5,485**	**34,676**	**206,506**
Accumulated Depreciation							
At 1 January 2016	**11,345**	**28,399**	**-**	**3,697**	**2,325**	**14,183**	**59,949**
Charge for the year	5,564	23,291	-	972	418	16,869	47,114
Disposals/write off	-	-	-	(113)	-	-	(113)
At 31 December 2016	**16,909**	**51,690**	**-**	**4,556**	**2,743**	**31,052**	**106,950**
Net book value							
At 31 December 2016	**23,037**	**14,374**	**46,520**	**9,259**	**2,742**	**3,624**	**99,556**
Cost							
At 1 January 2017	**39,946**	**66,064**	**46,520**	**13,815**	**5,485**	**34,676**	**206,506**
Additions	-	5,584	30,776	1089	21	392	37,862
Pre-production revenue[1]	-	-	(10,484)	-	-	-	(10,484)
Asset transfers	-	19,990	(43,912)	23,922	-	-	-
At 31 December 2017	**39,946**	**91,638**	**22,900**	**38,826**	**5,506**	**35,068**	**233,884**
Accumulated Depreciation							
At 1 January 2017	16,909	51,690	-	4,556	2,743	31,052	106,950
Charge for the year	3,617	5,517	-	4,980	432	3,860	18,406
At 31 December 2017	**20,526**	**57,207**	**-**	**9,536**	**3,175**	**34,912**	**125,356**
Net book value							
At 31 December 2017	**19,420**	**34,431**	**22,900**	**29,290**	**2,331**	**156**	**108,528**

1. Revenue generated from underground development ore mined at no margin has been offset against capital expenditure in the year.

The net carrying amount of property plant and equipment includes an amount of US$18,142,000 (2016: US$12,151,000) in respect of assets held under finance lease and equipment loan. Depreciation charge for these assets in the year amounted to US$2,482,000 (2016: US$1,076,000). The above assets which are not financed under the finance lease or equipment loan are encumbered as detailed further in note 18 in favour of a Security Agent acting on behalf of Investec Bank Limited.

Impairment review

Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable.

During 2017 a new Finance Act was approved and enacted by the Tanzanian Parliament resulting in higher royalty rates on gold shipments of 6%, up from 4% previously, and an additional clearing fee of 1%. These changes have had an adverse impact on the Group's operations triggering an impairment review under IAS 36 'Impairment of assets'. The impact of the higher royalty rates and additional clearing fee has been considered as part of management's impairment review.

Furthermore, the Written Laws (Miscellaneous Amendments) Act 2017 introduced the requirement that, where a company is carrying out any mining operations under a mining licence or special mining licence, the government shall have a minimum 16 per cent free carried interest in its shares. The Government also asserts the right to acquire up to fifty percent of the shares in a mining company commensurate with the total tax expenditure incurred by the Government in favour of the mining company. To date no application guidance has been published regarding how this will be implemented in practice. On this basis any speculative impact of this Act has been excluded from management's impairment review.

Management measured the recoverable amount by comparing the assets' carrying amount to the higher of their fair value less costs of disposal ("FVLCD") or value in use ("VIU"). For the purposes of assessing impairment, assets are grouped at the lowest level for which there are largely independent cash inflows (cash generating units or "CGU"). The Group has two CGUs being New Luika Gold Mine and Singida within property, plant and equipment. Management determined VIU for each CGU by calculating the net present value of the future cash flows expected to be generated by New Luika and Singida respectively. The estimates of future cash flows were derived from the most recent LoM plans and approved budgets. Gold price assumptions used to estimate future revenues are based on observable market or publicly available data, including forward prices and analyst forecasts. The future cash flows are discounted using a weighted average cost of capital ("WACC"), which reflects specific market risk factors and country risk affecting each CGU.

The following are the key assumptions used in the impairment review:

	New Luika	Singida
Discount rate	12.8%	12.8%
Gold price per ounce (2018)	US$1,290	US$1,290
Gold price per ounce (2019)	US$1,315	US$1,315
Gold price per ounce (2020+)	US$1,341	US$1,341
LoM (years)	6	8

The VIU calculations have demonstrated headroom over the assets' carrying amounts indicating no impairment. Gold price and discount rate are considered the most significant assumptions impacting the impairment calculations and these have been sensitised as follows:

- +/- $100 per ounce change in the projected future gold prices per ounce noted in the assumptions table above, while holding all other assumptions constant.
- +/- 2 change in discount rate, independent from the change in gold price, while holding all other assumptions constant.

None of the above sensitivities resulted in an impairment loss. The breakeven price per ounce of gold, if assumed to be constant in future years, is US$1,240 for New Luika and is US$991 for Singida. The breakeven discount rate is 15.4% and 32.8% for New Luika and Singida respectively.

The impairment review for both New Luika and Singida included the estimated effects of recent legislative changes and the estimated impact of regulatory uncertainty within Tanzania. Management are satisfied that the Group's property, plant and equipment were not impaired at the reporting date.

12. Subsidiary companies

At 31 December 2017, 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
Shamba Limited	100%	Guernsey	Holding Company
Rukwa Limited	100%	Guernsey	Investment Company
Boulder Investments Limited	100%	Cyprus	Investment Company
Shanta Mining Company Limited	100%	Tanzania	Exploration and mining
Shield Resources Limited	100%	Tanzania	Exploration and mining
Mgusu Mining Limited	100%	Tanzania	Exploration and mining
Nsimbanguru Mining Limited	100%	Tanzania	Exploration and mining
Chunya Resources Limited	100%	Tanzania	Dormant
Songea Resources Limited	100%	Tanzania	Dormant
Shanta Gold UK Limited	100%	United Kingdom	Dormant

13. Categories of financial assets and liabilities

US$000	31-Dec-17	31-Dec-16
Current assets measured at amortised cost		
Trade and other receivables excluding prepayments	43	468
Restricted cash	1,875	-
Cash and cash equivalents	13,551	14,945
Total financial assets at amortised cost	**15,469**	**15,413**
Financial liabilities measured at amortised cost		
Current financial liabilities		
Loans and other borrowings (note 18)	18,085	16,272
Trade and other payables	11,581	11,148
	29,666	**27,420**
Non-current financial liabilities		
Convertible Loan (note 19)	14,843	14,298
Loans and other borrowings (note 18)	27,132	34,156
	41,975	**48,454**
Total financial liabilities measured at amortised cost	**71,641**	**75,874**
Financial assets at fair value through profit or loss		
Derivative financial assets - commodity hedge (note 25)	-	1,568
Derivative financial liabilities - commodity hedge (note 25)	(640)	-
Total financial (liabilities) / assets at fair value through profit or loss	**(640)**	**1,568**

Fair values

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

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

Loans payable to related parties are repayable on demand and their fair value is considered to approximate their book value (note 18).

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

14. Inventories

US$000	31-Dec-17	31-Dec-16
Plant spares and consumables	9,288	7,406
Gold in ore stockpile, gold room and CIL	10,245	12,885
	19,533	**20,291**

The cost of spares and consumables recognised as an expense and included in cost of sales amounted to US$16.0 million (2016: US$11.3 million).

15. Trade and other receivables

US$000	31-Dec-17	31-Dec-16
Prepayment	3,022	3,667
Derivative financial asset (note 25)	-	1,568
VAT receivable	14,687	8,272
Other receivables	43	468
	17,752	**13,975**

During the year no impairments were recognised (2016: US$Nil). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Prepayments at the year-end comprise advance payments made to suppliers in accordance with the ordinary course of business and other administrative expenses paid in advance.

16. Restricted cash

An amount of US$1,875,000 (2016: US$Nil) has been shown separately from cash as it has an external restriction placed upon it in accordance with the Exim Bank loan facility agreement (note 18).

17. Trade and other payables

US$000	31-Dec-17	31-Dec-16
Trade payables	8,678	4,582
Derivative financial liability (note 25)	640	-
Accruals and deferred income	4,659	6,566
	13,977	**11,148**

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.

18. Loans and other borrowings

US$000	31-Dec-17	31-Dec-16 as restated*
Current liabilities		
Promissory notes (1)	-	3,158
Loans payable to Investec Bank less than 1 year (2)	10,686	9,148
Equipment loan (3)	579	579
Finance lease (4)	154	143
Finance lease (5)	1,844	1,632
Silver Stream (6)	1,533	1,612
Loans payable to Exim Bank less than 1 year (7)	2,465	-
Equipment loan (8)	824	-
	18,085	16,272
Non-current liabilities		
Loans payable to Investec Bank after more than 1 year (2)	16,044	26,730
Equipment loan (3)	290	1,013
Finance lease (4)	-	155
Finance lease (5)	795	2,337
Silver Stream (6)	3,611	3,921
Loans payable to Exim Bank more than 1 year (7)	5,256	-
Equipment loan (8)	1,136	-
	27,132	34,156
Total loans and other borrowings	**45,217**	**50,428**

* For presentational purposes the 2016 year-end Silver Stream obligation has been split between current and non-current liabilities.

(1) **Promissory Notes**: Promissory notes relate to Promissory Notes 2 of US$3.1 million issued in consideration for the acquisition of Boulder which were repaid in full during 2017.

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

Facility A is for US$20 million and was used to pay the outstanding FBN Bank Ltd loan, accrued interest of US$101,000 and loan arrangement fees of US$600,000. Capital repayments of US$1.17 million are due every quarter end starting on 30 June 2016.

Facility B of US$20 million is a standby facility to be drawn as and when required to meet working capital requirements. During 2017 this was termed out and converted into a term facility of which repayment of the drawn facility amount commenced in the quarter ending 30 June 2017 on a quarterly basis over 3 years with capital repayments of US$1.54 million.

Both these facilities are secured by means of:

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

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

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

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

(5) **Finance Lease:** This is in respect of a lease to acquire mobile equipment from Sandvik, a capital amount of €4,634,000 (US$5,261,000) repayable monthly over thirty-six months commencing on 15 June 2016 for Tranche 1 and 14 September 2016 for Tranche 2 and payable quarterly. This is classified as a finance lease because the rentals period amounts to the estimated useful economic life of the asset and after three years, the assets will be bought outright by the Company by paying a nominal amount

(6) **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% 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 Gold Mine with minimum silver delivery obligations totalling 608,970 oz. Ag over a 6.75 year period. There is a requirement to settle any shortfall in silver delivery from the minimum obligation in cash. The term of the SSA is 10 years during which time the Company will sell silver to Silverback and receive ongoing payments of 10% of the silver sold at the prevailing silver price. However, the Company has no minimum ounce obligations after 2022.

US$000	**31-Dec-17**	**31-Dec-16**
Balance at 1 January	(5,533)	-
Advance	-	(5,250)
Value of Silver transferred	1,852	1,660
Interest at the effective interest rate	(1,674)	(924)
Adjustment for the value in future estimates	211	(1,019)
At 31 December	**(5,144)**	**(5,533)**

(7) **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 the New Luika Gold Mine. 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. 25% of the drawn down balance is held as restricted cash in accordance with the conditions of the agreement.

(8) **Equipment Loan:** This loan is in respect of a €2.1 million underground equipment financing entered into during the year with Sandvik Mining and Construction OY 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.

Future lease payments due are as follows:

	2017			2016		
US$000	Minimum lease payment	Interest	Present value	Minimum lease payment	Interest	Present value
Not later than one year	2,143	(145)	1,998	2,027	(252)	1,775
Between one year and five years	816	(21)	795	2,638	(146)	2,492
At 31 December	**2,959**	**(166)**	**2,793**	**4,665**	**(398)**	**4,267**
Current liability			1,998			1,775
Non-current liability			795			2,492

19. Convertible loan notes

US$000	31-Dec-17	31-Dec-16
Balance at 1 January	14,298	23,446
Purchase by group company	-	(9,995)
Cash paid interest	(2,026)	(2,065)
Coupon interest (note 6)	2,026	2,065
Accreted Interest (note 6)	545	847
At 31 December	**14,843**	**14,298**

During 2012 fixed coupon convertible loan notes amounting to US$25 million were issued, due for repayment on 13 April 2017 and containing a conversion option at a price of US$0.4686 per 1 Company share. The notes incurred an interest charge of 8.5% per annum and interest was payable half yearly in April and October. During 2016 the Group repurchased US$10.0 million of the notes and extended the repayment term of the remaining notes by two years to April 2019. As part of the repurchase, the coupon applicable to the notes increased from 8.5% to 13.5% for the remainder of the term of the notes.

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

20. Provision for Decommissioning

US$000	31-Dec-17	31-Dec-16
Balance at 1 January	7,471	5,979
Increase in provision	21	1,014
Unwinding of discount (note 6)	607	478
At 31 December	**8,099**	**7,471**

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

21. Share capital

Authorised	31-Dec-17	31-Dec-16
768,628,311 ordinary shares of 0.01 pence each	£76,863	£66,500

Issued and fully paid	Number	£	US$000
At 1 January 2016	**468,777,483**	**46,877**	**76**
Issued in year	114,168,218	11,418	17
As at 31 December 2016	**582,945,701**	**58,295**	**93**
Issued in year	186,682,610	18,568	23
As at 31 December 2017	**768,628,311**	**76,863**	**116**

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.

22. Share-based payments

Equity-settled share option scheme

Options in issue are as follows:

Grant date	Exercise price	Final exercise date	Number of options at 31 December 2017	Number of options at 31 December 2016
25 April 2008	8.5p	25 April 2018	350,000	350,000
8 September 2009	6p	8 September 2019	380,000	400,000
27 July 2010	18.2p	27 July 2020	925,000	955,000
26 September 2011	25p	26 September 2021	500,000	500,000
6 January 2012	23.13p	6 January 2022	1,685,000	1,770,000
23 August 2012	25p	23 August 2022	-	250,000
23 August 2012	30p	23 August 2022	-	500,000
23 August 2012	35p	23 August 2022	-	500,000
			3,840,000	**5,225,000**

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

	31 December 2017		31 December 2016	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Details of the share options outstanding during the year are:				
Outstanding at 1 January	5,225,000	0.220	8,878,649	0.254
Lapsed share options	(1,385,000)	0.230	(3,653,649)	0.269
Exercised options	-	-	-	-
Outstanding at end of year	3,840,000	0.192	5,225,000	0.220
Exercisable share options at the end of year	3,840,000	0.192	5,225,000	0.220

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

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

Long-term incentive plan (LTIP)

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

Grant date	Exercise price	Final vesting date		Number of shares at 31 December 2017	Number of shares at 31 December 2016
1 April 2013	0p	31 March 2017		-	598,500
1April 2013	0p	31 March 2017		-	2,493,500
1 April 2014	0p	31 March 2018		360,000	504,000
1 April 2014	0p	31 March 2018		672,000	1,270,500
1 January 2015	0p	31 December 2017		-	1,000,000
1 January 2015	0p	31 December 2017		-	500,000
15 April 2016	0p	28 February 2018		550,000	550,000
15 April 2016	0p	30 June 2018		400,000	400,000
15 April 2016	0p	31 December 2018		-	1,000,000
WAEP	0p		Outstanding at end of year	1,982,000	8,316,500
WAEP	0p		Exercisable at end of year	360,000	1,314,500

Details of the share options outstanding during the year are:

US$'000	31-Dec-17	31-Dec-16
Outstanding at 1 January	8,316,500	8,611,500
Lapsed / forfeited	(4,115,554)	(2,222,500)
New awards during the year	-	1,950,000
Exercised	(2,218,946)	(22,500)
Outstanding at end of year	1,982,000	8,316,500

The Company's mid-market closing share price at 31 December 2017 was 4.375 pence (2016: 9.375 pence). The lowest and highest mid-market closing price during the year was 2.625 pence (2016: 5.000 pence) and 12.125 pence (2016: 12.38 pence) respectively.

The vesting conditions of the 2,493,500 shares awarded on 1 April 2013, the 1,270,500 shares awarded on 1 April 2014, are dependent on meeting certain market conditions. The fair value at the date of grant was determined using a probability of meeting the market conditions using the Monte Carlo method.

The vesting conditions of the 550,000 and 400,000 shares awarded on 15 April 2016 were that 100% would vest on 28 February 2018 and 30 June 2018 respectively, subject to the recipients being in the Group's employment on these dates.

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

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

Refer to the Director's remuneration disclosures on page 26 for further details of share-based payments made in relation to fees sacrificed and performance related bonuses paid to directors.

23. Net cash flows from operating activities

US$000	31-Dec-17	31-Dec-16
Profit / (loss) before taxation for the year	3,545	(4,339)
Adjustments for:		
Depreciation/depletion of tangible assets	18,406	47,114
Amortisation/write off of intangible assets	25	5
Share based payment costs	653	200
Loss / (gain) on non-hedge derivatives	1,623	(256)
Unrealised exchange (gains) / losses	(69)	45
Non-cash settlement of Silver Stream obligation	(1,852)	-
Finance income (note 5)	(77)	(98)
Finance expense (note 6)	7,539	7,474
Pre-production revenue (note 11)	10,484	-
Operating cash flow before movement in working capital	40,277	50,145
Decrease / (Increase) in inventories	758	(9,553)
Increase in receivables	(4,760)	(5,503)
Increase in payables	2,189	5,266
	38,464	40,354
Taxation paid	(3,606)	(122)
Interest received	77	98
Net cash flow from operating activities	**34,935**	**40,330**

24. Reconciliation of liabilities arising from financing activities

	Non-current loans and other borrowings (Note 18)	**Current loans and other borrowings** (Note 18)	**Convertible loan notes** (Note 19)	**Restricted cash** (Note 16)	**Total**
At 1 January 2017	34,156	16,272	14,298	-	64,726
Cash flows	5,551	(13,211)	(2,026)	(1,875)	(11,561)
Non-cash flows					
Silver Stream	-	(1,852)	-	-	(1,852)
Interest accruing in the period	1,642	2,546	2,571	-	6,759
Effects of foreign exchange	-	113	-	-	113
Reclassification from non-current to current liabilities	(14,217)	14,217	-	-	-
At 31 December 2017	**27,132**	**18,085**	**14,843**	**(1,875)**	**58,185**

25. Financial risk management

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

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

Principal financial instruments

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

- Loans and Trade and other receivables
- Cash and cash equivalents
- Restricted cash
- Trade and other payables
- Loans
- Convertible loan notes
- Silver Stream advance on silver revenues
- Finance leases and asset loans
- Commodity price hedging

The Group held derivative financial instruments during the years ended 31 December 2017 and 2016 and these were in respect of forward sales of gold. Further details are reflected below as part of this note.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives quarterly information from the Group's management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group is exposed to commodity price volatility, interest rate risks, credit risks, liquidity risks and currency risks arising from the financial instruments it holds.

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

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

At 31 December 2016, the following commodity hedges were in place:

Product	Fixed Price	Start Date	End Date	Quantity	Mark To Market US$000's
Gold - USD	1,297	02/11/16	28/04/17	1,000	151
Gold - USD	1,300	02/11/16	31/05/17	1,000	153
Gold - USD	1,300	02/11/16	31/05/17	1,000	153
Gold - USD	1,300	03/11/16	31/08/17	3,000	447
Gold - USD	1,310	09/11/16	30/06/17	2,000	323
Gold - USD	1,320	09/11/16	31/07/17	2,000	341
Gain on non- hedge derivatives					**1,568**

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

25.1 Interest rate risk

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

The current 3-month US$ LIBOR rate for US$ is 2.3%. The variable rate loans bear interest at LIBOR + 4.9%. Currently, the interest charge per month is an average of US$167,000 (2016: US$175,000). A 1% increase or decrease in the LIBOR rate will increase or decrease the monthly interest charge by approximately US$20,000 (US$16,000 after tax) (2016: US$33,000, US$23,000 after tax).

The Group's cash and cash equivalents are carried at an effective interest rate of 1% (2016: 1%).

25.2 Credit risk

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

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

Trade and other receivables

The Group generates revenue from the sale of gold 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.

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.

Restricted cash

The Company entered into a US$10.0 million financing from Exim Bank (Tanzania) Limited ("EXIM") during 2017. This facility comprised US$7.5 million long term funding and US$2.5 million short-term funding for working capital, with the term loan bearing variable interest at 7.25% per annum (2.75% below the Exim Base Lending Rate). 25% of the drawn down balance is held as restricted cash in accordance with the conditions of the agreement. At the time of the year-end the Company had drawn down US$7.5 million of the facility and as such has recognised 25% of this drawn down balance as restricted cash.

25.3 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 2017		
US$000	**Less than 3 months**	**3 months to 1 year**	**After 1 year**
Loans and other borrowings	(3,902)	(11,349)	(23,045)
Equipment loan	(394)	(1,149)	(1,495)
Finance lease	(548)	(1,595)	(816)
Silver Stream	-	(1,823)	(6,392)
Convertible loan notes	-	(1,013)	(17,031)
Other payables and accruals	(11,580)	(640)	-
	(16,424)	**(17,569)**	**(48,779)**

US$000	31 December 2016 Less than 3 months	3 months to 1 year	After 1 year
Loans and other borrowings	(1,720)	(9,602)	(29,383)
Equipment loan	(167)	(487)	(915)
Finance lease	(517)	(1,507)	(2,627)
Promissory notes	-	(3,158)	-
Silver Stream	-	(1,769)	(7,387)
Convertible loan notes	-	(2,026)	(18,044)
Other payables and accruals	(11,148)	-	-
	(13,552)	**(18,548)**	**(58,356)**

25.4 Currency risk

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

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

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

	31 December 2017				
(US$000)	**USD**	**TZS**	**EUR**	**GBP**	**Total**
Trade and other receivables	43	-	-	-	43
Cash and cash equivalents	13,474	75	-	2	13,551
Trade and other payables	(9,594)	(3,350)	(81)	(312)	(13,337)
Derivative financial liability	(640)	-	-	-	(640)
Loans and other borrowings	(42,577)		(2,640)	-	(45,217)
Convertible loan notes	(14,843)	-	-	-	(14,843)
Net exposure	**(54,137)**	**(3,275)**	**(2,721)**	**(310)**	**(60,443)**

	31 December 2016				
	US$	**TZS**	**EUR**	**GBP**	**Total**
Trade and other receivables	469	-	-	-	469
Derivative financial asset	1,568	-	-	-	1,568
Cash and cash equivalents	14,224	709	-	12	14,945
Trade and other payables	(9,675)	(1,271)	(66)	(136)	(11,148)
Loans and other borrowings	(46,459)	-	(3,969)	-	(50,428)
Convertible loan notes	(14,298)	-	-	-	(14,298)
Net exposure	**(54,171)**	**(562)**	**(4,035)**	**(124)**	**(58,892)**

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

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2017	2016	2017	2016
TZS 1	0.0010	0.0010	0.0010	0.0010
EUR 1	1.1496	1.1066	1.1937	1.0523
GBP 1	1.3017	1.3557	1.3436	1.2332

25.5 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.

26. Related party transactions

Details of the remuneration and share options of the Directors, who are key management personnel, are contained within note 7 and the Directors' report. Executive Directors are considered key management.

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

During 2017 an amount of US$35,299 was paid to Keith Marshall in respect of engineering services to the Company and an amount of $124,767 was paid to Luke Leslie in respect of consultancy during his tenure as a Non-Executive director.

27. Commitments

The Directors confirm that the Group has a capital commitment of US$0.6 million (2016: US$38.5 million) relating to plant equipment, infrastructure projects and feasibility studies at New Luika Gold Mine. As at 31 December 2017, the Group had forward sales commitments of 22,500 ounces of gold at an average price of US$1,271 per oz. Since the year end, the Group has entered into additional forward sales contracts for 26,200 oz. (2016: 22,000 oz.). The total forward sales commitments at the end of March 2018 was 17,600 oz (June 2017: 36,000 oz) at an average price of US$1,287/oz (2017: US$1,281).

28. Contingent liabilities

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

The Directors confirm that there are no other contingent liabilities as at 31 December 2017 (2016: US$Nil).

29. Events after reporting date

On 3 January 2018 the Company issued 863,476 ordinary shares to those Directors who committed to subscribe for ordinary shares on a quarterly basis for a period of 12 months in accordance with salary/fee sacrifice arrangements entered into on 20 June 2017.

On 16 March 2018 the Company issued 7,692,898 ordinary shares to members of senior management following the change in Company policy to pay senior management performance pay in shares.

Notice of the Annual General Meeting

Shanta Gold Limited

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

Notice is hereby given that the Thirteenth Annual General Meeting of the shareholders of the Company will be held at 11 New Street, St Peter Port, Guernsey, GY1 3EG @PU on 13 June 2018 at 11.00am (the "Meeting") for the purpose of considering and, if thought fit, passing the following resolutions numbered 1 – 10 below as ordinary resolutions:

Ordinary resolutions

1. To receive and consider the profit and loss account and the balance sheet of the Company for the financial year ended 31 December 2017
2. To receive and consider the report of the directors of the Company
3. To receive and consider the report of the auditors of the Company
4. To approve the Directors' remuneration paid for the year to 31 December 2017 as detailed in the 2017 Annual Report and Accounts
5. To re-appoint BDO LLP as the auditors of the Company
6. To authorise the directors to fix the remuneration of the auditors as the directors see fit
7. To consider and if thought fit reappoint Eric Zurrin as Director of the Company
8. To consider and if thought fit reappoint Keith Marshall as Director of the Company
9. To consider and if thought fit re-elect Ketankumar Vinubhal Patel as director of the Company who retires by rotation and who makes himself available for re-election as a director of the Company
10. Any other business of which due notice has been given and which the Meeting is competent to consider

Dated 13 April

By order of the board

Director

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

SHANTA GOLD

Form of proxy

Shanta Gold Limited

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

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

I/We ____

of ____

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

____

failing whom, the chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Meeting to be held at 11 New Street, St Peter Port, Guernsey, GY1 3EG on 13 June 2018 at 11.00am and at any adjournment thereof and to attend and vote thereat as indicated below. To allow effective constitution of the Meeting, if it is apparent to the Chairman that no shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, then the Chairman may appoint a substitute to act as proxy in his stead for any shareholders provided that such substitute proxy shall vote on the same basis as the Chairman.

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

Ordinary Resolutions—Ordinary Business	For	Against	Vote withheld
1. Ordinary Resolution to receive and consider the profit and loss account and the balance sheet of the Company for the financial year ended 31 December 2017	☐	☐	☐
2. Ordinary Resolution to receive and consider the report of the directors of the Company	☐	☐	☐
3. Ordinary Resolution to receive and consider the report of the auditors of the Company	☐	☐	☐
4. To approve the Directors' remuneration paid for the year to 31 December 2017 as detailed in the 2017 Annual Report and Accounts	☐	☐	☐
5. Ordinary Resolution to re-appoint BDO LLP as the auditors of the Company	☐	☐	☐
6. Ordinary Resolution to approve the Directors' remuneration paid for the year to 31 December 2017 as detailed in the 2017 Annual Report and Accounts	☐	☐	☐
7. Ordinary Resolution to consider and if thought fit reappoint Eric Zurrin as Director of the Company	☐	☐	☐
8. Ordinary Resolution to consider and if thought fit reappoint Keith Marshall as Director of the Company	☐	☐	☐
9. Ordinary Resolution to consider and if thought fit re-elect Ketankumar Vinubhal Patel as Director of the Company who retires by rotation and who makes himself available for re-election as a Director of the Company	☐	☐	☐
10. Ordinary Resolution to approve any other business of which due notice has been given and which the Meeting is competent to consider	☐	☐	☐

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

Notes to the proxy form

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

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

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

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

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

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

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

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

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

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